

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

RESPONSE TO QUERIES RECEIVED FROM SGX-ST

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**”), announces that it has received questions from the Singapore Exchange Securities Trading (“**SGX-ST**”) and the Board wishes to respond as follows:

- 1) *We refer to the Trust's announcement regarding the sale of its two (2) LR2 Product Tanker Newbuildings, FSL Suez (hull no. N944) and FSL Fos (hull no. N945) (the “Vessels”) on 17 February 2021. In its announcement on 13 December 2018, the Board submitted that “the Newbuilding Acquisition and the Contemplated Sales are being undertaken as part of the renewal of FSLT's ageing fleet to reduce the age profile of its vessels. The Newbuilding Acquisition and the Contemplated Sales, if completed, are expected to reduce the age profile of FSLT's fleet significantly and enhance its commercial attractiveness and marketability.” Please explain how the disposal is consistent with the Trust's previous disclosure that the Newbuilding Acquisition was for the purpose of the renewal of the aging fleet.*

Response: The renewal of the ageing fleet is not for its own sake, but to create value to the Trust and its unitholders. The Trustee-Manager closely monitors the market developments and the potential effects on the business, operations and financial performance of the Trust, and appropriately responds to changes in the market conditions and prospects. Since the decision to build the vessels was made in 2018, and as communicated on 17 February 2021, the earnings prospects for LR2 product tankers have fundamentally weakened in the short-term due to the adverse impact of the COVID-19 pandemic on the oil and oil products trade, while the medium- to long-term is affected by the accelerating transition to carbon-neutral, cleaner fuels. The next generation of vessels will likely use alternative fuels to reduce greenhouse gas emissions and meet environmental targets and the Trust intends to prioritise such considerations in the future strategy.

The Trustee-Manager has therefore concluded that it is beneficial to the Trust to sell the newbuildings and limit the exposure to the current market and regulatory risks.

- 2) *Please disclose the rationale for the disposal of the Vessels shortly after being acquired.*

Response: See the response to question 1 above.

- 3) *In the Trust's announcement on 13 December 2018, it was disclosed that the aggregate consideration for the Newbuilding Acquisition amounted to US\$97,600,000. As the transaction is significant and material to the Trust, please disclose the following information:*

- (i) *The carrying value of the Vessels as at the date of the execution of the memoranda of agreement;*

Response: US\$ 43.6 million (unaudited) in aggregate for both vessels as at 31 December 2020 and as disclosed on 4 February 2021.

- (ii) *The selling price of the Vessels and the resultant gain or loss on disposal;*

Response: The price agreed is US\$ 52.5 million per vessel.

- (iii) *The factors taken into account to arrive at the selling price and whether an independent third party valuation was undertaken;*

Response: Factors taken into account in the determination of the price are the cost of building the vessels, the current and expected charter market environment and earnings prospects for the vessels, the expected economic lives and residual values, the supply of and demand for vessels of this type and with similar specifications in the sale and purchase market, and potential prices otherwise achievable for the vessels in the current market. The Trustee-Manager was advised by a reputable, independent third party ship-broker during the negotiations for the sale of the vessels and has also consulted with other reputable, independent third party ship-brokers. The Trustee-Manager considers the price achieved for the vessels as extraordinarily high in the current market environment, and the (rumored) price (of US\$ 52.5 million) was commented as being "at a significant premium against market value" and "top dollar" in international shipping industry media (TradeWinds, 5 February 2021 and 17 February 2021, respectively).

- (iv) *The intended use of proceeds;*

Response: The use of proceeds is yet to be decided by the Board.

- (v) *The identity of the unaffiliated third party purchaser and their ultimate beneficial owners;*

Response: The buyers of the vessels are guaranteed nominees of General National Maritime Transport Company, a state-owned Libyan shipping company.

- (vi) *The terms of payment;*

Response: As announced on 17 February 2021, a 15% deposit has been paid by the buyers in escrow with the balance to be paid on delivery of the vessels.

- (vii) *The effect of the disposal on the NTA per share assuming that the disposal had been completed by 31 December 2020;*

Response: No material effect.

- (viii) *The effect on gearing; and*

Response: No material effect.

- (ix) *Any other information required under Listing Rule 1010.*

Response: The sale of the vessel does not include put, call or other options. The sale of the vessels does have no material effect on the earnings per unit of FSL Trust for the most recently completed financial year (2020), assuming that the transaction had been effected at the beginning of that financial year. No director or controlling unitholder has any interest, direct or indirect, in the sale of the vessels.

