



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FOURTH QUARTER AND TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2020**

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

As at 31 December 2020, the vessel portfolio comprised 12 tankers of different sizes and 2 tanker newbuildings on order. Of the 12 vessels on the water, 9 vessels were chartered to international shipping companies on fixed-rate period charters whilst 3 vessels are employed in pools. The 2 tanker newbuildings on order are expected to be delivered to FSL Trust early 2021.

The combined portfolio of vessels (including the 2 newbuildings on order) had an average age of approximately 8 years and a dollar-weighted average remaining lease period of approximately 4 years (excluding extension periods, early purchase options and early termination options).

References to the term "Group" mean FSL Trust and its subsidiaries on a consolidated basis.

Summary of FSL Trust Consolidated Results

	4Q 2020	4Q 2019	Inc/ (Dec)	FY 2020	FY 2019	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	6,835	22,214	(69.2)	48,332	73,107	(33.9)
Adjusted EBITDA ⁽¹⁾	3,054	15,567	(80.4)	29,118	46,663	(37.6)
(Loss)/Profit for the period	(2,223)	3,450	N.M.	6,246	10,131	(38.3)
Net distributable amount	-	26,521	(100.0)	27,150	26,521	2.4
Amount to be distributed	-	26,521	(100.0)	53,042	26,521	100.0
Distribution per unit ("DPU") (US Cents)	-	1.50	(100.0)	3.00	1.50	100.0
Average number of vessels	12.3	18.0	(31.7)	14.5	18.3	(20.8)

Note(s):

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

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1(a)(i) Consolidated Income Statements

		Group					
Note	4Q 2020	4Q 2019	Inc/ (Dec)	FY 2020	FY 2019	Inc/ (Dec)	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%	
	Revenue	6,835	22,214	(69.2)	48,332	73,107	(33.9)
	Depreciation expense on vessels	(1,934)	(5,889)	(67.2)	(14,768)	(24,801)	(40.5)
(a)	Gain on disposal of vessels	166	15	1,106.7	4,967	38	13,071.1
(b)	Impairment on vessels	(3,117)	-	N.M.	(10,394)	-	N.M.
(c)	Impairment on Non-Current Asset Classified as Held-for-Sale	-	(4,994)	(100.0)	(101)	(4,994)	(98.0)
(d)	Voyage expenses	-	-	-	(276)	(395)	(30.1)
	Vessel operating expenses	(3,294)	(5,601)	(41.2)	(15,538)	(21,589)	(28.0)
	Management fees	(147)	(695)	(78.8)	(1,365)	(2,125)	(35.8)
	Trustee fees	(9)	(14)	(35.7)	(45)	(55)	(18.2)
	Other Trust expenses	(331)	(337)	(1.8)	(1,990)	(2,280)	(12.7)
	Results from operating activities	(1,831)	4,699	N.M.	8,822	16,906	(47.8)
	Finance income	18	142	(87.3)	280	367	(23.7)
	Finance expenses	(411)	(1,370)	(70.0)	(2,855)	(7,103)	(59.8)
	(Loss)/Profit before tax	(2,224)	3,471	N.M.	6,247	10,170	(38.6)
	Income tax expenses	1	(21)	N.M.	(1)	(39)	(97.4)
	(Loss)/Profit for the period	(2,223)	3,450	N.M.	6,246	10,131	(38.3)

Note(s):

- (a) Including amortization of dry-docking costs.
- (b) This relates to the sale of the two product tankers (*FSL Piraeus* and *FSL Perth*) in January 2020, one crude oil tanker (*FSL Shanghai*) in March 2020, two containerships (*FSL Eminence* and *FSL Elixir*) in August 2020 and one containership (*FSL Enhancer*) in October 2020.
- (c) This relates to the impairment recognised on one crude oil tanker (*FSL Hong Kong*) and one product tanker (*FSL Osaka*) in 4Q 2020 (refer to paragraph 8(b)(ii)).
- (d) This relates to the impairment recognised on one containership (*FSL Enhancer*) in 3Q 2020. (refer to paragraph 8(b)(iii)).

