



FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

First Ship Lease Trust ("FSL Trust") is a provider of leasing services on a bareboat charter basis to the international shipping industry.

FSL Trust was constituted under a Deed of Trust dated 19 March 2007 entered with FSL Trust Management Pte. Ltd. as its trustee-manager and was listed on the Singapore Exchange Securities Trading Limited ("SGX") on 27 March 2007.

As at 30 September 2012, 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-two vessels are employed on leases (20 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). The remaining three chemical tankers are employed in the chemical tanker pool market. The combined portfolio of 25 vessels has a dollar-weighted average age of approximately seven years.

Summary of FSL Trust Consolidated Results

	3Q 2012	3Q 2011	Decrease
	US\$'000	US\$'000	%
Revenue	26,720	28,587	(6.5)
(Loss)/Profit for the quarter	(186)	152	N.M.
Net cash generated from operations	13,890	15,614	(11.0)
Net Distributable Amount	-	6,219	(100.0)
Amount to be distributed	-	6,219	(100.0)
Distribution Per Unit ("DPU") (US Cents)			
For the period	-	0.95	(100.0)
Annualised	-	3.80	(100.0)

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

1(a)(i) Consolidated Income Statements

Note	Group					
	3Q 2012	3Q 2011	Inc/ (Dec)	YTD Sep 2012	YTD Sep 2011	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	26,720	28,587	(6.5)	82,048	81,139	1.1
Depreciation expense on vessels	(14,232)	(15,475)	(8.0)	(42,963)	(44,213)	(2.8)
Voyage expenses	(1,410)	(3,580)	(60.6)	(10,692)	(9,598)	11.4
Vessel operating expenses	(2,802)	(1,167)	N.M.	(7,136)	(3,559)	N.M.
Management fees	(905)	(947)	(4.4)	(2,567)	(2,647)	(3.0)
Trustee fees	(40)	(44)	(9.1)	(121)	(127)	(4.7)
Other trust expenses	(862)	(969)	(11.0)	(4,244)	(2,616)	62.2
Results from operating activities	6,469	6,405	1.0	14,325	18,379	(22.1)
Call on banker's guarantee	-	-	-	-	(2,500)	(100.0)
Finance income	33	8	N.M.	94	61	54.1
Finance expenses	(6,685)	(6,260)	6.8	(21,253)	(18,269)	16.3
(Loss)/Profit before income tax	(183)	153	N.M.	(6,834)	(2,329)	N.M.
Income tax (expense)/write-back	(3)	(1)	N.M.	1	(5)	N.M.
(Loss)/Profit for the quarter/period	(186)	152	N.M.	(6,833)	(2,334)	N.M.

Notes:

- (a) The finance expenses for 3Q 2012 includes net exchange gain of US\$53,000 (3Q 2011: net exchange loss of US\$87,000) arising from the partial repayment of inter-company US\$-denominated loans previously extended to certain subsidiaries.
- (b) This relates to tax (expense)/write-back on the taxable interest income on bank deposits.

1(a)(ii) Statements of Comprehensive Income

	Group			
	3Q 2012	3Q 2011	YTD Sep 2012	YTD Sep 2011
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the quarter/period	(186)	152	(6,833)	(2,334)
Other comprehensive income:				
Translation differences relating to financial statements of foreign subsidiaries	344	(1,998)	(249)	(253)
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	187	(1,850)	(157)	(191)
Effective portion of changes in fair value of cash flow hedges	(2,487)	(982)	(4,326)	(6,213)
Net change in fair value of cash flow hedges transferred to income statement	1,852	3,853	6,622	11,329
Other comprehensive income, net of tax	(104)	(977)	1,890	4,672
Total comprehensive income	(290)	(825)	(4,943)	2,338

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

1(a)(iii) Distribution Statements

		Group			
		3Q 2012	3Q 2011	YTD Sep 2012	YTD Sep 2011
		US\$'000	US\$'000	US\$'000	US\$'000
	(Loss)/Profit for the quarter/period	(186)	152	(6,833)	(2,334)
	Add: Non-cash adjustments	14,076	15,462	42,147	42,973
	Net cash generated from operations	13,890	15,614	35,314	40,639
	Less: Repayment of secured bank loans	(11,000)	(7,184)	(33,000)	(23,184)
	Income available for distribution	2,890	8,430	2,314	17,455
	Add: Utilisation of cash retained from previous periods	-	-	1,810	2,394
	Less: Cash retained in the current period	(2,890)	(2,211)	(3,470)	(2,211)
	Net distributable amount	-	6,219	654	17,638
	Amount available for distribution	-	6,219	654	17,638
	Comprising: (i) Tax-exempt distribution	-	6,212	617	17,582
	(ii) Tax-exempt (one-tier) distribution	-	7	37	56
	Amount to be distributed	-	6,219	654	17,638
	Units at the end of the period ('000)	654,665	654,665	654,665	654,665
	Distribution per unit (US Cents)	-	0.95	0.10	2.85

