



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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 2017, 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 2017 and have a dollar-weighted average remaining lease period of approximately two 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 ten years.

Summary of FSL Trust Consolidated Results

	1Q 2017	1Q 2016	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	21,949	26,666	(17.7)
Profit for the quarter	3,447	2,270	51.9
Income available for distribution ¹	(18,256)	5,439	N.M.

¹ Post voluntary prepayment of US\$20.0 million in March 2017.

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1(a)(i) Consolidated Income Statements

		Group		
		1Q 2017	1Q 2016	Inc/ (Dec)
		US\$'000	US\$'000	%
		21,949	26,666	(17.7)
		(9,582)	(10,144)	(5.5)
		(5,728)	(6,103)	(6.1)
		(630)	(832)	(24.3)
		(24)	(28)	(14.3)
		(429)	(470)	(8.7)
		5,556	9,089	(38.9)
		400	400	-
		-	(4,162)	(100.0)
		54	4	N.M.
		(2,563)	(3,061)	(16.3)
		3,447	2,270	51.9
		-	-	-
		3,447	2,270	51.9

Note:

- (a) This relates to income received from claims and legal settlements.
(b) This relates to the disposal of two containerships in February 2016.

1(a)(ii) Statements of Comprehensive Income

		Group	
		1Q 2017	1Q 2016
		US\$'000	US\$'000
	Profit for the quarter	3,447	2,270
	Other comprehensive income		
	Items that are or may be classified subsequently to profit or loss:		
	Translation differences relating to financial statements of foreign subsidiaries	-	272
	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	8	(379)
	Net change in fair value of cash flow hedges transferred to income statement	75	157
	Other comprehensive income, net of tax	83	202
	Total comprehensive income, net of tax	3,530	2,472

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1(a)(iii) Distribution Statements

	Note	Group	
		1Q 2017	1Q 2016
		US\$'000	US\$'000
Profit for the quarter		3,447	2,270
Add: Non-cash adjustments	(a)	8,975	13,847
Net cash generated from operations		12,422	16,117
Less: Repayment of secured bank loans		(10,678)	(10,678)
Prepayment of secured bank loans	(b)	(20,000)	-
Income available for distribution		(18,256)	5,439
Add: Utilisation of cash retained from previous periods		18,256	-
Less: Cash retained in the current period		-	(5,439)
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	637,457
Distribution per unit (US Cents)		-	-

Notes:

(a) Non-cash adjustments

	Group	
	1Q 2017	1Q 2016
	US\$'000	US\$'000
Depreciation expense on vessels ¹	9,315	9,822
Unrealised exchange differences	-	202
Loss on disposal of vessels	-	4,162
Amortisation of deferred income	(362)	(361)
Amortisation of initial direct costs ²	22	22
	8,975	13,847

(b) In 1Q 2017, a prepayment of US\$20.0 million was made to reduce the outstanding loan balance. In 1Q 2016, US\$8.0 million of the cash proceeds from the sale of two containerships was used to prepay the secured bank loans. As the US\$8.0 million was generated from the sale of the two containerships instead of operations, they have not been included in this statement.

(c) No distribution has been recommended by the Board for the first quarter of 2017.

¹ Excluding dry-docking costs.

² Excluding deferred arrangement fees.

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1(b)(i) Statements of Financial Position

		31 Mar 2017		31 Dec 2016	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
	Vessels	418,389	-	427,508	-
	Subsidiaries	-	297,438	-	297,438
		418,389	297,438	427,508	297,438
Current assets					
	Inventories	306	-	122	-
	Trade and other receivables	5,323	3,042	3,896	18,708
	Cash and cash equivalents	25,141	16,158	42,899	33,535
(a)		30,770	19,200	46,917	52,243
	Total assets	449,159	316,638	474,425	349,681
Equity attributable to unitholders of FSL Trust					
	Units in issue	523,284	523,284	523,284	523,284
	Reserves	(272,300)	(399,440)	(275,830)	(396,809)
	Total equity	250,984	123,844	247,454	126,475
Non-current liabilities					
	Deferred income	317	-	679	-
		317	-	679	-
Current liabilities					
	Trade and other payables	2,210	896	2,325	771
	Lease income received in advance	2,306	-	88	-
	Derivative liabilities	39	39	122	122
	Secured bank loans	191,859	191,859	222,313	222,313
	Deferred income	1,444	-	1,444	-
		197,858	192,794	226,292	223,206
	Total liabilities	198,175	192,794	226,971	223,206
	Total equity and liabilities	449,159	316,638	474,425	349,681

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

Note:

(a) Cash and cash equivalents comprise:

	31 Mar 2017		31 Dec 2016	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	25,141	16,158	19,893	13,535
Short-term deposits	-	-	23,006	20,000
Cash and cash equivalents in the statement of cash flows	25,141	16,158	42,899	33,535

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

	31 Mar 2017	31 Dec 2016
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	192,486	223,164
Less: Unamortised debt upfront fees	(627)	(851)
	191,859	222,313

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\$192.5 million as at 31 March 2017.

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 2017, the Trust is in compliance with the terms of the original loan agreement.

For 1Q 2017, the applicable margin over US\$ 3-month LIBOR was 3.0%. The VTL ratio will be assessed semi-annually.

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(b) Aggregate Amount of the 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⁾ Security documentation is currently in progress for the Trust to pledge the vessel, FSL Osaka acquired in 2015 to the Lenders.

