



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 December 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 December 2016 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

	4Q 2016	4Q 2015	Inc/ (Dec)	FY 2016	FY 2015	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	23,189	25,928	(10.6)	98,144	106,583	(7.9)
(Loss)/profit for the quarter/ year	(42,286)	83	N.M.	(30,995)	14,147	N.M.
Income available for distribution	2,517	4,695	(46.4)	14,873	18,823	(21.0)

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1(a)(i) Consolidated Income Statements

		Group					
Note	4Q 2016	4Q 2015	Inc/ (Dec)	FY 2016	FY 2015	Inc/ (Dec)	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%	
	23,189	25,928	(10.6)	98,144	106,583	(7.9)	
	Revenue						
	Depreciation expense on vessels						
	(12,085)	(15,290)	(21.0)	(42,710)	(52,049)	(17.9)	
(a)	(44,137)	(971)	N.M.	(44,137)	(971)	N.M.	
	(39)	(128)	(69.5)	(39)	(2,280)	(98.3)	
	(6,174)	(5,673)	8.8	(24,129)	(22,494)	7.3	
	(709)	(848)	(16.4)	(3,029)	(3,479)	(12.9)	
	(26)	(29)	(10.3)	(108)	(117)	(7.7)	
	(320)	(387)	(17.3)	(1,652)	(1,845)	(10.5)	
	Results from operating activities						
	(40,301)	2,602	N.M.	(17,660)	23,348	N.M.	
(b)	400	400	-	1,600	1,907	(16.1)	
(c)	-	-	N.M.	-	1,710	(100.0)	
(d)	26	-	100.0	(4,136)	-	100.0	
	35	3	N.M.	50	12	316.7	
	(2,446)	(2,928)	(16.5)	(10,849)	(12,792)	(15.2)	
	(42,286)	77	N.M.	(30,995)	14,185	N.M.	
	-	6	(100.0)	-	(38)	(100.0)	
	(42,286)	83	N.M.	(30,995)	14,147	N.M.	

Note:

- (a) This relates to the impairment loss recognised on five containerships, two crude oil tankers and one product tanker in FY 2016 (FY 2015: two Evergreen vessels) (refer to paragraph 8(b)(ii)).
- (b) This relates to income received from claims and legal settlements.
- (c) 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.
- (d) This relates to the disposal of two containerships in February 2016.

1(a)(ii) Statements of Comprehensive Income

		Group			
		4Q 2016	4Q 2015	FY 2016	FY 2015
		US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/ profit for the quarter/ year		(42,286)	83	(30,995)	14,147
Other comprehensive (loss)/ income					
Items that are or may be classified subsequently to profit or loss:					
Translation differences relating to financial statements of foreign subsidiaries		(403)	(309)	(206)	(1,138)
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		43	395	(288)	(708)
Net change in fair value of cash flow hedges transferred to income statement		120	264	609	1,276
Other comprehensive (loss)/ income, net of tax		(240)	350	267	(570)
Total comprehensive (loss)/ income, net of tax		(42,526)	433	(30,728)	13,577

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1(a)(iii) Distribution Statements

		Group			
Note	4Q 2016	4Q 2015	FY 2016	FY 2015	
	US\$'000	US\$'000	US\$'000	US\$'000	
(Loss)/ profit for the quarter/ year	(42,286)	83	(30,995)	14,147	
Add: Non-cash adjustments	55,481	15,612	88,579	48,676	
Net cash generated from operations	13,195	15,695	57,584	62,823	
Less: Repayment of secured bank loans	(10,678)	(11,000)	(42,711)	(44,000)	
Prepayment of secured bank loans	-	-	-	-	
Income available for distribution	2,517	4,695	14,873	18,823	
Less: Cash retained in the current period	(2,517)	(4,695)	(14,873)	(18,823)	
Net distributable amount	-	-	-	-	
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	637,457	637,457	
Distribution per unit (US Cents)	-	-	-	-	

Notes:

(a) Non-cash adjustments

		Group			
	4Q 2016	4Q 2015	FY 2016	FY 2015	
	US\$'000	US\$'000	US\$'000	US\$'000	
Depreciation expense on vessels ¹	11,819	15,018	41,583	50,767	
Impairment loss on vessels	44,137	971	44,137	971	
Unrealised exchange differences	(110)	(37)	79	6	
Loss on disposal of vessels	(26)	-	4,136	-	
Gain on disposal of available-for-sale financial assets	-	-	-	(1,710)	
Amortisation of deferred income	(361)	(361)	(1,444)	(1,444)	
Amortisation of initial direct costs ²	22	21	88	86	
	55,481	15,612	88,579	48,676	

(b) In 1Q of 2016, US\$ 8.0 million of the cash proceeds from the sale of two containerships was used to prepay 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 fourth quarter of 2016. The income available for distribution this quarter has been retained.

¹ Excluding dry-docking costs.

² Excluding deferred arrangement fees.

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1(b)(i) Statements of Financial Position

		31 Dec 2016		31 Dec 2015	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
	Vessels	427,508	-	526,516	-
	Subsidiaries	-	297,438	-	368,397
	Derivative assets	-	-	55	55
		427,508	297,438	526,571	368,452
Current assets					
	Inventories	122	-	45	-
	Derivative assets	-	-	133	133
	Trade and other receivables	3,896	18,708	4,623	26,554
	Cash and cash equivalents	42,899	33,535	28,834	16,769
(a)		46,917	52,243	33,635	43,456
	Total assets	474,425	349,681	560,206	411,908
Equity attributable to unitholders of FSL Trust					
	Units in issue	523,284	523,284	523,284	523,284
	Reserves	(275,830)	(396,809)	(245,102)	(384,708)
	Total equity	247,454	126,475	278,182	138,576
Non-current liabilities					
	Secured bank loans	-	-	229,050	229,050
(b)	Derivative liabilities	-	-	67	67
	Deferred income	679	-	2,123	-
		679	-	231,240	229,117
Current liabilities					
	Trade and other payables	2,325	771	3,500	615
	Lease income received in advance	88	-	2,240	-
	Derivative liabilities	122	122	565	565
	Secured bank loans	222,313	222,313	43,035	43,035
(b)	Deferred income	1,444	-	1,444	-
		226,292	223,206	50,784	44,215
	Total liabilities	226,971	223,206	282,024	273,332
	Total equity and liabilities	474,425	349,681	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 Dec 2016		31 Dec 2015	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	19,893	13,535	25,956	16,675
Short-term deposits	23,006	20,000	2,878	94
Cash and cash equivalents in the statement of cash flows	42,899	33,535	28,834	16,769

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

	31 Dec 2016	31 Dec 2015
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	223,164	44,000
Less: Unamortised debt upfront fees	(851)	(965)
	222,313	43,035
<u>Repayable after one year</u>		
Secured bank loans	-	229,901
Less: Unamortised debt upfront fees	-	(851)
	-	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\$223.2 million as at 31 December 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 December 2016, the Trust is in compliance with the terms of the original loan agreement.

