

Financial Statements and Related Announcement::Second Quarter and/ or Half Yearly Results




Issuer & Securities

| | |
|-------------------------|--|
| Issuer/ Manager | FSL TRUST MANAGEMENT PTE. LTD. |
| Securities | FIRST SHIP LEASE TRUST - SG1U66934613 - D8DU |
| Stapled Security | No |

Announcement Details

| | |
|--|---|
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Additional Details

| | |
|-----------------------------------|--|
| For Financial Period Ended | 30/06/2016 |
| Attachments | <p> 20160804_Press Release_2QFY16 Financial Results.pdf</p> <p> 20160804_Results Presentation_2QFY16.pdf</p> <p> 20160804_2QFY16.pdf</p> <p>Total size =1043K</p> |

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FSL Trust Management Pte. Ltd.

as Trustee Manager for First Ship Lease Trust

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For Immediate Release

FSL Trust achieves another quarter of profitability and positive cash generation

- Another profitable and cash-flow positive quarter despite challenging shipping environment and reduced fleet size
- More than US\$50 million of debt repaid in 12 months

Singapore, 4 August 2016 – FSL Trust Management Pte. Ltd. (“FSLTM”), as trustee-manager of First Ship Lease Trust (“FSL Trust” or “the Trust”) announced today that the Trust reported a stable and positive performance for the second quarter ended 30 June 2016 (“2QFY16”).

2QFY16 revenue decreased slightly by 8% year-on-year to US\$25.3 million, compared to the corresponding period in the previous year (“2QFY15”). The slight decline in revenue is mainly attributable to a reduced fleet following the disposal of two panamax containerships in February this year, as well as softening rates in some tanker markets. However, the decrease in total revenue was partially offset by higher revenue from MR tankers with the addition of *FSL Osaka* to the fleet, and improved performance of the three chemical tankers deployed in a pool.

Net cash generated from operations for 2QFY16 decreased by 11% year-on-year to US\$15.1 million. Despite the challenging shipping market, the Trust was still able to achieve a net profit of US\$5.5 million. These results represent another quarter of profitability and positive cash generation.

In 2QFY16, the Trust continued to strengthen its balance sheet and improve the gearing of the business, and has paid down US\$54 million of debt over a 12 month period.

Commenting on the Trust’s performance, Alan Hatton, Chief Executive Officer of FSLTM said:

“The financial and operational performance of the Trust in 2QFY16 remains stable notwithstanding a smaller fleet. The Trust continued to build on its positive momentum recording a further consecutive quarter of profitability and cash generation. The Trust’s diverse and strong mix of secure long-term charters and managed market exposure in better performing sectors leaves the Trust well positioned despite the challenging shipping market.”

“Market conditions are likely to remain difficult in the near term, however, the Trust’s exposure to markets under pressure remains limited. Following the disposal of two vessels in February 2016, revenue from panamax container vessels fell by 37%. This was expected and the

contracts signed in 2015 and the addition of FSL Osaka has replaced this revenue. There has been some downward pressure on spot rates, which has affected the Trust's earnings in the LR2 market. The Trust successfully renewed the long-term bareboat agreements for the vessels *Shannon Fisher* and *Solway Fisher* in 2QFY16, and the bareboat charter income provides a consistent revenue base."

"The Trust has made significant strides in our debt repayment efforts with over US\$ 50 million of debt repaid over the last 12 months. FSL Trust continues to focus on optimising the operational and commercial performance of the fleet."

2QFY16 Results Conference Call

FSLTM will host a conference call for all registered participants on Friday, 5 August 2016 at 10.00 am (Singapore time) to discuss the results. An audio recording of the conference call will be available on FSL Trust's website at www.FSLTrust.com from 12.00 pm (Singapore time) on Monday, 8 August 2016.

[END]

About First Ship Lease Trust (Bloomberg: FSLT SP; Reuters: FSLT.SI; OTCQX: FSHPY)

First Ship Lease Trust ("FSL Trust" or the "Trust") is a shipowner and a provider of leasing services on a long-term bareboat charter basis to the international shipping industry. The Trust has a diversified portfolio of 22 modern and high-quality vessels, comprising five containerships, 12 product tankers, three chemical tankers and two crude oil tankers. FSL Trust is listed on the main board of the Singapore Exchange Securities Trading Limited (SGX-ST) and its American Depositary Receipts (ADRs) are quoted on the PrimeQX tier of International OTCQX.

This news release 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 the current view of management on future events.