1(a)(ii) Statements of Comprehensive Income

		Group			
		4Q 2020	4Q 2019	FY 2020	FY 2019
		US\$'000	US\$'000	US\$'000	US\$'000
	(Loss)/Profit for the period	(2,223)	3,450	6,246	10,131
	Total comprehensive (loss)/income, net of tax	(2,223)	3,450	6,246	10,131

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1(a)(iii) Distribution Statements

	Note	4Q 2020	4Q 2019	FY 2020	FY 2019
		US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the period		(2,223)	3,450	6,246	10,131
Add: Non-cash adjustments	(a)	4,638	10,551	19,228	28,483
Net cash generated from operations		2,415	14,001	25,474	38,614
Less: Repayment of secured bank loans		(1,871)	(6,838)	(17,826)	(23,879)
Prepayment of secured bank loans	(b)	-	-	(2,944)	-
Income available for distribution		544	7,163	4,704	14,735
Add: Utilisation of cash retained from previous periods	(c)	-	19,358	22,446	11,786
Less: Cash retained in the current period		(544)	-	-	-
Net distributable amount		-	26,521	27,150	26,521
Capital distribution		-	-	25,892	-
Total distribution	(d)	-	26,521	53,042	26,521
Comprising:(i) Tax-exempt distribution		-	26,193	52,576	26,193
(ii) Tax-exempt (one-tier) distribution		-	328	466	328
Amount to be distributed		-	26,521	53,042	26,521
Units at end of period ('000)		1,768,058	1,768,058	1,768,058	1,768,058
Distribution per unit (US Cents)		-	1.50	3.00	1.50

Note(s):

(a) Non-cash adjustments

	Group			
	4Q 2020	4Q 2019	FY 2020	FY 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels [^]	1,686	5,564	13,685	23,498
Impairment on vessels	3,117	-	10,394	-
Impairment on Non-Current Asset Classified as Held-for-Sale	-	4,994	101	4,994
Gain on disposal of vessels	(166)	(15)	(4,967)	(38)
Amortisation of initial direct costs ^{^^}	1	8	15	29
	4,638	10,551	19,228	28,483

[^] Excluding amortisation of dry-docking costs.

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

- (b) For the year ended 31 December 2020, US\$15.6 million of the cash proceeds from the sale of two product tankers and one crude oil tanker as well as US\$4.5 million of cash freely available to the Trust were used to prepay secured bank loans. However, as these amounts were not generated from operations, it has not been included in this statement.
- (c) Distributions are not limited to the amount of the net distributable amount as distributions can also be made from proceeds arising from the sale of vessels.
- (d) No distribution has been recommended by the Board for 4Q 2020.

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1(b)(i) Statements of Financial Position

		31 Dec 2020		31 Dec 2019	
		Group	Trust	Group	Trust
		US\$'000	US\$'000	US\$'000	US\$'000
	Note				
Non-current assets					
Vessels	(c)	136,105	-	180,702	-
Subsidiaries		-	35,072	-	31,847
		136,105	35,072	180,702	31,847
Current assets					
Trade and other receivables		5,036	32,145	13,181	97,262
Cash and cash equivalents	(a)	20,694	10,877	42,436	29,063
Non-current assets classified as held-for-sale	(c)	-	-	38,877	-
		25,730	43,022	94,494	126,325
Total assets		161,835	78,094	275,196	158,172
Equity attributable to unitholders of FSL Trust					
Units in issue		561,332	561,332	561,332	561,332
Reserves		(431,768)	(483,463)	(358,451)	(403,410)
Total equity		129,564	77,869	202,881	157,922
Non-current liabilities					
Secured bank loans	(b)	13,303	-	34,517	-
Current liabilities					
Trade and other payables		1,663	214	2,215	211
Secured bank loans	(b)	16,538	-	35,544	-
Lease income received in advance		756	-	-	-
Income tax payable		11	11	39	39
		18,968	225	37,798	250
Total liabilities		32,271	225	72,315	250
Total equity and liabilities		161,835	78,094	275,196	158,172