For 4Q 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 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⁾ 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			
	4Q 2016	4Q 2015	FY 2016	FY 2015
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
(Loss)/ profit before tax	(42,286)	77	(30,995)	14,185
Adjustments for:				
Depreciation expense on vessels	12,085	15,290	42,710	52,049
Impairment loss on vessels	44,137	971	44,137	971
Amortisation of debt upfront fees	231	258	965	1,073
Amortisation of initial direct costs	129	128	518	505
Amortisation of deferred income	(361)	(361)	(1,444)	(1,444)
Interest income	(35)	(3)	(50)	(12)
Interest expense	2,337	2,669	9,720	11,638
Loss on disposal of vessels	(26)	-	4,136	-
Gain on disposal of available-for-sale financial assets	-	-	-	(1,710)
Unrealised exchange differences	(110)	(37)	79	6
	16,101	18,992	69,776	77,261
Changes in working capital:				
Trade and other receivables	526	(1,008)	742	147
Inventories	(58)	578	(77)	(45)
Trade and other payables	375	735	(1,318)	2,063
Lease income received in advance	(707)	447	(2,152)	(523)
Cash generated from operating activities	16,237	19,744	66,971	78,903
Income tax paid	-	-	-	(44)
Cash flows from operating activities	16,237	19,744	66,971	78,859
Investing activities:				
Interest received	20	2	35	15
Acquisition of vessel	-	(22,054)	-	(22,054)
Net proceed on disposal of vessels	26	-	9,593	-
Net proceed on disposal of available-for-sale financial assets	-	-	-	2,629
Costs incurred for dry-docking	(104)	(2,824)	(2,220)	(3,110)
Cash flows (used in)/ from investing activities	(58)	(24,876)	7,408	(22,520)
Financing activities:				
Repayment of secured bank loans	(10,678)	(11,000)	(42,711)	(44,000)
Prepayment of secured bank loans	-	(2,630)	(8,026)	(2,630)
Interest paid	(2,304)	(2,573)	(9,577)	(11,497)
Security deposit	-	2,630	-	12,630
Pledged deposit	-	-	-	(2,630)
Purchase of the Trust's units	-	(389)	-	(2,128)
Cash flows used in financing activities	(12,982)	(13,962)	(60,314)	(50,255)
Net increase/(decrease) in cash and cash equivalents	3,197	(19,094)	14,065	6,084
Cash and cash equivalents at beginning of period/ year	39,702	47,928	28,834	22,750
Cash and cash equivalents at end of period/ year	42,899	28,834	42,899	28,834
Comprising:-				
Cash at Bank	19,893	25,956	19,893	25,956
Short-term deposits	23,006	2,878	23,006	2,878
	42,899	28,834	42,899	28,834

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

2016
Group

At 1 October 2016
 Total comprehensive income/
 (loss) for the quarter
 At 31 December 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	(285)	(6,322)	(226,697)	289,980
-	163	(403)	(42,286)	(42,526)
523,284	(122)	(6,725)	(268,983)	247,454

2015
Group

At 1 October 2015
 Cancellation of units bought back
 Total comprehensive income/
 (loss) for the quarter
 At 31 December 2015

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
523,673	(1,102)	(6,362)	(238,071)	278,138
(389)	-	-	-	(389)
-	659	(309)	83	433
523,284	(443)	(6,671)	(237,988)	278,182

2016
Trust

At 1 October 2016
 Total comprehensive income/(loss) for the
 quarter
 At 31 December 2016

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,284	(285)	(392,904)	130,095
-	163	(3,783)	(3,620)
523,284	(122)	(396,687)	126,475

2015
Trust

At 1 October 2015
 Cancellation of units bought back
 Total comprehensive income/ (loss) for the
 quarter
 At 31 December 2015

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,673	(1,102)	(376,523)	146,048
(389)	-	-	(389)
-	659	(7,742)	(7,083)
523,284	(443)	(384,265)	138,576

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

	Note	4Q 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			
	4Q 2016	4Q 2015	FY 2016	FY 2015
Basic and diluted earnings per unit is based on: (Loss)/ profit for the quarter/ year (US\$’000)	(42,286)	83	(30,995)	14,147
Weighted average number of issued units (basic and diluted) (’000)	637,457	638,661	637,457	646,004
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(6.63)	0.01	(4.86)	2.19
Number of issued units at end of quarter (’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	31 Dec 2016		31 Dec 2015	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.39	0.20	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:

4Q 2016 vs 4Q 2015

	Group		
	4Q 2016	4Q 2015	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	9,978	14,233	(29.9)
BBCE revenue of vessels on:-			
-Time charter	4,558	2,397	90.2
-Pool	2,174	2,823	(23.0)
-Spot	-	402	(100.0)
Total bareboat charter/BBCE revenue	16,710	19,855	(15.8)
Less:			
Depreciation expense on vessels ¹	(11,819)	(15,018)	(21.3)
Impairment loss on vessels	(44,137)	(971)	4445.5
Management fees	(709)	(848)	(16.4)
Trustee fees	(26)	(29)	(10.3)
Other Trust expenses ²	(320)	(387)	(17.3)
Other operating expenses	(57,011)	(17,253)	230.4
Results from operating activities	(40,301)	2,602	N.M.
Other income	400	400	-
Finance income	35	3	1066.7
Finance expenses	(2,446)	(2,928)	(16.5)
Loss on disposal of vessels write back	26	-	100.0
(Loss)/ profit before tax	(42,286)	77	N.M.
Income tax expense	-	6	(100.0)
(Loss)/ profit for the quarter	(42,286)	83	N.M.

