



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2013**

First Ship Lease Trust ("FSL Trust") is 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 2013, FSL Trust has a modern, high quality and diverse portfolio of 25 vessels consisting of seven containerships, 11 product tankers, three chemical tankers, two crude oil tankers and two dry bulk carriers. Twenty vessels are employed on leases (18 vessels on long-term bareboat charters and two vessels on time charters) and have a dollar-weighted average remaining lease period of approximately five years (excluding extension periods and early buy-out options). Of the remaining five vessels (three chemical tankers and two crude oil tankers), three chemical tankers are employed in a chemical tanker pool while one crude oil tanker is employed in the spot market and the second crude oil tanker has also entered a short-term variable rate time charter arrangement in 3Q 2013. The combined portfolio of 25 vessels has a dollar-weighted average age of approximately eight years.

Summary of FSL Trust Consolidated Results

	2Q 2013	2Q 2012	Inc/(Dec)	1H 2013
	US\$'000	US\$'000	%	US\$'000
Revenue	21,294	29,247	(27.2)	44,341
Loss for the quarter/period	(7,232)	(2,479)	N.M.	(14,299)
Net cash generated from operations	9,109	11,580	(21.3)	20,784

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1(a)(i) Consolidated Income Statements

	Note	Group					
		2Q 2013	2Q 2012	Inc/ (Dec)	1H 2013	1H 2012	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		21,294	29,247	(27.2)	44,341	55,328	(19.9)
Depreciation expense on vessels		(14,075)	(14,232)	(1.1)	(27,832)	(28,731)	(3.1)
Impairment loss on vessels	(a)	(3,134)	-	100.0	(3,134)	-	100.0
Voyage expenses		-	(5,762)	(100.0)	-	(9,282)	(100.0)
Vessel operating expenses		(3,536)	(2,561)	38.1	(6,623)	(4,334)	52.8
Management fees		(678)	(788)	(14.0)	(1,484)	(1,662)	(10.7)
Trustee fees		(38)	(40)	(5.0)	(77)	(81)	(4.9)
Other trust expenses		(879)	(1,822)	(51.8)	(1,483)	(3,382)	(56.2)
Results from operating activities		(1,046)	4,042	N.M.	3,708	7,856	(52.8)
Finance income		21	31	(32.3)	43	61	(29.5)
Finance expenses		(6,207)	(6,549)	(5.2)	(12,729)	(14,568)	(12.6)
Impairment loss on available-for-sale financial assets	(b)	-	-	-	(5,298)	-	100.0
Loss before tax		(7,232)	(2,476)	N.M.	(14,276)	(6,651)	N.M.
Income tax (expense)/write-back		-	(3)	(100.0)	(23)	4	N.M.
Loss for the quarter/period		(7,232)	(2,479)	N.M.	(14,299)	(6,647)	N.M.

Note:

- (a) This relates to an impairment loss recognised on two crude oil tankers. (See paragraph 8).
(b) This relates to an impairment loss recognised on FSL Trust's investment in TORM A/S ("TORM") due to a significant decline in the quoted price of the shares in TORM.

1(a)(ii) Statements of Comprehensive Income

	Group			
	2Q 2013	2Q 2012	1H 2013	1H 2012
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the quarter/period	(7,232)	(2,479)	(14,299)	(6,647)
Other comprehensive income:				
Translation differences relating to financial statements of foreign subsidiaries	362	(1,240)	(378)	(593)
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	(5)	(699)	(216)	(344)
Effective portion of changes in fair value of cash flow hedges	1,233	(2)	1,675	(1,839)
Net change in fair value of cash flow hedges transferred to income statement	2,018	1,429	4,064	4,770
Net change in fair value of available-for-sale financial assets	1,571	-	(1,239)	-
Net change in fair value of available-for-sale financial assets reclassified to income statement	-	-	5,298	-
Other comprehensive income, net of tax	5,179	(512)	9,204	1,994
Total comprehensive income	(2,053)	(2,991)	(5,095)	(4,653)

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1(a)(iii) Distribution Statements

