



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THREE AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2019**

First Ship Lease Trust (“FSL Trust” or the “Trust”) is a Singapore-based business trust which owns a fleet of vessels across major shipping sub-sectors and is listed on the Singapore Exchange Securities Trading Limited (“SGX”).

As at 31 December 2019, FSL Trust had a high quality, well maintained and diversified portfolio of 18 vessels consisting of three containerships, eleven product tankers, two chemical tankers and two crude oil tankers. Ten vessels were employed on long-term bareboat charters as at 31 December 2019 and have a dollar-weighted average remaining lease period of approximately one year (excluding extension periods and early buy-out options). Two vessels were on fixed time charters. The remaining six vessels were employed in pools. The combined portfolio of 18 vessels had a dollar-weighted average age of approximately thirteen years.

Furthermore, the Trust has two LR2 product tankers under construction at COSCO Shipping Heavy Industry (Yangzhou) Co., Ltd. These vessels are expected to be delivered in late 2020 and early 2021 respectively.

Summary of FSL Trust Consolidated Results

	4Q 2019	4Q 2018	Inc/ (Dec)	FY 2019	FY 2018	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	22,214	18,542	19.8	73,107	67,046	9.0
Profit/(Loss) for the quarter/ year	3,450	(18,540)	N.M.	10,131	(18,986)	N.M.
Net distributable amount	26,521	-	100.0	26,521	-	100.0
Amount to be distributed	26,521	-	100.0	26,521	-	100.0
Distribution per unit (“DPU”) (US Cents)	1.50	-	100.0	1.50	-	100.0
Average number of vessels	18.0	19.0	(5.3)	18.3	19.1	(4.2)

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1(a)(i) Consolidated Income Statements

		Group					
	Note	4Q 2019	4Q 2018	Inc/ (Dec)	FY 2019	FY 2018	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		22,214	18,542	19.8	73,107	67,046	9.0
Depreciation expense on vessels	(a)	(5,889)	(7,933)	(25.8)	(24,801)	(31,731)	(21.8)
Impairment on vessels		-	(14,313)	(100.0)	-	(14,313)	(100.0)
Impairment on non-current assets classified as held-for-sale	(b)	(4,994)	(6,335)	(21.2)	(4,994)	(6,335)	(21.2)
Voyage expenses		-	(118)	(100.0)	(395)	(2,281)	(82.7)
Vessel operating expenses		(5,601)	(5,657)	(1.0)	(21,589)	(19,456)	11.0
Management fees		(695)	(522)	33.1	(2,125)	(1,842)	15.4
Trustee fees		(14)	(14)	-	(55)	(61)	(9.8)
Other Trust expenses		(337)	(572)	(41.1)	(2,280)	(2,402)	(5.1)
Results from operating activities		4,684	(16,922)	N.M.	16,868	(11,375)	N.M.
Gain on disposal of vessels	(c)	15	-	100.0	38	886	(95.7)
Finance income		142	-	100.0	367	-	100.0
Finance expenses		(1,370)	(1,618)	(15.3)	(7,103)	(8,498)	(16.4)
Profit/(Loss) before tax		3,471	(18,540)	N.M.	10,170	(18,987)	N.M.
Income tax expense		(21)	-	100.0	(39)	1	N.M.
Profit/(Loss) for the quarter/year		3,450	(18,540)	N.M.	10,131	(18,986)	N.M.

Note:

- (a) Including amortization of dry-docking costs.
(b) This relates to the impairment recognised on two product tankers (FSL Piraeus and FSL Perth) in 4Q 2019. (refer to paragraph 8(b)(ii)).
(c) This relates to the sale of the product tanker (FSL Hamburg) in April 2019, the containership (FSL Busan) and the chemical tanker (FSL Tokyo) in January 2018.

