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**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

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First Ship Lease Trust (“FSL Trust” or “the Trust”) is a shipowner and a provider of leasing services on a bareboat charter basis to the international shipping industry and is listed on the Singapore Exchange Securities Trading Limited (“SGX”).

As at 31 December 2018, FSL Trust has a high quality, well maintained and diversified portfolio of 19 vessels consisting of three containerships, twelve product tankers, two chemical tankers and two crude oil tankers. 10 vessels are employed on long-term bareboat charters as at 31 December 2018 and have a dollar-weighted average remaining lease period of approximately two years (excluding extension periods and early buy-out options). The remaining nine vessels are employed on time charter arrangements and in pools. The combined portfolio of 19 vessels has a dollar-weighted average age of approximately twelve years.

**Summary of FSL Trust Consolidated Results**

	4Q 2018	4Q 2017	Inc/ (Dec)	FY 2018	FY 2017	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	18,542	19,896	(6.8)	67,046	81,499	(17.7)
Loss for the quarter/ year	(18,540)	(33,874)	(45.3)	(18,986)	(73,888)	(74.3)
Income available for distribution	3,276	(6,250)	N.M.	(2,768)	(25,525)	(89.2)
Average number of vessels	19.0	21.7	(12.4)	19.1	21.9	(12.8)

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**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

**1(a)(i) Consolidated Income Statements**

		Group				
Note	4Q 2018	4Q 2017	Inc/ (Dec)	FY 2018	FY 2017	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
	18,542	19,896	(6.8)	67,046	81,499	(17.7)
Revenue						
Depreciation expense on vessels	(7,933)	(8,562)	(7.3)	(31,731)	(37,106)	(14.5)
(a)						
Impairment on vessels	(14,313)	(25,936)	(44.8)	(14,313)	(72,210)	(80.2)
(b)						
Impairment on non-current asset classified as held-for-sale	(6,335)	(8,919)	(29.0)	(6,335)	(8,919)	(29.0)
(c)						
Voyage expenses	(118)	(1,701)	(93.1)	(2,281)	(1,701)	34.1
Vessel operating expenses	(5,657)	(6,027)	(6.1)	(19,456)	(23,054)	(15.6)
Management fees	(522)	(487)	7.2	(1,842)	(2,241)	(17.8)
Trustee fees	(14)	(19)	(26.3)	(61)	(86)	(29.1)
Other Trust expenses	(572)	(755)	(24.2)	(2,402)	(2,188)	9.8
<b>Results from operating activities</b>	<b>(16,922)</b>	<b>(32,510)</b>	<b>(47.9)</b>	<b>(11,375)</b>	<b>(66,006)</b>	<b>(82.8)</b>
Other income	-	-	-	-	400	(100.0)
(d)						
Gain on disposal of vessels	-	771	(100.0)	886	771	14.9
(e)						
Finance income	-	-	-	-	54	(100.0)
Finance expenses	(1,618)	(2,134)	(24.2)	(8,498)	(9,106)	(6.7)
<b>Loss before tax</b>	<b>(18,540)</b>	<b>(33,873)</b>	<b>(45.3)</b>	<b>(18,987)</b>	<b>(73,887)</b>	<b>(74.3)</b>
Income tax expense	-	(1)	(100.0)	1	(1)	N.M.
<b>Loss for the quarter/year</b>	<b>(18,540)</b>	<b>(33,874)</b>	<b>(45.3)</b>	<b>(18,986)</b>	<b>(73,888)</b>	<b>(74.3)</b>

Note:

- (a) Vessels costs include dry-docking costs.  
(b) This relates to the impairment recognised on four product tankers and three containerships in 4Q 2018. (refer to paragraph 8(b)(ii)).  
(c) This relates to the impairment recognised on a product tanker in 4Q 2018. (refer to paragraph 8(b)(iii)).  
(d) This relates to income received from claims and legal settlements.  
(e) This relates to the disposal of a containership and a chemical tanker in January 2018.

