



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 2020, the vessel portfolio comprised 12 tankers of different sizes and 1 containership on the water, and 2 tanker newbuildings under construction. Of the 13 vessels on the water, 10 vessels were chartered to international shipping companies on fixed-rate period charters. The 2 tanker newbuildings under construction are expected to be delivered to FSL Trust early 2021.

The combined portfolio of vessels (including the 2 newbuildings under construction) had an average age of approximately 8 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

	3Q 2020	3Q 2019	Inc/ (Dec)	YTD SEP 2020	YTD SEP 2019	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	8,573	15,500	(44.7)	41,497	50,893	(18.5)
Adjusted EBITDA ⁽¹⁾	3,329	9,330	(64.3)	26,064	31,096	(16.2)
Profit for the quarter/ period	463	1,640	(71.8)	8,469	6,681	26.8
Net distributable amount	629	-	100.0	27,150	-	100.0
Amount to be distributed	26,521	-	100.0	53,042	-	100.0
Distribution per unit ("DPU") (US Cents)	1.50	-	100.0	3.00	-	100.0
Average number of vessels	14.2	18.0	(21.1)	15.2	18.7	(18.7)

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	3Q 2020	3Q 2019	Inc/ (Dec)	YTD SEP 2020	YTD SEP 2019	Inc/ (Dec)	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%	
	Revenue	8,573	15,500	(44.7)	41,497	50,893	(18.5)
	Depreciation expense on vessels	(2,410)	(6,304)	(61.8)	(12,834)	(18,912)	(32.1)
(a)	Gain on disposal of vessels	2,112	14	N.M	4,801	23	N.M.
(b)	Impairment on vessels	(1,972)	-	100.0	(7,277)	-	100.0
(c)	Impairment on Non-Current Asset Classified as Held-for-Sale	(101)	-	100.0	(101)	-	100.0
(d)	Voyage expenses	6	43	(86.0)	(276)	(395)	(30.1)
	Vessel operating expenses	(4,230)	(5,276)	(19.8)	(12,244)	(15,988)	(23.4)
	Management fees	(212)	(428)	(50.5)	(1,218)	(1,430)	(14.8)
	Trustee fees	(10)	(15)	(33.3)	(36)	(41)	(12.2)
	Other Trust expenses	(798)	(494)	61.5	(1,659)	(1,943)	(14.6)
	Results from operating activities	958	3,040	(68.5)	10,653	12,207	(12.7)
	Finance income	9	171	(94.7)	262	225	16.4
	Finance expenses	(500)	(1,553)	(67.8)	(2,444)	(5,733)	(57.4)
	Profit before tax	467	1,658	(71.8)	8,471	6,699	26.5
	Income tax expenses	(4)	(18)	(77.8)	(2)	(18)	(88.9)
	Profit for the quarter/ period	463	1,640	(71.8)	8,469	6,681	26.8

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, one crude oil tanker (*FSL Shanghai*) in March 2020 and two containerships (*FSL Eminence* and *FSL Elixir*) in August 2020.
- (c) This relates to the impairment recognised on one product tanker (*FSL Singapore*) and three specialised tankers (*Speciality*, *Seniority* and *Superiority*) in 3Q 2020. (refer to paragraph 8(b)(ii)).
- (d) This relates to the impairment recognised on one containership (*FSL Enhancer*) in 3Q 2020. (refer to paragraph 8(b)(iii)).

1(a)(ii) Statements of Comprehensive Income

		Group			
		3Q 2020	3Q 2019	YTD SEP 2020	YTD SEP 2019
		US\$'000	US\$'000	US\$'000	US\$'000
	Profit for the quarter/ period	463	1,640	8,469	6,681
	Total comprehensive income, net of tax	463	1,640	8,469	6,681

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1(a)(iii) Distribution Statements