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 29.9% (US\$4.3 million), mainly attributable to:

- i) the disposal of two containerships in February 2016, (US\$2.9 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\$1.0 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\$1.9 million in the quarter under review.

ii) Crude oil tankers

FSL Hong Kong has been employed on time charter from 14 June 2015 and generated a BBCE revenue of US\$1.4 million in the quarter under review.

FSL Shanghai has been employed on time charter 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\$3.5 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 (ex Cape Ferro) and *FSL Santos (ex Cape Falcon)* 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\$0.1 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\$1.1 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.5 million in the quarter under review.

8. Review of Performance (cont'd)

b. Other operating expenses

Other operating expenses increased by US\$39.8 million due mainly to:

- i) lower depreciation expenses of US\$3.2 million. This arised from the disposal of two containerships in February 2016 (decrease of US\$5.2 million) and change in residual value of vessels (increase of US\$2.0 million).
- 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 *YM Eminence*, *YM Elixir*, *YM Enhancer*, *FSL Busan*, *FSL Santos*, *FSL Singapore*, *FSL Hong Kong* and *FSL Shanghai* had exceeded the recoverable amount and an impairment loss of US\$44.1 million for the eight vessels was recognised.

c. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$40.3 million in this quarter, compared to a profit of US\$2.6 million over the same period last year.

d. Finance expenses

Finance expenses in 4Q 2016, including an exchange gain of US\$136,000 (4Q 2015: exchange gain of US\$12,000), decreased by 16.5% (US\$0.5 million) mainly due to lower outstanding indebtedness and the declining value of existing swaps.

For 4Q 2016, FSL Trust incurred a net loss of US\$42.3 million.

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8. Review of Performance (cont'd)

FY 2016 vs FY 2015

	Group		
	FY 2016	FY 2015	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	42,183	56,784	(25.7)
BBCE revenue of vessels on:-			
-Time charter	18,238	8,711	109.4
-Pool	12,467	13,135	(5.1)
-Spot	(39)	1,897	N.M.
Total bareboat charter/BBCE revenue	72,849	80,527	(9.5)
Less:			
Depreciation expense on vessels ¹	(41,583)	(50,767)	(18.1)
Impairment loss on vessels	(44,137)	(971)	4445.5
Management fees	(3,029)	(3,479)	(12.9)
Trustee fees	(108)	(117)	(7.7)
Other Trust expenses ²	(1,652)	(1,845)	(10.5)
Other operating expenses	(90,509)	(57,179)	58.3
Results from operating activities	(17,660)	23,348	N.M.
Other income	1,600	1,907	(16.1)
Gain on disposal of available-for-sale financial assets	-	1,710	(100.0)
Loss on disposal of vessels	(4,136)	-	100.0
Finance income	50	12	316.7
Finance expenses	(10,849)	(12,792)	(15.2)
(Loss)/ profit before tax	(30,995)	14,185	N.M.
Income tax expense	-	(38)	(100.0)
(Loss)/ profit for the year	(30,995)	14,147	N.M.

a. Bareboat charter/BBCE revenue

Bareboat charter

For the year ended 31 December 2016, Bareboat charter rentals decreased by 25.7% (US\$14.6 million), mainly attributable to:

- i) the disposal of two containerships in February 2016, (US\$10.9 million);
- ii) Shannon Fisher and Solway Fisher bareboat contracts renewed at a lower daily rate (US\$0.7 million); and
- iii) poorer performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, which generated lower revenue (US\$2.8 million).