**1(a)(ii) Statements of Comprehensive Income**

		Group			
		4Q 2018	4Q 2017	FY 2018	FY 2017
		US\$'000	US\$'000	US\$'000	US\$'000
<b>Loss for the quarter/ year</b>		<b>(18,540)</b>	<b>(33,874)</b>	<b>(18,986)</b>	<b>(73,888)</b>
<b>Other comprehensive income</b>					
<b>Items that are or may be classified subsequently to profit or loss:</b>					
Effective portion of changes in fair value of cash flow hedges		-	-	-	8
Net change in fair value of cash flow hedges transferred to income statement		-	-	-	114
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>122</b>
<b>Total comprehensive loss, net of tax</b>		<b>(18,540)</b>	<b>(33,874)</b>	<b>(18,986)</b>	<b>(73,766)</b>

**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

**1(a)(iii) Distribution Statements**

		Group			
Note	4Q 2018	4Q 2017	FY 2018	FY 2017	
	US\$'000	US\$'000	US\$'000	US\$'000	
Loss for the quarter/ year	(18,540)	(33,874)	(18,986)	(73,888)	
Add: Non-cash adjustments	28,185	41,874	49,233	114,646	
<b>Net cash generated from operations</b>	<b>9,645</b>	<b>8,000</b>	<b>30,247</b>	<b>40,758</b>	
Less: Repayment of secured bank loans	(6,369)	(6,250)	(124,781)	(38,283)	
Prepayment of secured bank loans	-	(8,000)	(16,234)	(28,000)	
Add: Loan drawdown	-	-	108,000	-	
<b>Income available for distribution</b>	<b>3,276</b>	<b>(6,250)</b>	<b>(2,768)</b>	<b>(25,525)</b>	
Add: Utilisation of cash retained from previous periods	-	6,250	2,768	25,525	
Less: Cash retained in the current period	(3,276)	-	-	-	
<b>Net distributable amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Amount available for distribution	-	-	-	-	
Comprising: (i) Tax-exempt distribution	-	-	-	-	
(ii) Tax-exempt (one-tier) distribution	-	-	-	-	
<b>Amount to be distributed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Units at end of quarter/ year ('000)	637,457	637,457	637,457	637,457	
Distribution per unit (US Cents)	-	-	-	-	

Notes:

(a) Non-cash adjustments

		Group			
	4Q 2018	4Q 2017	FY 2018	FY 2017	
	US\$'000	US\$'000	US\$'000	US\$'000	
Depreciation expense on vessels <sup>1</sup>	7,530	8,143	30,120	35,676	
Impairment on vessels	14,313	25,936	14,313	72,210	
Impairment on non-current asset classified as held-for-sale	6,335	8,919	6,335	8,919	
Gain on disposal of vessels	-	(771)	(886)	(771)	
Amortisation of deferred income	-	(361)	(678)	(1,445)	
Amortisation of initial direct costs <sup>2</sup>	7	8	29	57	
	28,185	41,874	49,233	114,646	

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

(c) No distribution has been recommended by the Board for the fourth quarter of 2018.

<sup>1</sup> Excluding dry-docking costs.

<sup>2</sup> Excluding deferred arrangement fees.