1(a)(ii) Statements of Comprehensive Income

		Group			
		4Q 2019	4Q 2018	FY 2019	FY 2018
		US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) for the quarter/ year		3,450	(18,540)	10,131	(18,986)
Total comprehensive income/(loss), net of tax		3,450	(18,540)	10,131	(18,986)

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1(a)(iii) Distribution Statements

	Note	4Q 2019	4Q 2018	FY 2019	FY 2018
		US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) for the quarter/ year		3,450	(18,540)	10,131	(18,986)
Add: Non-cash adjustments	(a)	10,551	28,185	28,483	49,233
Net cash generated from operations		14,001	9,645	38,614	30,247
Less: Repayment of secured bank loans		(6,838)	(6,369)	(23,879)	(124,781)
Prepayment of secured bank loans		-	-	-	(16,234)
Add: Loan drawdown	(b)	-	-	-	108,000
Income available for distribution		7,163	3,276	14,735	(2,768)
Add: Utilisation of cash retained from previous periods		19,358	-	11,786	2,768
Less: Cash retained in the current period		-	(3,276)	-	-
Net distributable amount	(c)	26,521	-	26,521	-
Amount available for distribution		26,521	-	26,521	-
Comprising: (i) Tax-exempt distribution		26,193	-	26,193	-
(ii) Tax-exempt (one-tier) distribution		328	-	328	-
Amount to be distributed		26,521	-	26,521	-
Units at end of quarter/ year ('000)		1,768,058	637,457	1,768,058	637,457
Distribution per unit (US Cents)		1.50	-	1.50	-

Notes:

(a) Non-cash adjustments

	Group			
	4Q 2019	4Q 2018	FY 2019	FY 2018
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels ¹	5,564	7,530	23,498	30,120
Impairment on vessels	-	14,313	-	14,313
Impairment on non-current assets classified as held-for-sale	4,994	6,335	4,994	6,335
Gain on disposal of vessels	(15)	-	(38)	(886)
Amortisation of deferred income	-	-	-	(678)
Amortisation of initial direct costs ²	8	7	29	29
	10,551	28,185	28,483	49,233

(b) Drawdown of US\$108 million from the new facility agreements in 3Q 2018.

(c) A special distribution was approved by the Board for the full year 2019. For the period ended 31 December 2019, the Board has determined that the Distribution Reinvestment Scheme will not apply to the distribution declared for this quarter.

¹ Excluding amortization of dry-docking costs.

² Excluding amortization of deferred arrangement fees.

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1(b)(i) Statements of Financial Position

		31 Dec 2019		31 Dec 2018	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
	Vessels	180,702	-	225,538	-
	Subsidiaries	-	31,847	-	45,312
		180,702	31,847	225,538	45,312
Current assets					
	Trade and other receivables	13,181	97,262	12,760	76,586
	Cash and cash equivalents	42,436	29,063	13,881	1,331
	Non-current assets classified as held-for-sale	38,877	-	10,989	-
		94,494	126,325	37,630	77,917
	Total assets	275,196	158,172	263,168	123,229
Equity attributable to unitholders of FSL Trust					
	Units in issue	561,487	561,487	523,284	523,284
	Reserves	(358,606)	(403,565)	(368,022)	(407,040)
	Total equity	202,881	157,922	155,262	116,244
Non-current liabilities					
	Secured bank loans	34,517	-	73,765	-
	Convertible bonds	-	-	6,287	6,287
		34,517	-	80,052	6,287
Current liabilities					
	Trade and other payables	2,215	211	2,897	698
	Lease income received in advance	-	-	1,688	-
	Secured bank loans	35,544	-	23,269	-
	Income tax payable	39	39	-	-
		37,798	250	27,854	698
	Total liabilities	72,315	250	107,906	6,985
	Total equity and liabilities	275,196	158,172	263,168	123,229

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

Note:

(a) Cash and cash equivalents comprise:

	31 Dec 2019		31 Dec 2018	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	16,190	2,817	13,881	1,331
Fixed deposits with financial institutions	26,246	26,246	-	-
Cash and cash equivalents	42,436	29,063	13,881	1,331
Less: Restricted cash [^]	(500)	-	(500)	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	41,936	29,063	13,381	1,331

[^] 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

	31 Dec 2019	31 Dec 2018
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	36,120	24,258
Less: Unamortised debt transaction costs	(576)	(989)
	35,544	23,269
<u>Repayable after one year</u>		
Secured bank loans	34,757	74,650
Less: Unamortised debt transaction costs	(240)	(885)
	34,517	73,765

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

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

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

The aggregate outstanding balance of the loan facilities as at 31 December 2019 was US\$70.9 million.

Upon the completion of the disposal of the two LR2 vessels, the outstanding debt was further reduced with a prepayment of US\$10.09 million in 1Q 2020.

