



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

First Ship Lease Trust (“FSL Trust” or “the Trust”) is a shipowner and a provider of leasing services on a bareboat charter basis to the international shipping industry and is listed on the Singapore Exchange Securities Trading Limited (“SGX”).

As at 31 March 2018, FSL Trust has a high quality, well maintained and diversified portfolio of 19 vessels consisting of three containerships, twelve product tankers, two chemical tankers and two crude oil tankers. 12 vessels are employed on long-term bareboat charters as at 31 March 2018 and have a dollar-weighted average remaining lease period of approximately one year (excluding extension periods and early buy-out options). The remaining seven vessels are employed on time charter arrangements, trading in the spot market and in pools. The combined portfolio of 19 vessels has a dollar-weighted average age of approximately eleven years.

Summary of FSL Trust Consolidated Results

	1Q 2018	1Q 2017	Inc/ (Dec)
	US\$'000	US\$'000	%
Revenue	16,856	21,949	(23.2)
Profit for the quarter	917	3,447	(73.4)
Income available for distribution	256	(18,256)	N.M.

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1(a)(i) Consolidated Income Statements

	Note	Group		
		1Q 2018	1Q 2017	Inc/ (Dec)
		US\$'000	US\$'000	%
Revenue		16,856	21,949	(23.2)
Depreciation expense on vessels		(7,933)	(9,582)	(17.2)
Voyage expenses		(1,029)	-	100.0
Vessel operating expenses		(4,432)	(5,728)	(22.6)
Management fees		(464)	(630)	(26.3)
Trustee fees		(17)	(24)	(29.2)
Other Trust expenses		(702)	(429)	63.6
Results from operating activities		2,279	5,556	(59.0)
Other income	(a)	-	400	(100.0)
Gain on disposal of vessels	(b)	886	-	100.0
Finance income		-	54	(100.0)
Finance expenses		(2,246)	(2,563)	(12.4)
Profit before tax		919	3,447	(73.3)
Income tax expense		(2)	-	100.0
Profit for the quarter		917	3,447	(73.4)

Note:

- (a) This relates to income received from claims and legal settlements.
(b) This relates to the disposal of a containership and a chemical tanker in January 2018.

1(a)(ii) Statements of Comprehensive Income

	Group	
	1Q 2018	1Q 2017
	US\$'000	US\$'000
Profit for the quarter	917	3,447
Other comprehensive income		
Items that are or may be classified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	-	8
Net change in fair value of cash flow hedges transferred to income statement	-	75
Other comprehensive income, net of tax	-	83
Total comprehensive income, net of tax	917	3,530

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1(a)(iii) Distribution Statements

		Group	
Note		1Q 2018	1Q 2017
		US\$'000	US\$'000
		917	3,447
		6,290	8,975
		7,207	12,422
		(6,250)	(10,678)
		(701)	(20,000)
		256	(18,256)
		-	18,256
		(256)	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		637,457	637,457
		-	-

Notes:

(a) Non-cash adjustments

		Group	
		1Q 2017	1Q 2017
		US\$'000	US\$'000
	Depreciation expense on vessels ¹	7,530	9,315
	Gain on disposal of vessels	(886)	-
	Amortisation of deferred income	(361)	(362)
	Amortisation of initial direct costs ²	7	22
		6,290	8,975

(b) Prepayments of US\$0.7 million and US\$20.0 million were made to reduce the outstanding loan balance in 1Q 2018 and 1Q 2017 respectively. In 1Q 2018, US\$19.4 million of the cash proceeds from the sale of a containership and a chemical tanker was used to prepay the secured bank loans. As the US\$19.4 million was generated from the sale of the vessels instead of operations, it has not been included in this statement.

(c) No distribution has been recommended by the Board for the first quarter of 2018.

¹ Excluding dry-docking costs.

² Excluding deferred arrangement fees.

