

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 on the completion of the disposal of its two LR2 Product Tanker Newbuildings on 1 March 2021. It was disclosed that “after taking into consideration the Vessels’ contract price and other costs associated with their construction (such as the acquisition of exhaust gas cleaning systems, other equipment acquired by the Trust and installed on the Vessels, the construction supervision and legal fees), as well as the cost of the Disposal (including brokerage commissions and legal fees), the Trust realised an aggregate net gain of approximately US\$ 0.5 million and aggregate net sale proceeds of approximately US\$ 103.8 million (both unaudited)”.*

In the Trust’s announcement on 19 Feb 2021 in response to SGX’s queries, the Trust disclosed that the selling price “agreed is US\$ 52.5 million per vessel”. The aggregate consideration for the Newbuilding Acquisition as announced on 13 December 2018 amounted to US\$97.6 million. The Trust also disclosed on 19 February 2021 that the carrying value is US\$43.6 million (unaudited) in aggregate for both vessels as at 31 December 2020:

- a) *Please clarify and provide a breakdown of all the costs and expenses incurred as to how the gross consideration amount of US\$105 million resulted in the aggregate net sale proceeds of US\$103.8 million relating to the disposal of its two LR2 Product Tanker Newbuildings;*

Response: The difference between the aggregate gross sales price of US\$ 105.0 million and the net sales proceeds of US\$ 103.8 million include US\$ 1.05 million of broker-commissions (1% of the aggregate agreed sales price of US\$ 105.0 million) and c.US\$ 0.15 million of legal fees.

- b) *Please disclose the carrying amount of the two LR2 Product Tanker Newbuildings as at the date of disposal and how the aggregate net gain of US\$0.5 million was computed;*

Response: The aggregate carrying amount as at the dates of disposal was US\$ 103.3 million (unaudited). The aggregate net gain of US\$ 0.5 million (unaudited) is the difference between the aggregate carrying amount and the net sales proceeds of US\$ 103.8 million (unaudited).

- c) *Please disclose whether the ship-broker and lawyer involved in the disposal who were paid the brokerage commission and legal fees are related to / affiliated with the current or former shareholders, key management or directors of the Trustee-Manager;*

Response: The ship-broker and lawyers involved in the transaction are not related to or affiliated with any of the current shareholders, key managers or directors of the Trustee-Manager. To the best of the Board’s knowledge, the ship-broker and lawyers involved in the transaction are also not related to or affiliated with any of the former shareholders, key managers or directors of the Trustee-Manager. Moreover, the Trustee-Manager has no benefit from the disposal of the newbuildings as the Trustee-Manager waived the acquisition fee of 1.0% on the purchase price, as well as the divestment fee of 0.5% on the disposal price, that would otherwise be payable to the Trustee-Manager upon acquisition and sale, respectively, of an asset of the Trust in

accordance to the Trust Deed. The guiding principle of the Trustee-Manager in making the decision to dispose the newbuildings was to de-risk and maximise value for the unitholders of the Trust in a market environment that has fundamentally weakened recently, due to the adverse impact of the COVID-19 pandemic on the oil and oil products trade. The Trustee-Manager's decision to dispose the newbuildings was not in its own best interest, but the best interest of all unitholders of the Trust.

- d) *Please explain why some costs of construction were not included in the original aggregate consideration for the Newbuilding Acquisition of US\$97.6 million disclosed on 13 December 2018; and*

Response: The shipbuilding contracts entered into in December 2018 (as announced on 13 December 2018) included the construction cost of the vessels, i.e. the cost the Trust committed at that point in time. There are additional costs for items such as the purchase of the exhaust gas cleaning systems and other equipment installed aboard the vessels from vendors other than the shipyard, construction supervision and legal fees which are not part of the shipbuilding contracts, but separate and incurred later/over time. This is usual practice, not only in the shipping industry.

- e) *Please disclose how much had been billed and how much had been paid by the Trust as at 31 Dec 2020 that caused the carrying amount to be measured at 31 December 2020 of US\$43.6 million and explain with quantification the difference in the carrying amount as at the date of the disposal to the carrying value of US\$43.6 million as at 31 December 2020;*

Response: The Trust was billed and had paid an aggregate amount of US\$ 43.6 million as at 31 December 2020, reflecting the aggregate carrying value (unaudited) of the newbuildings. As announced on 13 December 2018, payments to the shipyard are made in five (5) staggered instalments per vessel based on the progress of the construction. The difference in the US\$ 103.3 million (unaudited) carrying amount as at the date of the disposal to the US\$ 43.6 million (unaudited) carrying value as at 31 December 2020 is equal to the final instalments paid to the shipyard and other construction related costs incurred between these dates.

- 2) *Please disclose whether the Board has decided on the intended use of the US\$103.8 million net sale proceeds including the remaining net proceeds of US\$91.3 million (after repayment of the US\$ 12.5 million zero interest bridge facility from Prime Shareholdings Inc) given that the disposal has since been completed. If the Board has not yet decided on the use, please explain when the Board will decide and announce whether or not it is declaring a distribution to unitholders for the excess cash in which the Trust currently has not identified any purpose for.*

Response: As disclosed on 19 February 2021, the Board has not yet decided on the use of the proceeds from the disposal of the vessels and this has not changed to date. Whilst the Board is considering the best use of the proceeds, the Board will make relevant announcement(s) when it has decided on the use of the proceeds, which may or may not involve distributions. To further clarify, between 31 December 2020 and the date of the disposal, the carrying value increased from US\$ 43.6 million (unaudited) to US\$ 103.3 million (unaudited) as a result of the final instalments paid to the shipyard and other construction related costs incurred between these dates. After taking into account this difference of US\$ 59.7 million (unaudited), the remaining proceeds are US\$ 44.1 million (unaudited). Therefore, as communicated on 19 February 2021, the disposal of the vessels has no material effect on the net tangible assets of the Trust, but merely led to a conversion of non-current assets (carrying value of the vessels of US\$ 43.6 million as at 31 December 2020 (unaudited)) into current assets (cash and cash equivalents of US\$ 44.1 million (unaudited)).

- 3) *We refer to the Trust's announcement on 1 March 2021 on a new loan of US\$15 million from reputable Taiwanese financial institution for the refinancing (the "New Loan") of the five product tankers Cumbrian Fisher, Clyde Fisher, Shannon Fisher, Solway Fisher, Seniority and Superiority (the "Vessels"). Please disclose the terms of the loan, as well as the reason why the Trust has to*

obtain the loan when it has cashflow from the disposal of the 2 LR2 Product Tanker Newbuildings of US\$103.8 million.

Response: The loan will have a maturity of 5 years from the drawdown and will be repaid in 20 equal consecutive quarterly instalments. As announced on 1 March 2021, the offer remains subject to definitive documentation. In order not to jeopardise the successful completion of the transaction, the Board considers that it is not in the interest of the unitholders to disclose such sensitive information as the financial terms of the transaction for as long as the transaction has not closed. Particulars of the financing will be disclosed in the regular quarterly financial statements announcements. Decisions on the capital structure of the Trust, including the refinancing of the vessels to utilise the debt capacity of the vessels, are normal business decisions made in accordance with the medium- to long-term financing strategy, and independent of single asset transactions.

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
3 March 2021