



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30 September 2017, FSL Trust has a high quality, well maintained 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 30 September 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 eleven years.

Summary of FSL Trust Consolidated Results

	3Q 2017	3Q 2016	Inc/ (Dec)	YTD SEP 2017	YTD SEP 2016	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	18,705	22,941	(18.5)	61,603	74,955	(17.8)
(Loss)/ profit for the quarter/ period	(21,653)	3,534	N.M.	(40,014)	11,291	N.M.
Income available for distribution	(1,624)	2,507	N.M.	(19,275)	12,356	N.M.

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1(a)(i) Consolidated Income Statements

		Group					
	Note	3Q 2017	3Q 2016	Inc/ (Dec)	YTD SEP 2017	YTD SEP 2016	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		18,705	22,941	(18.5)	61,603	74,955	(17.8)
Depreciation expense on vessels		(9,305)	(10,243)	(9.2)	(28,544)	(30,625)	(6.8)
Impairment on vessels	(c)	(22,157)	-	100.0	(46,274)	-	100.0
Vessel operating expenses		(5,667)	(5,788)	(2.1)	(17,027)	(17,955)	(5.2)
Management fees		(509)	(697)	(27.0)	(1,754)	(2,320)	(24.4)
Trustee fees		(21)	(27)	(22.2)	(67)	(82)	(18.3)
Other Trust expenses		(524)	(408)	28.4	(1,433)	(1,332)	7.6
Results from operating activities		(19,478)	5,778	N.M.	(33,496)	22,641	N.M.
Other income	(a)	-	400	(100.0)	400	1,200	(66.7)
Loss on disposal of vessels	(b)	-	-	-	-	(4,162)	(100.0)
Finance income		-	6	(100.0)	54	15	260.0
Finance expenses		(2,175)	(2,650)	(17.9)	(6,972)	(8,403)	(17.0)
(Loss)/ profit before tax		(21,653)	3,534	N.M.	(40,014)	11,291	N.M.
Income tax expense		-	-	-	-	-	-
(Loss)/ profit for the quarter/ period		(21,653)	3,534	N.M.	(40,014)	11,291	N.M.

Note:

- (a) This relates to income received from claims and legal settlements.
(b) This relates to the disposal of two containerships in February 2016.
(c) This relates to the impairment recognised on three chemical tankers, three product tankers in 3Q 2017. (refer to paragraph 8(b)(ii)).

1(a)(ii) Statements of Comprehensive Income

		Group			
		3Q 2017	3Q 2016	YTD SEP 2017	YTD SEP 2016
		US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/ profit for the quarter/period		(21,653)	3,534	(40,014)	11,291
Other comprehensive income					
Items that are or may be classified subsequently to profit or loss:					
Translation differences relating to financial statements of foreign subsidiaries		-	71	-	197
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		-	138	8	(331)
Net change in fair value of cash flow hedges transferred to income statement		-	185	114	489
Other comprehensive income, net of tax		-	394	122	507
Total comprehensive (loss)/ income, net of tax		(21,653)	3,928	(39,892)	11,798

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1(a)(iii) Distribution Statements

		Group			
Note	3Q 2017	3Q 2016	YTD SEP 2017	YTD SEP 2016	
	US\$'000	US\$'000	US\$'000	US\$'000	
(Loss)/ profit for the quarter/ period	(21,653)	3,534	(40,014)	11,291	
Add: Non-cash adjustments	30,706	9,650	72,772	33,098	
Net cash generated from operations	9,053	13,184	32,758	44,389	
Less: Repayment of secured bank loans	(10,677)	(10,677)	(32,033)	(32,033)	
Prepayment of secured bank loans	-	-	(20,000)	-	
Income available for distribution	(1,624)	2,507	(19,275)	12,356	
Add: Utilisation of cash retained from previous periods	1,624	-	19,275	-	
Less: Cash retained in the current period	-	(2,507)	-	(12,356)	
Net distributable amount	-	-	-	-	
Amount available for distribution	-	-	-	-	
Comprising: (i) Tax-exempt distribution	-	-	-	-	
(ii) Tax-exempt (one-tier) distribution	-	-	-	-	
Amount to be distributed	-	-	-	-	
Units at end of quarter/ period ('000)	637,457	637,457	637,457	637,457	
Distribution per unit (US Cents)	-	-	-	-	

Notes:

(a) Non-cash adjustments

		Group			
	3Q 2017	3Q 2016	YTD SEP 2017	YTD SEP 2016	
	US\$'000	US\$'000	US\$'000	US\$'000	
Depreciation expense on vessels ¹	8,903	9,971	27,533	29,764	
Impairment on vessels	22,157	-	46,274	-	
Unrealised exchange differences	-	18	-	189	
Loss on disposal of vessels	-	-	-	4,162	
Amortisation of deferred income	(361)	(361)	(1,084)	(1,083)	
Amortisation of initial direct costs ²	7	22	49	66	
	30,706	9,650	72,772	33,098	

(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 third quarter of 2017.