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1(b)(i) Statements of Financial Position

		31 Mar 2018		31 Dec 2017	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
		281,096	-	289,077	-
		-	208,412	-	215,863
		281,096	208,412	289,077	215,863
Current assets					
		8,540	15,165	10,504	38,991
	(a)	15,631	7,862	13,201	5,507
		-	-	18,260	-
		24,171	23,027	41,965	44,498
Total assets					
		305,267	231,439	331,042	260,361
Equity attributable to unitholders of FSL Trust					
		523,284	523,284	523,284	523,284
		(348,679)	(418,409)	(349,596)	(415,653)
		174,605	104,875	173,688	107,631
Current liabilities					
		2,766	1,592	2,727	1,424
		2,607	-	2,643	-
	(b)	124,972	124,972	151,306	151,306
		317	-	678	-
		130,662	126,564	157,354	152,730
Total liabilities					
		130,662	126,564	157,354	152,730
Total equity and liabilities					
		305,267	231,439	331,042	260,361

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

Note:

(a) Cash and cash equivalents comprise:

	31 Mar 2018		31 Dec 2017	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	15,631	7,862	13,201	5,507
Cash and cash equivalents in the statement of cash flows	15,631	7,862	13,201	5,507

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

	31 Mar 2018	31 Dec 2017
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	124,972	151,306

The Trustee-Manager, on behalf of FSL Trust, had secured a 6-year amortising loan facility in December 2011. This facility expired on 20 December 2017.

A majority of the lenders under the Syndicated Loan Facility had indicated their support for the Extension to the Trustee-Manager. The Extension would require the consent of all lenders under the Syndicated Loan Facility, unless the Trustee-Manager were to be successful in obtaining protection through a scheme of arrangement under section 210 of the Companies Act (Chapter 50) ("the Scheme"). To this end, the Trustee-Manager made an application to the High Court of Singapore on 18 December 2017 with regard only to its obligations under the Syndicated Loan Facility.

On the application of the Trust, the High Court granted an extension of time to 27 April 2018 for the Trust to convene a meeting of Lenders for the purpose of considering and, if thought fit, approving with or without modification (which modification may be made any time prior to or at the Court Meeting) a Scheme of Arrangement proposed to be made between the Trust and its Lenders pursuant to section 210 of the Companies Act (Chapter 50). With the change in ownership of the Sponsor of the Trust to Prime Shareholding Inc., the Trust has made significant progress towards reducing and refinancing the outstanding debt under the Existing Loan to restore its financial stability. An extension request for the meeting to be held on 31 May 2018 has been submitted to the High Court, with the hearing on this respect fixed for 21 May 2018.

On 24 April 2018, FSLTM announced the proposed partial refinancing of the Existing Loan having entered term sheets with two groups of financiers for the provision of loan facilities representing US\$90 million in total.

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

In addition, FSLTM announced the proposed issuance of US\$7.25 million of 7% convertible bonds, of which 95% of the proceeds will be utilised for repayment of the Existing Loan. Refinancing options for, rather than sale of, the two chemical tankers, the *FSL New York* and *FSL London* are being considered.

An unscheduled repayment of US\$5.0 million was made on 3 May 2018, reducing the Existing Loan further to US\$119.97 million.

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%

For 1Q 2018, the applicable margin over US\$ 3-month LIBOR was 2.8%. In addition, there was a default margin of 2%. The VTL ratio will be assessed semi-annually.