	Note	Group			
		2Q 2013 US\$'000	2Q 2012 US\$'000	1H 2013 US\$'000	1H 2012 US\$'000
Loss for the quarter/period		(7,232)	(2,479)	(14,299)	(6,647)
Add: Non-cash adjustments	(a)	16,341	14,059	35,083	28,071
Net cash generated from operations		9,109	11,580	20,784	21,424
Less: Repayment of secured bank loans		(11,000)	(11,000)	(22,000)	(22,000)
Prepayment of secured bank loans		(10,000)	-	(10,000)	-
Income available for distribution		(11,891)	580	(11,216)	(576)
Add: Utilisation of cash retained from previous periods		11,891	-	11,216	1,810
Less: Cash retained in the current period		-	(580)	-	(580)
Net distributable amount		-	-	-	654
Amount available for distribution		-	-	-	654
Comprising: (i) Tax-exempt distribution		-	-	-	617
(ii) Tax-exempt (one-tier) distribution		-	-	-	37
Amount to be distributed		-	-	-	654
Units at the end of the quarter ('000)		654,665	654,665	654,665	654,665
Distribution per unit (US Cents)		-	-	-	0.10

Notes:

- (a) Non-cash adjustments include depreciation expenses, impairment losses, translation exchange differences and amortisation of deferred income and initial direct costs. Initial direct costs are transaction expenses incurred in the origination of new leases. These costs are capitalised and amortised into earnings in proportion to the recognition of lease income.

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1(b)(i) Statements of Financial Position

	30 Jun 2013		31 Dec 2012	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Vessels	695,714	-	727,517	-
Subsidiaries	-	523,253	-	523,253
Available-for-sale financial assets	4,397	-	5,637	-
Derivative assets	21	21	47	47
	700,132	523,274	733,201	523,300
Current assets				
Inventories	586	-	519	-
Derivative assets	311	311	185	185
Trade and other receivables	3,194	52,057	3,542	85,838
Cash and cash equivalents	26,224	19,059	37,488	29,604
	30,315	71,427	41,734	115,627
Total assets	730,447	594,701	774,935	638,927
Equity attributable to unitholders of FSL Trust				
Units in issue	525,412	525,412	525,412	525,412
Reserves	(213,275)	(337,330)	(208,180)	(329,918)
Total equity	312,137	188,082	317,232	195,494
Non-current liabilities				
Secured bank loans	354,867	354,867	386,218	386,218
Derivative liabilities	389	389	4,492	4,492
Deferred income	6,455	-	6,455	-
	361,711	355,256	397,165	390,710
Current liabilities				
Trade and other payables	3,460	858	4,134	684
Lease income received in advance	1,911	-	2,903	-
Derivative liabilities	6,503	6,502	8,039	8,039
Secured bank loans	44,000	44,000	44,000	44,000
Deferred income	722	-	1,444	-
Current tax payable	3	3	18	-
	56,599	51,363	60,538	52,723
Total liabilities	418,310	406,619	457,703	443,433
Total equity and liabilities	730,447	594,701	774,935	638,927

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

Note:

(a) Cash and cash equivalents comprise:

	30 Jun 2013		31 Dec 2012	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Restricted cash [^]	10,000	10,000	10,000	10,000
Cash at Bank	6,106	1,714	5,723	608
Short-term deposits	10,118	7,345	21,765	18,996
Cash and cash equivalents	26,224	19,059	37,488	29,604
Less: Restricted cash	(10,000)	(10,000)	(10,000)	(10,000)
Cash and cash equivalents in the statement of cash flows	16,224	9,059	27,488	19,604

[^]This relates to a deposit placed with the security agent of the amortising term loan facility (see paragraph 1(b)(ii)).

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1(b)(ii) Aggregate Amount of Group's Borrowings and Debt Securities

	30 Jun 2013	31 Dec 2012
	US\$'000	US\$'000
Secured bank loans		
Amount repayable within one year	44,000	44,000
Amount repayable after one year	359,558	391,558
Less: Unamortised debt upfront fees	(4,691)	(5,340)
	398,867	430,218

The Trustee-Manager, on behalf of FSL Trust, had secured a 6-year amortising term loan facility in December 2011 and the outstanding loan balance was US\$403.6 million as at 30 June 2013.

The Trustee-Manager has approved all the conditions for an extension of the relaxation of two loan covenants from the lenders for another six months until 31 December 2013. The formal documentation of the extension is pending the execution by FSL Trust's lenders. The relaxation extension relates to the following covenants:

- (i) the minimum security value-to-loan ("VTL") ratio is reduced from 125% to 100%; and
- (ii) debt service coverage ratio is reduced from at least 1.1:1 to at least 1:1.

As with the previous covenants relaxation, FSL Trust is restricted from paying any distributions to unitholders. In addition, a US\$10 million security deposit is placed with the security agent, and a levy of 2% per annum is imposed on the shortfall amount, which is the difference between the outstanding loan balance and the theoretical loan balance assuming VTL ratio is 125%.

