

Financial Statements and Related Announcement::Third Quarter 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	30/09/2016
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FSL Trust Management Pte. Ltd.

as Trustee Manager for First Ship Lease Trust

9 Temasek Boulevard, #19-03 Suntec Tower Two, Singapore 038989

Tel: 65 6836 3000 Fax: 65 6836 6001 Co. Reg. No. 200702265R

For Immediate Release

FSL Trust achieves 24% increase in quarterly net profit and continued positive cash generation

- 3QFY16 net profit 24% higher at US\$3.5 million against the US\$2.8 million for 3QFY15
- A profitable and cash-flow positive quarter despite three dry dockings and a challenging shipping market

Singapore, 2 November 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 generated a net profit of US\$3.5 million for the Trust’s third quarter ended 30 September 2016 (“3QFY16”).

Despite challenging macroeconomic conditions and a difficult global shipping market, the Trust was able to maintain its positive momentum in the period under review with a 24% year-on-year increase in net profit to US\$3.5 million in 3QFY16. This represents another quarter of profitability and positive cash generation for the Trust.

3QFY16 revenue declined 19.1% compared to the year ago quarter (“3QFY15”), primarily due to the dry-docking of three chemical vessels in 3QFY16 and a reduced fleet portfolio following the disposal of two panamax containerships in February 2016. As a result, net cash generated from operations for 3QFY16 decreased 17.5% from US\$16.0 million to US\$13.2 million.

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

“We are pleased to post another profitable and cash generative quarter, despite the challenging shipping market and three dry dockings falling in 3QFY16.

“This justifies the strategy the Trust has employed, taking good quality contract cover through 2016, 2017 and beyond.”

3QFY16 Results Conference Call

FSLTM will host a conference call for all registered participants on Thursday, 3 November 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 Friday, 4 November 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.

Contacts:

Mr. Clarence FU
Bell Pottinger
Telephone: +65 6333 3449
Email: cfu@bellpottinger.com / FSLTrust@bellpottinger.com



