



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017**

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

As at 31 December 2017, FSL Trust has a high quality, well maintained and diversified portfolio of 21 vessels consisting of four 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 2017 and have a dollar-weighted average remaining lease period of approximately two years (excluding extension periods and early buy-out options). The remaining nine vessels are employed on time charter arrangements and in pools. The combined portfolio of 21 vessels has a dollar-weighted average age of approximately eleven years.

Summary of FSL Trust Consolidated Results

	4Q 2017	4Q 2016	Inc/ (Dec)	FY 2017	FY 2016	Inc/ (Dec)
	US\$’000	US\$’000	%	US\$’000	US\$’000	%
Revenue	19,896	23,189	(14.2)	81,499	98,144	(17.0)
Loss for the quarter/ year	(33,874)	(42,286)	(19.9)	(73,888)	(30,995)	138.4
Income available for distribution	(6,250)	2,517	N.M.	(25,525)	14,873	N.M.

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1(a)(i) Consolidated Income Statements

		Group					
	Note	4Q 2017	4Q 2016	Inc/ (Dec)	FY 2017	FY 2016	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		19,896	23,189	(14.2)	81,499	98,144	(17.0)
Depreciation expense on vessels		(8,562)	(12,085)	(29.2)	(37,106)	(42,710)	(13.1)
Impairment on vessels	(c)	(25,936)	(44,137)	(41.2)	(72,210)	(44,137)	63.6
Impairment on non-current asset classified as held-for-sale	(d)	(8,919)	-	100.0	(8,919)	-	100.0
Voyage expenses		(1,701)	(39)	N.M.	(1,701)	(39)	N.M.
Vessel operating expenses		(6,027)	(6,174)	(2.4)	(23,054)	(24,129)	(4.5)
Management fees		(487)	(709)	(31.3)	(2,241)	(3,029)	(26.0)
Trustee fees		(19)	(26)	(26.9)	(86)	(108)	(20.4)
Other Trust expenses		(755)	(320)	135.9	(2,188)	(1,652)	32.4
Results from operating activities		(32,510)	(40,301)	(19.3)	(66,006)	(17,660)	273.8
Other income	(a)	-	400	(100.0)	400	1,600	(75.0)
Gain/(Loss) on disposal of vessels	(b)	771	26	N.M.	771	(4,136)	N.M.
Finance income		-	35	(100.0)	54	50	8.0
Finance expenses		(2,134)	(2,446)	(12.8)	(9,106)	(10,849)	(16.1)
Loss before tax		(33,873)	(42,286)	(19.9)	(73,887)	(30,995)	138.4
Income tax expense		(1)	-	100.0	(1)	-	100.0
Loss for the quarter/ year		(33,874)	(42,286)	(19.9)	(73,888)	(30,995)	138.4

Note:

- (a) This relates to income received from claims and legal settlements.
- (b) This relates to the disposal of a containership in December 2017 and two containerships in February 2016.
- (c) This relates to the impairment recognised on two chemical tankers, two product tankers and two crude oil tankers in 4Q 2017. (refer to paragraph 8(b)(ii)).
- (d) This relates to the impairment recognised on a chemical tanker in 4Q 2017. (refer to paragraph 8(b)(iii)).

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1(a)(ii) Statements of Comprehensive Income

	Group			
	4Q 2017	4Q 2016	FY 2017	FY 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the quarter/ year	(33,874)	(42,286)	(73,888)	(30,995)
Other comprehensive income				
Items that are or may be classified subsequently to profit or loss:				
Translation differences relating to financial statements of foreign subsidiaries	-	(403)	-	(206)
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	8	(288)
Net change in fair value of cash flow hedges transferred to income statement	-	120	114	609
Other comprehensive income, net of tax	-	(240)	122	267
Total comprehensive loss, net of tax	(33,874)	(42,526)	(73,766)	(30,728)