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

Note(s):

- (a) Cash and cash equivalents comprise:

	31 Dec 2020		31 Dec 2019	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	20,694	10,877	16,190	2,817
Fixed deposits with financial institutions	-	-	26,246	26,246
Cash and cash equivalents	20,694	10,877	42,436	29,063
Less: Restricted cash [^]	(500)	-	(500)	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	20,194	10,877	41,936	29,063

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

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

	31 Dec 2020	31 Dec 2019
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	16,666	36,120
Less: Unamortised debt transaction costs	(128)	(576)
	16,538	35,544
<u>Repayable after one year</u>		
Secured bank loans	13,336	34,757
Less: Unamortised debt transaction costs	(33)	(240)
	13,303	34,517

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

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

The US\$40 million loan facility agreement with Chailease International Financial Services Co., Ltd. has been fully paid in FY 2020. The aggregate outstanding balance of the remaining loan facilities as at 31 December 2020 was US\$30.0 million. The weighted average interest margin over USD LIBOR was 4.075% as at 31 December 2020.

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

As at 31 December 2020, the Group is in compliance with the terms of the loan agreements.

The term loan facilities were secured by:

- (i) first priority mortgages over the Group's vessels;
- (ii) first priority assignments 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) first priority assignments of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and
- (iv) pledges of the shares of all the vessel-owning subsidiaries.

(c) Vessels

Vessels comprise:

	31 Dec 2020		31 Dec 2019	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Vessels				
Operating Vessels	92,511	-	158,597	-
Vessels under construction	43,594	-	22,105	-
	136,105	-	180,702	-
Non-current assets classified as held-for-sale	-	-	38,877	-

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

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1(c) Consolidated Statement of Cash Flows

	Note	Group			
		4Q 2020	4Q 2019	FY 2020	FY 2019
		US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:					
(Loss)/Profit before tax		(2,224)	3,471	6,247	10,170
Adjustments for:					
Depreciation expense on vessels		1,934	5,889	14,768	24,801
Impairment on vessels		3,117	-	10,394	-
Impairment on Non-Current Asset Classified as Held-for-Sale		-	4,994	101	4,994
Amortisation of debt transaction costs		52	199	655	1,058
Amortisation of initial direct costs		4	55	111	217
Interest income		(18)	(142)	(280)	(367)
Interest expense		333	1,149	2,167	6,040
Gain on disposal of vessels		(166)	(15)	(4,967)	(38)
		3,032	15,600	29,196	46,875
Changes in working capital:					
Trade and other receivables	(a)	111	(3,396)	8,112	(388)
Trade and other payables		75	(4,884)	(64)	(366)
Lease income received in advance		8	-	756	(1,688)
Cash generated from operating activities		3,226	7,320	38,000	44,433
Income tax paid		-	-	(29)	-
Cash flows generated from operating activities		3,226	7,320	37,971	44,433
Investing activities:					
Vessels initial direct costs		-	-	-	(11)
Costs incurred for the vessels under construction		(982)	(6,499)	(21,489)	(21,830)
Costs incurred for vessel equipment		(1,546)	(722)	(2,751)	(1,988)
Interest received		19	135	313	334
Net proceeds on disposal of vessels		7,542	15	87,307	11,027
Cash flows generated from/(used in) investing activities		5,033	(7,071)	63,380	(12,468)
Financing activities:					
Loan from Sponsor		-	-	-	10,000
Proceeds from preferential offering		-	-	-	20,991
Units issued costs		-	-	-	(262)
Distribution to unitholders		(26,521)	-	(79,563)	-
Repayment of secured bank loans		(1,871)	(6,838)	(17,826)	(23,879)
Prepayment of secured bank loans		-	-	(23,049)	(4,152)
Interest paid		(332)	(1,203)	(2,655)	(6,108)
Cash flows used in financing activities		(28,724)	(8,041)	(123,093)	(3,410)
Net (decrease)/increase in cash and cash equivalents		(20,465)	(7,792)	(21,742)	28,555
Cash and cash equivalents at beginning of period		40,659	49,728	41,936	13,381
Cash and cash equivalents at end of period		20,194	41,936	20,194	41,936
Comprising:					
Cash at Bank		20,194	15,690	20,194	15,690
Short-term deposits		-	26,246	-	26,246
		20,194	41,936	20,194	41,936

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

Note:

- (a) The claim against Torm Singapore Pte. Ltd. in relation to the two product tankers *Torm Margrethe* and *Torm Marie* (renamed *FSL Piraeus* and *FSL Perth*) was amicably resolved and a final settlement was concluded and paid on the terms and conditions set out in the settlement agreement.