Notes:

- (a) Non-cash adjustments include depreciation expenses, translation exchange differences and amortisation of certain debt upfront fees 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.
- (b) In connection with a temporary relaxation of two of FSL Trust's loan covenants from its lenders, FSL Trust is restricted from paying any distributions to unitholders until 30 June 2013.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

1(b)(i) Statements of Financial Position

	30 Sep 2012		31 Dec 2011	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Vessels	740,899	-	784,696	-
Subsidiaries	-	601,852	-	601,828
Derivative assets	296	296	426	426
	741,195	602,148	785,122	602,254
Current assets				
Inventories	641	-	998	-
Derivative assets	393	393	314	314
Trade and other receivables	3,404	26,580	3,677	83,030
Cash and cash equivalents	33,191	27,521	32,304	28,877
	37,629	54,494	37,293	112,221
Total assets	778,824	656,642	822,415	714,475
Equity attributable to unitholders of FSL Trust				
Units in issue	525,412	525,412	525,412	525,412
Reserves	(206,685)	(324,973)	(200,433)	(304,168)
Total equity	318,727	200,439	324,979	221,244
Non-current liabilities				
Secured bank loans	396,884	396,884	428,780	428,780
Derivative liabilities	6,501	6,501	8,781	8,781
	403,385	403,385	437,561	437,561
Current liabilities				
Trade and other payables	4,097	705	5,840	3,122
Lease income received in advance	502	-	1,486	-
Derivative liabilities	8,105	8,105	8,548	8,548
Secured bank loan	44,000	44,000	44,000	44,000
Current tax payable	8	8	1	-
	56,712	52,818	59,875	55,670
Total liabilities	460,097	456,203	497,436	493,231
Total equity and liabilities	778,824	656,642	822,415	714,475

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

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

	30 Sep 2012	31 Dec 2011
	US\$'000	US\$'000
Secured bank loans		
Amount repayable within one year	44,000	44,000
Amount repayable after one year	402,558	435,558
Less: Unamortised debt upfront fees	(5,674)	(6,778)
	440,884	472,780

The Trustee-Manager, on behalf of FSL Trust, has secured a 6-year amortising term loan facility with an outstanding loan balance of US\$446.6 million as at 30 September 2012.

In June 2012, the Trustee-Manager secured a temporary relaxation of two loan covenants from the lenders for 12 months until 30 June 2013 ("Relaxation Period"):

(i) the minimum security value-to-loan ratio ("VTL") 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.

During the Relaxation Period, 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% (equivalent to approximately 20 basis points per annum, assuming valuation remains unchanged).

The interest margin of the term loan:

VTL ratio	Margin over US\$ 3-month Libor
>100% to 140%	3.0%
>140% to 180%	2.8%
>180%	2.6%

For 3Q 2012, 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; and

(iii) a first priority assignment of the Group's rights, title and interest in and to the bareboat charter agreement and the charter income of each vessel.

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.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

