



**FIRST SHIP LEASE TRUST
 UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
 FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

First Ship Lease Trust (“FSL Trust” or “the Trust”) is a shipowner and a provider of leasing services on a bareboat charter basis to the international shipping industry and is listed on the Singapore Exchange Securities Trading Limited (“SGX”).

As at 31 March 2016, FSL Trust has a modern, high quality and diversified portfolio of 22 vessels consisting of five containerships, twelve product tankers, three chemical tankers and two crude oil tankers. 12 vessels are employed on long-term bareboat charters as at 31 March 2016 and have a dollar-weighted average remaining lease period of approximately three years (excluding extension periods and early buy-out options). The remaining ten vessels are employed on time charter arrangements and in pools. The combined portfolio of 22 vessels has a dollar-weighted average age of approximately nine years.

Summary of FSL Trust Consolidated Results

	1Q 2016	1Q 2015	Inc/ (Dec)
	US\$ '000	US\$ '000	%
Revenue	26,666	24,783	7.6
Profit for the quarter	2,270	5,060	(55.1)
Income available for distribution	5,439	3,185	70.8

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1(a)(i) Consolidated Income Statements

		Group		
		1Q 2016	1Q 2015	Inc/ (Dec)
Note		US\$'000	US\$'000	%
		26,666	24,783	7.6
		(10,144)	(11,506)	(11.8)
		(6,103)	(5,207)	17.2
		(832)	(897)	(7.2)
		(28)	(30)	(6.7)
		(470)	(436)	7.8
		9,089	6,707	35.5
		400	19	2005.3
	(c)	4	5	(20.0)
		(3,061)	(3,349)	(8.6)
		-	1,710	(100.0)
	(a)	-	-	100.0
	(b)	(4,162)	-	100.0
		2,270	5,092	(55.4)
		-	(32)	(100.0)
		2,270	5,060	(55.1)

Note:

- (a) This relates to the disposal of the entire shareholdings in TORM A/S for a total consideration of US\$2.6 million in January 2015.
(b) This relates to the disposal of two containerships in February 2016.
(c) This relates to income received from claims and legal settlements.

1(a)(ii) Statements of Comprehensive Income

		Group	
		1Q 2016	1Q 2015
		US\$'000	US\$'000
	Profit for the quarter	2,270	5,060
	Other comprehensive income/(losses)		
	Items that are or may be classified subsequently to profit or loss:		
	Translation differences relating to financial statements of foreign subsidiaries	272	(1,247)
	Exchange differences on monetary items forming part of net investment in foreign subsidiaries	152	-
	Effective portion of changes in fair value of cash flow hedges	(379)	(403)
	Net change in fair value of cash flow hedges transferred to income statement	157	370
	Other comprehensive income/(loss), net of tax	202	(1,280)
	Total comprehensive income	2,472	3,780

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1(a)(iii) Distribution Statements

		Group	
Note	1Q 2016	1Q 2015	
	US\$'000	US\$'000	
	2,270	5,060	
Add: Non-cash adjustments (a)	13,847	9,125	
Net cash generated from operations	16,117	14,185	
Less: Repayment of secured bank loans	(10,678)	(11,000)	
Prepayment of secured bank loans (b)	-	-	
Income available for distribution	5,439	3,185	
Less: Cash retained in the current period	(5,439)	(3,185)	
Net distributable amount (c)	-	-	
Amount available for distribution	-	-	
Comprising: (i) Tax-exempt distribution	-	-	
(ii) Tax-exempt (one-tier) distribution	-	-	
Amount to be distributed	-	-	
Units at the end of the quarter ('000)	637,457	654,665	
Distribution per unit (US Cents)	-	-	

Notes:

(a) Non-cash adjustments

		Group	
		1Q 2016	1Q 2015
		US\$'000	US\$'000
Depreciation expense on vessels	9,822	11,147	
Unrealised exchange differences	202	27	
Gain on disposal of available-for-sale financial assets	-	(1,710)	
Loss on disposal of vessels	4,162	-	
Amortisation of deferred income	(361)	(361)	
Amortisation of initial direct costs	22	22	
	13,847	9,125	

(b) In 1Q of 2016, US\$ 8.0 million of the cash proceeds from the sale of two containerships was used to prepay the secured bank loans. As these amounts were not generated from operations they have not been included in this statement.