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 2Q 2013, the applicable margin over US\$ 3-month LIBOR was 3.0%. The VTL ratio will be assessed semi-annually.

The term loan 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) a pledge over the Group's shares in TORM.

FSL Trust has hedged 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 5.24% per annum.

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1(c) Consolidated Cash Flow Statements

	Group			
	2Q 2013	2Q 2012	1H 2013	1H 2012
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
Loss before tax	(7,232)	(2,476)	(14,276)	(6,651)
Adjustments for:				
Depreciation expense on vessels	14,075	14,232	27,832	28,731
Impairment loss on vessels	3,134	-	3,134	-
Impairment loss on available-for-sale financial assets	-	-	5,298	-
Amortisation of debt upfront fees and initial direct costs	480	503	966	1,012
Amortisation of deferred income	(361)	-	(722)	-
Interest income	(21)	(31)	(43)	(61)
Interest expense	5,855	5,687	11,938	13,593
Unrealised exchange differences	(192)	303	(74)	17
	15,738	18,218	34,053	36,641
Changes in working capital:				
Trade and other receivables	(861)	(838)	326	1,499
Inventories	68	(380)	(67)	(881)
Trade and other payables	376	726	(611)	241
Lease income received in advance	810	1,474	(992)	(12)
Cash generated from operations	16,131	19,200	32,709	37,488
Income tax (paid)/refund	3	-	(37)	8
Cash flows from operating activities	16,134	19,200	32,672	37,496
Investing activities:				
Interest received	23	30	65	58
Cash flows from investing activities	23	30	65	58
Financing activities:				
Distribution to unitholders	-	(654)	-	(1,309)
Repayment of secured bank loans	(11,000)	(11,000)	(22,000)	(22,000)
Prepayment of secured bank loans	(10,000)	-	(10,000)	-
Interest paid	(5,915)	(8,697)	(12,001)	(15,737)
Cash flows from financing activities	(26,915)	(20,351)	(44,001)	(39,046)
Net decrease in cash and cash equivalents	(10,758)	(1,121)	(11,264)	(1,492)
Cash and cash equivalents at beginning of period	26,982	31,933	27,488	32,304
Cash and cash equivalents at end of period	16,224	30,812	16,224	30,812
Comprising:-				
Cash at Bank	6,106	18,205	6,106	18,205
Short-term deposits	10,118	12,607	10,118	12,607
	16,224	30,812	16,224	30,812

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

	Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Fair value reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2013 Group						
At 1 April 2013	525,412	(9,811)	(3,371)	-	(198,040)	314,190
Total comprehensive income for the quarter	-	3,251	357	1,571	(7,232)	(2,053)
At 30 June 2013	525,412	(6,560)	(3,014)	1,571	(205,272)	312,137

	Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2012 Group					
At 1 April 2012	525,412	(14,709)	(1,941)	(186,100)	322,662
Total comprehensive income for the quarter	-	1,427	(1,939)	(2,479)	(2,991)
Contribution by and distribution to unitholders:					
Distribution to unitholders	-	-	-	(654)	(654)
At 30 June 2012	525,412	(13,282)	(3,880)	(189,233)	319,017

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

2013
Trust
At 1 April 2013
Total comprehensive income for the quarter
At 30 June 2013

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
525,412	(9,811)	(324,237)	191,364
-	3,251	(6,533)	(3,282)
525,412	(6,560)	(330,770)	188,082

2012
Trust
At 1 April 2012
Total comprehensive income for the quarter
Contribution by and distribution to unitholders:
Distribution to unitholders
At 30 June 2012

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
525,412	(14,709)	(297,211)	213,492
-	1,427	(6,525)	(5,098)
-	-	(654)	(654)
525,412	(13,282)	(304,390)	207,740

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

	2Q 2013 Units	FY 2012 Units
At the beginning of the period	654,665,077	654,665,077
Units issued during the period	-	-
At the end of the period	654,665,077	654,665,077

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 been extracted from the condensed consolidated interim financial information which has been reviewed by the auditors in accordance with the Singapore Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

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

The Auditors' review report on the condensed consolidated interim financial information for the quarter ended 30 June 2013, which contains an emphasis of matter, is enclosed in the Appendix.

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

Except for the change as disclosed in paragraph 5, 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 2012.