1(a)(iii) Distribution Statements

	Note	Group			
		4Q 2017	4Q 2016	FY 2017	FY 2016
		US\$'000	US\$'000	US\$'000	US\$'000
Loss for the quarter/ year		(33,874)	(42,286)	(73,888)	(30,995)
Add: Non-cash adjustments	(a)	41,874	55,481	114,646	88,579
Net cash generated from operations		8,000	13,195	40,758	57,584
Less: Repayment of secured bank loans		(6,250)	(10,678)	(38,283)	(42,711)
Prepayment of secured bank loans	(b)	(8,000)	-	(28,000)	-
Income available for distribution		(6,250)	2,517	(25,525)	14,873
Add: Utilisation of cash retained from previous periods		6,250	-	25,525	-
Less: Cash retained in the current period		-	(2,517)	-	(14,873)
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 end of quarter/ year ('000)		637,457	637,457	637,457	637,457
Distribution per unit (US Cents)		-	-	-	-

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Notes:

(a) Non-cash adjustments

	Group			
	4Q 2017	4Q 2016	FY 2017	FY 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation expense on vessels ¹	8,143	11,819	35,676	41,583
Impairment on vessels	25,936	44,137	72,210	44,137
Impairment on non-current asset classified as held-for-sale	8,919	-	8,919	-
Unrealised exchange differences	-	(110)	-	79
(Gain)/ Loss on disposal of vessels	(771)	(26)	(771)	4,136
Amortisation of deferred income	(361)	(361)	(1,445)	(1,444)
Amortisation of initial direct costs ²	8	22	57	88
	41,874	55,481	114,646	88,579

(b) Prepayment of US\$8.0 million and US\$20.0 million were made to reduce the outstanding loan balance in 4Q 2017 and 1Q 2017 respectively. In 4Q 2017, US\$5.6 million of the cash proceeds from the sale of a containership was used to prepay the secured bank loans. As the US\$5.6 million was generated from the sale of the containership instead of operations, they have not been included in this statement.

(c) No distribution has been recommended by the Board for the fourth quarter of 2017.

¹ Excluding dry-docking costs.

² Excluding deferred arrangement fees.

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1(b)(i) Statements of Financial Position

		31 Dec 2017		31 Dec 2016	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
		289,077	-	427,508	-
		-	215,863	-	297,438
		289,077	215,863	427,508	297,438
Current assets					
		-	-	122	-
		10,504	38,991	3,896	18,708
	(a)	13,201	5,507	42,899	33,535
		18,260			
		41,965	44,498	46,917	52,243
		331,042	260,361	474,425	349,681
Equity attributable to unitholders of FSL Trust					
		523,284	523,284	523,284	523,284
		(349,596)	(415,653)	(275,830)	(396,809)
		173,688	107,631	247,454	126,475
Non-current liabilities					
		-	-	679	-
		-	-	679	-
Current liabilities					
		2,727	1,424	2,325	771
		2,643	-	88	-
		-	-	122	122
	(b)	151,306	151,306	222,313	222,313
		678	-	1,444	-
		157,354	152,730	226,292	223,206
		157,354	152,730	226,971	223,206
		331,042	260,361	474,425	349,681

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

Note:

(a) Cash and cash equivalents comprise:

	31 Dec 2017		31 Dec 2016	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at Bank	13,201	5,507	19,893	13,535
Short-term deposits	-	-	23,006	20,000
Cash and cash equivalents in the statement of cash flows	13,201	5,507	42,899	33,535

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

	31 Dec 2017	31 Dec 2016
	US\$'000	US\$'000
Secured bank loans		
<u>Repayable within one year</u>		
Secured bank loans	151,306	223,164
Less: Unamortised debt upfront fees	-	(851)
	151,306	222,313

The Trustee-Manager, on behalf of FSL Trust, secured a 6-year amortising loan facility in December 2011. This facility expired on 20 December 2017 and negotiation with the Syndicated Lenders is ongoing for an extension of the maturity date by one year to allow for the refinancing of this facility. The outstanding face value of the loan balance was US\$151.3 million as at 31 December 2017.