1(c) Consolidated Cash Flow Statements

	Group			
	3Q 2012	3Q 2011	YTD	YTD
	US\$'000	US\$'000	Sep 2012	Sep 2011
			US\$'000	US\$'000
Operating activities:				
(Loss)/Profit before income tax	(183)	153	(6,834)	(2,329)
Adjustments for:				
Depreciation expense on vessels	14,232	15,475	42,963	44,213
Amortisation of debt upfront fees and initial direct costs	498	522	1,510	1,473
Interest income	(33)	(8)	(94)	(61)
Interest expense	6,392	5,788	19,985	17,705
Unrealised exchange differences	(64)	148	(47)	(729)
	20,842	22,078	57,483	60,272
Changes in working capital:				
Trade and other receivables	(1,151)	3,342	348	1,186
Inventories	1,238	6	357	(790)
Trade and other payables	(224)	238	17	3,382
Lease income received in advance	(972)	2,420	(984)	1,484
Cash generated from operations	19,733	28,084	57,221	65,534
Income tax refund/(paid)	-	-	8	(8)
Cash flows from operating activities	19,733	28,084	57,229	65,526
Investing activities:				
Acquisition of vessels	-	-	-	(93,220)
Interest received	26	6	84	71
Costs incurred for dry-docking	-	-	-	(18)
Cash flows from investing activities	26	6	84	(93,167)
Financing activities:				
Net proceeds from issuance of units	-	(2)	-	15,139
Distribution to unitholders	-	(5,732)	(1,309)	(17,107)
Repayment of secured bank loans	(11,000)	(7,184)	(33,000)	(23,184)
Proceeds from borrowings	-	-	-	46,000
Interest paid	(6,380)	(5,752)	(22,117)	(17,708)
Cash flows from financing activities	(17,380)	(18,670)	(56,426)	3,140
Net increase/(decrease) in cash and cash equivalents	2,379	9,420	887	(24,501)
Cash and cash equivalents at beginning of period	30,812	19,125	32,304	53,046
Cash and cash equivalents at end of period	33,191	28,545	33,191	28,545
Comprising:-				
Cash at Bank	4,395	11,845	4,395	11,845
Short-term deposits	18,796	16,700	18,796	16,700
Security deposit (restricted)	10,000	-	10,000	-
	33,191	28,545	33,191	28,545

Note:

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

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

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

2012
Group
At 1 July 2012
Total comprehensive income for the quarter
At 30 September 2012

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,412	(13,282)	(3,880)	(189,233)	319,017
-	(635)	531	(186)	(290)
525,412	(13,917)	(3,349)	(189,419)	318,727

2011
Group
At 1 July 2011
Total comprehensive income for the quarter
Contribution by and distribution to unitholders:
Unit issue costs
Distribution to unitholders
At 30 September 2011

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,414	(23,752)	2,461	(159,954)	344,169
-	2,871	(3,848)	152	(825)
(2)	-	-	-	(2)
-	-	-	(524)	(524)
525,412	(20,881)	(1,387)	(160,326)	342,818

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

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

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2012 Trust				
At 1 July 2012	525,412	(13,282)	(304,390)	207,740
Total comprehensive income for the quarter	-	(635)	(6,666)	(7,301)
At 30 September 2012	525,412	(13,917)	(311,056)	200,439

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2011 Trust				
At 1 July 2011	525,414	(23,752)	(266,602)	235,060
Total comprehensive income for the quarter	-	2,871	(6,678)	(3,807)
Contribution by and distribution to unitholders:				
Units issue costs	(2)	-	-	(2)
Distribution to unitholders	-	-	(524)	(524)
At 30 September 2011	525,412	(20,881)	(273,804)	230,727

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

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

	3Q 2012 Units	FY 2011 Units
At the beginning of the period	654,665,077	598,665,077
Units issued during the period	-	56,000,000
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 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 dated 29 October 2012 on the interim financial report of FSL Trust and its subsidiaries for the quarter ended 30 September 2012 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 changes 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 2011.

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

Revenue recognition for chemical tankers trading in the spot market and in a pool arrangement

When the chemical tankers were deployed in the chemical tanker spot market, freight income was recognised based on percentage of completion method calculated on a discharge-to-discharge basis over the voyage period.

In 3Q 2012, all three chemical tankers were delivered into the 'Nordic Siva' pool. The 'Nordic Siva' pool measures revenue based on the contractual rates and the duration of each voyage for each vessel, and revenue is recognised upon delivery of service in accordance with the terms and conditions of the charter parties on a time charter equivalent basis. Total pool revenue is derived by aggregating the revenues earned by each vessel participating in the pool.

5. Change in the accounting policies and methods of computation (cont'd)

Revenue recognition for chemical tankers trading in the spot market and in a pool arrangement (cont'd)

Each vessel owner's share of the total pool revenue is primarily dependent on the i) number of days the vessel has been available for the pool in relation to the total available pool earning days during the period, and ii) pool points assigned to each vessel in the pool. Pool points are determined based on the size and performance of the vessel. The pool revenue is net of pool commission, bunkers costs and related voyage expenses.

Depreciation on vessels

i) Chemical tankers-FSL New York, FSL London and FSL Tokyo

Following the lease payment default by the lessees of three chemical tankers, *FSL New York*, *FSL London* and *FSL Tokyo* (previously known as *Pertiwi*, *Pujawati* and *Prita Dewi*, respectively) in February 2012, these vessels were re-delivered to FSL Trust and were employed in the chemical spot market. With the pre-mature termination of the respective bareboat charter operating lease arrangements, the expected useful life of each of the three vessels has been revised from 12 years to 25 years and the basis of estimating the respective residual values has also changed.