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

2020 Group

At 1 October 2020
 Total comprehensive loss for the quarter
 Contribution by and distribution to unitholders:
 Distribution to unitholders
 At 31 December 2020

Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
561,332	(6,725)	(396,299)	158,308
-	-	(2,223)	(2,223)
-	-	(26,521)	(26,521)
561,332	(6,725)	(425,043)	129,564

2019 Group

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

Units in Issue	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
561,332	(6,725)	(355,176)	199,431
-	-	3,450	3,450
561,332	(6,725)	(351,726)	202,881

2020 Trust

At 1 October 2020
 Total comprehensive loss for the quarter
 Contribution by and distribution to unitholders:
 Distribution to unitholders
 At 31 December 2020

Units in Issue	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000
561,332	(456,739)	104,593
-	(203)	(203)
-	(26,521)	(26,521)
561,332	(483,463)	77,869

2019 Trust

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

Units in Issue	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000
561,332	(404,088)	157,244
-	678	678
561,332	(403,410)	157,922

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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 2020 Units	FY 2019 Units
At the beginning of the period		1,768,057,636	637,456,577
Preferential Offering	(1)	-	956,184,865
Conversion of Bonds	(2)	-	174,416,194
At the end of the period		1,768,057,636	1,768,057,636

There are no treasury shares and no subsidiary holdings as at 31 December 2020 and as at 31 December 2019.

(1) Preferential Offering

At the extraordinary general meeting (EGM) 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 a 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 convertible 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 under the preferential offering in June 2019, and the issue of 174,416,194 new units following the conversion of the convertible bond in July 2019, the total number of issued units in FSL Trust has increased from 637,456,577 units to 1,768,057,636 units.

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1(d)(iv) Sales, transfers, cancellation and/or use of treasury units

Nil.

1(d)(v) Sales, transfers, cancellation and/or use of subsidiary holdings

Nil.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2019, except for the adoption of the new or revised International Financial Reporting Standards ("IFRS") applicable for the financial period beginning 1 January 2020.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

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

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6. Earnings per unit (“EPU”) and Distribution per unit (“DPU”) for the current financial period reported on and the corresponding period of the immediately preceding financial year

	Group			
	4Q 2020	4Q 2019	FY 2020	FY 2019
Basic and diluted (loss)/earnings per unit is based on:				
Weighted average number of issued units (basic) ('000)	1,768,058	1,768,058	1,768,058	1,255,727
Basic (loss)/earnings per unit based on weighted average number of units in issue (US Cents)	(0.13)	0.20	0.35	0.81
Weighted average number of issued units (diluted) ('000) ^(a)	1,768,058	1,768,058	1,768,058	1,328,335
Diluted (loss)/earnings per unit based on weighted average number of units in issue (US Cents) ^(b)	(0.13)	0.20	0.35	0.80
Number of issued units at end of period ('000)	1,768,058	1,768,058	1,768,058	1,768,058
Distribution per unit (US Cents)	-	1.50	3.00	1.50

Note(s):

- (a) For the purpose of calculating the diluted EPU, the weighted average number of units in issue is adjusted to take into account the dilutive effect arising from full conversion of convertible bonds to units for FY 2019.
- (b) For the purpose of calculating the diluted EPU, interest expenses on the convertible bond of US\$0 million and US\$0.52 million was added back to the net profit for 4Q 2019 and FY 2019 respectively.

As at 31 December 2020, the Trust did not have any outstanding instrument with potentially dilutive effect.