	Note	3Q 2020	3Q 2019	YTD SEP 2020	YTD SEP 2019
		US\$'000	US\$'000	US\$'000	US\$'000
Profit for the quarter/ period		463	1,640	8,469	6,681
Add: Non-cash adjustments	(a)	2,099	5,971	14,590	17,932
Net cash generated from operations		2,562	7,611	23,059	24,613
Less: Repayment of secured bank loans		(3,633)	(6,281)	(15,955)	(17,041)
Prepayment of secured bank loans	(b)	-	-	(2,944)	-
Income available for distribution		(1,071)	1,330	4,160	7,572
Add: Utilisation of cash retained from previous periods	(c)	1,700	-	22,990	-
Less: Cash retained in the current period		-	(1,330)	-	(7,572)
Net distributable amount		629	-	27,150	-
Capital distribution		25,892	-	25,892	-
Total distribution	(d)	26,521	-	53,042	-
Comprising:(i) Tax-exempt distribution		26,229	-	52,576	-
(ii) Tax-exempt (one-tier) distribution		292	-	466	-
Amount to be distributed		26,521	-	53,042	-
Units at end of quarter ('000)		1,768,058	1,768,058	1,768,058	1,768,058
Distribution per unit (US Cents)		1.50	-	3.00	-

Note(s):

(a) Non-cash adjustments

	Group			
	3Q 2020	3Q 2019	YTD SEP 2020	YTD SEP 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels ¹	2,137	5,978	11,999	17,934
Impairment on vessels	1,972	-	7,277	-
Impairment on Non-Current Asset Classified as Held-for-Sale	101	-	101	-
Gain on disposal of vessels	(2,112)	(14)	(4,801)	(23)
Amortisation of initial direct costs ²	1	7	14	21
	2,099	5,971	14,590	17,932

(b) In 3Q 2020, US\$4.5 million of the cash proceeds from the sale of two containerships was used to prepay the secured bank loan. However, as the US\$4.5 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) A distribution was approved by the Board of Directors for this quarter. This comprise income available for distribution of US\$0.6 million in 3Q 2020 and a capital distribution of US\$25.9 million. The capital distribution is partial distribution of proceeds from the disposal of vessels.

For the period ended 30 September 2020, the Board of Directors has determined that the Distribution Reinvestment Scheme will not apply to the distribution declared for this quarter.

¹ Excluding dry-docking costs.

² Excluding deferred arrangement fees.

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1(b)(i) Statements of Financial Position

		30 Sep 2020		31 Dec 2019	
		Group	Trust	Group	Trust
		US\$'000	US\$'000	US\$'000	US\$'000
	Note				
Non-current assets					
Vessels	(c)	138,632	-	180,702	-
Subsidiaries		-	31,847	-	31,847
		138,632	31,847	180,702	31,847
Current assets					
Trade and other receivables		5,148	41,562	13,181	97,262
Cash and cash equivalents	(a)	41,159	31,350	42,436	29,063
Non-current assets classified as held-for-sale	(c)	7,376	-	38,877	-
		53,683	72,912	94,494	126,325
Total assets		192,315	104,759	275,196	158,172
Equity attributable to unitholders of FSL Trust					
Units in issue		561,332	561,332	561,332	561,332
Reserves		(403,024)	(456,739)	(358,451)	(403,410)
Total equity		158,308	104,593	202,881	157,922
Non-current liabilities					
Secured bank loans	(b)	14,533	-	34,517	-
Current liabilities					
Trade and other payables		1,587	154	2,215	211
Secured bank loans	(b)	17,127	-	35,544	-
Lease income received in advance		748	-	-	-
Income tax payable		12	12	39	39
		19,474	166	37,798	250
Total liabilities		34,007	166	72,315	250
Total equity and liabilities		192,315	104,759	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 Sep 2020		31 Dec 2019	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	41,159	31,350	16,190	2,817
Fixed deposits with financial institutions	-	-	26,246	26,246
Cash and cash equivalents	41,159	31,350	42,436	29,063
Less: Restricted cash [^]	(500)	-	(500)	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	40,659	31,350	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 1.40% to 2.20% per annum.