**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

**1(b)(i) Statements of Financial Position**

		31 Dec 2018		31 Dec 2017	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-current assets</b>					
	Vessels	225,538	-	289,077	-
	Subsidiaries	-	45,312	-	215,863
		225,538	45,312	289,077	215,863
<b>Current assets</b>					
	Trade and other receivables	12,760	76,586	10,504	38,991
	Cash and cash equivalents	13,881	1,331	13,201	5,507
	Non-current asset classified as held-for-sale	10,989	-	18,260	-
		37,630	77,917	41,965	44,498
	<b>Total assets</b>	<b>263,168</b>	<b>123,229</b>	<b>331,042</b>	<b>260,361</b>
<b>Equity attributable to unitholders of FSL Trust</b>					
	Units in issue	523,284	523,284	523,284	523,284
	Reserves	(368,022)	(407,040)	(349,596)	(415,653)
	<b>Total equity</b>	<b>155,262</b>	<b>116,244</b>	<b>173,688</b>	<b>107,631</b>
<b>Non-current liabilities</b>					
	Secured bank loans	73,765	-	-	-
	7% Convertible bonds	6,287	6,287	-	-
		80,052	6,287	-	-
<b>Current liabilities</b>					
	Trade and other payables	2,897	698	2,727	1,424
	Lease income received in advance	1,688	-	2,643	-
	Secured bank loans	23,269	-	151,306	151,306
	Deferred income	-	-	678	-
		27,854	698	157,354	152,730
	<b>Total liabilities</b>	<b>107,906</b>	<b>6,985</b>	<b>157,354</b>	<b>152,730</b>
	<b>Total equity and liabilities</b>	<b>263,168</b>	<b>123,229</b>	<b>331,042</b>	<b>260,361</b>

**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

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

Note:

(a) Cash and cash equivalents comprise:

	31 Dec 2018		31 Dec 2017	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Restricted cash <sup>^</sup>	500	-	-	-
Cash at Bank	13,381	1,331	13,201	5,507
Cash and cash equivalents	13,881	1,331	13,201	5,507
Less: Restricted cash	(500)	-	-	-
Cash and cash equivalents in the statement of cash flows	13,381	1,331	13,201	5,507

<sup>^</sup> This relates to the minimum cash balance in the Liquidity Account at all times of \$500,000 with Amsterdam Trade Bank N.V..

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

	31 Dec 2018	31 Dec 2017
	US\$'000	US\$'000
<b>Secured bank loans</b>		
<u>Repayable within one year</u>		
Secured bank loans	24,258	151,306
Less: Unamortised debt upfront fees	(989)	-
	23,269	151,306
<u>Repayable after one year</u>		
Secured bank loans	74,650	-
Less: Unamortised debt upfront fees	(885)	-
	73,765	-

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

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

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

The outstanding face value of the loan balance was US\$98.9 million as at 31 December 2018.

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**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

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

As at 31 December 2018, the Trust 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.

(d) 7% 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 fee of US\$0.22 million which were applied towards the repayment of the previous Syndicated Loan in 2Q 2018.

The Statements of Financial Position figure of US\$6.29 million is after adjusting for legal fees of US\$0.45 million, an equity component of US\$0.56 million and interest component of US\$0.27 million.