- 4) *In relation to the financing of the Newbuilding Acquisition, it was disclosed in the 17 February 2021 announcement that "the Trust has utilised its existing liquidity and the proceeds of a zero interest bridge facility in the amount of US\$ 12.5m" and that the "Bridge Facility is secured by a guarantee of the Trust, bears no interest or fees and will be repayable to Prime following the completion of the disposals of the Vessels." However, we also note that in May 2019, the Trust completed a three (3) Rights Units for every two (2) existing units in FSLT which raised gross proceeds of approximately S\$43.03 million and net proceeds of approximately S\$42.53 million (after deducting estimated expenses of approximately S\$0.5 million).*

- (i) *Please consolidate and disclose a summary of the breakdown of all forms of financing (including the rights issue) to date for the funding of the Newbuilding Acquisition aggregate consideration of US\$97.6 million.*

Response: The acquisition of the two LR2 product tanker newbuildings has been financed through:

- i) the amount of US\$10.0m utilised under a bridging loan of up to US\$ 25.0 million from FSL Holdings Pte. Ltd. announced on 8 February 2019 (which was repaid in full through a set-off against the subscription monies for new and excess units under the preferential offering in 2019, as announced on 6 August 2019);
 - ii) the net proceeds of US\$ 31.0 million from the preferential offering in 2019;
 - iii) the proceeds from a bridge loan of US\$ 12.5 million from Prime Shareholdings Inc. as announced on 17 February 2021; and
 - iv) free liquidity of FSL Trust, including, but not limited to, free cash flow and net proceeds from the disposal of vessels.
- (ii) *We note that the rights issue previously in May 2019 was fully utilised for the Newbuilding Acquisition as announced on 18 June 2020. Given that the Vessels are now being disposed shortly after being acquired, will there be any distribution of the disposal proceeds back to unitholders. If not, please disclose the basis for the Board's decision.*

Response: The use of proceeds is yet to be decided by the Board.

- (iii) *Based on the Trust's 8 February 2019 announcement, it was disclosed that there was a previous Bridging Loan of US\$25 million from the Sponsor based on interest of LIBOR plus 4.0% per annum to be paid in 12-month intervals. In the Company's announcement on 17 February 2021, it was disclosed that there was an interest free Bridge Facility of US\$12.5 million from the Sponsor's sole shareholder, Prime Shareholdings Inc. Please disclose how much interest has been paid to the Sponsor to date for loans relating to the Newbuilding Acquisition of the 2 Vessels.*

Response: The bridge facility of US\$ 12.5 million from Prime Shareholdings Inc. referred to in the announcement made on 17 February 2021 is unrelated to the bridging loan of up to US\$ 25.0 million from FSL Holdings Pte. Ltd., the sponsor of FSL Trust, announced on 8 February 2019. The bridging loan of up to US\$ 25.0 million from FSL Holdings Pte. Ltd. announced on 8 February 2019, of which US\$ 10.0m were utilised, was repaid in full through a set-off against the subscription monies for new and excess units under the preferential offering in 2019, as announced on 6 August 2019. The total amount of interest accrued and paid to FSL Holdings Pte. Ltd. under the bridging loan was US\$ 0.2 million. The bridge loan facility from Prime Shareholdings Inc. is interest-free as disclosed on 17 February 2021.

- (iv) *Please disclose a list of the 12 remaining vessels that the Trust currently owns, each individual vessel's type, year built, capacity and whether or not they are leased. Please also disclose the total revenue and EBITDA contributed by the 12 remaining vessels in FY2019 and FY2020.*

Response: After the disposal of the two LR2 product tanker newbuildings, and subject to other disposals and/or acquisitions, the vessel portfolio comprises of the following vessels:

Vessel	Type	Built	Capacity	Employment Type
Cumbrian Fisher	Product Tanker	2004	12,921 DWT	Bareboat charter
Clyde Fisher	Product Tanker	2005	12,984 DWT	Bareboat charter
Shannon Fisher	Product Tanker	2006	5,421 DWT	Bareboat charter
Solway Fisher	Product Tanker	2006	5,421 DWT	Bareboat charter
Speciality	Product Tanker	2006	4,426 DWT	Bareboat charter
Seniority	Product Tanker	2006	4,426 DWT	Bareboat charter
Superiority	Product Tanker	2007	4,426 DWT	Bareboat charter
FSL Singapore	Product Tanker	2006	47,470 DWT	Pool
FSL Osaka	Product Tanker	2007	45,998 DWT	Pool
FSL New York	Chemical Tanker	2006	19,970 DWT	Time charter
FSL London	Chemical Tanker	2006	19,966 DWT	Time charter
FSL Hong Kong	Crude Oil Tanker	2007	115,000 DWT	Revenue sharing agreement

The aggregate revenue of the 12 vessels was US\$ 32.8 million in 2020 and US\$ 30.8 million in 2019. The aggregate EBITDA was US\$ 18.6 million in 2020 and US\$ 17.3 million in 2019.

- 5) *Noting that previous disposals of older vessels were for fleet renewal and financing of the Newbuilding Acquisition of the 2 Vessels, and active trading of vessels is not part of the Trust's objectives, please explain why this disposal of the 2 Newbuilding Vessels is considered to be in the ordinary course of the Trust's business.*

Response: Except in liquidations, the sale (and purchase) of vessels is part of the ordinary course of business of any ship-owner like FSL Trust and fully in accordance with the deed of trust constituting FSL Trust dated 19 March 2007 (as amended from time to time), and the sale of the two LR2 product tanker newbuildings has nothing to do with "active trading of vessels". The rationale behind the sale of the two LR2 product tanker newbuildings was communicated by the Trustee-Manager on 17 February 2021 (see the response to question 1 above).

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

Mr. Efstathios Topouzoglou
Non-Independent, Non-Executive Chairman
19 February 2021