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

	30 Sep 2020	31 Dec 2019
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	17,296	36,120
Less: Unamortised debt transaction costs	(169)	(576)
	17,127	35,544
<u>Repayable after one year</u>		
Secured bank loans	14,577	34,757
Less: Unamortised debt transaction costs	(44)	(240)
	14,533	34,517

In FY 2018, the Trustee-Manager, on behalf of FSL Trust, 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 was 4.074% as at 30 September 2020.

The aggregate outstanding balance of the loan facilities as at 30 September 2020 was US\$31.9 million.

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

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

The term loan facilities were 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.

The remaining loan outstanding on US\$40 million facility agreement with Chailease International Financial Services Co., Ltd. was voluntary prepaid on 24 September 2020.

(c) Vessels

Vessels comprise:

	30 Sep 2020		31 Dec 2019	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Vessels				
Operating Vessels	96,020	-	158,597	-
Vessels under construction	42,612	-	22,105	-
	138,632	-	180,702	-

The two newbuildings were launched and afloat on 14 Jun 2020 and 22 Aug 2020 respectively. They are expected to be delivered to FSL Trust early 2021.

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.

As at 30 September 2020, the Group reclassified one containership to non-current assets classified as held-for-sale. The Group recorded an impairment on the vessel amounting to US\$0.1 million in the income statement for the 9 months period ended 30 September 2020.

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1(c) Consolidated Statement of Cash Flows

	Note	Group			
		3Q 2020	3Q 2019	YTD SEP 2020	YTD SEP 2019
		US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:					
Profit before tax		467	1,658	8,471	6,699
Adjustments for:					
Depreciation expense on vessels		2,410	6,304	12,834	18,912
Impairment on vessels		1,972	-	7,277	-
Impairment on Non-Current Asset Classified as Held-for-Sale		101	-	101	-
Amortisation of debt transaction costs		86	211	603	859
Amortisation of initial direct costs		10	54	107	162
Interest income		(9)	(171)	(262)	(225)
Interest expense		396	1,352	1,834	4,891
Gain on disposal of vessels		(2,112)	(14)	(4,801)	(23)
		3,321	9,394	26,164	31,275
Changes in working capital:					
Trade and other receivables	(a)	3,221	1,544	8,001	3,008
Inventories		361	-	-	-
Trade and other payables		(424)	4,976	(139)	4,518
Lease income received in advance		(8)	-	748	(1,688)
Cash generated from operating activities		6,471	15,914	34,774	37,113
Income tax paid		-	-	(29)	-
Cash flows generated from operating activities		6,471	15,914	34,745	37,113
Investing activities:					
Vessels initial direct costs		-	(4)	-	(11)
Costs incurred for the vessels under construction		(5,432)	(4,915)	(20,507)	(15,331)
Costs incurred for vessel equipment		(156)	(987)	(1,205)	(1,266)
Interest received		8	188	294	199
Net proceeds on disposal of vessels		15,477	14	79,765	11,012
Cash flows generated from/(used in) investing activities		9,897	(5,704)	58,347	(5,397)
Financing activities:					
Loan from Sponsor		-	-	-	10,000
Proceeds from preferential offering		-	-	-	20,991
Units issued costs		-	(76)	-	(262)
Distribution to unitholders		-	-	(53,042)	-
Repayment of secured bank loans		(3,633)	(6,281)	(15,955)	(17,041)
Prepayment of secured bank loans		(4,453)	-	(23,049)	(4,152)
Interest paid		(404)	(1,785)	(2,323)	(4,905)
Cash flows (used in)/generated from financing activities		(8,490)	(8,142)	(94,369)	4,631
Net increase/(decrease) in cash and cash equivalents		7,878	2,068	(1,277)	36,347
Cash and cash equivalents at beginning of period		32,781	47,660	41,936	13,381
Cash and cash equivalents at end of period		40,659	49,728	40,659	49,728
Comprising:-					
Cash at Bank		40,659	22,558	40,659	22,558
Short-term deposits		-	27,170	-	27,170
		40,659	49,728	40,659	49,728

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

Note:

- (a) This includes the claim against Torm Singapore Pte. Ltd. for M/T “Torm Margrethe” and M/T “Torm Marie” which was amicably resolved with a final settlement on the terms and conditions set out in the settlement agreement paid in August 2020.