The term loan facility is secured on the following:

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

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1(c) Consolidated Cash Flow Statements

	Group	
	1Q 2018	1Q 2017
	US\$'000	US\$'000
Operating activities:		
Profit before tax	919	3,447
Adjustments for:		
Depreciation expense on vessels	7,933	9,582
Amortisation of debt upfront fees	-	224
Amortisation of initial direct costs	54	121
Amortisation of deferred income	(361)	(362)
Interest income	-	(54)
Interest expense	2,193	2,315
Gain on disposal of vessels	(886)	-
	9,852	15,273
Changes in working capital:		
Trade and other receivables	1,964	(1,443)
Inventories	-	(184)
Trade and other payables	71	(147)
Lease income received in advance	(36)	2,218
Cash generated from operating activities	11,851	15,717
Income tax paid	(2)	-
Cash flows generated from operating activities	11,849	15,717
Investing activities:		
Interest received	-	70
Net proceeds on disposal of vessels	19,146	-
Costs incurred for dry-docking	(6)	-
Cash flows generated from/ (used in) investing activities	19,140	(514)
Financing activities:		
Repayment of secured bank loans	(6,250)	(10,678)
Prepayment of secured bank loans	(20,084)	(20,000)
Interest paid	(2,225)	(2,283)
Cash flows used in financing activities	(28,559)	(32,961)
Net increase/ (decrease) in cash and cash equivalents	2,430	(17,758)
Cash and cash equivalents at beginning of period	13,201	42,899
Cash and cash equivalents at end of period	15,631	25,141
Comprising:-		
Cash at Bank	15,631	25,141
	15,631	25,141

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

**2018
Group**

At 1 January 2018
Total comprehensive income
for the quarter
At 31 March 2018

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
523,284	-	(6,725)	(342,871)	173,688
-	-	-	917	917
523,284	-	(6,725)	(341,954)	174,605

**2017
Group**

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

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Profit/(Losses)	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
523,284	(122)	(6,725)	(268,983)	247,454
-	83	-	3,447	3,530
523,284	(39)	(6,725)	(265,536)	250,984

**2018
Trust**

At 1 January 2018
Total comprehensive loss for the quarter
At 31 March 2018

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,284	-	(415,653)	107,631
-	-	(2,756)	(2,756)
523,284	-	(418,409)	104,875

**2017
Trust**

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

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

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

	Note	1Q 2018 Units	FY 2017 Units
At the beginning of the period		637,456,577	637,456,577
Units issued during the period		-	-
At the end of the period		637,456,577	637,456,577

There are no treasury shares and no subsidiary holdings as at 31 March 2018 and as at 31 March 2017.

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

Nil.

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

Nil.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2017, except for the adoption of the new or revised International Financial Reporting Standards ("IFRS") applicable for the financial period beginning 1 January 2018.

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

FSL Trust has adopted all the new or revised IFRS that are effective for the financial period beginning 1 January 2018 and are relevant to its operations. The adoption of these IFRS does not have financial impact on the Group's financial position or results.

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6. Earnings per unit (“EPU”) and Distribution per unit (“DPU”) for the current financial period reported on and the corresponding period of the immediately preceding financial year

	Group	
	1Q 2018	1Q 2017
Basic and diluted earnings per unit is based on:		
Profit for the quarter (US\$'000)	917	3,447
Weighted average number of issued units (basic and diluted) ('000)	637,457	637,457
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	0.14	0.54
Number of issued units at end of quarter ('000)	637,457	637,457
Distribution per unit (US Cents)	-	-

7. Net Asset Value (“NAV”) per unit based on units at the end of the current financial period reported on and immediately preceding financial year

	Note	31 Mar 2018		31 Dec 2017	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.27	0.16	0.27	0.17

Note:

- (a) Net asset value per unit was calculated based on the applicable number of units issued as at the end of the respective period/year.

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8. Review of Performance

The breakdown of the revenue (on a bareboat charter/bareboat charter equivalent ("BBCE") basis) by the respective charter types and the net result from operations is as follows:

1Q 2018 vs 1Q 2017

	Group		
	1Q 2018	1Q 2017	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	8,901	9,505	(6.4)
BBCE revenue of vessels on:-			
-Time charter	504	3,830	(86.8)
-Pool	1,897	2,619	(27.6)
-Spot	(310)	-	100.0
Total bareboat charter/BBCE revenue	10,992	15,954	(31.1)
Less:			
Depreciation expense on vessels ¹	(7,530)	(9,315)	(19.2)
Management fees	(464)	(630)	(26.3)
Trustee fees	(17)	(24)	(29.2)
Other Trust expenses ²	(702)	(429)	63.6
Other operating expenses	(8,713)	(10,398)	(16.2)
Results from operating activities	2,279	5,556	(59.0)
Other income	-	400	(100.0)
Finance income	-	54	(100.0)
Finance expenses	(2,246)	(2,563)	(12.4)
Gain on disposal of vessels	886	-	100.0
Profit before tax	919	3,447	(73.3)
Income tax expense	(2)	-	100.0
Profit for the quarter	917	3,447	(73.4)

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 6.4% (US\$0.6 million), mainly attributable to:

- i) Cumbrian Fisher, Clyde Fisher, Speciality, Seniority and Superiority bareboat contracts renewed at a lower daily rate (US\$0.8 million); offset with
- ii) better performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, which generated higher revenue (US\$0.2 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 Singapore continued to be employed on time charter and generated BBCE revenue of US\$0.5 million in the quarter under review.

Pool/Revenue Sharing Agreement ('RSA')

i) Containerships

FSL Busan (disposed on 17 January 2018) was employed in a 1200-1400/1700 TEU pool managed by HANSE Bereederung GmbH ('Hanse Pool'). The vessels generated net pool revenue of US\$0.4 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.2 million in the quarter under review.

ii) Product tanker

FSL Osaka, acquired by the Trust on 18 November 2015, entered an MR pool managed by Hafnia Management ('Hafnia Pool'). The vessel generated net pool revenue of US\$1.3 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.7 million in the quarter under review.

FSL Hamburg entered an MR pool managed by Hafnia Management ('Hafnia Pool') on 7 October 2017. The vessel generated net pool revenue of US\$1.2 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.5 million in the quarter under review.

iii) Crude oil tanker

FSL Hong Kong is employed on a RSA (Revenue Sharing Agreement) from 14 April 2017. The vessel generated net pool revenue of US\$0.9 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.2 million in the quarter under review.

FSL Shanghai entered a RSA (Revenue Sharing Agreement) in September 2017. The vessel generated net pool revenue of US\$0.8 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.3 million in the quarter under review.

Spot

- i) Upon exiting the 'Nordic Tankers 19,000 Stainless Steel Pool', the three chemical tankers traded in the spot market and generated US\$2.2 million of freight income in the quarter under review. After deducting voyage and vessel operating expenses, the vessels incurred BBCE loss of US\$0.3 million in the quarter under review, partly due to *FSL Tokyo's* sale on 16 January 2018 and the relatively irregular nature of spot income.

8. Review of Performance (cont'd)

b. Other operating expenses

Depreciation expense on vessels decreased by 19.2% (US\$1.8 million) due to lower depreciation arising from impairment on vessels taken last year and the disposal of two containerships and one chemical tanker.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$2.3 million in this quarter, compared to US\$5.6 million over the same period last year.

d. Finance expenses

Finance expenses in 1Q 2018, including an exchange loss of US\$21,000 (1Q 2017: US\$11,000), decreased by 12.4% (US\$0.3 million) mainly due to the debt upfront fees fully amortised in 4Q 2017 together with the lower outstanding indebtedness and the expiry of existing swaps in June 2017.

For 1Q 2018, FSL Trust achieved net profits of US\$0.9 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

Shipping markets across all sectors remain under pressure in the near term. However, there are positive signs for improvement for 2019.

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/recommended, a statement to that effect

No distribution has been declared.

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13. If the Group has obtained a general mandate from unitholders for Interested Party Transaction (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

FSL Trust does not have any unitholders’ mandate for IPT.

14. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the interim financial results of the Group for the quarter ended 31 March 2018 to be false or misleading in any material aspect.

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

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

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

Alan Mitchell
Chief Financial Officer
09 May 2018