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 2012 as the payment default was assessed to be an adjusting post-balance sheet event for the year ended 31 December 2011. The change reduces depreciation expense for the current quarter by US\$1.0 million (YTD Sep 2012: US\$3.0 million) for the three vessels.

ii) Product tankers-TORM Margrethe and TORM Marie

In April 2012, the various stakeholders of TORM A/S ("TORM") (including FSL Trust) agreed upon a restructuring plan, which was subsequently signed on 2 October 2012. Under the restructuring agreement, the various early-buyout and purchase options are cancelled and the contracted bareboat charter rates are realigned to rates that TORM achieves in the tanker market. In view of these revised terms, the expected useful life of each of the two vessels has been revised from 7 years to 25 years and the basis of estimating the respective residual values has also changed.

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 April 2012. The change reduces depreciation expense for the current quarter by US\$0.27 million (YTD Sep 2012: US\$0.53 million) for the two vessels.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

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

	Group			
	3Q 2012	3Q 2011	YTD Sep 2012	YTD Sep 2011
Basic and diluted earnings per unit is based on: (Loss)/Profit for the quarter/period (US\$'000)	(186)	152	(6,833)	(2,334)
Weighted average number of issued units (basic and diluted) ('000)	654,665	654,665	654,665	619,178
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(0.03)	0.02	(1.04)	(0.38)
Number of issued units at end of quarter/period ('000)	654,665	654,665	654,665	654,665
Distribution per unit (US Cents)	-	0.95	0.10	2.85

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

	Note	30 Sep 2012		31 Dec 2011	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.49	0.31	0.50	0.34

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.

8. Review of Performance

During the quarter under review, the three chemical tankers entered the ‘Nordic Siva’ pool and the second product tanker commenced its 3-year fixed rate time charter arrangement with Petróleo Brasileiro S.A. (“Petrobras”). Whilst the revenue earned by the three chemical tankers are not fixed, volatility in earnings is reduced due to the nature of the pool arrangement in which all the vessels in the pool share their earnings based on their respective pool points (see paragraph 5).

The bareboat charter rentals derived from the longer term lease of the majority of FSL Trust’s vessels continued to support the overall earnings of FSL Trust.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

8. Review of Performance (cont'd)

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:

	Group		
	3Q 2012	3Q 2011	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	18,250	23,592	(22.6)
BBCE revenue of vessels in:-			
-Time charter	976	-	N.M.
-Pool	1,437	-	N.M.
-Spot	1,769	172	N.M.
Total bareboat charter/BBCE revenue	22,432	23,764	(5.6)
Less:			
Depreciation expense on vessels ¹	(14,156)	(15,399)	(8.1)
Management fees	(905)	(947)	(4.4)
Trustee fees	(40)	(44)	(9.1)
Other trust expenses	(862)	(969)	(11.0)
Other operating expenses	(15,963)	(17,359)	(8.0)
Results from operating activities	6,469	6,405	1.0
Finance income	33	8	N.M.
Finance expenses	(6,685)	(6,260)	6.8
(Loss)/Profit before income tax	(183)	153	N.M.
Income tax expense	(3)	(1)	N.M.
(Loss)/Profit for the quarter	(186)	152	N.M.

Rentals from vessels on bareboat charter fell 22.6% to US\$18.3 million primarily from i) the payment default by the subsidiaries of PT Berlian Laju Tanker Tbk for the three chemical tankers since February 2012 and ii) lower rentals from vessels leased to TORM as the leases were being restructured. The restructuring agreement was subsequently finalised in October 2012 (see paragraph 11 for Subsequent Event).

Time charter

FSL Singapore entered the time-charter arrangement with Petrobras since 16 May 2012, hence she enjoyed the full three months of time charter income from Petrobras. On the other hand, *FSL Hamburg* only entered a similar time charter arrangement on 23 August 2012 at a gross daily time charter rate of US\$14,000. On a combined basis, these two vessels contributed BBCE revenue of US\$1.0 million in the quarter under review.

Pool

The 'Nordic Siva' pool commenced deployment of the three chemical tankers in this quarter. The deployment was staggered: two vessels entered the pool in July 2012 while the third vessel joined the pool in August 2012. Collectively, these vessels generated net pool revenue of US\$2.9 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.4 million in the quarter under review.