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

As at 31 December 2019, 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) Convertible Bonds - Group and Trust

Pursuant to the completion of the Bond Issue on 21 May 2018, the Trust raised net proceeds of US\$7.03 million (after deducting bond fees of US\$0.22 million) which were applied towards the repayment of the previous Syndicated Loan in 2Q 2018.

The Subscriber, on 15 July 2019, exercised its right and converted the Bonds with an aggregate principal amount of US\$7.25 million in accordance with the terms and conditions of the Bond Subscription Agreement (refer to paragraph 1(d)(ii) for further details).

(d) Vessels

Vessels comprise:

	31 Dec 2019		31 Dec 2018	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Vessels				
Operating Vessels	158,597	-	225,498	-
Vessels under construction	22,105	-	40	-
	180,702	-	225,538	-

Plan approval is completed and works have been proceeding as scheduled. Keel laying for Hull no. 944 is scheduled for February 2020 while for Hull no. 945 it is scheduled for April 2020. However, these dates are expected to be adjusted due to the impact on the shipyard's labour force caused by the coronavirus outbreak in China.

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 the income statement.

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(c) Consolidated Statement of Cash Flows

	Note	Group			
		4Q 2019	4Q 2018	FY 2019	FY 2018
		US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:					
Profit/(Loss) before tax		3,471	(18,540)	10,170	(18,987)
Adjustments for:					
Depreciation expense on vessels		5,889	7,933	24,801	31,731
Impairment on vessels		-	14,313	-	14,313
Impairment on non-current assets classified as held-for-sale		4,994	6,335	4,994	6,335
Amortisation of debt transaction costs		199	300	1,058	533
Amortisation of initial direct costs		55	55	217	217
Amortisation of deferred income		-	-	-	(678)
Interest income		(142)	-	(367)	-
Interest expense		1,149	1,318	6,040	7,838
Gain on disposal of vessels		(15)	-	(38)	(886)
		15,600	11,714	46,875	40,416
Changes in working capital:					
Trade and other receivables		(3,396)	(769)	(388)	(2,256)
Trade and other payables		(4,884)	(1,342)	(366)	262
Lease income received in advance		-	1,688	(1,688)	(955)
Cash generated from operating activities		7,320	11,291	44,433	37,467
Income tax paid		-	-	-	1
Cash flows generated from operating activities		7,320	11,291	44,433	37,468
Investing activities:					
Vessels initial direct costs		-	(40)	(235)	(40)
Costs incurred for the vessels under construction		(6,499)	-	(21,830)	-
Costs incurred for vessel equipment		(722)	-	(1,988)	-
Interest received		135	-	334	-
Net proceed on disposal of vessels		15	-	11,027	19,146
Costs incurred for dry-docking		-	-	-	(6)
Cash flows (used in)/generated from investing activities		(7,071)	(40)	(12,692)	19,100
Financing activities:					
Loan from Sponsor		-	-	10,000	-
Repayment of loan to Sponsor		-	-	(10,000)	-
Net proceeds from issuance of convertible bonds		-	(101)	-	6,585
Proceeds from preferential offering	(b)	-	-	31,215	-
Units issued costs	(b)	-	-	(262)	-
Loan drawdown		-	-	-	108,000
Pledged deposit		-	-	-	(500)
Payment of upfront closing fees		-	(12)	-	(2,407)
Repayment of secured bank loans		(6,838)	(6,369)	(23,879)	(124,781)
Prepayment of secured bank loans		-	-	(4,152)	(35,617)
Interest paid		(1,203)	(2,171)	(6,108)	(7,668)
Cash flows used in from financing activities		(8,041)	(8,653)	(3,186)	(56,388)

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

	Note	Group			
		4Q 2019	4Q 2018	FY 2019	FY 2018
		US\$'000	US\$'000	US\$'000	US\$'000
Net (decrease)/increase in cash and cash equivalents		(7,792)	2,598	28,555	180
Cash and cash equivalents at beginning of period		49,728	10,783	13,381	13,201
Cash and cash equivalents at end of period		41,936	13,381	41,936	13,381
Comprising:-					
Cash at Bank		15,690	13,381	15,690	13,381
Short-term deposits		26,246	-	26,246	-
		41,936	13,381	41,936	13,381

Note:

- (a) Up to 31 December 2019, the Trust had utilised part of the net proceeds of US\$31.00 million from the Preferential Offering as follows:

Use of proceeds	4Q 2019 US\$'000	FY 2019 US\$'000
Full repayment of the amounts outstanding under the Bridging Loan ⁽ⁱⁱ⁾	-	10,220 ⁽ⁱ⁾
Second instalment of 10% of the consideration for New Vessels (hull N944)	-	4,880
Second instalment of 10% of the consideration for New Vessels (hull N945)	4,880	4,880
Total	4,880	19,980

Note:

- (i) The Bridging Loan was applied towards the first instalments of the aggregate consideration for the New Vessels (hulls N944 and N945).
- (ii) 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

2019
Group

At 1 October 2019
Total comprehensive income
for the quarter
At 31 December 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
561,487	(155)	(6,725)	(355,176)	199,431
-	-	-	3,450	3,450
561,487	(155)	(6,725)	(351,726)	202,881

2018
Group

At 1 October 2018
Issue of convertible bonds -
equity component
Total comprehensive loss for
the quarter
At 31 December 2018

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	568	(6,725)	(343,317)	173,810
-	(8)	-	-	(8)
-	-	-	(18,540)	(18,540)
523,284	560	(6,725)	(361,857)	155,262

2019
Trust

At 1 October 2019
Total comprehensive income for the quarter
At 31 December 2019

Units in Issue	Option premium on convertible bonds	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
561,487	(155)	(404,088)	157,244
-	-	678	678
561,487	(155)	(403,410)	157,922

2018
Trust

At 1 October 2018
Issue of convertible bonds - equity
component
Total comprehensive income for the quarter
At 31 December 2018

Units in Issue	Option premium on convertible bonds	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,284	568	(426,621)	97,231
-	(8)	-	(8)
-	-	19,021	19,021
523,284	560	(407,600)	116,244

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

	Note	FY 2019 Units	FY 2018 Units
At the beginning of the period		637,456,577	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	637,456,577

There are no treasury shares and no subsidiary holdings as at 31 December 2019 and as at 31 December 2018.

(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.

Mandatory General Offer

On 7 June 2019, as a result of the Preferential Offering and in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, FSL Holdings Pte. Ltd., the Sponsor of the Trust, was required to, and made, a Mandatory General Offer for all the Units of the Trust. Upon the closing of the Offer on 14 August 2019, the total number of Units controlled by the Sponsor increased to 1,292,288,508 Units, representing approximately 73.09% of the total issued Units.

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 2018, except for the adoption of the new or revised International Financial Reporting Standards ("IFRS") applicable for the financial period beginning 1 January 2019.

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 2019 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			
	4Q 2019	4Q 2018	FY 2019	FY 2018
Basic and diluted earnings/ (loss) per unit is based on:				
Weighted average number of issued units (basic) ('000)	1,768,058	637,457	1,255,727	637,457
Basic earnings/ (loss) per unit based on weighted average number of units in issue (US Cents)	0.20	(2.91)	0.81	(2.98)
Weighted average number of issued units (diluted) ('000) ^(a)	1,768,058	637,457	1,328,335	637,457
Diluted earnings/ (loss) per unit based on weighted average number of units in issue (US Cents) ^(b)	0.20	(2.91)	0.80	(2.98)
Number of issued units at end of quarter/ year ('000)	1,768,058	637,457	1,768,058	637,457
Distribution per unit (US Cents)	1.50	-	1.50	-

Note:

(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.

(b) For the purpose of calculating the diluted EPU, interest expenses on the convertible bond of US\$0million and US\$0.52 million was added back to the net profit for 4Q 2019 and FY 2019 respectively. Diluted (loss) per unit based on weighted average number of units in issue (US cents) were the same as basic (loss) per unit as the conversion of convertible bonds to units were anti-dilutive for 4Q 2018 and FY 2018.