(c) No distribution has been recommended by the Board for the first quarter of 2016. The income available for distribution this quarter has been retained.

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1(b)(i) Statements of Financial Position

		31 Mar 2016		31 Dec 2015	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
	Non-current assets				
	Vessels	503,118	-	526,516	-
	Subsidiaries	-	368,397	-	368,397
	Derivative assets	-	-	55	55
		503,118	368,397	526,571	368,452
	Current assets				
	Inventories	-	-	45	-
	Derivative assets	55	55	133	133
	Trade and other receivables	6,111	72	4,623	26,554
	Cash and cash equivalents	32,895	22,367	28,834	16,769
(a)		39,061	22,494	33,635	43,456
	Total assets	542,179	390,891	560,206	411,908
	Equity attributable to unitholders of FSL Trust				
	Units in issue	523,284	523,284	523,284	523,284
	Reserves	(242,630)	(387,908)	(245,102)	(384,708)
	Total equity	280,654	135,376	278,182	138,576
	Non-current liabilities				
	Secured bank loans	211,859	211,859	229,050	229,050
(b)	Derivative liabilities	94	94	67	67
	Deferred income	1,762	-	2,123	-
		213,715	211,953	231,240	229,117
	Current liabilities				
	Trade and other payables	3,167	1,162	3,500	615
	Lease income received in advance	799	-	2,240	-
	Derivative liabilities	626	626	565	565
	Secured bank loans	41,774	41,774	43,035	43,035
(b)	Deferred income	1,444	-	1,444	-
		47,810	43,562	50,784	44,215
	Total liabilities	261,525	255,515	282,024	273,332
	Total equity and liabilities	542,179	390,891	560,206	411,908

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

Note:

(a) Cash and cash equivalents comprise:

	31 Mar 2016		31 Dec 2015	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	30,106	22,367	25,956	16,675
Short-term deposits	2,789	-	2,878	94
Cash and cash equivalents in the statement of cash flows	32,895	22,367	28,834	16,769

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

	31 Mar 2016	31 Dec 2015
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	42,711	44,000
Less: Unamortised debt upfront fees	(937)	(965)
	41,774	43,035
<u>Repayable after one year</u>		
Secured bank loans	212,486	229,901
Less: Unamortised debt upfront fees	(627)	(851)
	211,859	229,050

The Trustee-Manager, on behalf of FSL Trust, secured a 6-year amortising term loan facility in December 2011 and the outstanding face value of the loan balance was US\$255.2 million as at 31 March 2016.

The interest margin of the term loan:

<u>VTL ratio</u>	<u>Margin over US\$ 3-month LIBOR</u>
>100% to 140%	3.0%
>140% to 180%	2.8%
>180%	2.6%

As at 31 March 2016, the Trust is in compliance with the terms of the original loan agreement.

For 1Q 2016, the applicable margin over US\$ 3-month LIBOR was 2.8%. The VTL ratio will be assessed semi-annually.

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

The term loan facility is secured on the following⁽¹⁾:

- (i) a first priority mortgage over the Group's vessels (excluding FSL Osaka) in the portfolio;
- (ii) a first priority assignment 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) a first priority assignment of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and
- (iv) pledge of the shares of all the vessel-owning subsidiaries (excluding FSL-27 Pte. Ltd.).

⁽¹⁾ The recently acquired vessel FSL Osaka and FSL-27 Pte. Ltd. (the vessel owing subsidiary) do not form part of the security package.

FSL Trust has hedged part of its interest rate risk through a combination of interest rate swaps and/or natural hedges to fix the interest rates. The fixed interest rates range from 1.06% per annum to 1.65% per annum.