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FSL Trust

2QFY16 Financial Results
5 August 2016

2QFY16 – Key financial highlights

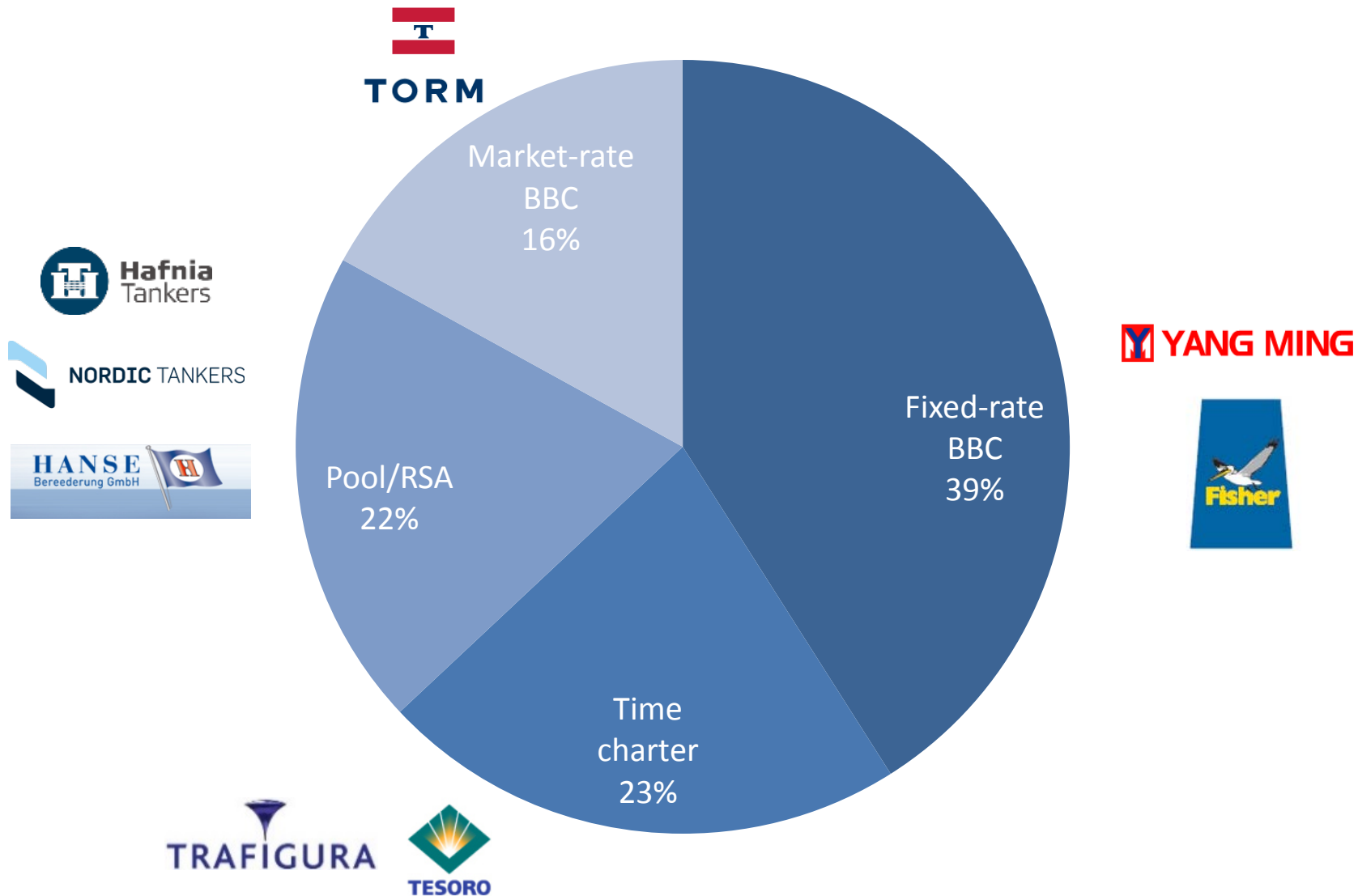
- Another quarter of profitability with US\$ 5.5m net profit
- Slight decline in revenue and cash generation from operations
 - mainly attributable to the reduced fleet size and softening rates in some tanker sectors
 - partially offset by revenue from the FSL Osaka, acquired in November 2015, and the improved time charter agreements entered into during FY2015
- Renewed the long-term bareboat agreements for the vessels Shannon Fisher and Solway Fisher in 2QFY16 for five years, improving the revenue backlog
- Gearing⁽¹⁾ improved from 51.8% as at 2QFY15 to 46.0% as at 2QFY16

Performance review

| US\$'000 | 2QFY16 | 2QFY15 | Inc/(Dec) % |
|------------------------------------|--------|--------|----------------|
| Revenue | 25,348 | 27,514 | (7.9) |
| Operating profit | 7,774 | 8,482 | (8.3) |
| Profit/(Loss) for the quarter | 5,487 | 6,155 | (10.9) |
| Net cash generated from operations | 15,088 | 16,972 | (11.1) |
| Gearing ratio | 46.0% | 51.8% | (11.2) |

- Revenue decrease due to pressure on some spot/floating bareboat rates and the reduced fleet size
- More than US\$ 50m of debt repaid in 12 months