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 2017	1Q 2016
	US\$'000	US\$'000
Operating activities:		
Profit before tax	3,447	2,270
Adjustments for:		
Depreciation expense on vessels	9,582	10,144
Amortisation of debt upfront fees	224	252
Amortisation of initial direct costs	121	130
Amortisation of deferred income	(362)	(361)
Interest income	(54)	(4)
Interest expense	2,315	2,572
Loss on disposal of vessels	-	4,162
Unrealised exchange differences	-	202
	15,273	19,367
Changes in working capital:		
Trade and other receivables	(1,443)	(1,489)
Inventories	(184)	45
Trade and other payables	(147)	(359)
Lease income received in advance	2,218	(1,441)
Cash generated from operating activities	15,717	16,123
Income tax paid	-	-
Cash flows generated from operating activities	15,717	16,123
Investing activities:		
Interest received	70	5
Net proceeds on disposal of vessels	-	9,567
Costs incurred for dry-docking	(584)	(384)
Cash flows (used in)/ generated from investing activities	(514)	9,188
Financing activities:		
Repayment of secured bank loans	(10,678)	(10,678)
Prepayment of secured bank loans	(20,000)	(8,026)
Interest paid	(2,283)	(2,546)
Cash flows used in financing activities	(32,961)	(21,250)
Net (decrease)/ increase in cash and cash equivalents	(17,758)	4,061
Cash and cash equivalents at beginning of period	42,899	28,834
Cash and cash equivalents at end of period	25,141	32,895
Comprising:-		
Cash at Bank	25,141	30,106
Short-term deposits	-	2,789
	25,141	32,895

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

**2017
Group**

At 1 January 2017
Total comprehensive income
for the quarter
At 31 March 2017

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	(122)	(6,725)	(268,983)	247,454
-	83	-	3,447	3,530
523,284	(39)	(6,725)	(265,536)	250,984

**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

**2017
Trust**

At 1 January 2017
Total comprehensive income/(loss) for the
quarter
At 31 March 2017

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,284	(122)	(396,687)	126,475
-	83	(2,714)	(2,631)
523,284	(39)	(399,401)	123,844

**2016
Trust**

At 1 January 2016
Total comprehensive 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

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

	Note	1Q 2017 Units	FY 2016 Units
At the beginning of the period		637,456,577	637,456,577
Units issued during the period		-	-
At the end of the period		637,456,577	637,456,577

There are no treasury shares and no subsidiary holdings as at 31 March 2017 and as at 31 March 2016.

1(d)(iv) Sales, transfers, cancellation and/or use of treasury units

Nil.

1(d)(v) Sales, transfers, cancellation and/or use of subsidiary holdings

Nil.

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 2016.

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 2017	1Q 2016
Basic and diluted earnings per unit is based on:		
Profit for the quarter (US\$’000)	3,447	2,270
Weighted average number of issued units (basic and diluted) (’000)	637,457	637,457
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	0.54	0.36
Number of issued units at end of quarter (’000)	637,457	637,457
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 2017		31 Dec 2016	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.39	0.19	0.39	0.20

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 2017 vs 1Q 2016

	Group		
	1Q 2017	1Q 2016	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	9,505	11,740	(19.0)
BBCE revenue of vessels on:-			
-Time charter	3,830	4,527	(15.4)
-Pool	2,619	4,013	(34.7)
-Spot	-	(39)	(100.0)
Total bareboat charter/BBCE revenue	15,954	20,241	(21.2)
Less:			
Depreciation expense on vessels ¹	(9,315)	(9,822)	(5.2)
Management fees	(630)	(832)	(24.3)
Trustee fees	(24)	(28)	(14.3)
Other Trust expenses ²	(429)	(470)	(8.7)
Other operating expenses	(10,398)	(11,152)	(6.8)
Results from operating activities	5,556	9,089	(38.9)
Other income	400	400	-
Finance income	54	4	N.M.
Finance expenses	(2,563)	(3,061)	(16.3)
Loss on disposal of vessels	-	(4,162)	(100.0)
Profit before tax	3,447	2,270	51.9
Income tax expense	-	-	-
Profit for the quarter	3,447	2,270	51.9

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 19.0% (US\$2.2 million), mainly attributable to:

- i) the disposal of two containerships in February 2016, (US\$0.8 million);
- ii) Shannon Fisher and Solway Fisher bareboat contracts renewed at a lower daily rate (US\$0.2 million); and
- iii) poorer performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, which generated lower revenue (US\$1.2 million).

The rentals derived from the remaining 8 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 Hong Kong has been employed on time charter since 14 June 2015 and went into dry-docking in March 2017. The vessel generated a BBCE revenue of US\$1.0 million in the quarter under review.

FSL Shanghai has been employed on time charter and likewise went into dry-docking in March 2017. The vessel generated a BBCE revenue of US\$1.0 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\$3.6 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.6 million in the quarter under review.

ii) Containerships

FSL Busan and *FSL Santos* are 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\$1.0 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.3 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\$1.3 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.7 million in the quarter under review.

8. Review of Performance (cont'd)

b. Other operating expenses

Other operating expenses decreased by US\$0.8 million due mainly to lower depreciation expenses of US\$0.5 million arising from changes in residual value of vessels taken last year.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$5.6 million in this quarter, compared to US\$9.1 million over the same period last year.

d. Finance expenses

Finance expenses in 1Q 2017, including an exchange loss of US\$11,000 (1Q 2016: US\$222,000), decreased by 16.3% (US\$0.5 million) mainly due to lower outstanding indebtedness and the declining value of existing swaps.

For 1Q 2017, FSL Trust achieved net profits of US\$3.4 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

Shipping markets across all sectors remain under pressure in the near term. The financial effects are expected to be mitigated by FSL Trust's charter book, given the Trust's ongoing efforts to secure contract cover.

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

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

No distribution has been declared.

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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 2017 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 Mitchell
Chief Financial Officer
03 May 2017