FSL Trust

3QFY16 Financial Results
3 November 2016

3QFY16 – Key financial highlights

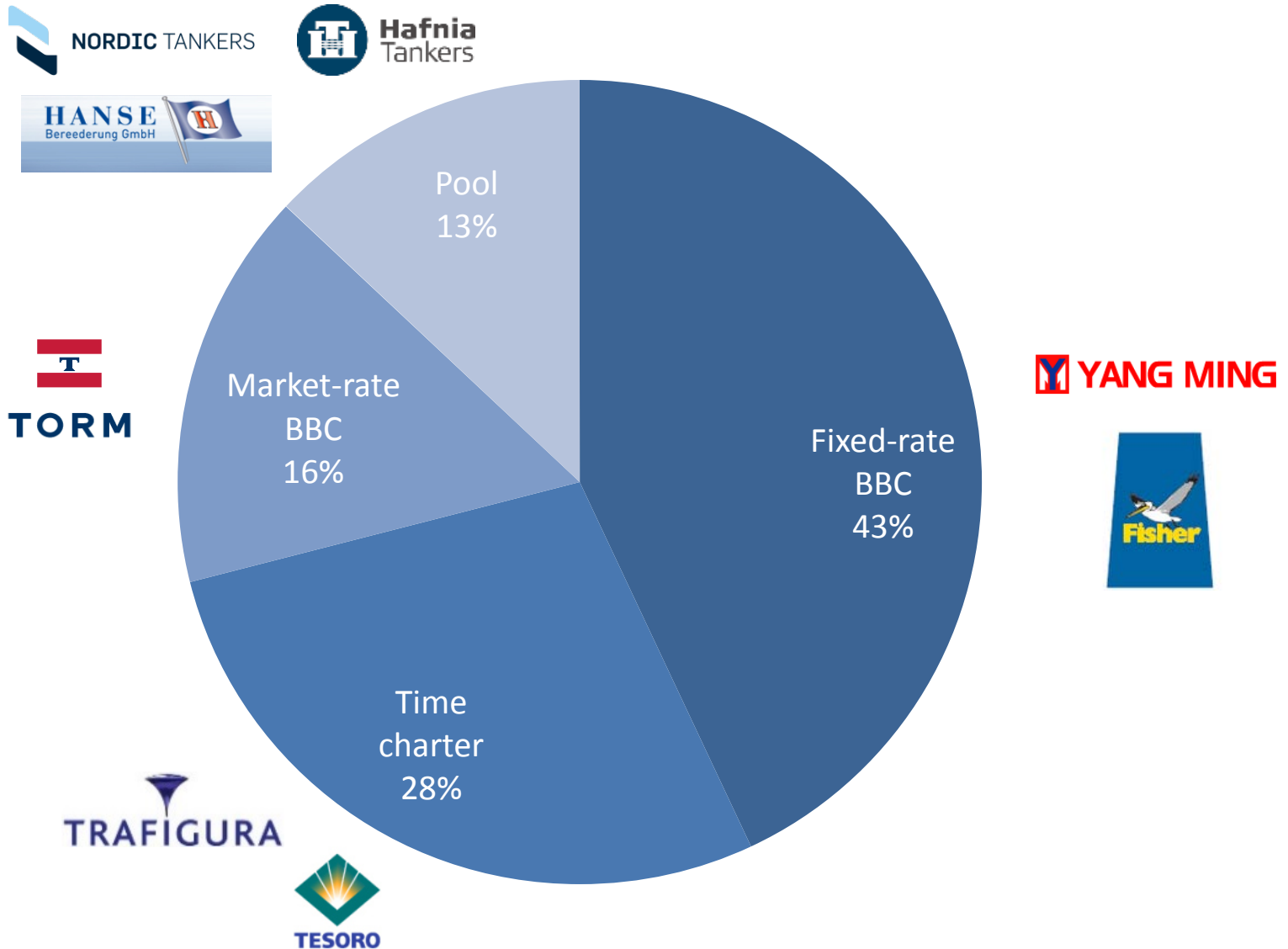
- Net profit 24% higher at US\$ 3.5m against the US\$ 2.8m for 3QFY15
- Another quarter of profitability and positive cash generation
- Revenue declined 19.1% year-on-year, primarily due to:
 - the reduced fleet portfolio
 - softening rates in some tanker sectors
 - dry docking of the three chemical tankers
- Gearing⁽¹⁾ improved from 50.6% as at 3QFY15 to 44.5% as at 2QFY16

Performance review

US\$'000	3QFY16	3QFY15	Inc/(Dec) %
Revenue	22,941	28,358	(19.1)
Operating profit	5,778	5,557	4.0
Profit/(Loss) for the quarter	3,534	2,849	24.0
Net cash generated from operations	13,184	15,971	(17.5)
Gearing ratio	44.5%	50.6%	(12.1)