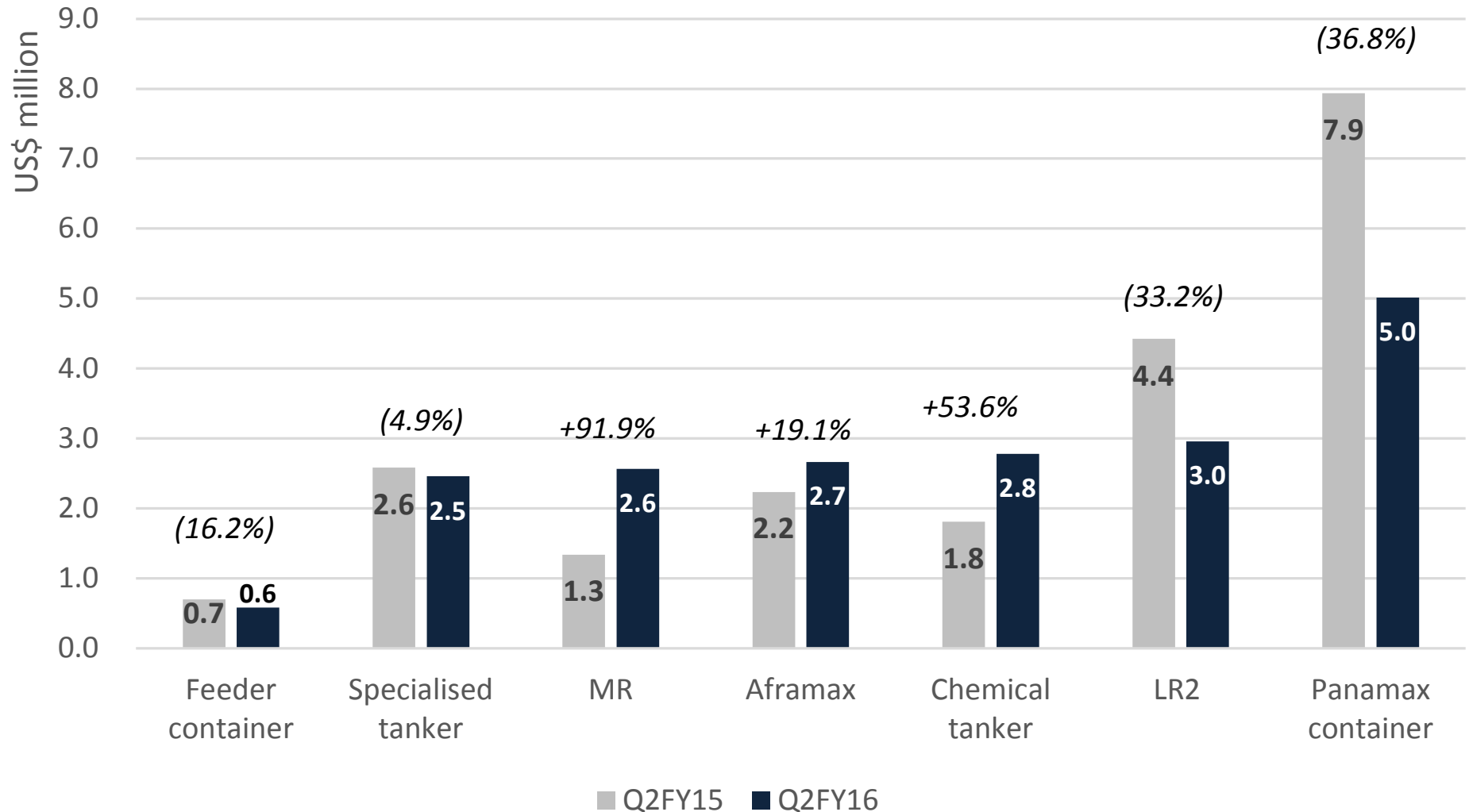
Fleet deployment by revenue⁽¹⁾



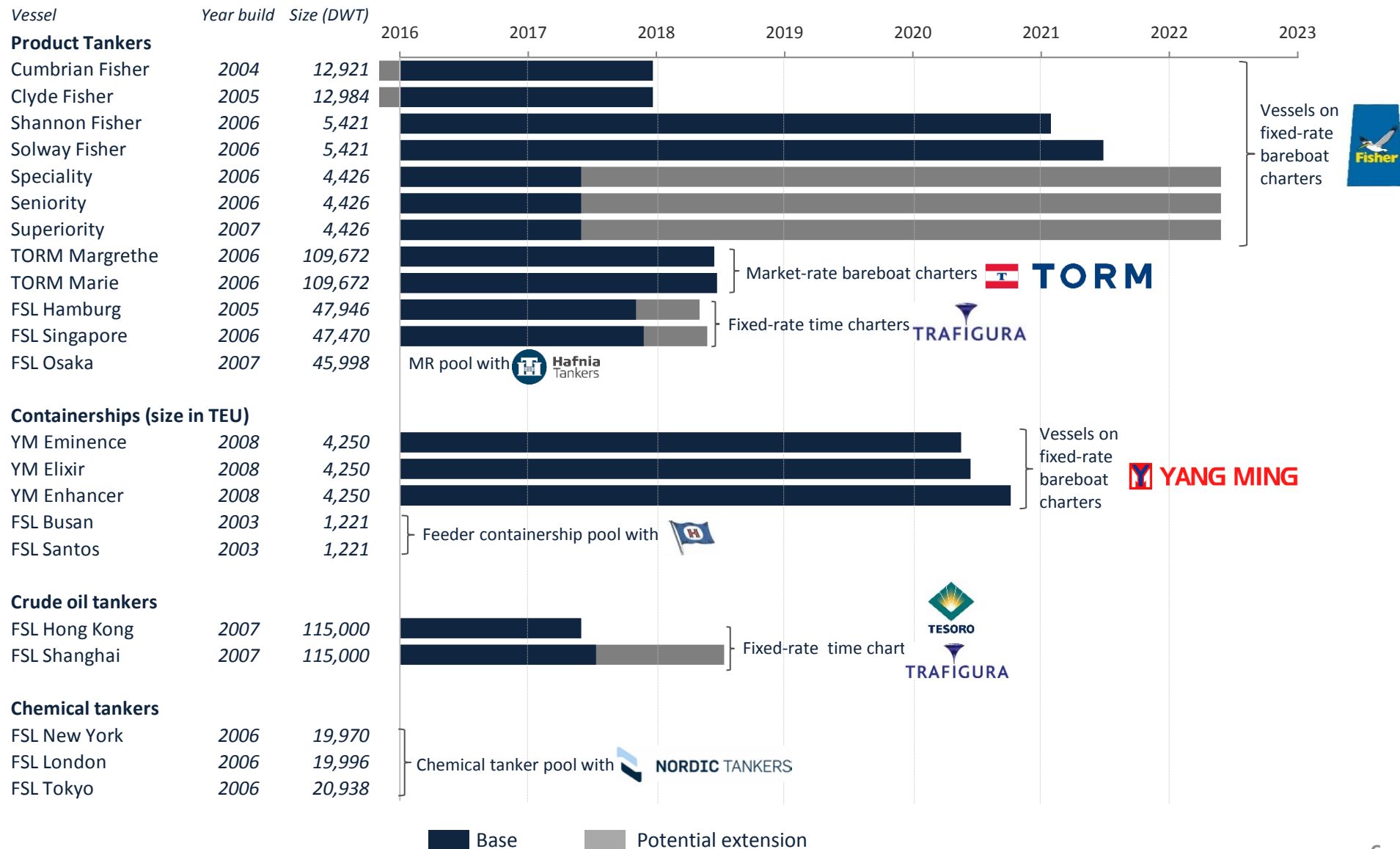
Note 1: BBCE revenue for the 3 months ended 30 June 2016