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

FSL Hamburg generated a net time charter revenue of US\$6.5 million in FY 2016 (FY 2015: US\$4.6 million). After deducting vessel operating expenses, the vessel generated BBCE revenue of US\$3.6 million in FY 2016 (FY 2015: US\$1.5 million).

FSL Singapore generated a net time charter revenue of US\$6.5 million in FY 2016 (FY 2015: US\$2.6 million). After deducting vessel operating expenses, the vessel generated BBCE revenue of US\$3.7 million in FY 2016 (FY 2015: US\$0.9 million).

ii) Crude oil tankers

FSL Hong Kong has been employed on time charter and generated a BBCE revenue of US\$5.3 million in FY 2016 (FY 2015: US\$2.7 million).

FSL Shanghai has been employed on time charter and generated a BBCE revenue of US\$5.6 million in FY 2016 (FY 2015: US\$3.6 million).

Pool/Revenue Sharing Agreement ('RSA')

i) Chemical tankers

The three chemical tankers are employed in 'Nordic Tankers 19,000 Stainless Steel Pool'. Collectively, these vessels generated net pool revenue of US\$16.1 million in FY 2016 (FY 2015: US\$16.5 million). After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$8.3 million in FY 2016 (FY 2015: US\$8.1 million).

ii) Containerships

FSL Busan (ex Cape Ferro) and *FSL Santo (ex Cape Falcon)* 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\$4.8 million in FY 2016 (FY 2015: US\$5.6 million). After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.4 million in FY 2016 (FY 2015: US\$2.1 million).

iii) Crude oil tanker

FSL Hong Kong, employed on a RSA (Revenue Sharing Agreement) until 15 May 2015 and generated a BBCE revenue of US\$2.8 million in FY 2015. She was trading on spot for one month before being employed on time charter from 14 June 2015.

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8. Review of Performance (cont'd)

iv) 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\$5.1 million in FY 2016 (FY 2015: US\$0.4 million). After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$2.8 million in FY 2016 (FY 2015: US\$0.1 million).

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 18.1% (US\$9.2 million) due to:

(a) lower depreciation expenses of US\$16.0 million arising from the disposal of two containerships in February 2016;

(b) offset with the increase of US\$6.8 million due to changes in residual value for a number of vessels.

ii) Impairment loss on vessels

Upon re-assessment of the recoverable amount in line with the deterioration in current market value, it was assessed that the carrying amounts of *YM Eminence*, *YM Elixir*, *YM Enhancer*, *FSL Busan*, *FSL Santos*, *FSL Singapore*, *FSL Hong Kong* and *FSL Shanghai* had exceeded the recoverable amount and an impairment loss of US\$44.1 million for the eight vessels was recognised.

c. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$17.7 million in FY 2016 as compared to a profit of US\$23.3 million in FY 2015.

d. Finance expenses

Finance expenses in FY 2016, including exchange loss of US\$108,000 (FY 2015: US\$27,000), decreased 15.2% (US\$1.9 million) due mainly to lower outstanding indebtedness and the declining value of existing swaps.

For the year ended 31 December 2016, FSL Trust incurred a net loss of US\$31.0 million.

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9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

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

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. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

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16. Breakdown of Revenue and Net Profit

	Group		
	FY 2016	FY 2015	Inc/(Dec)
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	52,014	52,297	(0.5)
(b) Net profit after tax reported for first half year	7,757	11,215	(30.8)
(c) Revenue reported for second half year	46,130	54,286	(15.0)
(d) Net (loss)/ profit after tax reported for second half year	(38,752)	2,932	N.M.

17. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2016

There was no distribution for the period 1 Jan 2016 to 31 Dec 2016 (FY 2015: Nil).

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement

There is no person occupying a managerial position in FSL Trust Management Pte. Ltd. ("FSLTM"), Trustee-Manager of First Ship Lease Trust, or any of its principal subsidiaries who is related to a director, chief executive officer or substantial shareholder of FSLTM.

19. 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
23 February 2017