- 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

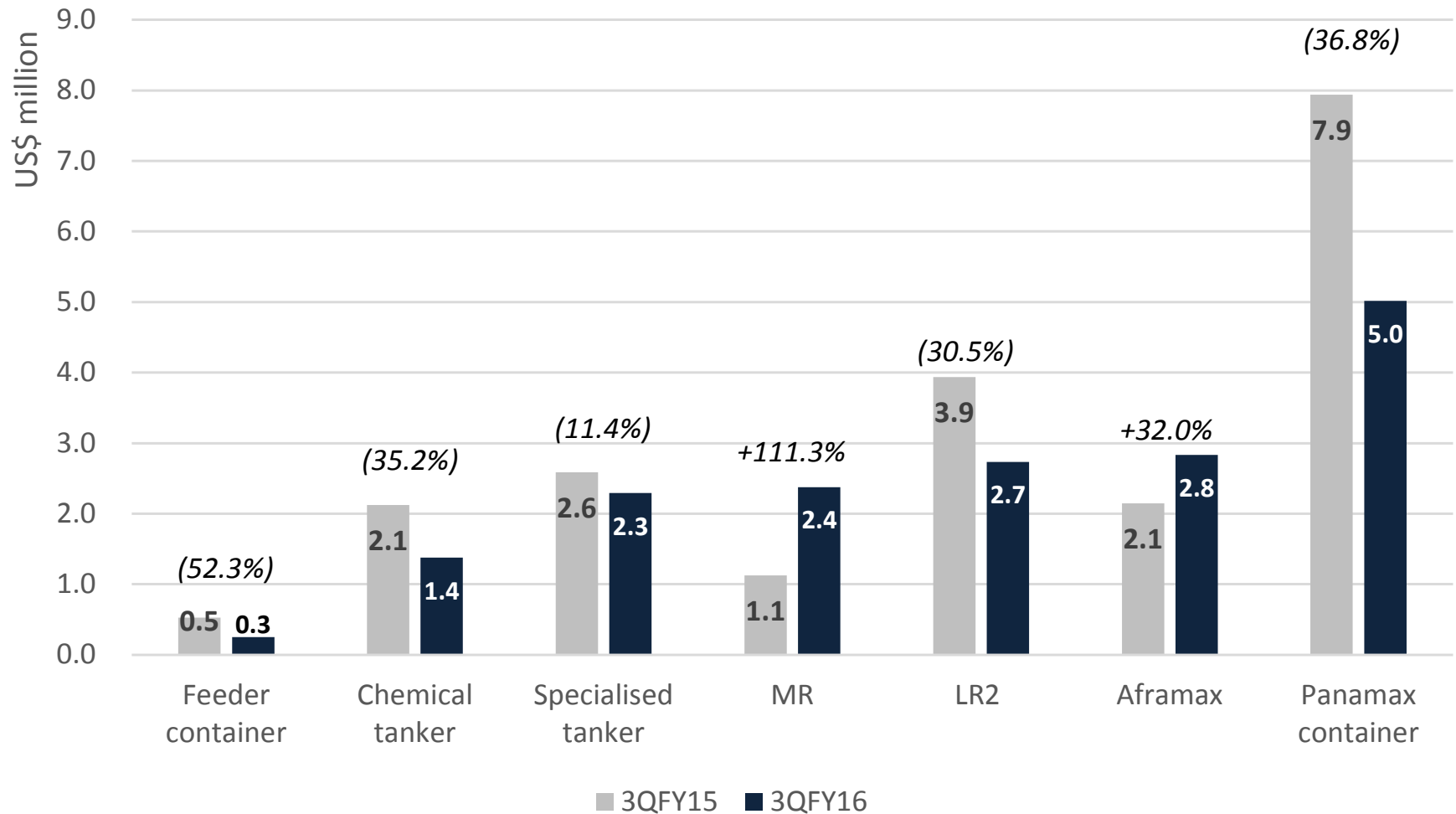
Fleet deployment by revenue⁽¹⁾