Operational performance

BBCE revenue by vessel type

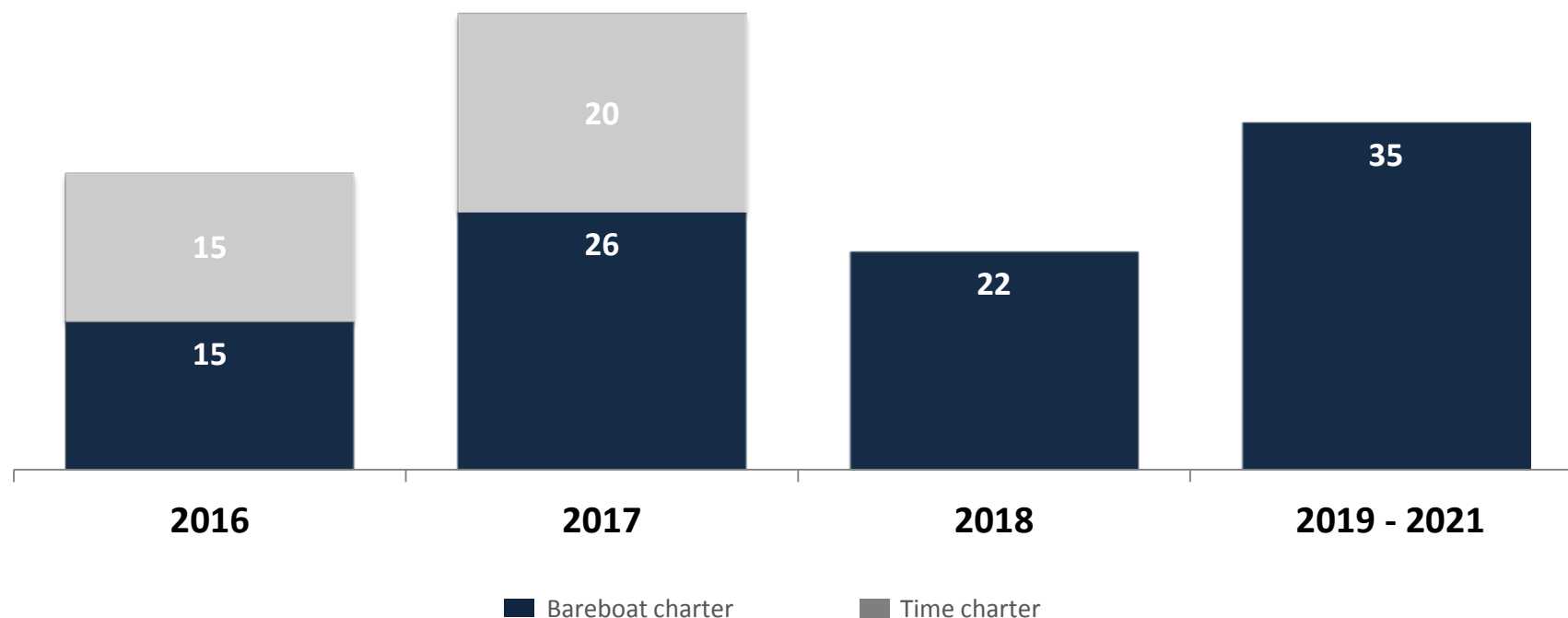


Lease maturity of vessels



Revenue backlog

Remaining contracted revenue stood at US\$ 133m ⁽¹⁾
as at 30 June 2016



Note 1: Based on revenue from 9 bareboat charters (excluding the TORM charters on variable rates) and from time charter contracts with Tesoro (FSL Hong Kong) and Trafigura (FSL Singapore, FSL Hamburg and FSL Shanghai)

