



**FIRST SHIP LEASE TRUST
 UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
 FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 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 March 2019, FSL Trust had 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 March 2019 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 were employed on time charter arrangements and in pools. The combined portfolio of 19 vessels had a dollar-weighted average age of approximately twelve years.

Summary of FSL Trust Consolidated Results

	1Q 2019	1Q 2018	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	19,090	16,856	13.3
Profit for the quarter	3,009	917	228.1
Income available for distribution	3,254	257	N.M.
Average number of vessels	19.0	19.3	(1.6)

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1(a)(i) Consolidated Income Statements

		Group		
	Note	1Q 2019	1Q 2018	Inc/ (Dec)
		US\$'000	US\$'000	%
Revenue		19,090	16,856	13.3
Depreciation expense on vessels		(6,304)	(7,933)	(20.5)
Voyage expenses		(517)	(1,029)	(49.8)
Vessel operating expenses		(5,412)	(4,432)	22.1
Management fees		(545)	(464)	17.5
Trustee fees		(13)	(17)	(23.5)
Other Trust expenses		(1,131)	(702)	61.1
Results from operating activities		5,168	2,279	126.8
Gain on disposal of vessels	(a)	-	886	(100.0)
Finance expenses		(2,159)	(2,246)	(3.9)
Profit before tax		3,009	919	227.4
Income tax expense		-	(2)	(100.0)
Profit for the quarter		3,009	917	228.1

Note:

(a) This relates to the disposal of a containership and a chemical tanker in January 2018.

1(a)(ii) Statements of Comprehensive Income

		Group	
		1Q 2019	1Q 2018
		US\$'000	US\$'000
Profit for the quarter		3,009	917
Total comprehensive income, net of tax		3,009	917

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1(a)(iii) Distribution Statements

		Group	
		1Q 2019	1Q 2018
		US\$ '000	US\$ '000
		3,009	917
		5,985	6,290
		8,994	7,207
		(5,740)	(6,250)
		-	(700)
		3,254	257
		-	-
		(3,254)	(257)
		-	-
		-	-
		-	-
		-	-
		-	-
		637,457	637,457
		-	-

Notes:

(a) Non-cash adjustments

Depreciation expense on vessels ¹
Gain on disposal of vessels
Amortisation of deferred income
Amortisation of initial direct costs ²

		Group	
		1Q 2019	1Q 2018
		US\$ '000	US\$ '000
		5,978	7,530
		-	(886)
		-	(361)
		7	7
		5,985	6,290

(b) Prepayments of US\$0.7 million was made to reduce the outstanding loan balance in 1Q 2018. In 1Q 2018, US\$19.4 million of the cash proceeds from the sale of a containership and a chemical tanker were also used to prepay the secured bank loans. However, as the US\$19.4 million was generated from the sale of the vessels instead of operations, it has not been included in this statement.

(c) No distribution has been recommended by the Board for the first quarter of 2019.

¹ Excluding dry-docking costs.

² Excluding deferred arrangement fees.

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1(b)(i) Statements of Financial Position

		31 Mar 2019		31 Dec 2018	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
	Vessels	229,845	-	225,538	-
	Subsidiaries	-	45,312	-	45,312
		229,845	45,312	225,538	45,312
Current assets					
	Inventories	227	-	-	-
	Trade and other receivables	12,550	75,294	12,760	76,586
(a)	Cash and cash equivalents	15,599	1,855	13,881	1,331
	Non-current asset classified as held-for-sale	10,989	-	10,989	-
		39,365	77,149	37,630	77,917
	Total assets	269,210	122,461	263,168	123,229
Equity attributable to unitholders of FSL Trust					
	Units in issue	523,284	523,284	523,284	523,284
	Reserves	(365,013)	(407,585)	(368,022)	(407,040)
	Total equity	158,271	115,699	155,262	116,244
Non-current liabilities					
(b)	Secured bank loans	66,911	-	73,765	-
(c)	Convertible bonds	6,398	6,398	6,287	6,287
		73,309	6,398	80,052	6,287
Current liabilities					
	Trade and other payables	2,943	364	2,897	698
	Lease income received in advance	-	-	1,688	-
(b)	Secured bank loans	24,687	-	23,269	-
(d)	Loan from Sponsor	10,000	-	-	-
		37,630	364	27,854	698
	Total liabilities	110,939	6,762	107,906	6,985
	Total equity and liabilities	269,210	122,461	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 Mar 2019		31 Dec 2018	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	15,599	1,855	13,881	1,331
Less: Restricted cash [^]	(500)	-	(500)	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	15,099	1,855	13,381	1,331