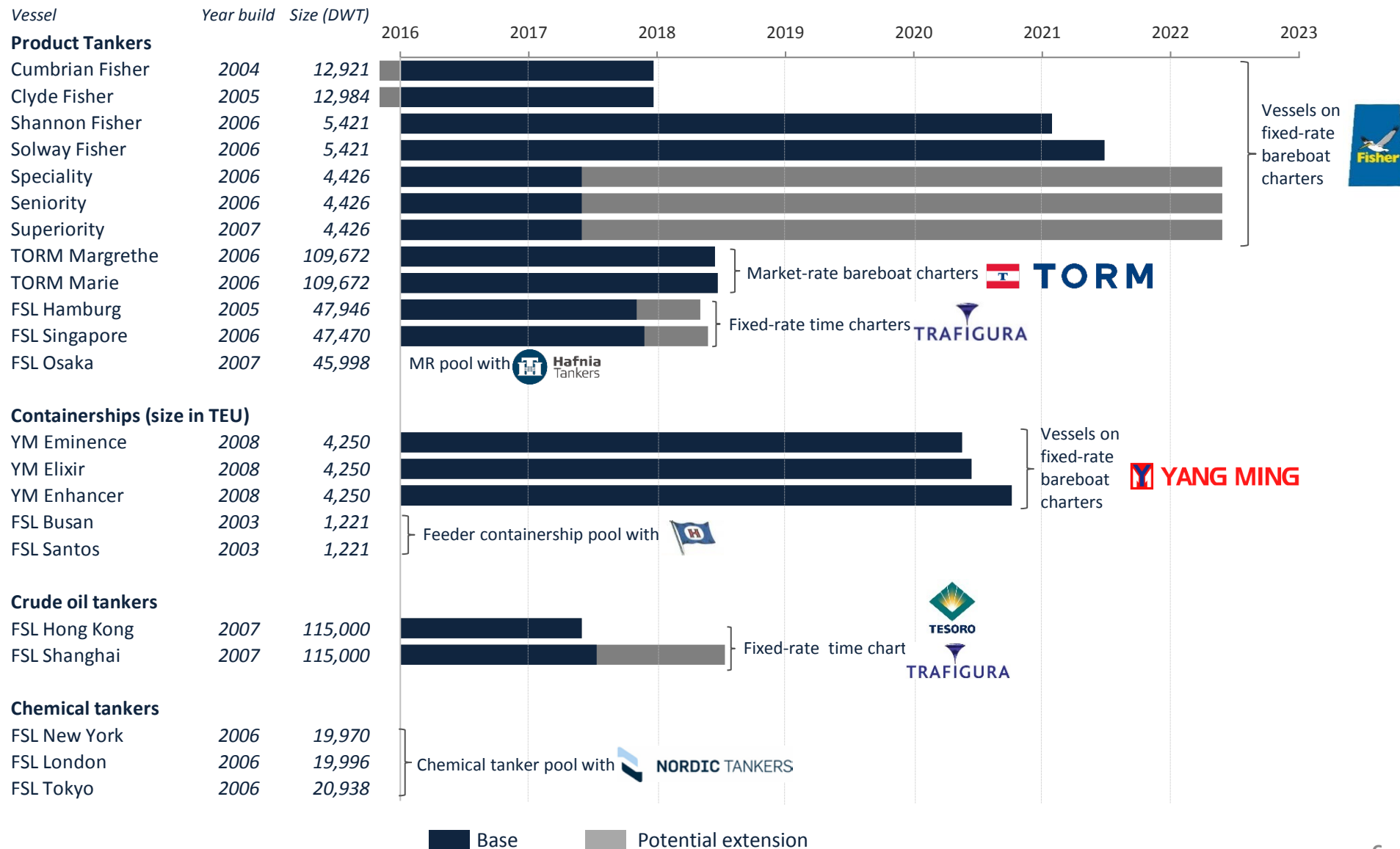
Note 1: BBCE revenue for the 3 months ended 30 September 2016