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

2020 Group

At 1 July 2020
 Total comprehensive income for the quarter
 At 30 September 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)	(396,762)	157,845
-	-	-	463	463
561,332	-	(6,725)	(396,299)	158,308

2019 Group

At 1 July 2019
 Units Issued on Conversion (CB)
 Units issued costs
 Total comprehensive income for the quarter
 At 30 September 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
554,313	560	(6,725)	(356,816)	191,332
7,095	(560)	-	-	6,535
(76)	-	-	-	(76)
-	-	-	1,640	1,640
561,332	-	(6,725)	(355,176)	199,431

2020 Trust

At 1 July 2020
 Total comprehensive loss for the quarter
 At 30 September 2020

Units in Issue	Option premium on convertible bonds	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
561,332	-	(456,585)	104,747
-	-	(154)	(154)
561,332	-	(456,739)	104,593

2019 Trust

At 1 July 2019
 Units Issued on Conversion (CB)
 Units issued costs
 Total comprehensive income for the quarter
 At 30 September 2019

Units in Issue	Option premium on convertible bonds	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
554,313	560	(408,482)	146,391
7,095	(560)	-	6,535
(76)	-	-	(76)
-	-	4,394	4,394
561,332	-	(404,088)	157,244

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

	Note	3Q 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 September 2020 and as at 30 September 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

FSL Trust has adopted all the new or revised IFRS that are effective for the financial period beginning 1 January 2020 and are relevant to its operations. The adoption of these IFRS does not have significant financial impact on the Group's financial position or results.

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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			
	3Q 2020	3Q 2019	YTD SEP 2020	YTD SEP 2019
Basic and diluted earnings per unit is based on:				
Weighted average number of issued units (basic) ('000)	1,768,058	1,741,516	1,768,058	1,083,073
Basic earnings per unit based on weighted average number of units in issue (US Cents)	0.03	0.09	0.48	0.62
Weighted average number of issued units (diluted) ('000) ^(a)	1,768,058	1,768,058	1,768,058	1,180,150
Diluted earnings per unit based on weighted average number of units in issue (US Cents) ^(b)	0.03	0.09	0.48	0.61
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)	1.50	-	3.00	-

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 3Q 2019 and YTD Sep 2019.

(b) For the purpose of calculating the diluted EPU, interest expenses on the convertible bond of US\$0.04 million and US\$0.52 million was added back to the net profit for 3Q 2019 and YTD Sep 2019 respectively.

As at 30 September 2020, the Trust did 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 Sep 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:

3Q 2020 vs 3Q 2019

	Group		
	3Q 2020	3Q 2019	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	8,573	15,500	(44.7)
Voyage expenses	6	43	(86.0)
Vessel operating expenses	(4,230)	(5,276)	(19.8)
Management fees	(212)	(428)	(50.5)
Trustee fees	(10)	(15)	(33.3)
Other Trust expenses ¹	(798)	(494)	61.5
Adjusted EBITDA ²	3,329	9,330	(64.3)
Depreciation expense on vessels	(2,410)	(6,304)	(61.8)
Impairment on vessels	(1,972)	-	100.0
Impairment on Non-Current Asset Classified as Held-for-Sale	(101)	-	100.0
Gain on disposal of vessels	2,112	14	N.M.
Results from operating activities (EBIT)	958	3,040	(68.5)
Finance income	9	171	(94.7)
Finance expenses	(500)	(1,553)	(67.8)
Profit before tax (EBT)	467	1,658	(71.8)
Income tax expense	(4)	(18)	(77.8)
Profit for the quarter	463	1,640	(71.8)

a. Adjusted EBITDA

Bareboat charter

i) Product tankers

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

ii) Containerships

FSL Eminence and *FSL Elixir* (previously known as *YM Eminence* and *YM Elixir* respectively) were sold on 27 August 2020 and 21 August 2020 respectively. *FSL Enhancer* (previously known as *YM Enhancer*) generated adjusted EBITDA of US\$1.6 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.