Scheduled dry docks for the next 12 months

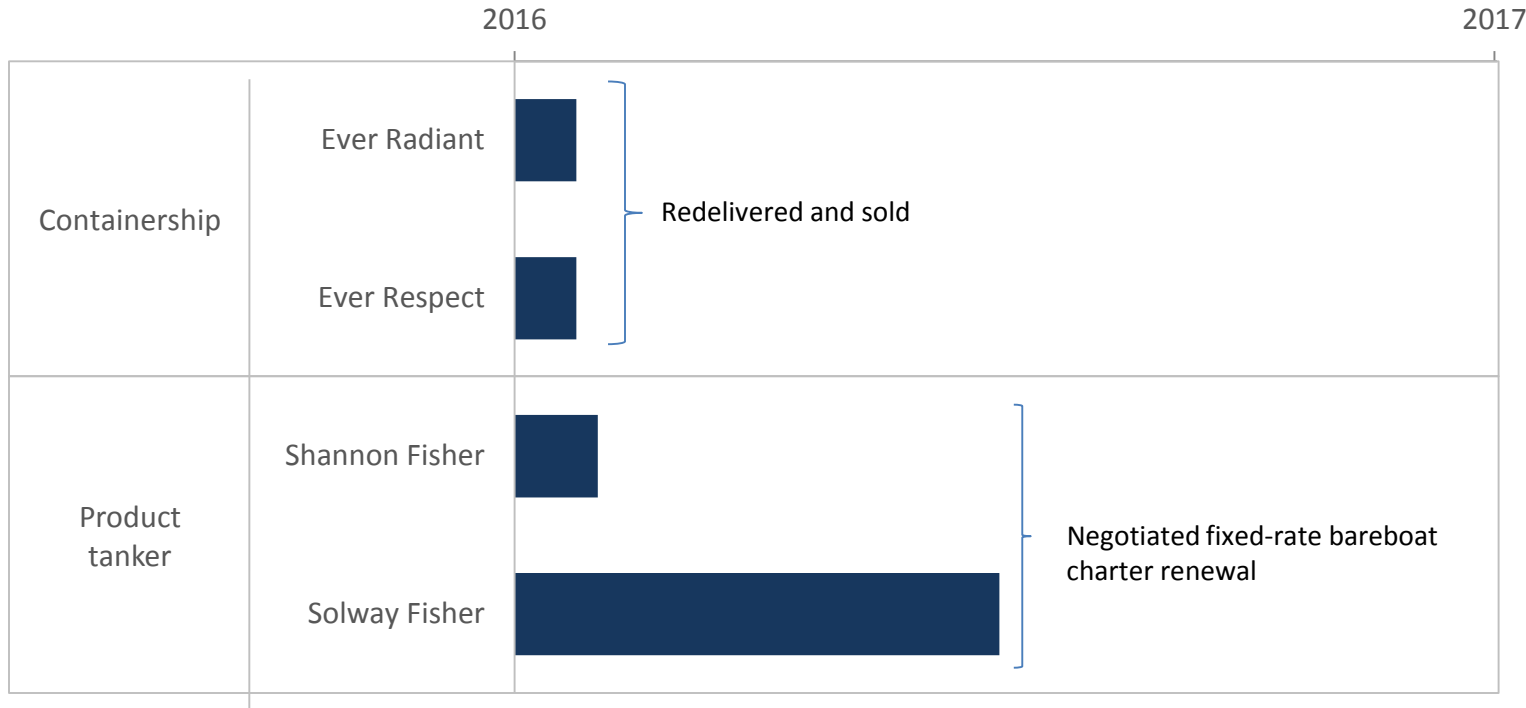
FSL managed fleet - Vessels planned for dry docking

| Vessel | Date |
|---------------|------------|
| FSL New York | 3Q FY2016 |
| FSL Tokyo | 3Q FY2016 |
| FSL London | 3Q FY2016 |
| FSL Hong Kong | Q1 FY 2017 |

Latest dry dock

| Vessel | Date |
|---------------|-----------|
| FSL Hamburg | 4Q FY2015 |
| FSL Singapore | 4Q FY2015 |

FY2016 scheduled redeliveries



- Four fixed-rate bareboat charters were expiring in FY2016
 - Ever Radiant and Ever Respect were sold on redelivery
 - The Trust successfully renegotiated a five years fixed-rate bareboat charter renewal for Shannon Fisher and Solway Fisher at market adjusted bareboat rates
- No further redeliveries expected in FY2016

➤ Summary

- Another quarter of profitability despite a smaller fleet and challenging shipping industry environment
- Secured long-term bareboat contracts, further improving the revenue backlog
- Gearing reduced to 46%; over US\$ 50m of debt repaid in last twelve months

➤ Outlook

- Market conditions remain challenging in the near term, but the Trust's exposure to sectors under pressure remains limited
- Focus going forward will remain on refinancing the current loan facility
- Dry docks in 3QFY16 will affect profitability and cash generation

Thank You



FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 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 30 June 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

| | 2Q 2016 | 2Q 2015 | Inc/ (Dec) | 1H 2016 | 1H 2015 | Inc/ (Dec) |
|-----------------------------------|----------|----------|---------------|----------|----------|---------------|
| | US\$'000 | US\$'000 | % | US\$'000 | US\$'000 | % |
| Revenue | 25,348 | 27,514 | (7.9) | 52,014 | 52,297 | (0.5) |
| Profit for the quarter/ period | 5,487 | 6,155 | (10.9) | 7,757 | 11,215 | (30.8) |
| Income available for distribution | 4,410 | 5,972 | (26.2) | 9,849 | 9,157 | 7.6 |