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)

Spot

Spot revenues were derived from the three chemical tankers before they entered the 'Nordic Siva' pool as well as from *FSL Hamburg* before she started her time charter arrangement with Petrobras. Total freight income generated by these vessels amounted to US\$3.8 million. After deducting voyage and vessel operating expenses, these vessels generated BBCE revenue of US\$1.8 million in this quarter. For the same period last year, the spot BBCE revenue of US\$172,000 was contributed by *FSL Hamburg* and *FSL Singapore*.

Other operating expenses declined 8.0% (-US\$1.4 million) to US\$16.0 million in 3Q 2012. The lower expenditure was due mainly to lower depreciation from the chemical tankers (-US\$1.0 million) and from the vessels leased to TORM (-US\$0.3 million), arising from the changes in the expected useful life and residual value of the vessels.

The resulting net operating income for the entire portfolio of 25 vessels reached US\$6.5 million, a marginal improvement of 1.0% over the same period last year. After accounting for finance expenses and other non-operating items, FSL Trust incurred a small loss of US\$186,000 compared to a small profit of US\$152,000 for the same period last year.

In connection with a temporary relaxation of two of the loan covenants under the amortising term loan facility, FSL Trust is restricted from paying any distributions to unitholders until 30 June 2013.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

The Trustee-Manager expects earnings from the vessel portfolio to be more stable following the successful redeployment of the two product tankers and three chemical tankers from spot market to time charter and pool employment respectively. Together with the loan covenant relaxation previously obtained from FSL Trust's lenders, the operational profile of FSL Trust has improved and FSL Trust is in good stead to ride out the challenges ahead.

However, the Trustee-Manager believes that some lessees continue to be under pressure and there is possibility of further downside risks. The Trustee-Manager will remain vigilant in managing FSL Trust's vessel portfolio responsibly to secure a sustainable future for FSL Trust.

11. Subsequent Event

FSL Trust currently leases two product tankers (*TORM Margrethe* and *TORM Marie*) to a wholly-owned subsidiary of TORM A/S ("TORM"). The vessels are leased on bareboat charters for lease term of seven years each.

On 2 October 2012, TORM announced the signing of a restructuring agreement with its banks and tonnage providers that will secure for TORM substantial deferral of its bank debt, new liquidity and savings from its restructured time charter book². Subject to the technical completion of the restructuring agreement, which is expected within four weeks of signing, tonnage providers, including FSL Trust, who have agreed to permanently amend their charter contracts, will receive in aggregate a 17.3% equity stake in the enlarged share capital of TORM. FSL Trust's shareholding in the enlarged capital is approximately 2.5%.

As part of TORM's restructuring agreement, the Trustee-Manager had previously agreed to and obtained formal approval from its lenders for the realignment of the charter terms for the two TORM product tankers. The main realigned terms are:-

- a) bareboat charter rates for the two product tankers will be variable rates that TORM achieves in the market; and
- b) the early buyout, purchase and lease extension options in the original agreements are cancelled.

In addition, FSL Trust has the option to terminate the two charters before their maturity in 2018 if TORM underperforms the market benchmark rates by a pre-agreed margin, tested semi-annually.

This event does not have a material impact on the financial results for the quarter ended 30 September 2012.

12. 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 : Yes
previous corresponding period

Amount : US\$6,219,318

Distribution Period : 1 July 2011 to 30 September 2011

Distribution Type : Cash, Tax-exempt Distribution

Distribution Rate : US0.95 cents per unit

Par Value of units : Not applicable

² TORM's press release: "TORM signs restructuring agreement with its banks and time charter partners", 2 October 2012.

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

12. Distribution (cont'd)

- Tax Rate : Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and are also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits for any taxes paid by the Trustee-Manager of FSL Trust.
- (c) Payment Date : Not applicable
- (d) Books closure date : Not applicable
- (e) Currency election procedures : Not applicable

13. If no distribution has been declared/recommended, a statement to that effect

No distribution has been declared.

14. 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.

15. 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 2012 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 Juan
Company Secretary
29 October 2012



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

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/EC/130

Contact Yvonne Chiu
(+65 6213 2323)

Attention: Mr Cheong Chee Tham

29 October 2012

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 September 2012, and the related 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 3 month period then ended and certain explanatory notes (the "condensed consolidated interim financial information"). Management 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*.

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
Public Accountants and
Certified Public Accountants

Singapore
29 October 2012