As at 31 December 2019, 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	31 Dec 2019		31 Dec 2018	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.11	0.09	0.24	0.18

Note:

(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 (on a bareboat charter/bareboat charter equivalent (“BBCE”) basis) by the respective charter types and the net result from operations is as follows:

4Q 2019 vs 4Q 2018

	Group		
	4Q 2019	4Q 2018	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	6,584	6,553	0.5
BBCE revenue of vessels on:-			
-Time charter	570	891	(36.0)
-Pool	9,154	5,056	81.1
-Spot	(20)	(136)	(85.3)
Total bareboat charter/BBCE revenue	16,288	12,364	31.7
Less:			
Depreciation expense on vessels ¹	(5,564)	(7,530)	(26.1)
Impairment on vessels	-	(14,313)	(100.0)
Impairment on non-current assets classified as held-for-sale	(4,994)	(6,335)	(21.2)
Management fees	(695)	(522)	33.1
Trustee fees	(14)	(14)	-
Other Trust expenses ²	(337)	(572)	(41.1)
Other operating expenses	(11,604)	(29,286)	(60.4)
Results from operating activities	4,684	(16,922)	N.M.
Gain on disposal of vessels	15	-	100.0
Finance income	142	-	100.0
Finance expenses	(1,370)	(1,618)	(15.3)
Profit/(Loss) before tax	3,471	(18,540)	N.M.
Income tax expense	(21)	-	100.0
Profit/(Loss) for the quarter	3,450	(18,540)	N.M.

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals increased marginally by 0.5% (US\$0.03 million).

¹ For this analysis, amortization expense on dry-docking costs is not included in depreciation expense on vessels, but is included in vessel operating expenses in deriving BBCE revenue.

² 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.

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. These vessels generated BBCE revenue of US\$0.6 million in the quarter under review.

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\$1.5 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.9 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\$1.4 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.7 million.

FSL Piraeus and *FSL Perth* entered Sigma Tanker Pool managed by Heidmar Inc. ('Sigma Tanker Pool') on 21 August 2018 and 25 August 2018 respectively. In the quarter under review, these vessels together generated net pool revenue of US\$5.4 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$3.6 million.

ii) Crude oil tankers

FSL Hong Kong and *FSL Shanghai* are employed on a RSA (Revenue Sharing Agreement) from 14 April 2017 and 12 September 2017 respectively. In the quarter under review, these vessels together generated net pool revenue of US\$5.4 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$4.0 million.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 26.1% (US\$2.0 million) due to:

- (a) lower depreciation expenses of US\$0.3 million arising from the disposal of one product tanker in April 2019;
- (b) lower depreciation of US\$1.7 million due to lower depreciation arising from impairment on vessels taken last year.

8. Review of Performance (cont'd)

b. Other operating expenses (cont'd)

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

FSL Piraeus and FSL Perth were reclassified to “Non-current assets classified as held-for-sale” and an impairment of US\$5.0 million was recognized in line with the net sale price.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$4.7 million in this quarter, compared to an operating loss of US\$16.9 million over the same period last year.

d. Finance expenses

Finance expenses in 4Q 2019, including an exchange loss of US\$23,000 (4Q 2018: exchange gain of US\$300), decreased by 15.3% (US\$0.2 million) mainly due to reduced amortisation of debt transaction costs and non-incurrence of bond interest.

For 4Q 2019, FSL Trust achieved net profits of US\$3.5 million.

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8. Review of Performance (cont'd)

FY 2019 vs FY 2018

	Group		
	FY 2019	FY 2018	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	26,205	30,310	(13.5)
BBCE revenue of vessels on:-			
-Time charter	3,266	2,529	29.1
-Pool	20,624	10,516	96.1
-Spot	(275)	343	N.M.
Total bareboat charter/BBCE revenue	49,820	43,698	14.0
Less:			
Depreciation expense on vessels ¹	(23,498)	(30,120)	(22.0)
Impairment on vessels	-	(14,313)	(100.0)
Impairment on non-current assets classified as held-for-sale	(4,994)	(6,335)	(21.2)
Management fees	(2,125)	(1,842)	15.4
Trustee fees	(55)	(61)	(9.8)
Other Trust expenses ²	(2,280)	(2,402)	(5.1)
Other operating expenses	(32,952)	(55,073)	(40.2)
Results from operating activities	16,868	(11,375)	N.M.
Gain on disposal of vessels	38	886	(95.7)
Finance income	367	-	100.0
Finance expenses	(7,103)	(8,498)	(16.4)
Profit/(Loss) before tax	10,170	(18,987)	N.M.
Income tax expense	(39)	1	N.M.
Profit/(Loss) for the year	10,131	(18,986)	N.M.

a. Bareboat charter/BBCE revenue

Bareboat charter

For the year ended 31 December 2019, Bareboat charter rentals decreased by 13.5% (US\$4.1 million), mainly attributable to:

- i) *FSL Piraeus (ex. TORM Margrethe)* bareboat lease expired in June 2018 (US\$1.9 million); and
- ii) *FSL Perth (ex. TORM Marie)* bareboat lease expired in July 2018 (US\$2.2 million).

