

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

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**ANNUAL 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 from unitholders at the Annual General Meeting (“**AGM**”) of the unitholders of FSL Trust held on 21 April 2023. No questions were received in advance of the AGM.

- 1) Whether the net asset value (“**NAV**”) of US\$0.03 is reflective of the higher earnings enjoyed by the shipping sector and what would be the NAV if all the vessels in the portfolio are sold?

Answer: The NAV is determined taking into account the net book value of each vessel and if required, written down, based on the earnings potential of the vessel. This assessment is done on a quarterly basis. The Board takes a conservative approach and does not adjust the value of the ship upwards, given the fluctuations in market conditions. Whilst some sectors in the shipping industry enjoyed exceptional earnings in recent times, such as the containerships, the fleet in the Trust’s portfolio comprises eight small specialised tankers which does not fall within that sector. The earnings in the small tanker market have increased significantly but not of a scale that was seen with the container ships.

- 2) Based on the gearing ratio of 20.9%, what is the headroom for raising further debt capital within the regulatory limit and the estimated quantum?

Answer: As a business trust, FSL Trust is not bound by regulatory limit on the gearing ratio. However, its major constraint in raising debt is the age of the vessels in the fleet. Although, all the ships are employed and earning a reasonable income, lenders would be mindful of the aging vessel which may adversely impact its value, unlike the assets of a REIT. Based on the current portfolio, the headroom for debt is not much. The Trust has approximately US\$30 million cash available for investment in new projects.

- 3) Can unitholders expect this year, a repeat of the distributions made in 2022?

Answer: The quantum of distribution would depend on available cash from operations and having taking into account any capital expenditure requirements as well as potential investments in new projects. The Board is exploring viable projects and if there is any investment in ships, it is likely to be ships in compliance with environmental rules. The distributions made in 2022 included the cash proceeds from the sale of three vessels.

- 4) Can the Board take steps to stabilize the unit price which is affected by the inconsistent distribution policy?

Answer: The Trust distributed most of the earnings and cash proceeds from the sale of the vessels in 2022 based on the premise that it would be in the interests of unitholders, to return the excess cash since the prevailing interest rate then was low. The Board however, takes note of the concern expressed in relation to the unit price.

- 5) Will the policy of down-sizing the Trust's portfolio continue and what is the criteria age for the sale of a ship?

Answer: The sale of the older vessels in the past was made, taking advantage of the favourable market conditions, with the disposals above book value. The current fleet comprises eight ships contracted on bare-boat charter to James Fisher Everard Limited ("**James Fisher**") which generates a stable income for the Trust. Currently, there are no plans to sell vessels.

Generally, a tanker of fifteen years is difficult to deploy, particularly the larger ships. However, this may vary depending on the market condition. In a stronger market, oil companies may relax the rules. All the ships in the Trust's fleet have crossed the fifteen-year mark and they continue to attract strong interest due to several factors. The Trust's customer has a close relationship with major oil companies, hence it can run ships with these companies or government agencies despite the advanced age of the vessel. Environmental rules also play a part in the employment of vessels. Older vessels are particularly susceptible to the changing rules. To illustrate, a fifteen-year old ship may have a shorter life if it cannot satisfy the new rules when they come into force. Some of the vessels chartered to James Fisher are unusually designed that are in compliance with the new rules and are still employable up to twenty years.

- 6) Is the Trust exploring projects that can avail government funding or subsidies?

Answer: As a small entity, the Trust is likely to use existing technologies instead of developing a new technology for which government funding and subsidies are available. However, in anticipation of the rules relating to acceleration of global warming in Europe, projects with low carbon and are environmental friendly, are on the Trust's radar.

- 7) Last year, unitholders approved the mandate to widen the scope of the Trust's business. Please elaborate and provide an update in terms of types of investment under consideration and a realistic time frame to achieve it.

Answer: The mandate gives the Trust the flexibility to diversify into other maritime activities. It was necessary to broaden the scope of business as the traditional model of buying and leasing a vessel was akin to financing and there are other lower costs financing and leasing companies competing in the same business. With the new mandate now, the Trust is better placed to enter joint ventures in green sectors such as solar energy, if and when the opportunity arises, without breaching the trust deed. Currently, there are about four projects at exploration stage, including a ship newbuilding with dual fuel capability. There are also discussions with James Fisher to study the feasibility of modernizing and transiting the existing fleet to fuel efficient ships.

- 8) Are your customers prepared to pay a premium for 'green' ships?

Answer: There are some customers in Europe who want their cargo to be shipped by LNG fuel ships despite the higher cost, which reflects the change of mindset of end-users. They are moving away from cheap freights and are prepared to pay more in favour of low carbon footprint.

- 9) Is it economically feasible to continue with the small sized tankers compared to larger vessels that enjoy economies of scale?

Answer: The physical dimension of some ports in Europe does not allow big ships at such ports. Therefore, smaller ships are preferred as they can fit easily into most ports. The demand for smaller ships also keeps them in operation beyond their theoretical life span.

10) Are there any thirty-year old oil tankers that are in operation after completing its special survey?

Answer: There are very few such oil tankers but there are cargo ships of about twenty-five years old. A special survey would cost approximately US\$3 million. The Trust is not exposed to this cost as its vessels are on bareboat charter, with the special survey costs borne by James Fisher.

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  
30 April 2023