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

Depreciation on dry bulk carriers-*Stella Fomalhaut* and *Stella Eltanin*

The restructuring of the bareboat charter agreements with the lessee, OMNI Ships Pte. Ltd. ("OMNI"), was completed subsequent to 31 December 2012. Under the restructuring, the base lease period for each vessel was extended by two years to 31 December 2018. Hence, in accordance with FSL Trust's accounting policy, the expected useful life of each of the two vessels has been revised from 10 years to 12 years. The residual value of each of the two vessels has also been revised.

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change have been applied prospectively from January 2013. The change reduces depreciation expense for the current quarter by US\$0.5 million (1H 2013: US\$1.0 million) for the two vessels.

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Depreciation on containerships-Cape Ferro and Cape Falcon

The residual value of each of the two vessels was reviewed and had also been revised.

The changes in residual value of the vessels constitute a change in estimates. The effects of the change have been applied prospectively from April 2013. The change increases depreciation expense for the current quarter by US\$0.3 million (1H 2013: US\$0.3 million) for the two vessels.

6. Earnings per Unit (“EPU”) and Distribution per Unit (“DPU”) for the financial period

	Group			
	2Q 2013	2Q 2012	1H 2013	1H 2012
Basic and diluted earnings per unit is based on:				
Loss for the quarter/period (US\$'000)	(7,232)	(2,479)	(14,299)	(6,647)
Weighted average number of issued units (basic and diluted) ('000)	654,665	654,665	654,665	654,665
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(1.10)	(0.38)	(2.18)	(1.02)
Number of issued units at end of quarter ('000)	654,665	654,665	654,665	654,665
Distribution per unit (US Cents)	-	-	-	0.10

7. Net Asset Value (“NAV”) per Unit based on units at the end of the period

	Note	30 Jun 2013		31 Dec 2012	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.48	0.29	0.48	0.30

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 are as follows:

2Q 2013 vs 2Q 2012

	Group		
	2Q 2013	2Q 2012	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	15,607	18,111	(13.8)
BBCE revenue of vessels on:-			
-Time charter	963	315	N.M.
-Pool	1,113	-	100.0
-Spot	-	2,422	(100.0)
Total bareboat charter/BBCE revenue	17,683	20,848	(15.2)
Less:			
Depreciation expense on vessels ¹	(14,000)	(14,156)	(1.1)
Impairment loss on vessels	(3,134)	-	100.0
Management fees	(678)	(788)	(14.0)
Trustee fees	(38)	(40)	(5.0)
Other trust expenses	(879)	(1,822)	(51.8)
Other operating expenses	(18,729)	(16,806)	11.4
Results from operating activities	(1,046)	4,042	N.M.
Finance income	21	31	(32.3)
Finance expenses	(6,207)	(6,549)	(5.2)
Loss before tax	(7,232)	(2,476)	N.M.
Income tax (expense)/write-back	-	(3)	(100.0)
Loss for the quarter	(7,232)	(2,479)	N.M.

¹ For this analysis, depreciation expense on dry-docking costs is included in vessel operating expenses in deriving BBCE revenue.

8. Review of Performance (cont'd)

a. Bareboat charter/BBCE revenue

Bareboat charter

The charterers of two crude oil tankers, *Aqua* (now renamed *FSL Hong Kong*) and *Action* (now renamed *FSL Shanghai*), which are subsidiaries of Geden Holdings Ltd. had defaulted on their lease payments and the Trustee Manager has demanded for redelivery of these vessels. The payment default was the main contributing factor for the fall in rentals from vessels on bareboat charter of 13.8% to US\$15.6 million.

The rentals derived from the remaining eighteen vessels under bareboat leases continued to support the overall earnings of FSL Trust.

Time charter

The two product tankers, *FSL Hamburg* and *FSL Singapore* are employed on time charter arrangements with Petróleo Brasileiro S.A. ('Petrobras'). Together, these vessels generated net time charter revenue of US\$2.5 million. After deducting vessel operating expenses, these vessels generated BBCE revenue of US\$1.0 million in the quarter under review. In the same quarter last year, *FSL Singapore* commenced its time charter arrangement with Petrobras in mid-May 2012 and generated BBCE revenue of US\$0.3 million.

Pool

The three chemical tankers, *FSL New York*, *FSL London* and *FSL Tokyo* 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\$1.1 million in the quarter under review.

Spot

No vessel was deployed in the spot market during the quarter under review. In 2Q 2012, the three chemical tankers and *FSL Hamburg* generated a BBCE revenue of US\$2.4 million from trading in their respective spot markets.

b. Impairment loss on vessels

Following the default on lease payments for the two crude oil tankers, *Aqua* and *Action*, the recoverable amount of each of these vessels was re-assessed on the basis that the contractual cash flows over the base lease terms were no longer relevant. In assessing the recoverable amount, it was based on value-in-use calculations using projected cash flows over the remaining useful life of the vessels, and discounted to their present value at a rate that takes into account the time-value of money and the risks specific to the vessels' estimated cash flows.