**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

**1(c) Consolidated Statement of Cash Flows**

	Group			
	4Q 2018	4Q 2017	FY 2018	FY 2017
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Operating activities:</b>				
Loss before tax	(18,540)	(33,873)	(18,987)	(73,887)
Adjustments for:				
Depreciation expense on vessels	7,933	8,562	31,731	37,106
Impairment on vessels	14,313	25,936	14,313	72,210
Impairment on non-current asset classified as held-for-sale	6,335	8,919	6,335	8,919
Amortisation of debt upfront fees	300	202	533	851
Amortisation of initial direct costs	55	54	217	345
Amortisation of deferred income	-	(361)	(678)	(1,445)
Interest income	-	-	-	(54)
Interest expense	1,318	1,905	7,838	8,127
Gain on disposal of vessels	-	(771)	(886)	(771)
	11,714	10,573	40,416	51,401
Changes in working capital:				
Trade and other receivables	(769)	(3,785)	(2,256)	(6,630)
Inventories	-	-	-	122
Trade and other payables	(1,342)	47	262	87
Lease income received in advance	1,688	2,563	(955)	2,555
<b>Cash generated from operating activities</b>	<b>11,291</b>	<b>9,398</b>	<b>37,467</b>	<b>47,535</b>
Income tax paid	-	(1)	1	5
<b>Cash flows generated from operating activities</b>	<b>11,291</b>	<b>9,397</b>	<b>37,468</b>	<b>47,540</b>
<b>Investing activities:</b>				
Interest received	-	-	-	70
Vessels initial direct costs	(40)	-	(40)	-
Net proceed on disposal of vessels	-	5,813	19,146	5,813
Costs incurred for dry-docking	-	(126)	(6)	(3,451)
<b>Cash flows (used in)/ generated from investing activities</b>	<b>(40)</b>	<b>5,687</b>	<b>19,100</b>	<b>2,432</b>
<b>Financing activities:</b>				
Net proceeds from issuance of convertible bonds	(101)	-	6,585	-
Loan drawdown	-	-	108,000	-
Pledged deposit	-	-	(500)	-
Payment of upfront closing fees	(12)	-	(2,407)	-
Repayment of secured bank loans	(6,369)	(6,250)	(124,781)	(38,283)
Prepayment of secured bank loans	-	(13,575)	(35,617)	(33,575)
Interest paid	(2,171)	(1,640)	(7,668)	(7,812)
<b>Cash flows used in financing activities</b>	<b>(8,653)</b>	<b>(21,465)</b>	<b>(56,388)</b>	<b>(79,670)</b>
Net increase/ (decrease) in cash and cash equivalents	2,598	(6,381)	180	(29,698)
Cash and cash equivalents at beginning of period	10,783	19,582	13,201	42,899
Cash and cash equivalents at end of period	13,381	13,201	13,381	13,201
<b>Comprising:-</b>				
Cash at Bank	13,381	13,201	13,381	13,201

**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

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

	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
<b>2018 Group</b>					
At 1 October 2018	523,284	568	(6,725)	(343,317)	173,810
Issue of convertible bonds - equity component	-	(8)	-	-	(8)
Total comprehensive income for the quarter	-	-	-	(18,540)	(18,540)
At 31 December 2018	523,284	560	(6,725)	(361,857)	155,262

	Units in Issue	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>2017 Group</b>				
At 1 October 2017	523,284	(6,725)	(308,997)	207,562
Total comprehensive loss for the quarter	-	-	(33,874)	(33,874)
At 31 December 2017	523,284	(6,725)	(342,871)	173,688

	Units in Issue	Option premium on convertible bonds	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>2018 Trust</b>				
At 1 October 2018	523,284	568	(426,621)	97,231
Issue of convertible bonds - equity component	-	(8)	-	(8)
Total comprehensive loss for the quarter	-	-	19,021	19,021
At 31 December 2018	523,284	560	(407,600)	116,244

	Units in Issue	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000
<b>2017 Trust</b>			
At 1 October 2017	523,284	(404,353)	118,931
Total comprehensive loss for the quarter	-	(11,300)	(11,300)
At 31 December 2017	523,284	(415,653)	107,631



**FIRST SHIP LEASE TRUST  
 UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
 FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

**1(d)(ii)(iii) Details of any changes in Units**

	Note	4Q 2018 Units	FY 2017 Units
At the beginning of the period		637,456,577	637,456,577
Units issued during the period		-	-
At the end of the period		637,456,577	637,456,577

There are no treasury shares and no subsidiary holdings as at 31 December 2018 and as at 31 December 2017.

**Convertible Bonds**

On 21 May 2018, the Trust issued US\$7,250,000 in principal amount of Convertible Bonds due in 2020 which are convertible by holders into units of the Trust at any time during the Term at conversion price of US\$0.05687 per unit (subject to whether an Adjustment Event has occurred). The maximum number of New Units that may be issued by the Trust to the Subscriber will be 127,483,735 New Units. There has been no conversion since the date of the issue.

**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 2017, except for the adoption of the new or revised International Financial Reporting Standards ("IFRS") applicable for the financial period beginning 1 January 2018.

**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

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 2018 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.