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

1(a)(i) Consolidated Income Statements

| | Note | Group | | | | |
|---|------|----------|----------|---------------|----------|---------------|
| | | 2Q 2016 | 2Q 2015 | Inc/ (Dec) | 1H 2016 | Inc/ (Dec) |
| | | US\$'000 | US\$'000 | % | US\$'000 | US\$'000 |
| Revenue | | 25,348 | 27,514 | (7.9) | 52,014 | 52,297 |
| Depreciation expense on vessels | | (10,238) | (11,485) | (10.9) | (20,382) | (22,991) |
| Voyage expenses | | - | (829) | (100.0) | - | (829) |
| Vessel operating expenses | | (6,064) | (5,327) | 13.8 | (12,167) | (10,534) |
| Management fees | | (791) | (838) | (5.6) | (1,623) | (1,735) |
| Trustee fees | | (27) | (29) | (6.9) | (55) | (59) |
| Other Trust expenses | | (454) | (524) | (13.4) | (924) | (960) |
| Results from operating activities | | 7,774 | 8,482 | (8.3) | 16,863 | 15,189 |
| Finance income | | 5 | 1 | 400.0 | 9 | 6 |
| Finance expenses | | (2,692) | (3,304) | (18.5) | (5,753) | (6,653) |
| Gain on disposal of available-for-sale financial assets | (a) | - | - | N.M. | - | 1,710 |
| Loss on disposal of vessels | (b) | - | - | N.M. | (4,162) | - |
| Other income | (c) | 400 | 988 | (59.5) | 800 | 1,007 |
| Profit before tax | | 5,487 | 6,167 | (11.0) | 7,757 | 11,259 |
| Income tax expense | | - | (12) | (100.0) | - | (44) |
| Profit for the quarter/ period | | 5,487 | 6,155 | (10.9) | 7,757 | 11,215 |

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 | | | |
|---|----------|----------|----------|----------|
| | 2Q 2016 | 2Q 2015 | 1H 2016 | 1H 2015 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Profit for the quarter/period | 5,487 | 6,155 | 7,757 | 11,215 |
| 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 | (146) | 378 | 126 | (869) |
| 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 | (90) | (235) | (469) | (638) |
| Net change in fair value of cash flow hedges transferred to income statement | 147 | 331 | 304 | 701 |
| Other comprehensive (loss)/ income, net of tax | (89) | 474 | 113 | (806) |
| Total comprehensive income | 5,398 | 6,629 | 7,870 | 10,409 |

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

1(a)(iii) Distribution Statements

| | Note | Group | | | |
|---|------|----------|----------|----------|----------|
| | | 2Q 2016 | 2Q 2015 | 1H 2016 | 1H 2015 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Profit for the quarter/ period | | 5,487 | 6,155 | 7,757 | 11,215 |
| Add: Non-cash adjustments | (a) | 9,601 | 10,817 | 23,448 | 19,942 |
| Net cash generated from operations | | 15,088 | 16,972 | 31,205 | 31,157 |
| Less: Repayment of secured bank loans | | (10,678) | (11,000) | (21,356) | (22,000) |
| Prepayment of secured bank loans | (b) | - | - | - | - |
| Income available for distribution | | 4,410 | 5,972 | 9,849 | 9,157 |
| Less: Cash retained in the current period | | (4,410) | (5,972) | (9,849) | (9,157) |
| 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 | 644,420 | 637,457 | 644,420 |
| Distribution per unit (US Cents) | | - | - | - | - |

Notes:

(a) Non-cash adjustments

| | Group | | | |
|---|----------|----------|----------|----------|
| | 2Q 2016 | 2Q 2015 | 1H 2016 | 1H 2015 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Depreciation expense on vessels | 9,971 | 11,147 | 19,793 | 22,294 |
| Unrealised exchange differences | (31) | 10 | 171 | 37 |
| Loss on disposal of vessels | - | - | 4,162 | - |
| Gain on disposal of available-for-sale financial assets | - | - | - | (1,710) |
| Amortisation of deferred income | (361) | (361) | (722) | (722) |
| Amortisation of initial direct costs | 22 | 21 | 44 | 43 |
| | 9,601 | 10,817 | 23,448 | 19,942 |

- (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 second quarter of 2016. The income available for distribution this quarter has been retained.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