Upon re-assessment of the recoverable amount, it was assessed that the carrying amounts of *Aqua* and *Action* had exceeded the recoverable amount and an impairment loss of US\$3.1 million for both vessels was recognized.

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c. Other trust expenses

Included in other trust expenses were non-recurring vessel-related expenses arising from redelivery of vessels and change in technical manager. In the current quarter, vessel-related expenses of US\$0.3 million were incurred for the redelivery of *Aqua* and *Action*. In the same period last year, vessel-related expenses of US\$1.1 million were incurred for the redelivery of *FSL New York*, *FSL London* and *FSL Tokyo*; and change in technical manager for *FSL Hamburg* and *FSL Singapore*.

d. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$1.0 million in this quarter compared to an operating profit of US\$4.0 million for the same period last year.

For 2Q 2013, FSL Trust incurred a net loss of US\$7.2 million after taking into account finance expenses of US\$6.2 million.

9. **Variance from Prospect Statement**

Not applicable.

10. **Outlook and Prospects**

Following the default in lease payments by the lessees of two crude oil tankers, FSL Trust has successfully secured their redeliveries and has promptly redeployed these vessels. The current freight rate environment for crude oil tankers remains weak and hence the Trust has deployed one of the vessels, *FSL Hong Kong*, in the spot market and the second vessel, *FSL Shanghai*, on a short-term variable rate time charter whilst seeking suitable longer-term employments.

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

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12. If no distribution has been declared/recommended, 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 2013 to be false or misleading in any material aspect.

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

Rebecca Cheng Pei Jiuan
Company Secretary
25 July 2013



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The Board of Directors
FSL Trust Management Pte. Ltd.
(in its capacity as Trustee-Manager
of First Ship Lease Trust)
9 Temasek Boulevard
#19-03 Suntec Tower Two
Singapore 038989

Our ref YC/ZA/130

Contact Yvonne Chiu
(+65 6213 2323)

Attention: Mr Timothy James Reid

25 July 2013

Dear Sirs

First Ship Lease Trust
Independent auditor's report on review of condensed consolidated interim
financial information

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of First Ship Lease Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position of the Group and the Trust as at 30 June 2013, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in unitholders' funds and condensed consolidated statement of cash flow of the Group for the period then ended and certain explanatory notes (the "condensed consolidated interim financial information"). Trustee-Manager is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3 of the condensed consolidated interim financial information, which indicates that the Trust is awaiting final execution by the lenders of a temporary extension of the relaxation of two loan covenants (relating to Security Value-to-Loan ratio and Debt Service Coverage ratio) on the amortising term loan facility, which has a carrying amount of US\$398,867,000 as at 30 June 2013. If the relaxation extension were not executed by the lenders, there will be a breach of covenants under the original loan agreement. On the other hand, if the relaxation extension were executed, it will expire on 31 December 2013, and falls within 6 months of the reporting date. Covenants under the original loan agreement will be reinstated from 1 January 2014 and the Trust may breach the original Security Value-to-Loan ratio and the Debt Service Coverage ratio covenants.

Should the lenders not execute the relaxation extension or where the Trust breach either of the two loan covenants after the expiry of the relaxation extension period, lenders shall have the ability to exercise their remedies under the loan agreement. As at the date of this report, the Board is in discussion with lenders to formalise the extension. Management believes the estimated cash flows from the portfolio of vessels will be sufficient to meet the scheduled principal repayments and interest payments, and the Board will continue its discussion with lenders to resolve such potential breach of these two loan covenants prior to 31 December 2013.

The above circumstance indicates the existence of a material uncertainty that may affect the Group's ability to continue as a going concern. The accompanying condensed consolidated interim financial information does not include any adjustments that might result from the outcome of this material uncertainty.



Restriction on use

Our report is provided on the basis that it is solely for the private information of the directors of FSL Trust Management Pte. Ltd. and should not be quoted or referred to, in whole or in part, without our prior written permission, for any other purposes. We do not assume any responsibility or liability for losses occasioned to the directors of FSL Trust Management Pte. Ltd., the Trust or any other parties as a result of the circulation, publication, reproduction or use of the report contrary to the provisions of this paragraph.

Yours faithfully

KPMG LLP

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore
25 July 2013