Operational performance

BBCE revenue by vessel type

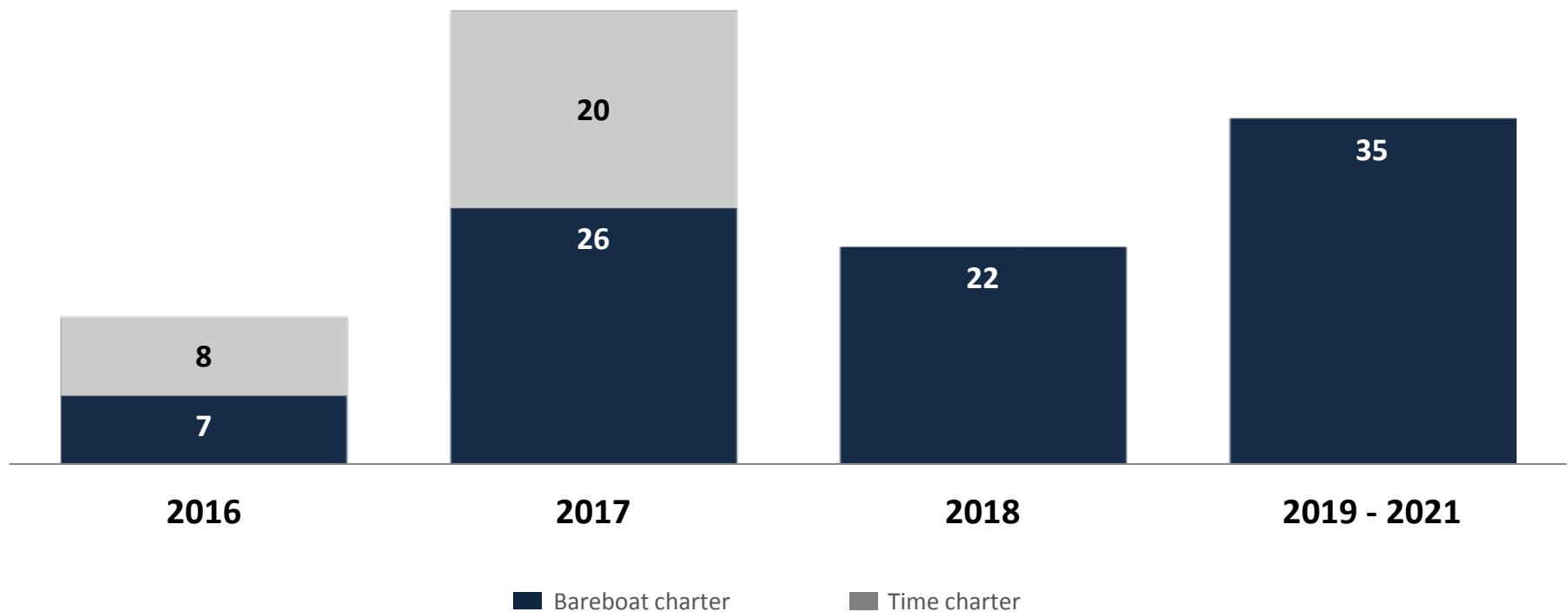


Lease maturity of vessels



Revenue backlog

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



Note 1: Based on revenue from nine 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 dockings for the next 12 months

FSL managed fleet - Vessels planned for dry docking

Vessel	Date
FSL Hong Kong	1Q FY2017
FSL Osaka	3Q FY2017

Latest dry dockings

Vessel	Date
FSL New York	3Q FY2016
FSL Tokyo	3Q FY2016
FSL London	3Q FY2016

FY2017 scheduled redeliveries

Vessel	Date
Speciality	2Q FY2017
Superiority	2Q FY2017
Seniority	2Q FY2017
FSL Hong Kong	2Q FY2017
FSL Shanghai	3Q FY2017
FSL Hamburg	4Q FY2017
FSL Singapore	4Q FY2017

- Four fixed-rate bareboat charters expired in FY2016
 - Ever Radiant and Ever Respect were sold on redelivery
 - The Trust successfully renegotiated a five year fixed-rate bareboat charter renewal for Shannon Fisher and Solway Fisher at market adjusted bareboat rates
- Seven vessels are expected to be redelivered in FY2017

➤ Summary

- Another quarter of profitability despite a smaller fleet and the challenging shipping industry environment
- Gearing reduced to 46%; over US\$ 50m of debt repaid in last twelve months

➤ Outlook

- Shipping markets across various sectors remain under significant pressure in the near term, but the financial effects should be mitigated by FSL Trust's charter book
- 4QFY16 will be affected by some dry docking related costs following the special surveys of the chemical tankers in 3QFY16

Thank You



FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 September 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 ten years.

Summary of FSL Trust Consolidated Results

	3Q 2016	3Q 2015	Inc/ (Dec)	YTD SEP 2016	YTD SEP 2015	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	22,941	28,358	(19.1)	74,955	80,655	(7.1)
Profit for the quarter/ period	3,534	2,849	24.0	11,291	14,064	(19.7)
Income available for distribution	2,507	4,971	(49.6)	12,356	14,128	(12.5)