¹ Excluding dry-docking costs.

² Excluding deferred arrangement fees.

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1(b)(i) Statements of Financial Position

		30 Sep 2017		31 Dec 2016	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
	Non-current assets				
	Vessels	355,724	-	427,508	-
	Subsidiaries	-	267,594	-	297,438
		355,724	267,594	427,508	297,438
	Current assets				
	Inventories	-	-	122	-
	Trade and other receivables	6,719	9,124	3,896	18,708
	Cash and cash equivalents (a)	19,582	14,082	42,899	33,535
		26,301	23,206	46,917	52,243
	Total assets	382,025	290,800	474,425	349,681
	Equity attributable to unitholders of FSL Trust				
	Units in issue	523,284	523,284	523,284	523,284
	Reserves	(315,722)	(404,353)	(275,830)	(396,809)
	Total equity	207,562	118,931	247,454	126,475
	Non-current liabilities				
	Deferred income	-	-	679	-
		-	-	679	-
	Current liabilities				
	Trade and other payables	2,415	940	2,325	771
	Lease income received in advance	80	-	88	-
	Derivative liabilities	-	-	122	122
	Secured bank loans (b)	170,929	170,929	222,313	222,313
	Deferred income	1,039	-	1,444	-
		174,463	171,869	226,292	223,206
	Total liabilities	174,463	171,869	226,971	223,206
	Total equity and liabilities	382,025	290,800	474,425	349,681

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

Note:

(a) Cash and cash equivalents comprise:

	30 Sep 2017		31 Dec 2016	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	19,582	14,082	19,893	13,535
Short-term deposits	-	-	23,006	20,000
Cash and cash equivalents in the statement of cash flows	19,582	14,082	42,899	33,535

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

	30 Sep 2017	31 Dec 2016
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	171,131	223,164
Less: Unamortised debt upfront fees	(202)	(851)
	170,929	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\$171.1 million as at 30 September 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 30 September 2017, the Trust is in compliance with the terms of the original loan agreement.

For 3Q 2017, 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 the Group and the Trust's Borrowings and Debt Securities (cont'd)

The term loan facility is secured on the following:

- (i) a first priority mortgage over the Group's vessels 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.

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. The interest rate swaps expired in June 2017.

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1(c) Consolidated Cash Flow Statements

	Group			
	3Q 2017	3Q 2016	YTD SEP 2017	YTD SEP 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
(Loss)/ profit before tax	(21,653)	3,534	(40,014)	11,291
Adjustments for:				
Depreciation expense on vessels	9,305	10,243	28,544	30,625
Impairment on vessels	22,157	-	46,274	-
Amortisation of debt upfront fees	209	237	649	734
Amortisation of initial direct costs	55	130	291	389
Amortisation of deferred income	(361)	(361)	(1,084)	(1,083)
Interest income	-	(6)	(54)	(15)
Interest expense	1,922	2,367	6,222	7,383
Loss on disposal of vessels	-	-	-	4,162
Unrealised exchange differences	-	18	-	189
	11,634	16,162	40,828	53,675
Changes in working capital:				
Trade and other receivables	(1,463)	(789)	(2,845)	216
Inventories	498	(64)	122	(19)
Trade and other payables	326	(134)	40	(1,693)
Lease income received in advance	(2,141)	(149)	(8)	(1,445)
Cash generated from operating activities	8,854	15,026	38,137	50,734
Income tax refunded	-	-	6	-
Cash flows generated from operating activities	8,854	15,026	38,143	50,734
Investing activities:				
Interest received	-	5	70	15
Net proceed on disposal of vessels	-	-	-	9,567
Costs incurred for dry-docking	(823)	(1,666)	(3,325)	(2,116)
Cash flows (used in)/ generated from investing activities	(823)	(1,661)	(3,255)	7,466
Financing activities:				
Repayment of secured bank loans	(10,677)	(10,677)	(32,033)	(32,033)
Prepayment of secured bank loans	-	-	(20,000)	(8,026)
Interest paid	(1,903)	(2,338)	(6,172)	(7,273)
Cash flows used in financing activities	(12,580)	(13,015)	(58,205)	(47,332)
Net (decrease)/ increase in cash and cash equivalents	(4,549)	350	(23,317)	10,868
Cash and cash equivalents at beginning of period	24,131	39,352	42,899	28,834
Cash and cash equivalents at end of period	19,582	39,702	19,582	39,702
Comprising:-				
Cash at Bank	19,582	26,702	19,582	26,702
Short-term deposits	-	13,000	-	13,000
	19,582	39,702	19,582	39,702