7. Net Asset Value (“NAV”) per unit based on units at the end of the current financial period reported on and immediately preceding financial year

	Note	31 Dec 2020		31 Dec 2019	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.07	0.04	0.11	0.09

Note(s):

- (a) Net asset value (based on book value) per unit was calculated based on the applicable number of units issued as at the end of the respective period.

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8. Review of Performance

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

4Q 2020 vs 4Q 2019

	Group		
	4Q 2020	4Q 2019	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	6,835	22,214	(69.2)
Vessel operating expenses	(3,294)	(5,601)	(41.2)
Management fees	(147)	(695)	(78.8)
Trustee fees	(9)	(14)	(35.7)
Other Trust expenses [^]	(331)	(337)	(1.8)
Adjusted EBITDA ^{^^}	3,054	15,567	(80.4)
Depreciation expense on vessels	(1,934)	(5,889)	(67.2)
Impairment on vessels	(3,117)	-	100.0
Impairment on Non-Current Asset Classified as Held-for-Sale	-	(4,994)	(100.0)
Gain on disposal of vessels	166	15	N.M.
Results from operating activities (EBIT)	(1,831)	4,699	N.M.
Finance income	18	142	(87.3)
Finance expenses	(411)	(1,370)	(70.0)
(Loss)/Profit before tax (EBT)	(2,224)	3,471	N.M.
Income tax expense	1	(21)	N.M.
(Loss)/Profit for the period	(2,223)	3,450	N.M.

[^] Included in the other Trust expenses are vessel inspection fees, valuation fees, insurance, directors' fees, professional fees, take over costs, printing, investor relations and others.

^{^^} Excluding gains/losses from the disposal of vessels and vessel impairments.

a. Adjusted EBITDA

Bareboat charter

i) Product tankers

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

ii) Containerships

FSL Eminence and *FSL Elixir* (previously known as *YM Eminence* and *YM Elixir* respectively) were sold on 27 August 2020 and 21 August 2020, respectively. *FSL Enhancer* (previously known as *YM Enhancer*) was sold on 26 October 2020. *FSL Enhancer* generated an adjusted EBITDA of US\$0.2 million in the quarter under review.

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8. Review of Performance (cont'd)

Time charter

i) Chemical tankers

The two chemical tankers, *FSL New York* and *FSL London*, have been employed on time charters since 12 June 2018 and 19 June 2018, respectively. The time charters have a firm period of two years each with the option for the charterer to extend the time charters by one year each. The one-year extension options for both vessels were exercised by the charterer in June 2020. These vessels generated an adjusted EBITDA of US\$0.8 million in the quarter under review.

Pool/Revenue Sharing Agreement ('RSA')

i) Product tankers

FSL Osaka entered a MR pool in November 2015. In the quarter under review, the vessel generated net pool revenue of US\$0.9 million. After deducting vessel operating expenses, the vessel generated an adjusted EBITDA of US\$0.3 million.

FSL Singapore entered a MR pool in April 2018. In the quarter under review, the vessel generated net pool revenue of US\$0.9 million. After deducting vessel operating expenses, the vessel generated an adjusted EBITDA of US\$0.2 million.

ii) Crude oil tankers

FSL Hong Kong has been deployed in a RSA (Revenue Sharing Agreement) since April 2017. In the quarter under review, the vessel generated net pool revenues of US\$0.7 million. After deducting vessel operating expenses, the vessel incurred an adjusted EBITDA of (US\$0.1) million.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 67.2% (US\$4.0 million) as a result of to the disposal of two product tankers, one crude oil tanker and three containerships during the year.

ii) Impairment on vessels

Upon re-assessment of the recoverable amount, the carrying amount of *FSL Hong Kong* and *FSL Osaka* had exceeded the recoverable amount and an impairment of US\$3.12 million for the two vessels was recognized in the quarter under review.

c. Results from operating activities

FSL Trust incurred an operating loss of US\$1.8 million in the quarter under review, compared to an operating profit of US\$4.7 million in the same period last year.

d. Finance expenses

Finance expenses in 4Q 2020, including an exchange loss of US\$25,000 (4Q 2019: US\$23,000), decreased by 70.0% (US\$1.0 million) mainly due to the lower outstanding indebtedness and LIBOR rates and lower amortisation of debt transaction costs.