A majority of the lenders under the Syndicated Loan Facility have 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. The Scheme proposes the extension on terms that the Trustee-Manager believes the majority of the lenders have indicated their support for. FSLTM remains wholly committed to achieving a resolution for the long term future of the Trust.

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%

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

For 4Q 2017, the applicable margin over US\$ 3-month LIBOR was 2.8%. 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 in the portfolio;
- (ii) a first priority assignment of the Group's rights, title, interest in the insurances to and for each vessel, including insurance for hull and machinery, protection and indemnity and war risks;
- (iii) a first priority assignment of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and
- (iv) pledge of the shares of all the vessel-owning subsidiaries.

FSL Trust had 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 ranged from 1.06% per annum to 1.65% per annum. The interest rate swaps expired in June 2017.

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1(c) Consolidated Cash Flow Statements

	Group			
	4Q 2017	4Q 2016	FY 2017	FY 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
Loss before tax	(33,873)	(42,286)	(73,887)	(30,995)
Adjustments for:				
Depreciation expense on vessels	8,562	12,085	37,106	42,710
Impairment on vessels	25,936	44,137	72,210	44,137
Impairment on non-current asset classified as held-for-sale	8,919	-	8,919	-
Amortisation of debt upfront fees	202	231	851	965
Amortisation of initial direct costs	54	129	345	518
Amortisation of deferred income	(361)	(361)	(1,445)	(1,444)
Interest income	-	(35)	(54)	(50)
Interest expense	1,905	2,337	8,127	9,720
(Gain)/ Loss on disposal of vessels	(771)	(26)	(771)	4,136
Unrealised exchange differences	-	(110)	-	79
	10,573	16,101	51,401	69,776
Changes in working capital:				
Trade and other receivables	(3,785)	526	(6,630)	742
Inventories	-	(58)	122	(77)
Trade and other payables	47	375	87	(1,318)
Lease income received in advance	2,563	(707)	2,555	(2,152)
Cash generated from operating activities	9,398	16,237	47,535	66,971
Income tax (paid)/ refunded	(1)	-	5	-
Cash flows generated from operating activities	9,397	16,237	47,540	66,971
Investing activities:				
Interest received	-	20	70	35
Net proceed on disposal of vessels	5,813	26	5,813	9,593
Costs incurred for dry-docking	(126)	(104)	(3,451)	(2,220)
Cash flows generated from/ (used in) investing activities	5,687	(58)	2,432	7,408
Financing activities:				
Repayment of secured bank loans	(6,250)	(10,678)	(38,283)	(42,711)
Prepayment of secured bank loans	(13,575)	-	(33,575)	(8,026)
Interest paid	(1,640)	(2,304)	(7,812)	(9,577)
Cash flows used in financing activities	(21,465)	(12,982)	(79,670)	(60,314)
Net (decrease)/ increase in cash and cash equivalents	(6,381)	3,197	(29,698)	14,065
Cash and cash equivalents at beginning of period/ year	19,582	39,702	42,899	28,834
Cash and cash equivalents at end of period/ year	13,201	42,899	13,201	42,899
Comprising:-				
Cash at Bank	13,201	19,893	13,201	19,893
Short-term deposits	-	23,006	-	23,006
	13,201	42,899	13,201	42,899

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

**2017
Group**

At 1 October 2017
Total comprehensive loss for
the quarter
At 31 December 2017

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
523,284	-	(6,725)	(308,997)	207,562
-	-	-	(33,874)	(33,874)
523,284	-	(6,725)	(342,871)	173,688

**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

**2017
Trust**

At 1 October 2017
Total comprehensive loss for the quarter
At 31 December 2017

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
523,284	-	(404,353)	118,931
-	-	(11,300)	(11,300)
523,284	-	(415,653)	107,631

**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

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

	Note	4Q 2017 Units	FY 2016 Units
At the beginning of the period		637,456,577	637,456,577
Units issued during the period		-	-
At the end of the period		637,456,577	637,456,577

There are no treasury shares and no subsidiary holdings as at 31 December 2017 and as at 31 December 2016.