1(b)(i) Statements of Financial Position

| | Note | 30 Jun 2016 | | 31 Dec 2015 | |
|--|------|-------------|-----------|-------------|-----------|
| | | Group | Trust | Group | Trust |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Non-current assets | | | | | |
| Vessels | | 492,702 | - | 526,516 | - |
| Subsidiaries | | - | 368,397 | - | 368,397 |
| Derivative assets | | - | - | 55 | 55 |
| | | 492,702 | 368,397 | 526,571 | 368,452 |
| Current assets | | | | | |
| Inventories | | - | - | 45 | - |
| Derivative assets | | - | - | 133 | 133 |
| Trade and other receivables | | 3,618 | 76 | 4,623 | 26,554 |
| Cash and cash equivalents | (a) | 39,352 | 25,971 | 28,834 | 16,769 |
| | | 42,970 | 26,047 | 33,635 | 43,456 |
| | | | | | |
| Total assets | | 535,672 | 394,444 | 560,206 | 411,908 |
| Equity attributable to unitholders of FSL Trust | | | | | |
| Units in issue | | 523,284 | 523,284 | 523,284 | 523,284 |
| Reserves | | (237,232) | (390,716) | (245,102) | (384,708) |
| Total equity | | 286,052 | 132,568 | 278,182 | 138,576 |
| Non-current liabilities | | | | | |
| Secured bank loans | (b) | 201,398 | 201,398 | 229,050 | 229,050 |
| Derivative liabilities | | - | - | 67 | 67 |
| Deferred income | | 1,401 | - | 2,123 | - |
| | | 202,799 | 201,398 | 231,240 | 229,117 |
| Current liabilities | | | | | |
| Trade and other payables | | 2,022 | 18,067 | 3,500 | 615 |
| Lease income received in advance | | 944 | - | 2,240 | - |
| Derivative liabilities | | 609 | 609 | 565 | 565 |
| Secured bank loans | (b) | 41,802 | 41,802 | 43,035 | 43,035 |
| Deferred income | | 1,444 | - | 1,444 | - |
| | | 46,821 | 60,478 | 50,784 | 44,215 |
| Total liabilities | | 249,620 | 261,876 | 282,024 | 273,332 |
| Total equity and liabilities | | 535,672 | 394,444 | 560,206 | 411,908 |

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

Note:

(a) Cash and cash equivalents comprise:

| | 30 Jun 2016 | | 31 Dec 2015 | |
|--|-------------|----------|-------------|----------|
| | Group | Trust | Group | Trust |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Cash at Bank | 36,558 | 25,971 | 25,956 | 16,675 |
| Short-term deposits | 2,794 | - | 2,878 | 94 |
| Cash and cash equivalents in the statement of cash flows | 39,352 | 25,971 | 28,834 | 16,769 |

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

| | 30 Jun 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 | (909) | (965) |
| | 41,802 | 43,035 |
| <u>Repayable after one year</u> | | |
| Secured bank loans | 201,808 | 229,901 |
| Less: Unamortised debt upfront fees | (410) | (851) |
| | 201,398 | 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\$244.5 million as at 30 June 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 30 June 2016, the Trust is in compliance with the terms of the original loan agreement.

For 2Q 2016, the applicable margin over US\$ 3-month LIBOR was 2.8%. The VTL ratio will be assessed semi-annually.

(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.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

1(c) Consolidated Cash Flow Statements

| | Group | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2Q 2016 | 2Q 2015 | 1H 2016 | 1H 2015 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Operating activities: | | | | |
| Profit before tax | 5,487 | 6,167 | 7,757 | 11,259 |
| Adjustments for: | | | | |
| Depreciation expense on vessels | 10,238 | 11,485 | 20,382 | 22,991 |
| Amortisation of debt upfront fees | 245 | 272 | 497 | 550 |
| Amortisation of initial direct costs | 129 | 126 | 259 | 252 |
| Amortisation of deferred income | (361) | (361) | (722) | (722) |
| Interest income | (5) | (1) | (9) | (6) |
| Interest expense | 2,444 | 2,992 | 5,016 | 6,056 |
| Loss on disposal of vessels | - | - | 4,162 | - |
| Gain on disposal of available-for-sale financial assets | - | - | - | (1,710) |
| Unrealised exchange differences | (31) | 10 | 171 | 37 |
| | 18,146 | 20,690 | 37,513 | 38,707 |
| Changes in working capital: | | | | |
| Trade and other receivables | 2,494 | (455) | 1,005 | (2,151) |
| Inventories | - | (346) | 45 | (370) |
| Trade and other payables | (1,200) | 414 | (1,559) | 497 |
| Lease income received in advance | 145 | 375 | (1,296) | (967) |
| Cash generated from operating activities | 19,585 | 20,678 | 35,708 | 35,716 |
| Income tax paid | - | (12) | - | (44) |
| Cash flows from operating activities | 19,585 | 20,666 | 35,708 | 35,672 |
| Investing activities: | | | | |
| Interest received | 5 | 1 | 10 | 10 |
| 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 | (66) | - | (450) | (10) |
| Cash flows from investing activities | (61) | 1 | 9,127 | 2,629 |
| Financing activities: | | | | |
| Repayment of secured bank loans | (10,678) | (11,000) | (21,356) | (22,000) |
| Prepayment of secured bank loans | - | - | (8,026) | - |
| Interest paid | (2,389) | (3,052) | (4,935) | (6,015) |
| Security deposit | - | - | - | 10,000 |
| Pledged deposit | - | - | - | (2,629) |
| Purchase of the Trust's units | - | (1,284) | - | (1,284) |
| Cash flows used in financing activities | (13,067) | (15,336) | (34,317) | (21,928) |
| Net increase in cash and cash equivalents | 6,457 | 5,331 | 10,518 | 16,373 |
| Cash and cash equivalents at beginning of period | 32,895 | 33,792 | 28,834 | 22,750 |
| Cash and cash equivalents at end of period | 39,352 | 39,123 | 39,352 | 39,123 |
| Comprising:- | | | | |
| Cash at Bank | 36,558 | 36,249 | 36,558 | 36,249 |
| Short-term deposits | 2,794 | 2,874 | 2,794 | 2,874 |
| | 39,352 | 39,123 | 39,352 | 39,123 |