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

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

	31 Mar 2019	31 Dec 2018
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	25,557	24,258
Less: Unamortised debt transaction costs	(870)	(989)
	24,687	23,269
<u>Repayable after one year</u>		
Secured bank loans	67,611	74,650
Less: Unamortised debt transaction costs	(700)	(885)
	66,911	73,765

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

- (a) US\$50 million facility agreement with Hellenic Bank Public Company Limited ("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 weighted average interest margin over LIBOR of the three loans is 4.012%.

The aggregate outstanding face value of the loan facilities was US\$93.2 million as at 31 March 2019.

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

As at 31 March 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 Statements of Financial Position figure of US\$6.40 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\$0.38 million.

(d) Loan from Sponsor

On 7 February 2019, the Group announced a bridging loan agreement of US\$25.00 million with FSL Holdings Pte. Ltd., the Sponsor, to partially finance the new shipbuilding contracts for FSL-28, Inc. and FSL-29, Inc.. A first drawdown of US\$10.00 million was then made to facilitate the first instalment of US\$9.76 million, which was paid to COSCO Shipping Heavy Industry (Yangzhou) Co., Ltd on 13 February 2019.

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1(c) Consolidated Statement of Cash Flows

	Group	
	1Q 2019	1Q 2018
	US\$'000	US\$'000
Operating activities:		
Profit before tax	3,009	919
Adjustments for:		
Depreciation expense on vessels	6,304	7,933
Amortisation of debt transaction costs	304	-
Amortisation of initial direct costs	54	54
Amortisation of deferred income	-	(361)
Interest expense	1,849	2,193
Gain on disposal of vessels	-	(886)
	11,520	10,573
Changes in working capital:		
Trade and other receivables	210	1,964
Inventories	(227)	-
Trade and other payables	174	71
Lease income received in advance	(1,688)	(36)
Cash generated from operating activities	9,989	11,851
Income tax paid	-	(2)
Cash flows generated from operating activities	9,989	11,849
Investing activities:		
Vessels initial direct costs	(102)	-
Costs incurred for new shipbuilding contracts	(10,416)	-
Costs incurred for vessel equipment	(147)	-
Net proceed on disposal of vessels	-	19,146
Costs incurred for dry-docking	-	(6)
Cash flows (used in)/ generated from investing activities	(10,665)	19,140
Financing activities:		
Loan from Sponsor	10,000	-
Repayment of secured bank loans	(5,740)	(6,250)
Prepayment of secured bank loans	-	(20,084)
Interest paid	(1,866)	(2,225)
Cash flows generated from/ (used in) financing activities	2,394	(28,559)
Net increase in cash and cash equivalents	1,718	2,430
Cash and cash equivalents at beginning of period	13,381	13,201
Cash and cash equivalents at end of period	15,099	15,631
Comprising:-		
Cash at Bank	15,099	15,631

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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
2019 Group					
At 1 January 2019	523,284	560	(6,725)	(361,857)	155,262
Total comprehensive income for the quarter	-	-	-	3,009	3,009
At 31 March 2019	523,284	560	(6,725)	(358,848)	158,271

	Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2018 Group					
At 1 January 2018	523,284	-	(6,725)	(342,871)	173,688
Total comprehensive income for the quarter	-	-	-	917	917
At 31 March 2018	523,284	-	(6,725)	(341,954)	174,605

	Units in Issue	Option premium on convertible bonds	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2019 Trust				
At 1 January 2019	523,284	560	(407,600)	116,244
Total comprehensive loss for the quarter	-	-	(545)	(545)
At 31 March 2019	523,284	560	(408,145)	115,699

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2018 Trust				
At 1 January 2018	523,284	-	(415,653)	107,631
Total comprehensive loss for the quarter	-	-	(2,756)	(2,756)
At 31 March 2018	523,284	-	(418,409)	104,875

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

	Note	1Q 2019 Units	FY 2018 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 March 2019 and as at 31 March 2018.