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 2018	4Q 2017	FY 2018	FY 2017
Basic and diluted earnings/ (loss) per unit is based on:				
Weighted average number of issued units (basic) ('000)	637,457	637,457	637,457	637,457
Basic (loss) per unit based on weighted average number of units in issue (US Cents)	(2.91)	(5.31)	(2.98)	(11.59)
Weighted average number of issued units (diluted) ('000) <sup>(a)</sup>	637,457	637,457	637,457	637,457
Diluted (loss) per unit based on weighted average number of units in issue (US Cents) <sup>(b)</sup>	(2.91)	(5.31)	(2.98)	(11.59)
Number of issued units at end of quarter/ year ('000)	637,457	637,457	637,457	637,457
Distribution per unit (US Cents)	-	-	-	-

Note:

(a) As the conversion of convertible bonds to units were anti-dilutive, the weighted average number of issued units remained at 637,456,577. If the conversion is dilutive, the respective weighted average number of units in issue would be 764,940,312 and 716,042,441 for 4Q 2018 and FY 2018 taking into account the dilutive effect arising from full conversion of convertible bonds to units.

(b) 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.

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 2018		31 Dec 2017	
	Group	Trust	Group	Trust
Net asset value per unit (US\$)	0.24	0.18	0.27	0.17

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.

**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

**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 2018 vs 4Q 2017

	Group		
	4Q 2018	4Q 2017	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	6,553	8,470	(22.6)
BBCE revenue of vessels on:-			
-Time charter	891	482	84.9
-Pool	5,056	2,492	102.9
-Spot	(136)	305	N.M.
Total bareboat charter/BBCE revenue	12,364	11,749	5.2
Less:			
Depreciation expense on vessels <sup>1</sup>	(7,530)	(8,143)	(7.5)
Impairment on vessels	(14,313)	(25,936)	(44.8)
Impairment on non-current asset classified as held-for-sale	(6,335)	(8,919)	(29.0)
Management fees	(522)	(487)	7.2
Trustee fees	(14)	(19)	(26.3)
Other Trust expenses <sup>2</sup>	(572)	(755)	(24.2)
Other operating expenses	(29,286)	(44,259)	(33.8)
<b>Results from operating activities</b>	<b>(16,922)</b>	<b>(32,510)</b>	<b>(47.9)</b>
Gain on disposal of vessels	-	771	(100.0)
Finance expenses	(1,618)	(2,134)	(24.2)
<b>Loss before tax</b>	<b>(18,540)</b>	<b>(33,873)</b>	<b>(45.3)</b>
Income tax expense	-	(1)	(100.0)
<b>Loss for the quarter</b>	<b>(18,540)</b>	<b>(33,874)</b>	<b>(45.3)</b>

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 22.6% (US\$1.9 million), mainly attributable to:

- i) *Cumbrian Fisher* and *Clyde Fisher* bareboat contracts renewed at a lower daily rate (US\$0.1 million); and
- ii) *TORM Margrethe* (renamed *FSL Piraeus*) bareboat lease expired in June 2018 (US\$0.9 million); and
- iii) *TORM Marie* (renamed *FSL Perth*) bareboat lease expired in July 2018 (US\$0.9 million).

<sup>1</sup> 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.

<sup>2</sup> 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\$0.9 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') since November 2015. The vessel generated net pool revenue of US\$1.1 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.4 million in the quarter under review.

*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\$2.0 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$0.6 million in the quarter under review.

*FSL Piraeus* (ex *TORM Margrethe*) and *FSL Perth* (ex *TORM Marie*) 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\$3.2 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$2.0 million in the quarter under review.

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\$3.6 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$2.1 million in the quarter under review.

Spot

i) Product tankers

*FSL Piraeus* (ex *TORM Margrethe*) and *FSL Perth* (ex *TORM Marie*) traded spot from July 2018 to August 2018 respectively. After deducting vessel operating expenses, the vessels incurred BBCE loss of (US\$0.1) million in the quarter under review.