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

1(a)(i) Consolidated Income Statements

	Note	Group					
		3Q 2016	3Q 2015	Inc/ (Dec)	YTD SEP 2016	YTD SEP 2015	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		22,941	28,358	(19.1)	74,955	80,655	(7.1)
Depreciation expense on vessels		(10,243)	(13,768)	(25.6)	(30,625)	(36,759)	(16.7)
Voyage expenses		-	(1,323)	(100.0)	-	(2,152)	(100.0)
Vessel operating expenses		(5,788)	(6,287)	(7.9)	(17,955)	(16,821)	6.7
Management fees		(697)	(896)	(22.2)	(2,320)	(2,631)	(11.8)
Trustee fees		(27)	(29)	(6.9)	(82)	(88)	(6.8)
Other Trust expenses		(408)	(498)	(18.1)	(1,332)	(1,458)	(8.6)
Results from operating activities		5,778	5,557	4.0	22,641	20,746	9.1
Finance income		6	3	100.0	15	9	66.7
Finance expenses		(2,650)	(3,211)	(17.5)	(8,403)	(9,864)	(14.8)
Gain on disposal of available-for-sale financial assets	(a)	-	-	N.M.	-	1,710	(100.0)
Loss on disposal of vessels	(b)	-	-	N.M.	(4,162)	-	100.0
Other income	(c)	400	500	(20.0)	1,200	1,507	(20.4)
Profit before tax		3,534	2,849	24.0	11,291	14,108	(20.0)
Income tax expense		-	-	N.M.	-	(44)	(100.0)
Profit for the quarter/ period		3,534	2,849	24.0	11,291	14,064	(19.7)

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			
	3Q 2016	3Q 2015	YTD SEP 2016	YTD SEP 2015
	US\$'000	US\$'000	US\$'000	US\$'000
Profit for the quarter/ period	3,534	2,849	11,291	14,064
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	71	40	197	(829)
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	(465)	(331)	(1,103)
Net change in fair value of cash flow hedges transferred to income statement	185	311	489	1,012
Other comprehensive income/ (loss), net of tax	394	(114)	507	(920)
Total comprehensive income	3,928	2,735	11,798	13,144

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

1(a)(iii) Distribution Statements

Note	Group			
	3Q 2016	3Q 2015	YTD SEP 2016	YTD SEP 2015
	US\$'000	US\$'000	US\$'000	US\$'000
Profit for the quarter/ period	3,534	2,849	11,291	14,064
Add: Non-cash adjustments (a)	9,650	13,122	33,098	33,064
Net cash generated from operations	13,184	15,971	44,389	47,128
Less: Repayment of secured bank loans	(10,677)	(11,000)	(32,033)	(33,000)
Prepayment of secured bank loans (b)	-	-	-	-
Income available for distribution	2,507	4,971	12,356	14,128
Less: Cash retained in the current period	(2,507)	(4,971)	(12,356)	(14,128)
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	640,193	637,457	640,193
Distribution per unit (US Cents)	-	-	-	-

Notes:

(a) Non-cash adjustments

	Group			
	3Q 2016	3Q 2015	YTD SEP 2016	YTD SEP 2015
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels	9,971	13,455	29,764	35,749
Unrealised exchange differences	18	6	189	43
Loss on disposal of vessels	-	-	4,162	-
Gain on disposal of available-for-sale financial assets	-	-	-	(1,710)
Amortisation of deferred income	(361)	(361)	(1,083)	(1,083)
Amortisation of initial direct costs	22	22	66	65
	9,650	13,122	33,098	33,064

- (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 third 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 THIRD QUARTER ENDED 30 SEPTEMBER 2016