¹ For this analysis, depreciation expense on dry-docking costs is not included in depreciation expense on vessels, but is included in vessel operating expenses in deriving BBCE revenue.

² 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.

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. These vessels generated BBCE revenue of US\$3.3 million in FY 2019 (FY 2018: US\$1.9 million).

Pool/Revenue Sharing Agreement ('RSA')

i) Product tankers

FSL Osaka entered an MR pool managed by Hafnia Management ('Hafnia Pool') since November 2015. The vessel generated net pool revenue of US\$5.2 million in FY 2019 (FY 2018: US\$4.3 million). After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$2.6 million in in FY 2019 (FY 2018: US\$1.7 million).

FSL Hamburg and *FSL Singapore* entered an MR pool managed by Hafnia Management ('Hafnia Pool') on 7 October 2017 and 23 April 2018 respectively. These vessels together generated net pool revenue of US\$5.8 million in FY 2019 (FY 2018: US\$6.2 million). After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$2.6 million in FY 2019 (FY 2018: US\$1.6 million). *FSL Hamburg* was ultimately sold on 04 April 2019.

FSL Piraeus and *FSL Perth* entered Sigma Tanker Pool managed by Heidmar Inc. ('Sigma Pool') on 21 August 2018 and 25 August 2018 respectively. These vessels together generated net pool revenue of US\$13.8 million in FY 2019 (FY 2018: US\$4.1 million). After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$7.5 million in FY 2019 (FY 2018: US\$2.4 million).

ii) Crude oil tankers

FSL Hong Kong and *FSL Shanghai* are employed on a RSA (Revenue Sharing Agreement) from 14 April 2017 and 12 September 2017 respectively. These vessels together generated net pool revenue of US\$13.3 million in FY 2019 (FY 2018: US\$9.9 million). After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$7.9 million in FY 2019 (FY 2018: US\$4.8 million).

8. Review of Performance (cont'd)

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 22.0% (US\$6.6 million) due to:

- (a) lower depreciation expenses of US\$1.1 million arising from the disposal of one product tanker in April 2019;
- (b) lower depreciation of US\$5.5 million due to lower depreciation arising from impairment on vessels taken last year.

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

FSL Piraeus and FSL Perth were reclassified to “Non-current assets classified as held-for-sale” and an impairment of US\$5.0 million was recognized in line with the net sale price.

c. Results from operating activities

On an overall basis, FSL Trust incurred an operating profit of US\$16.9 million in FY 2019 (FY 2018: operating loss of US\$11.4 million).

d. Finance expenses

Finance expenses in FY 2019, including an exchange loss of US\$5,000 (FY 2018: US\$14,000), decreased 16.4% (US\$1.4 million) due mainly to the lower outstanding indebtedness and bond interest, offset with higher amortisation of debt upfront fees.

For the year ended 31 December 2019, FSL Trust achieved net profits of US\$10.1 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

Year 2020 has commenced strongly, however the market is facing some challenges from external factors.

11. Distribution

(a) Current financial period

Any distributions declared for the current financial period	:	Yes
Amount	:	US\$26,520,865
Distribution Period	:	1 October 2019 to 31 December 2019
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.

(b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for the previous corresponding period	:	No
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(c) Payment Date 13 March 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 February 2020 for the purposes of determining each unitholder's entitlement to the Distribution of US1.50 cents. Unitholders whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with units at 5.00 p.m. on 13 February 2020 will be entitled to the Distribution to be paid on 13 March 2020.

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11. Distribution (cont'd)

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

Not applicable.

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

Please refer to Section 8.

16. Breakdown of Revenue and Net Profit

	Group		
	FY 2019	FY 2018	Inc/(Dec)
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	35,393	33,521	5.6
(b) Net profit after tax reported for first half year	5,041	1,636	208.1
(c) Revenue reported for second half year	37,714	33,525	12.5
(d) Net profit/(loss) after tax reported for second half year	5,090	(20,622)	N.M.

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17. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2019

A distribution of US1.50 cents per unit was declared for the period 1 Jan 2019 to 31 Dec 2019 (FY 2018: Nil).

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

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

19. 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

Alan Mitchell
Chief Financial Officer
05 February 2020