For 4Q 2020, FSL Trust incurred a net loss of US\$2.2 million.

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8. Review of Performance (cont'd)

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

FY 2020 vs FY 2019

	Group		
	FY 2020	FY 2019	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	48,332	73,107	(33.9)
Voyage expenses	(276)	(395)	(30.1)
Vessel operating expenses	(15,538)	(21,589)	(28.0)
Management fees	(1,365)	(2,125)	(35.8)
Trustee fees	(45)	(55)	(18.2)
Other Trust expenses ¹	(1,990)	(2,280)	(12.7)
Adjusted EBITDA ²	29,118	46,663	(37.6)
Depreciation expense on vessels	(14,768)	(24,801)	(40.5)
Impairment on vessels	(10,394)	-	100.0
Impairment on Non-Current Asset Classified as Held-for-Sale	(101)	(4,994)	(98.0)
Gain on disposal of vessels	4,967	38	13,071.1
Results from operating activities (EBIT)	8,822	16,906	(47.8)
Finance income	280	367	(23.7)
Finance expenses	(2,855)	(7,103)	(59.8)
Profit before tax (EBT)	6,247	10,170	(38.6)
Income tax expense	(1)	(39)	(97.4)
Profit for the period	6,246	10,131	(38.3)

a. Adjusted EBITDA

Bareboat charter

i) Product tankers

The seven product tankers on bareboat charter to James Fisher Everard generated an adjusted EBITDA of US\$6.2 million in FY 2020 (FY 2019: US\$5.8 million).

ii) Containerships

FSL Eminence, FSL Elixir and FSL Enhancer (previously known as *YM Eminence, YM Elixir and YM Enhancer* respectively) were sold on 27 August 2020, 21 August 2020 and 26 October 2020, respectively. These vessels generated an adjusted EBITDA of US\$8.5 million in FY 2020 (FY 2019: US\$19.0 million).

¹ Included in the other Trust expenses are vessel inspection fees, valuation fees, insurance, directors' fees, professional fees, take over costs, printing, investor relations and others.

² Excluding gains/losses from the disposal of vessels and vessel impairments.

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 charters since 12 June 2018 and 19 June 2018, respectively. The time charters have a firm period of two years each with the option for the charterer to extend the time charters by one year each. The one-year extension options for both vessels were exercised by the charterer in June 2020. These vessels generated an adjusted EBITDA of US\$3.2 million in FY 2020 (FY 2019: US\$3.3 million).

Pool/Revenue Sharing Agreement ('RSA')

i) Product tankers

FSL Osaka entered a MR pool in November 2015. The vessel generated net pool revenue of US\$5.5 million in FY 2020 (FY 2019: US\$5.2 million). After deducting vessel operating expenses, the vessel generated adjusted EBITDA of US\$2.9 million in FY 2020 (FY 2019: US\$2.7 million).

FSL Singapore entered a MR pool in April 2018. The vessel generated net pool revenue of US\$5.4 million in FY 2020 (FY 2019: US\$4.7 million). After deducting vessel operating expenses, the vessel generated an adjusted EBITDA of US\$2.7 million in FY 2020 (FY 2019: US\$2.3 million).

FSL Piraeus and *FSL Perth* entered Sigma Tanker Pool on 21 August 2018 and 25 August 2018 respectively. The two vessels generated net pool revenue of US\$1.6 million in FY 2020 (FY 2019: US\$13.8 million). After deducting vessel operating expenses, the vessels generated adjusted EBITDA of US\$1.2 million in FY 2020 (FY 2019: US\$6.8 million). *FSL Piraeus* and *FSL Perth* were sold on 23 January 2020 and 17 January 2020 respectively.

ii) Crude oil tankers

FSL Hong Kong and *FSL Shanghai*, until she was sold in March 2020, have been deployed in a RSA (Revenue Sharing Agreement) since April 2017 and September 2017, respectively. The two vessels generated net pool revenue of US\$9.9 million in FY 2020 (FY 2019: US\$13.3 million). After deducting vessel operating expenses, the vessels generated adjusted EBITDA of US\$5.3 million in FY 2020 (FY 2019: US\$7.4 million). *FSL Shanghai* was sold on 30 March 2020.

a. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 40.5% (US\$10.0 million) as a result of:

(a) lower depreciation expenses of US\$9.7million due to the disposal of two product tankers, one crude oil tanker and three containerships during the year and changes to residual value and useful life of two containerships.