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

Nil.

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

Nil.

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

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

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

Not applicable.

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

FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

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

	Group			
	4Q 2017	4Q 2016	FY 2017	FY 2016
Basic and diluted earnings per unit is based on:				
Loss for the quarter/ year (US\$'000)	(33,874)	(42,286)	(73,888)	(30,995)
Weighted average number of issued units (basic and diluted) ('000)	637,457	637,457	637,457	637,457
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(5.31)	(6.63)	(11.59)	(4.86)
Number of issued units at end of quarter/ year ('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 2017		31 Dec 2016	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.27	0.17	0.39	0.20

Note:

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

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8. Review of Performance

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

4Q 2017 vs 4Q 2016

	Group		
	4Q 2017	4Q 2016	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	8,470	9,978	(15.1)
BBCE revenue of vessels on:-			
-Time charter	482	4,558	(89.4)
-Pool	2,492	2,174	14.6
-Spot	305	-	100.0
Total bareboat charter/BBCE revenue	11,749	16,710	(29.7)
Less:			
Depreciation expense on vessels ¹	(8,143)	(11,819)	(31.1)
Impairment on vessels	(25,936)	(44,137)	(41.2)
Impairment on non-current asset classified as held-for-sale	(8,919)	-	100.0
Management fees	(487)	(709)	(31.3)
Trustee fees	(19)	(26)	(26.9)
Other Trust expenses ²	(755)	(320)	135.9
Other operating expenses	(44,259)	(57,011)	(22.4)
Results from operating activities	(32,510)	(40,301)	(19.3)
Other income	-	400	(100.0)
Gain on disposal of vessels	771	26	N.M.
Finance income	-	35	(100.0)
Finance expenses	(2,134)	(2,446)	(12.8)
Loss before tax	(33,873)	(42,286)	(19.9)
Income tax expense	(1)	-	100.0
Loss for the quarter	(33,874)	(42,286)	(19.9)

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 15.1% (US\$1.5 million), mainly attributable to:

- i) Cumbrian Fisher, Clyde Fisher, Speciality, Seniority and Superiority bareboat contracts renewed at a lower daily rate (US\$0.6 million); and
- ii) poorer performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, which generated lower revenue (US\$0.9 million).

The rentals derived from the remaining 5 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

FSL Hamburg was employed on time charter till 7 October 2017 and has been subsequently redeployed to an MR pool. The vessel generated BBCE revenue of US\$0.1 million in the quarter under review.

FSL Singapore continued to be employed on time charter and generated BBCE revenue of US\$0.4 million in the quarter under review.

Pool/Revenue Sharing Agreement ('RSA')

i) Chemical tankers

The three chemical tankers, *FSL New York*, *FSL London* and *FSL Tokyo* (disposed on 12 January 2018), exited the 'Nordic Tankers 19,000 Stainless Steel Pool' during the quarter under review. Collectively, these vessels generated net pool revenue of US\$1.3 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.7 million in the quarter under review.

ii) 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\$0.6 million. After deducting vessel operating expenses, the vessel incurred a marginal BBCE loss of US\$0.1 million in the quarter under review.