8. Review of Performance (cont'd)

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 7.5% (US\$0.6 million) due to lower depreciation arising from impairment on vessels taken last year and the disposal of one containership and one chemical tanker.

ii) Impairment on vessels

Upon re-assessment of the recoverable amount in line with the deterioration in current market value, it was assessed that the carrying amounts of *FSL Singapore*, *YM Eminence*, *YM Elixir*, *YM Enhancer*, *FSL Piraeus*, *FSL Perth* and *FSL Osaka* had exceeded the recoverable amount and an impairment of US\$14.3 million for the seven vessels was recognized in 4Q 2018.

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

*FSL Hamburg* was reclassified to "Non-current asset classified as held-for-sale" and an impairment of US\$6.3 million was recognized in line with the net sale price.

c. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$16.9 million in this quarter, compared to an operating loss of US\$32.5 million over the same period last year.

d. Finance expenses

Finance expenses in 4Q 2018, including an exchange gain of US\$300 (4Q 2017: exchange loss of US\$16,000), decreased by 24.2% (US\$0.5 million) mainly due to the lower outstanding indebtedness, offset with bond interest and amortisation of debt upfront fees.

For 4Q 2018, FSL Trust incurred a net loss of US\$18.5 million.

**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

8. Review of Performance (cont'd)

FY 2018 vs FY 2017

	Group		
	FY 2018	FY 2017	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	30,310	35,516	(14.7)
BBCE revenue of vessels on:-			
-Time charter	2,529	9,919	(74.5)
-Pool	10,516	9,574	9.8
-Spot	343	305	12.5
Total bareboat charter/BBCE revenue	43,698	55,314	(21.0)
Less:			
Depreciation expense on vessels <sup>1</sup>	(30,120)	(35,676)	(15.6)
Impairment on vessels	(14,313)	(72,210)	(80.2)
Impairment on non-current asset classified as held-for-sale	(6,335)	(8,919)	(29.0)
Management fees	(1,842)	(2,241)	(17.8)
Trustee fees	(61)	(86)	(29.1)
Other Trust expenses <sup>2</sup>	(2,402)	(2,188)	9.8
Other operating expenses	(55,073)	(121,320)	(54.6)
<b>Results from operating activities</b>	<b>(11,375)</b>	<b>(66,006)</b>	<b>(82.8)</b>
Other income	-	400	(100.0)
Gain on disposal of vessels	886	771	14.9
Finance income	-	54	(100.0)
Finance expenses	(8,498)	(9,106)	(6.7)
<b>Loss before tax</b>	<b>(18,987)</b>	<b>(73,887)</b>	<b>(74.3)</b>
Income tax expense	1	(1)	N.M.
<b>Loss for the year</b>	<b>(18,986)</b>	<b>(73,888)</b>	<b>(74.3)</b>

a. Bareboat charter/BBCE revenue

Bareboat charter

For the year ended 31 December 2018, Bareboat charter rentals decreased by 14.7% (US\$5.2 million), mainly attributable to:

- i) *Cumbrian Fisher, Clyde Fisher, Speciality, Seniority and Superiority* bareboat contracts renewed at a lower daily rate (US\$1.6 million); and
- ii) *TORM Margrethe* (renamed *FSL Piraeus*) bareboat lease expired in June 2018 and lost time due to repairs (US\$1.9 million); and
- iii) *TORM Marie* (renamed *FSL Perth*) bareboat lease expired in July 2018 and lost time due to repairs (US\$1.7 million).

<sup>1</sup> 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.

<sup>2</sup> 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) Product tankers

*FSL Singapore* was employed on time charter till 23 April 2018 and subsequently redeployed to an MR pool. The vessel generated BBCE revenue of US\$0.6 million in FY 2018 (FY 2017: US\$3.2 million).

ii) 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\$1.9 million in FY 2018.

