

**FSL TRUST MANAGEMENT PTE. LTD.**  
(As Trustee-Manager of First Ship Lease Trust)  
(Company Registration No. 200702265R)  
(Incorporated in Singapore)

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**GENERAL MEETING OF UNITHOLDERS – QUESTIONS AND ANSWERS**

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The Board of Directors (the “**Board**”) of FSL Trust Management Pte. Ltd., as trustee-manager (the “**Trustee-Manager**”) of First Ship Lease Trust (“**FSL Trust**” or the “**Trust**”), wishes to share the responses to questions received from unitholders in advance of the Annual General Meeting (“**AGM**”) of the unitholders of FSL Trust held on 30 June 2020.

- 1) Whether there are further sales of vessels planned.

Answer: The Trustee-Manager deploys a dynamic fleet strategy to take advantage of market movements and opportunities as they arise to sell (and buy) vessels and to maximise value for the unitholders. The Trustee-Manager closely monitors both the sale and purchase markets and the chartering markets and constantly reviews the composition of the portfolio and the prospects of the vessels in the portfolio. This may include potential further sales (and/or acquisitions) of vessels in the ordinary course of business of the Trust.

Environmental aspects are second important consideration in the Trust’s fleet strategy as the energy efficiency of the vessels and the emission of GHG has increasingly gained relevance, with the target of enhancing the environmental footprint of the Trust’s fleet.

- 2) Whether the market (demand and prices) has changed for the vessel types in the fleet of FSL Trust.

Answer: The tanker markets have softened in the recent weeks, after the demand for floating storage on tankers has reduced and more vessels resumed trading, increasing the number of vessels available. This has had an effect on both freight rates and market values, whereas the liquidity in the sale and purchase market has been comparably low in the first half of 2019, due to Covid-19 and its effects on international travelling.

The contracted revenues and charter coverage of 69% of ownership days for the full year 2020 significantly reduce the market exposure of the Trust. In addition, the deleveraging of the balance sheet results in low cash break-even rates which provides downside protection and makes the Trust more resilient to market disruptions like the global Covid-19 pandemic.

- 3) Whether it is more beneficial to employ vessels in the spot market or under (bareboat) charters (in the next 12 to 24 months) and which strategy FSL Trust follows.

Answer: The Trustee-Manager deploys a multi-strategy approach for the employment of the vessels, reflecting the diversity of the fleet and the different market characteristics of the specific segments.

For the smaller, more specialised product tankers, the Trustee-Manager follows a clear strategy of period employments and is in discussions with the charterer of the vessels to renew the charters for some of the vessels.

The Trustee-Manager follows a similar approach for the containerships where the Trustee-Manager is currently considering the strategic alternatives and the employment options available.

The medium-range product tankers and the Aframax crude oil tanker are employed in pools which provide a maximum market coverage and the Trustee-Manager has currently no intention to change the employment for these vessels.

The Trustee-Manager has not decided on the employment of the two LR2 product tanker newbuildings yet and will consider the employment options available closer to delivery of the vessels. Due to the high specifications and fuel efficiency of the newbuildings, these vessels should be more attractive to charterers and have a competitive advantage over conventional non-eco LR2 product tankers.

- 4) Whether the Trust will continue to pay the dividends paid for the last two quarters and what the dividend strategy will be.

The form, frequency and amount of distributions, if any, depend on the earnings situation and financial position of the Trust, the investment environment and attractive investment opportunities available and the overall shipping market conditions and outlook, amongst other things. The complete distribution policy providing the guiding principles is available on the website of FSL Trust, under the section Investor Relations. On the basis of these factors, the Board of Directors considers and decides quarter by quarter whether or not to pay distributions and what the appropriate amount is when it has been concluded to make a distribution.

The amount of the distributions paid for the last two quarters was primarily driven by two factors: 1) the significant liquidity position as a result of the disposal of vessels, and 2) the strong balance sheet and financial position even after payment of the distributions. In addition, any potential alternative uses of the liquidity have been constrained by a) the abundance of geopolitical events throughout 2019 which led to higher uncertainty and volatility in the shipping markets and, in turn, limited accretive investment opportunities that match the Trust's risk appetite, and b) in case of the distribution for the 1<sup>st</sup> quarter of 2020, the increased systematic risk and uncertainty in relation to the global macroeconomic prospects as a consequence of the Covid-19 pandemic.

By Order of the Board  
FSL Trust Management Pte. Ltd.  
(Company registration no. 200702265R)  
as Trustee-Manager of First Ship Lease Trust

Efstathios Topouzoglou  
Non-Independent Non-Executive Chairman  
29 June 2020