1(b)(i) Statements of Financial Position

		30 Sep 2016		31 Dec 2015	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
Vessels		484,048	-	526,516	-
Subsidiaries		-	368,202	-	368,397
Derivative assets		-	-	55	55
		484,048	368,202	526,571	368,452
Current assets					
Inventories		64	-	45	-
Derivative assets		-	-	133	133
Trade and other receivables		4,407	55	4,623	26,554
Cash and cash equivalents	(a)	39,702	30,090	28,834	16,769
		44,173	30,145	33,635	43,456
Total assets		528,221	398,347	560,206	411,908
Equity attributable to unitholders of FSL Trust					
Units in issue		523,284	523,284	523,284	523,284
Reserves		(233,304)	(393,189)	(245,102)	(384,708)
Total equity		289,980	130,095	278,182	138,576
Non-current liabilities					
Secured bank loans	(b)	190,929	190,929	229,050	229,050
Derivative liabilities		-	-	67	67
Deferred income		1,040	-	2,123	-
		191,969	190,929	231,240	229,117
Current liabilities					
Trade and other payables		1,917	35,207	3,500	615
Lease income received in advance		795	-	2,240	-
Derivative liabilities		285	285	565	565
Secured bank loans	(b)	41,831	41,831	43,035	43,035
Deferred income		1,444	-	1,444	-
		46,272	77,323	50,784	44,215
Total liabilities		238,241	268,252	282,024	273,332
Total equity and liabilities		528,221	398,347	560,206	411,908

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

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

Note:

(a) Cash and cash equivalents comprise:

	30 Sep 2016		31 Dec 2015	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	26,702	20,090	25,956	16,675
Short-term deposits	13,000	10,000	2,878	94
Cash and cash equivalents in the statement of cash flows	39,702	30,090	28,834	16,769

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

	30 Sep 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	(880)	(965)
	41,831	43,035
<u>Repayable after one year</u>		
Secured bank loans	191,131	229,901
Less: Unamortised debt upfront fees	(202)	(851)
	190,929	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\$233.8 million as at 30 September 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 September 2016, the Trust is in compliance with the terms of the original loan agreement.

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

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

(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⁾ 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 THIRD QUARTER ENDED 30 SEPTEMBER 2016

1(c) Consolidated Cash Flow Statements

	Group			
	3Q 2016	3Q 2015	YTD SEP 2016	YTD SEP 2015
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
Profit before tax	3,534	2,849	11,291	14,108
Adjustments for:				
Depreciation expense on vessels	10,243	13,768	30,625	36,759
Amortisation of debt upfront fees	237	265	734	815
Amortisation of initial direct costs	130	125	389	377
Amortisation of deferred income	(361)	(361)	(1,083)	(1,083)
Interest income	(6)	(3)	(15)	(9)
Interest expense	2,367	2,913	7,383	8,969
Loss on disposal of vessels	-	-	4,162	-
Gain on disposal of available-for-sale financial assets	-	-	-	(1,710)
Unrealised exchange differences	18	6	189	43
	16,162	19,562	53,675	58,269
Changes in working capital:				
Trade and other receivables	(789)	3,306	216	1,155
Inventories	(64)	(253)	(19)	(623)
Trade and other payables	(134)	831	(1,693)	1,328
Lease income received in advance	(149)	(3)	(1,445)	(970)
Cash generated from operating activities	15,026	23,443	50,734	59,159
Income tax paid	-	-	-	(44)
Cash flows from operating activities	15,026	23,443	50,734	59,115
Investing activities:				
Interest received	5	3	15	13
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	(1,666)	(276)	(2,116)	(286)
Cash flows (used in)/ from investing activities	(1,661)	(273)	7,466	2,356
Financing activities:				
Repayment of secured bank loans	(10,677)	(11,000)	(32,033)	(33,000)
Prepayment of secured bank loans	-	-	(8,026)	-
Interest paid	(2,338)	(2,909)	(7,273)	(8,924)
Security deposit	-	-	-	10,000
Pledged deposit	-	(1)	-	(2,630)
Purchase of the Trust's units	-	(455)	-	(1,739)
Cash flows used in financing activities	(13,015)	(14,365)	(47,332)	(36,293)
Net increase in cash and cash equivalents	350	8,805	10,868	25,178
Cash and cash equivalents at beginning of period	39,352	39,123	28,834	22,750
Cash and cash equivalents at end of period	39,702	47,928	39,702	47,928
Comprising:-				
Cash at Bank	26,702	45,052	26,702	45,052
Short-term deposits	13,000	2,876	13,000	2,876
	39,702	47,928	39,702	47,928

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

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

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

2015

Group

At 1 July 2015

Cancellation of units bought back

Total comprehensive income/ (loss) for the quarter

At 30 September 2015

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
524,128	(948)	(6,402)	(240,920)	275,858
(455)	-	-	-	(455)
-	(154)	40	2,849	2,735
523,673	(1,102)	(6,362)	(238,071)	278,138

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

2015

Trust

At 1 July 2015

Cancellation of units bought back

Total comprehensive loss for the quarter

At 30 September 2015

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
524,128	(948)	(373,194)	149,986
(455)	-	-	(455)
-	(154)	(3,329)	(3,483)
523,673	(1,102)	(376,523)	146,048

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

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

	Note	3Q 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.