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\$4.3 million in FY 2018 (FY 2017: US\$4.2 million). After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$1.7 million in FY 2018 (FY 2017: US\$1.8 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\$6.2 million in FY 2018 (FY 2017: US\$ 1.1 million). After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$1.6 million in FY 2018 (FY 2017: US\$ 0.5 million).

*FSL Piraeus* (ex *TORM Margrethe*) and *FSL Perth* (ex *TORM Marie*) 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\$4.1 million in FY 2018. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$2.4 million in FY 2018.

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\$9.9 million in FY 2018 (FY 2017: US\$ 4.3 million). After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$4.8 million in FY 2018 (FY 2017: US\$ 1.3 million).

8. Review of Performance (cont'd)

Spot

i) Chemical tankers

Upon exiting the 'Nordic Tankers 19,000 Stainless Steel Pool', the three chemical tankers traded in the spot market from October 2017 to June 2018 and generated US\$5.8 million of freight income in FY 2018 (FY 2017: US\$ 3.4 million). After deducting voyage and vessel operating expenses, the vessels earned BBCE revenue of US\$0.8 million in FY 2018 (FY 2017: US\$ 0.3 million).

ii) Product tankers

*FSL Piraeus (ex TORM Margrethe)* and *FSL Perth (ex TORM Marie)* traded spot from July 2018 to August 2018 respectively. These vessels together generated net pool revenue of US\$0.4 million in FY 2018. After deducting vessel operating expenses, the vessels incurred BBCE loss of (US\$0.5) million in FY 2018.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 15.6% (US\$5.6 million) due to:

- (a) lower depreciation expenses of US\$1.9 million arising from the disposal of two containerships and one chemical tanker;
- (b) lower depreciation of US\$3.7 million arising from impairment on vessels taken last year.

ii) Impairment on vessels

Upon re-assessment of the recoverable amount in line with the deterioration in current market value, it was assessed that the carrying amounts of FSL Singapore, YM Eminence, YM Elixir, YM Enhancer, FSL Piraeus, FSL Perth and FSL Osaka had exceeded the recoverable amount and an impairment of US\$14.3 million for the seven vessels was recognized.

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

*FSL Hamburg* was reclassified to "Non-current asset classified as held-for-sale" and an impairment of US\$6.3 million was recognized in line with the net sale price.



8. Review of Performance (cont'd)

c. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$11.4 million in FY 2018 (FY 2017: US\$66.0 million).

d. Finance expenses

Finance expenses in FY 2018, including an exchange loss of US\$14,000 (FY 2017: US\$77,000), decreased 6.7% (US\$0.6 million) due mainly to the lower outstanding indebtedness and the expiry of existing swaps, offset with bond interest and amortisation of debt upfront fees.

For the year ended 31 December 2018, FSL Trust incurred a net loss of US\$19.0 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

Sectors of the market in which the Trust operates are improving. These positive signs are expected to continue.

11. Distribution

(a) Current financial period

Any distributions declared for the : No  
current financial period

(b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for the : No  
previous corresponding period

12. If no distribution has been declared/recommended, a statement to that effect

No distribution has been declared. The Board of Directors have concluded, given the continued challenging conditions in the shipping industry, that the recommencement of distributions would not as yet be a prudent use of the Trust's cash resources.

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.

**FIRST SHIP LEASE TRUST**  
**UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT**  
**FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018**

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

Not applicable.

16. Breakdown of Revenue and Net Profit

	Group		
	FY 2018	FY 2017	Inc/(Dec)
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	33,521	42,898	(21.9)
(b) Net profit/(loss) after tax reported for first half year	1,636	(18,361)	N.M.
(c) Revenue reported for second half year	33,525	38,601	(13.1)
(d) Net loss after tax reported for second half year	(20,622)	(55,527)	(62.9)

17. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2018

There was no distribution for the period 1 Jan 2018 to 31 Dec 2018 (FY 2017: 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.

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FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FOURTH QUARTER AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2018

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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  
20 February 2019