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1(c) Consolidated Cash Flow Statements

	Group	
	1Q 2016	1Q 2015
	US\$'000	US\$'000
Operating activities:		
Profit before tax	2,270	5,092
Adjustments for:		
Depreciation expense on vessels	10,144	11,506
Amortisation of debt upfront fees	252	278
Amortisation of initial direct costs	130	126
Amortisation of deferred income	(361)	(361)
Interest income	(4)	(5)
Interest expense	2,572	3,064
Loss on disposal of vessels	4,162	-
Gain on disposal of available-for-sale financial assets	-	(1,710)
Unrealised exchange differences	202	27
	19,367	18,017
Changes in working capital:		
Trade and other receivables	(1,489)	(1,696)
Inventories	45	(24)
Trade and other payables	(359)	83
Lease income received in advance	(1,441)	(1,342)
Cash generated from operating activities	16,123	15,038
Income tax paid	-	(32)
Cash flows from operating activities	16,123	15,006
Investing activities:		
Interest received	5	9
Net proceed on disposal of vessels	9,567	-
Net proceed on disposal of available-for-sale financial assets	-	2,629
Costs incurred for dry-docking	(384)	(10)
Cash flows from investing activities	9,188	2,628
Financing activities:		
Repayment of secured bank loans	(10,678)	(11,000)
Prepayment of secured bank loans	(8,026)	-
Interest paid	(2,546)	(2,963)
Security deposit	-	10,000
Pledged deposit	-	(2,629)
Cash flows used in financing activities	(21,250)	(6,592)
Net increase in cash and cash equivalents	4,061	11,042
Cash and cash equivalents at beginning of period	28,834	22,750
Cash and cash equivalents at end of period	32,895	33,792
Comprising:-		
Cash at Bank	30,106	30,919
Short-term deposits	2,789	2,873
	32,895	33,792

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

**2016
Group**

At 1 January 2016
Total comprehensive income/
(loss) for the quarter
At 31 March 2016

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
523,284	(443)	(6,671)	(237,988)	278,182
-	(222)	424	2,270	2,472
523,284	(665)	(6,247)	(235,718)	280,654

**2015
Group**

At 1 January 2015
Total comprehensive income/
(loss) for the quarter
At 31 March 2015

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,412	(1,011)	(5,533)	(252,135)	266,733
-	(33)	(1,247)	5,060	3,780
525,412	(1,044)	(6,780)	(247,075)	270,513

**2016
Trust**

At 1 January 2016
Total comprehensive income/(loss) for the
quarter
At 31 March 2016

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,284	(443)	(384,265)	138,576
-	(222)	(2,978)	(3,200)
523,284	(665)	(387,243)	135,376

**2015
Trust**

At 1 January 2015
Total comprehensive income/ (loss) for the
quarter
At 31 March 2015

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
525,412	(1,011)	(366,146)	158,255
-	(33)	(3,527)	(3,560)
525,412	(1,044)	(369,673)	154,695

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1(d)(ii)(iii) Details of any changes in Units

	Note	1Q 2016 Units	FY 2015 Units
At the beginning of the period		637,456,577	654,665,077
Units issued during the period		-	-
Units cancelled during the period	(a)	-	(17,208,500)
At the end of the period		637,456,577	637,456,577

Note:

(a) Pursuant to the "Unit Buy-back Mandate" obtained on 29 April 2015.

1(d)(iv) Sales, Transfers, Disposal, Cancellation and/or use of Treasury Units

Not applicable.

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 2015.

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

Not applicable.

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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	
	1Q 2016	1Q 2015
Basic and diluted earnings per unit is based on:		
Profit for the quarter (US\$'000)	2,270	5,060
Weighted average number of issued units (basic and diluted) ('000)	637,457	654,665
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	0.36	0.77
Number of issued units at end of quarter ('000)	637,457	654,665
Distribution per unit (US Cents)	-	-

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 Mar 2016		31 Dec 2015	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.44	0.21	0.44	0.22

Note:

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

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8. Review of Performance

The breakdown of the revenue (on a bareboat charter/bareboat charter equivalent ("BBCE") basis) by the respective charter types and the net result from operations is as follows:

1Q 2016 vs 1Q 2015

	Group		
	1Q 2016	1Q 2015	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	11,740	13,149	(10.7)
BBCE revenue of vessels on:-			
-Time charter	4,527	1,911	136.9
-Pool	4,013	4,157	(3.5)
-Spot	(39)	-	100.0
Total bareboat charter/BBCE revenue	20,241	19,217	5.3
Less:			
Depreciation expense on vessels ¹	(9,822)	(11,147)	(11.9)
Management fees	(832)	(897)	(7.2)
Trustee fees	(28)	(30)	(6.7)
Other Trust expenses ²	(470)	(436)	7.8
Other operating expenses	(11,152)	(12,510)	(10.9)
Results from operating activities	9,089	6,707	35.5
Other income	400	19	2005.3
Finance income	4	5	(20.0)
Finance expenses	(3,061)	(3,349)	(8.6)
Gain on disposal of available-for-sale financial assets	-	1,710	(100.0)
Loss on disposal of vessels	(4,162)	-	100.0
Profit before tax	2,270	5,092	(55.4)
Income tax expense	-	(32)	(100.0)
Profit for the quarter	2,270	5,060	(55.1)

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 10.7% (US\$1.4 million), mainly attributed by:

- i) the disposal of two containerships in February 2016, (US\$2.2 million); offset with
- ii) the better performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, US\$0.9 million.

The rentals derived from the remaining 10 vessels under bareboat leases continued to support the overall earnings of FSL Trust.

¹ For this analysis, depreciation expense on dry-docking costs is included in vessel operating expenses in deriving BBCE revenue.

² 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.

8. Review of Performance (cont'd)

Time charter

i) Product tankers

Both *FSL Hamburg* and *FSL Singapore* have been chartered to a global commodities trader since November 2015. The two vessels generated a BBCE revenue of US\$1.8 million in the quarter under review.

ii) Crude oil tankers

FSL Shanghai has been employed on time charter and generated a BBCE revenue of US\$1.4 million in the quarter under review.

FSL Hong Kong has been employed on time charter from 14 June 2015 and generated a BBCE revenue of US\$1.3 million in the quarter under review.

Pool

i) Chemical tankers

The three chemical tankers are employed in the 'Nordic Tankers 19,000 Stainless Steel Pool'. Collectively, these vessels generated net pool revenue of US\$4.6 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$2.5 million in the quarter under review.

ii) Containerships

FSL Busan (ex Cape Ferro) and *FSL Santos (ex Cape Falcon)* were redelivered to FSL Trust in July 2014 and employed in a 1200-1400/1700 TEU pool which is managed by HANSE Bereederung GmbH ('Hanse Pool'). Collectively, these vessels generated net pool revenue of US\$1.4 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.5 million in the quarter under review.

iii) Product tanker

FSL Osaka, acquired by the Trust on 18 Nov 2015, entered an MR pool managed by Hafnia Management ('Hafnia Pool'). The vessel generated net pool revenue of US\$1.5 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$1.0 million in the quarter under review.

8. Review of Performance (cont'd)

b. Other operating expenses

Other operating expenses decreased by 10.9% (US\$1.4 million) due mainly to:

- revised depreciation arising from changes in the residual values of vessels from the third quarter of the previous financial year (increased of US\$1.5 million) and the disposal of two containerships (decreased of US\$2.8 million) in February 2016.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$9.1 million in this quarter, compared to US\$6.7 million over the same period last year.

d. Finance expenses

Finance expenses in 1Q 2016, including exchange loss of US\$222,000 (1Q 2015: exchange gain of US\$7,000), decreased by 8.6% (US\$0.3 million) mainly due to:

- lower outstanding indebtedness with reduced interest margin from 4Q 2015 (due to VTL improvement).

For 1Q 2016, FSL Trust achieved net profits of US\$2.3 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

FSL Trust's strong charter book and diversified fleet will continue to ensure that the Trust is well positioned in 2016, despite the challenges facing the various sectors of the global shipping market.

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 : No
previous corresponding period

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12. If no distribution has been declared/recommended, a statement to that effect

No distribution has been declared.

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. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the interim financial results of the Group for the quarter ended 31 March 2016 to be false or misleading in any material aspect.

15. 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

Alan Hatton
Chief Executive Officer
04 May 2016