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.

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

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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.

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	
	1Q 2019	1Q 2018
Basic and diluted earnings/ (loss) per unit is based on:		
Weighted average number of issued units (basic) ('000)	637,457	637,457
Basic earnings per unit based on weighted average number of units in issue (US Cents)	0.47	0.14
Weighted average number of issued units (diluted) ('000) ^(a)	764,940	637,457
Diluted earnings per unit based on weighted average number of units in issue (US Cents) ^(b)	0.42	0.14
Number of issued units at end of quarter ('000)	637,457	637,457
Distribution per unit (US Cents)	-	-

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\$0.24 million was added back to the net profit.

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 Mar 2019		31 Dec 2018	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.25	0.18	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:

1Q 2019 vs 1Q 2018

	Group		
	1Q 2019	1Q 2018	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	6,523	8,901	(26.7)
BBCE revenue of vessels on:-			
-Time charter	942	504	86.9
-Pool	5,447	1,897	187.1
-Spot	(77)	(310)	(75.2)
Total bareboat charter/BBCE revenue	12,835	10,992	16.8
Less:			
Depreciation expense on vessels ¹	(5,978)	(7,530)	(20.6)
Management fees	(545)	(464)	17.5
Trustee fees	(13)	(17)	(23.5)
Other Trust expenses ²	(1,131)	(702)	61.1
Other operating expenses	(7,667)	(8,713)	(12.0)
Results from operating activities	5,168	2,279	126.8
Gain on disposal of vessels	-	886	(100.0)
Finance expenses	(2,159)	(2,246)	(3.9)
Profit before tax	3,009	919	227.4
Income tax expense	-	(2)	(100.0)
Profit for the quarter	3,009	917	228.1

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 26.7% (US\$2.4 million), mainly attributable to:

- i) *TORM Margrethe* (renamed *FSL Piraeus*) bareboat lease expired in June 2018 (US\$1.2 million); and
- ii) *TORM Marie* (renamed *FSL Perth*) bareboat lease expired in July 2018 (US\$1.2 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\$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\$1.5 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.8 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\$2.2 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$1.1 million in the quarter under review.

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. These vessels together generated net pool revenue of US\$3.4 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$2.1 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\$2.7 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$1.4 million in the quarter under review.

b. Other operating expenses

Depreciation expense on vessels decreased by 20.6% (US\$1.6 million) due to lower depreciation arising from impairment on vessels taken last year.

8. Review of Performance (cont'd)

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$5.2 million in this quarter, compared to US\$2.3 million over the same period last year.

d. Finance expenses

Finance expenses in 1Q 2019, including an exchange loss of US\$6,000 (1Q 2018: US\$21,000), decreased by 3.9% (US\$0.1 million) mainly due to the lower outstanding indebtedness, offset with bond interest and amortisation of debt transaction costs.

For 1Q 2019, FSL Trust achieved net profits of US\$3.0 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

Sectors of the market in which the Trust operates are expected to show positive signs during 2H 2019.

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 and the reason(s) for the decision

No distribution has been declared this quarter. The Board of Directors will recommence distributions when distributions are sustainable, after providing for fleet renewal.

13. If the Group has obtained a general mandate from unitholders for Interested Party Transaction ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

FSL Trust does not have any unitholders' mandate for IPT.

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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 31 March 2019 to be false or misleading in any material aspect.

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

Alan Mitchell
Chief Financial Officer
07 May 2019