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8. Review of Performance (cont'd)

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\$0.7 million in the quarter under review.

Pool/Revenue Sharing Agreement ('RSA')

i) Product tankers

FSL Osaka entered a MR pool on November 2015. In the quarter under review, the vessel generated net pool revenue of US\$0.9 million. After deducting vessel operating expenses, the vessel generated adjusted EBITDA of US\$0.2 million.

FSL Singapore entered a MR pool on 23 April 2018. In the quarter under review, the vessel generated net pool revenue of US\$1.0 million. After deducting vessel operating expenses, the vessel generated adjusted EBITDA of US\$0.2 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\$1.4 million. After deducting vessel operating expenses, the vessels generated an adjusted EBITDA of US\$0.6 million.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 61.8% (US\$3.9 million) due to the disposal of two product tankers, one crude oil tanker and two containerships in January 2020, March 2020 and August 2020 respectively and changes to residual value and useful life of two containerships.

ii) Impairment on vessels

Upon re-assessment of the recoverable amount, the carrying amount of *FSL Singapore*, *Speciality*, *Seniority* and *Superiority* had exceeded the recoverable amount and an impairment of US\$1.97 million for the four vessels was recognized.

iii) Impairment on Non-current assets classified as held-for-sale

FSL Enhancer was reclassified to "Non-current assets classified as held-for-sale" and an impairment of US\$0.1 million was recognized in line with the net sale price.

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8. Review of Performance (cont'd)

c. Results from operating activities

FSL Trust generated an operating profit of US\$1.0 million in this quarter, compared to US\$3.0 million in the same period last year.

d. Finance expenses

Finance expenses in 3Q 2020, including an exchange loss of US\$18,000 (3Q 2019: exchange gain of US\$10,000), decreased by 67.8% (US\$1.1 million) mainly due to the lower outstanding indebtedness and LIBOR rates, lower amortisation of debt transaction costs and non-incurrence of bond interest.

For 3Q 2020, FSL Trust achieved net profits of US\$0.5 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

The COVID-19 pandemic continues to have a significant impact on the world economy and global trade and remains the dominant factor for the shipping industry in 2020, having caused a decline in demand for seaborne transportation and disruptions to the operation of vessels. FSL Trust continues to closely monitor developments and the potential effects on its business, operations and financial performance; and, takes appropriate measures to protect and preserve value for the unitholders. The continuing strong 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 report a positive result for the full year 2020 and meet all its obligations.

11. Distribution

(a) Current financial period

Any distributions declared for the current financial period	:	Yes
Amount	:	US\$26,520,865
Distribution Period	:	1 July 2020 to 30 September 2020
Distribution Type	:	Cash, Tax-exempt Distribution
Distribution Rate	:	US1.50 cents per unit
Par Value of units	:	Not applicable
Tax Rate	:	Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits for any taxes paid by the Trustee-Manager of FSL Trust.

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11. Distribution (cont'd)

(b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for : No
the previous corresponding
period

(c) Payment Date 14 December 2020

(d) Books closure date : The Transfer Books and Register of Unitholders of FSL Trust will be closed at 5.00 p.m. on 13 November 2020 for the purposes of determining each unitholder's entitlement to the Distribution of US1.50 cents per unit. Unitholders whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with units at 5.00 p.m. on 13 November 2020 will be entitled to the Distribution to be paid on 14 December 2020.

(e) Currency election procedures : Unitholders whose units are held directly through CDP will receive their distribution in the Singapore dollar equivalent of the US1.50 cents per unit declared. Unitholders who wish to elect to receive the distribution in US dollars can do so by submitting a "Currency Election Notice" by 5.00 p.m. on 30 November 2020.

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

Not applicable.

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 September 2020 to be false or misleading in any material aspect.

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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
5 November 2020