FSL Santos was employed in a 1200-1400/1700 TEU pool managed by HANSE Bereederung GmbH ('Hanse Pool') before its disposal on 7 December 2017. The vessel generated net pool revenue of US\$0.5 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.1 million in the quarter under review.

iii) 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\$1.1 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.5 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\$1.1 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)

iv) Crude oil tanker

FSL Hong Kong is employed on a RSA (Revenue Sharing Agreement) from 14 April 2017. The vessel generated net pool revenue of US\$1.1 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.4 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\$1.2 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.4 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\$3.4 million of freight income in the quarter under review. After deducting voyage and vessel operating expenses, the vessel generated BBCE revenue of US\$0.3 million in the quarter under review.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 31.1% (US\$3.7 million) due to lower depreciation arising from changes in residual value of vessels taken last year.

ii) Impairment 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 *FSL New York*, *FSL London*, *FSL Hamburg*, *FSL Singapore*, *FSL Hong Kong* and *FSL Shanghai* had exceeded the recoverable amount and an impairment of US\$25.9 million for the six vessels was recognised.

iii) Impairment on Non-current asset classified as held-for-sale

FSL Tokyo was reclassified to "Non-current asset classified as held-for-sale" and an impairment of US\$8.9 million was recognized in line with the net sale price.

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8. Review of Performance (cont'd)

c. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$32.5 million in this quarter, compared to an operating loss of US\$40.3 million over the same quarter last year.

d. Finance expenses

Finance expenses in 4Q 2017, including an exchange loss of US\$16,000 (4Q 2016: exchange gain of US\$136,000), decreased by 12.8% (US\$0.3 million) mainly due to lower outstanding indebtedness and the expiry of existing swaps in June 2017.

For 4Q 2017, FSL Trust incurred a net loss of US\$33.9 million.

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8. Review of Performance (cont'd)

FY 2017 vs FY 2016

	Group		
	FY 2017	FY 2016	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	35,516	42,183	(15.8)
BBCE revenue of vessels on:-			
-Time charter	9,919	18,238	(45.6)
-Pool	9,574	12,467	(23.2)
-Spot	305	(39)	N.M.
Total bareboat charter/BBCE revenue	55,314	72,849	(24.1)
Less:			
Depreciation expense on vessels ¹	(35,676)	(41,583)	(14.2)
Impairment on vessels	(72,210)	(44,137)	63.6
Impairment on non-current asset classified as held-for-sale	(8,919)	-	100.0
Management fees	(2,241)	(3,029)	(26.0)
Trustee fees	(86)	(108)	(20.4)
Other Trust expenses ²	(2,188)	(1,652)	32.4
Other operating expenses	(121,320)	(90,509)	34.0
Results from operating activities	(66,006)	(17,660)	273.8
Other income	400	1,600	(75.0)
Gain/(Loss) on disposal of vessels	771	(4,136)	N.M.
Finance income	54	50	8.0
Finance expenses	(9,106)	(10,849)	(16.1)
Loss before tax	(73,887)	(30,995)	138.4
Income tax expense	(1)	-	100.0
Loss for the year	(73,888)	(30,995)	138.4

a. Bareboat charter/BBCE revenue

Bareboat charter

For the year ended 31 December 2017, Bareboat charter rentals decreased by 15.8% (US\$6.7 million), mainly attributable to:

- i) the disposal of two containerships in February 2016, (US\$0.8 million);
- ii) Shannon Fisher, Solway Fisher, Cumbrian Fisher, Clyde Fisher, Speciality, Seniority and Superiority bareboat contracts renewed at a lower daily rate (US\$1.8 million); and
- iii) poorer performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, which generated lower revenue (US\$4.1 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 was employed on time charter till 7 October 2017 and has been subsequently redeployed to an MR pool. The vessel generated BBCE revenue of US\$3.1 million in FY 2017 (FY 2016: US\$3.6 million).

FSL Singapore continued to be employed on time charter and generated BBCE revenue of US\$3.2 million in FY 2017 (FY 2016: US\$3.7 million).

ii) Crude oil tankers

FSL Hong Kong has been employed on time charter and generated BBCE revenue of US\$1.0 million in FY 2017 (FY 2016: US\$5.3 million).

FSL Shanghai has been employed on time charter and generated BBCE revenue of US\$2.6 million in FY 2017 (FY 2016: US\$5.6 million).