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

2016

Group

At 1 April 2016
Total comprehensive income/
(loss) for the quarter
At 30 June 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 | (665) | (6,247) | (235,718) | 280,654 |
| - | 57 | (146) | 5,487 | 5,398 |
| 523,284 | (608) | (6,393) | (230,231) | 286,052 |

2015

Group

At 1 April 2015
Cancellation of units bought back
Total comprehensive income/
(loss) for the quarter
At 30 June 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 | (1,044) | (6,780) | (247,075) | 270,513 |
| (1,284) | - | - | - | (1,284) |
| - | 96 | 378 | 6,155 | 6,629 |
| 524,128 | (948) | (6,402) | (240,920) | 275,858 |

2016

Trust

At 1 April 2016
Total comprehensive income/(loss) for the
quarter
At 30 June 2016

| Units in Issue | Hedging Reserve | Accumulated Losses | Total Equity |
|----------------|-----------------|--------------------|--------------|
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 523,284 | (665) | (387,243) | 135,376 |
| - | 57 | (2,865) | (2,808) |
| 523,284 | (608) | (390,108) | 132,568 |

2015

Trust

At 1 April 2015
Cancellation of units bought back
Total comprehensive income/ (loss) for the
quarter
At 30 June 2015

| Units in Issue | Hedging Reserve | Accumulated Losses | Total Equity |
|----------------|-----------------|--------------------|--------------|
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 525,412 | (1,044) | (369,673) | 154,695 |
| (1,284) | - | - | (1,284) |
| - | 96 | (3,521) | (3,425) |
| 524,128 | (948) | (373,194) | 149,986 |

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

| | Note | 2Q 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 | | | |
|---|------------|------------|------------|------------|
| | 2Q 2016 | 2Q 2015 | 1H 2016 | 1H 2015 |
| Basic and diluted earnings per unit is based on: Profit for the quarter/ period (US\$’000) | 5,487 | 6,155 | 7,757 | 11,215 |
| Weighted average number of issued units (basic and diluted) (’000) | 637,457 | 648,239 | 637,457 | 651,434 |
| Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents) | 0.86 | 0.95 | 1.22 | 1.72 |
| Number of issued units at end of quarter (’000) | 637,457 | 644,420 | 637,457 | 644,420 |
| 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 Jun 2016 | | 31 Dec 2015 | |
|---------------------------------|------|-------------|-------|-------------|-------|
| | | Group | Trust | Group | Trust |
| Net asset value per unit (US\$) | (a) | 0.45 | 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:

2Q 2016 vs 2Q 2015

| | Group | | |
|--|--------------|--------------|---------------|
| | 2Q 2016 | 2Q 2015 | Inc/(Dec) |
| | US\$'000 | US\$'000 | % |
| Rentals from vessels on bareboat charter | 10,426 | 14,943 | (30.2) |
| BBCE revenue of vessels on:- | | | |
| -Time charter | 4,426 | 1,981 | 123.4 |
| -Pool | 4,165 | 3,502 | 18.9 |
| -Spot | - | 594 | (100.0) |
| Total bareboat charter/BBCE revenue | 19,017 | 21,020 | (9.5) |
| Less: | | | |
| Depreciation expense on vessels ¹ | (9,971) | (11,147) | (10.6) |
| Management fees | (791) | (838) | (5.6) |
| Trustee fees | (27) | (29) | (6.9) |
| Other Trust expenses ² | (454) | (524) | (13.4) |
| Other operating expenses | (11,243) | (12,538) | (10.3) |
| Results from operating activities | 7,774 | 8,482 | (8.3) |
| Other income | 400 | 988 | (59.5) |
| Finance income | 5 | 1 | 400.0 |
| Finance expenses | (2,692) | (3,304) | (18.5) |
| Profit before tax | 5,487 | 6,167 | (11.0) |
| Income tax expense | - | (12) | (100.0) |
| Profit for the quarter | 5,487 | 6,155 | (10.9) |

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 30.2% (US\$4.5 million), mainly attributable to:

- the disposal of two containerships in February 2016, (US\$2.9 million); and
- poorer performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, which generated lower rental of (US\$1.5 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\$1.2 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\$4.8 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$2.8 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\$1.3 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.6 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\$1.4 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.8 million in the quarter under review.

8. Review of Performance (cont'd)

b. Other operating expenses

Other operating expenses decreased by 10.3% (US\$1.3 million) due mainly to:

- Lower depreciation expenses of US\$1.2 million arising from:

the disposal of two containerships in February 2016 (decrease of US\$2.8 million); offset with

the changes in residual values of vessels from the third quarter of the previous financial year and April 2016 which gave rise to an increase of US\$1.5 million and US\$ 0.1 million respectively.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$7.8 million in this quarter, compared to US\$8.5 million over the same period last year.

d. Finance expenses

Finance expenses in 2Q 2016, including exchange gain of US\$10,000 (2Q 2015: exchange loss of US\$26,000), decreased by 18.5% (US\$0.6 million) mainly due to:

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

For 2Q 2016, FSL Trust achieved net profits of US\$5.5 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

Shipping markets remain under significant pressure in the near term, the financial effects should be mitigated by FSL Trust's strong charter book.

3Q 2016 will also be affected by the dry docking of all three of our chemical tankers which will impact the Trust's profitability and cashflow generation in the period.

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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. 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 June 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.

| |
|--|
| <p>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.</p> |
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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 August 2016