FIRST SHIP LEASE TRUST
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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 2016	3Q 2015	YTD SEP 2016	YTD SEP 2015
Basic and diluted earnings per unit is based on: Profit for the quarter/ period (US\$'000)	3,534	2,849	11,291	14,064
Weighted average number of issued units (basic and diluted) ('000)	637,457	642,664	637,457	648,479
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	0.55	0.44	1.77	2.17
Number of issued units at end of quarter ('000)	637,457	640,193	637,457	640,193
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 2016		31 Dec 2015	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.45	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:

3Q 2016 vs 3Q 2015

	Group		
	3Q 2016	3Q 2015	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	10,039	14,459	(30.6)
BBCE revenue of vessels on:-			
-Time charter	4,727	2,422	95.2
-Pool	2,115	2,653	(20.3)
-Spot	-	901	(100.0)
Total bareboat charter/BBCE revenue	16,881	20,435	(17.4)
Less:			
Depreciation expense on vessels ¹	(9,971)	(13,455)	(25.9)
Management fees	(697)	(896)	(22.2)
Trustee fees	(27)	(29)	(6.9)
Other Trust expenses ²	(408)	(498)	(18.1)
Other operating expenses	(11,103)	(14,878)	(25.4)
Results from operating activities	5,778	5,557	4.0
Other income	400	500	(20.0)
Finance income	6	3	100.0
Finance expenses	(2,650)	(3,211)	(17.5)
Profit before tax	3,534	2,849	24.0
Income tax expense	-	-	N.M.
Profit for the quarter	3,534	2,849	24.0

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 30.6% (US\$4.4 million), mainly attributable to:

- the disposal of two containerships in February 2016, (US\$2.9 million);
- Shannon Fisher and Solway Fisher bareboat contracts renewed at a lower daily rate (US\$0.2 million); and
- 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\$1.9 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\$1.4 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\$3.2 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.4 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\$1.1 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.2 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 decreased by 25.4% (US\$3.8 million) due mainly to lower depreciation expenses of US\$3.5 million arising from:

- i) the disposal of two containerships in February 2016 (decrease of US\$5.1 million); offset with
- ii) the changes in residual values of vessels which gave rise to an increase of US\$1.7 million.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$5.8 million in this quarter, compared to US\$5.6 million over the same period last year.

d. Finance expenses

Finance expenses in 3Q 2016, including an exchange loss of US\$31,000 (3Q 2015: exchange loss of US\$19,000), decreased by 17.5% (US\$0.6 million) mainly due to:

- lower outstanding indebtedness with reduced interest margin from 4Q 2015 (due to VTL improvement); and
- the declining value of existing swaps.

For 3Q 2016, FSL Trust achieved net profits of US\$3.5 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

Shipping markets across various sectors remain under significant pressure in the near term. The financial effects should be mitigated by FSL Trust's charter book, justifying the Trust's effort to secure contract cover.

Q4 2016 will be affected by some dry docking related costs following the special surveys of the chemical tanker in Q3 2016.

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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 September 2016 to be false or misleading in any material aspect.

15. The Trustee-Manager, FSL Trust Management Pte. Ltd., has procured undertakings required under Rule 720(1), from all its directors and executive officers.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, changes in operating expenses, Trust expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD
FSL TRUST MANAGEMENT PTE. LTD.
(COMPANY REGISTRATION NO. 200702265R)
AS TRUSTEE-MANAGER OF FIRST SHIP LEASE TRUST

Alan Hatton
Chief Executive Officer
02 November 2016