Pool/Revenue Sharing Agreement ('RSA')

i) Chemical tankers

The three chemical tankers, *FSL New York*, *FSL London* and *FSL Tokyo* (disposed on 12 January 2018), exited the 'Nordic Tankers 19,000 Stainless Steel Pool' during 4Q 2017. Collectively, these vessels generated net pool revenue of US\$12.0 million in FY 2017 (FY 2016: US\$16.1 million). After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$5.3 million in FY 2017 (FY 2016: US\$8.3 million).

ii) Containerships

FSL Busan (disposed on 17 January 2018) and *FSL Santos* (disposed on 7 December 2017) 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\$4.1 million in FY 2017 (FY 2016: US\$4.8 million). After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.7 million in FY 2017 (FY 2016: US\$1.4 million).

iii) 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\$4.2 million in FY 2017 (FY 2016: US\$5.1 million). After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$1.8 million in FY 2017 (FY 2016: US\$2.8 million).

8. Review of Performance (cont'd)

iii) Product tanker (cont'd)

FSL Hamburg entered an MR pool managed by Hafnia Management ('Hafnia Pool') on 7 October 2017. The vessel generated net pool revenue of US\$1.1 million in FY 2017. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.5 million in FY 2017.

iv) Crude oil tanker

FSL Hong Kong is employed on a RSA (Revenue Sharing Agreement) from 14 April 2017. The vessel generated net pool revenue of US\$2.9 million in FY 2017. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.8 million in FY 2017.

FSL Shanghai entered a RSA (Revenue Sharing Agreement) in September 2017. The vessel generated net pool revenue of US\$1.4 million in FY 2017. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.5 million in FY 2017.

Spot

- i) Upon exiting the 'Nordic Tankers 19,000 Stainless Steel Pool', the three chemical tankers traded in the spot market and generated US\$3.4 million of freight income in FY 2017. After deducting voyage and vessel operating expenses, the vessel generated BBCE revenue of US\$0.3 million in FY 2017.

b. Other operating expenses

i) Depreciation expense on vessels

Depreciation expense on vessels decreased by 14.2% (US\$5.9 million) due to:

- (a) lower depreciation expenses of US\$0.1 million arising from the disposal of one containership in December 2017;
- (b) lower depreciation of US\$5.8 million due to changes in residual value and impairment for a number of vessels.

ii) Impairment 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 *FSL Busan*, *FSL Santos*, *FSL New York*, *FSL London*, *FSL Tokyo*, *FSL Hamburg*, *FSL Singapore*, *FSL Hong Kong*, *FSL Shanghai*, *TORM Margrethe*, *TORM Marie* and *FSL Osaka* had exceeded the recoverable amount and an impairment of US\$72.2 million for the 12 vessels was recognised.

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8. Review of Performance (cont'd)

iii) Impairment on Non-current asset classified as held-for-sale

FSL Tokyo was reclassified to “Non-current asset classified as held-for-sale” and an impairment of US\$8.9 million was recognized in line with the net sale price.

c. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$66.0 million in FY 2017 (FY 2016: US\$17.7 million).

d. Finance expenses

Finance expenses in FY 2017, including an exchange loss of US\$77,000 (FY 2016: US\$108,000), decreased 16.1% (US\$1.7 million) due mainly to lower outstanding indebtedness and the declining value of existing swaps.

For the year ended 31 December 2017, FSL Trust incurred a net loss of US\$73.9 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, the outlook for the second half of 2018 is more positive.

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. 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.

16. Breakdown of Revenue and Net Profit

	Group		
	FY 2017	FY 2016	Inc/(Dec)
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	42,898	52,014	(17.5)
(b) Net (loss)/profit after tax reported for first half year	(18,361)	7,757	N.M.
(c) Revenue reported for second half year	38,601	46,130	(16.3)
(d) Net loss after tax reported for second half year	(55,527)	(38,752)	43.3

17. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2017

There was no distribution for the period 1 Jan 2017 to 31 Dec 2017 (FY 2016: 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.

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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
26 February 2018