(b) lower depreciation of US\$0.3 million due to lower depreciation arising from impairment on vessels taken this year.

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8. Review of Performance (cont'd)

a. Other operating expenses (cont'd)

ii) Impairment on vessels

Upon re-assessment of the recoverable amount, the carrying amount of *FSL New York*, *FSL London*, *Speciality*, *Seniority*, *Superiority*, *FSL Singapore*, *FSL Hong Kong* and *FSL Osaka* had exceeded the recoverable amount and an impairment of US\$10.4 million for the eight vessels was recognized.

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

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

b. Results from operating activities

On an overall basis, FSL Trust incurred an operating profit of US\$8.8 million in FY 2020 (FY 2019: US\$16.9 million).

c. Finance expenses

Finance expenses in FY 2020, including an exchange loss of US\$33,000 (FY 2019: US\$5,000), decreased 59.8% (US\$4.2 million) driven mainly by the reduced outstanding amount under the term loan facilities, lower amortisation of debt transaction costs and the conversion of the convertible bond in the FY 2019.

For the year ended 31 December 2020, FSL Trust achieved a net profit of US\$6.2 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

The COVID-19 pandemic is continuing to cause disruptions in global supply chains and the shipping industry, and uncertainties remain in relation to a normalisation and return to pre-pandemic levels. The demand for seaborne transportation for oil and oil products is expected to remain subdued in 2021, adversely impacting freight rates and market values for tankers. FSL Trust is closely monitoring the developments and the potential effects on its business, operations and financial performance, takes appropriate measures to protect and preserve value for the unitholders, and continues to focus on streamlining the vessel portfolio. The continuing strong financial position and contracted revenue of the Trust not only provide resilience and downside protection, but the ability and flexibility to take advantage of opportunities in the market as and when they arise. Meanwhile, the regulatory frame is reshaping to conform with the climate change and the strong ESG norms, in response to the world's call for environmental innovation, which proves our fleet strategy of disposing older tonnage to be in the right direction.

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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 : Yes
previous corresponding period

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.

(c) Payment Date : Not applicable

(d) Books closure date : Not applicable

(e) Currency election procedures : Not applicable

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

Whilst the Trust currently has a robust liquidity position, the Board of Directors has concluded that the preservation of liquidity in the prevailing environment of economic uncertainties caused by the COVID-19 pandemic is essential to mitigate potential adverse effects. The Board of Directors reviews the ability of the Trust to declare distributions on a quarterly basis.

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

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

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.

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16. Breakdown of Revenue and Net Profit

	Group		
	FY 2020	FY 2019	Inc/(Dec)
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	32,924	35,393	(7.0)
(b) Net profit after tax reported for first half year	8,006	5,041	58.8
(c) Revenue reported for second half year	15,408	37,714	(59.1)
(d) Net profit/(loss) after tax reported for second half year	(1,760)	5,090	N.M.

17. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2020

	FY 2020	FY 2019
	US\$'000	US\$'000
In respect of the period:		
1 July 2020 to 30 September 2020	26,521	-
1 April 2020 to 30 June 2020	-	-
1 January 2020 to 31 March 2020	26,521	-
1 October 2019 to 31 December 2019	26,521	-
1 July 2019 to 30 September 2019	-	-
1 April 2019 to 30 June 2019	-	-
1 January 2019 to 31 March 2019	-	-
1 October 2018 to 31 December 2018	-	-

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

Markus Wenker
Chief Financial Officer
4 February 2021