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

2017

Group

At 1 July 2017

Total comprehensive loss for
the quarter

At 30 September 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	-	(6,725)	(287,344)	229,215
-	-	-	(21,653)	(21,653)
523,284	-	(6,725)	(308,997)	207,562

2016

Group

At 1 July 2016

Total comprehensive income
for the quarter

At 30 September 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	(608)	(6,393)	(230,231)	286,052
-	323	71	3,534	3,928
523,284	(285)	(6,322)	(226,697)	289,980

2017

Trust

At 1 July 2017

Total comprehensive loss for the quarter

At 30 September 2017

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,284	-	(401,866)	121,418
-	-	(2,487)	(2,487)
523,284	-	(404,353)	118,931

2016

Trust

At 1 July 2016

Total comprehensive income/(loss) for the
quarter

At 30 September 2016

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,284	(608)	(390,108)	132,568
-	323	(2,796)	(2,473)
523,284	(285)	(392,904)	130,095

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

	Note	3Q 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 30 September 2017 and as at 30 September 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			
	3Q 2017	3Q 2016	YTD SEP 2017	YTD SEP 2016
Basic and diluted earnings per unit is based on:				
(Loss)/ profit for the quarter/ period (US\$'000)	(21,653)	3,534	(40,014)	11,291
Weighted average number of issued units (basic and diluted) ('000)	637,457	637,457	637,457	637,457
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(3.40)	0.55	(6.28)	1.77
Number of issued units at end of quarter/ period ('000)	637,457	637,457	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	30 Sep 2017		31 Dec 2016	
	Group	Trust	Group	Trust
Net asset value per unit (US\$)	0.33	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:

3Q 2017 vs 3Q 2016

	Group		
	3Q 2017	3Q 2016	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	8,684	10,039	(13.5)
BBCE revenue of vessels on:-			
-Time charter	2,050	4,727	(56.6)
-Pool	1,902	2,115	(10.1)
Total bareboat charter/BBCE revenue	12,636	16,881	(25.1)
Less:			
Depreciation expense on vessels ¹	(8,903)	(9,971)	(10.7)
Impairment on vessels	(22,157)	-	100.0
Management fees	(509)	(697)	(27.0)
Trustee fees	(21)	(27)	(22.2)
Other Trust expenses ²	(524)	(408)	28.4
Other operating expenses	(32,114)	(11,103)	189.2
Results from operating activities	(19,478)	5,778	N.M.
Other income	-	400	(100.0)
Finance income	-	6	(100.0)
Finance expenses	(2,175)	(2,650)	(17.9)
(Loss)/ profit before tax	(21,653)	3,534	N.M.
Income tax expense	-	-	-
(Loss)/ profit for the quarter	(21,653)	3,534	N.M.

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 13.5% (US\$1.4 million), mainly attributable to:

- i) Solway Fisher, Speciality, Seniority and Superiority bareboat contracts renewed at a lower daily rate (US\$0.6 million); and
- ii) poorer performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, which generated lower revenue (US\$0.8 million).

The rentals derived from the remaining 6 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 BBCE revenue of US\$1.9 million in the quarter under review.

ii) Crude oil tankers

FSL Shanghai was employed on time charter until 22 August 2017 and generated BBCE revenue of US\$0.2 million in the quarter under review.

Pool/Revenue Sharing Agreement ('RSA')

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\$3.3 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.3 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\$1.1 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 went into dry-docking in August 2017 and generated net pool revenue of US\$0.6 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.1 million in the quarter under review.

iv) Crude oil tanker

FSL Hong Kong, is employed on a RSA (Revenue Sharing Agreement) from 14 April 2017. The vessel generated net pool revenue of US\$0.8 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.1 million in the quarter under review.

In September 2017 FSL Shanghai entered a RSA (Revenue Sharing Agreement). The vessel generated net pool revenue of US\$0.2 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.1 million in the quarter under review.

8. Review of Performance (cont'd)

b. Other operating expenses

Other operating expenses increased by US\$21.0 million due mainly to:

- i) lower depreciation expenses of US\$1.1 million arising from changes in residual value of vessels taken last year.
- ii) upon re-assessment of the recoverable amount in line with the deterioration in current market value, it was assessed that the carrying amounts of *FSL New York*, *FSL London*, *FSL Tokyo*, *FSL Hamburg*, *FSL Singapore* and *FSL Osaka* had exceeded the recoverable amount and an impairment of US\$22.2 million for the six vessels was recognised.

c. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$19.5 million in this quarter, compared to a profit of US\$5.8 million over the same quarter last year.

d. Finance expenses

Finance expenses in 3Q 2017, including an exchange loss of US\$31,000 (3Q 2016: exchange loss of US\$31,000), decreased by 17.9% (US\$0.5 million) mainly due to lower outstanding indebtedness and expiry of existing swaps in June 2017.

For 3Q 2017, FSL Trust incurred a net loss of US\$21.7 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.

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 30 September 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
08 November 2017