



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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. Sixteen vessels are employed on long-term bareboat charters and have a dollar-weighted average remaining lease period of approximately four and a half years (excluding extension periods and early buy-out options). The remaining nine vessels are employed on time charter arrangements, in pool and in spot market. The combined portfolio of 25 vessels has a dollar-weighted average age of approximately eight years.

Summary of FSL Trust Consolidated Results

	3Q 2013	3Q 2012	Decrease	YTD Sep 2013
	US\$'000	US\$'000	%	US\$'000
Revenue	22,458	26,720	(16.0)	66,799
Loss for the quarter/period	(8,930)	(186)	N.M.	(23,229)
Net cash generated from operations	7,629	13,890	(45.1)	28,413

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1(a)(i) Consolidated Income Statements

		Group				
Note	3Q 2013	3Q 2012	Inc/ (Dec)	YTD Sep 2013	YTD Sep 2012	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
	22,458	26,720	(16.0)	66,799	82,048	(18.6)
Revenue						
	(13,307)	(14,232)	(6.5)	(41,139)	(42,963)	(4.2)
Depreciation expense on vessels						
	(3,639)	-	100.0	(6,773)	-	100.0
Impairment loss on vessels	(a)					
Voyage expenses						
	(1,731)	(1,410)	22.8	(1,731)	(10,692)	(83.8)
Vessel operating expenses						
	(3,999)	(2,802)	42.7	(10,622)	(7,136)	48.9
Management fees						
	(693)	(905)	(23.4)	(2,177)	(2,567)	(15.2)
Trustee fees						
	(36)	(40)	(10.0)	(113)	(121)	(6.6)
Other trust expenses						
	(2,013)	(862)	N.M.	(3,496)	(4,244)	(17.6)
Results from operating activities						
	(2,960)	6,469	N.M.	748	14,325	(94.8)
Finance income						
	13	33	(60.6)	56	94	(40.4)
Finance expenses						
	(5,982)	(6,685)	(10.5)	(18,711)	(21,253)	(12.0)
Impairment loss on available-for-sale financial assets						
	-	-	-	(5,298)	-	100.0
Loss before tax						
	(8,929)	(183)	N.M.	(23,205)	(6,834)	N.M.
Income tax (expense)/write-back						
	(1)	(3)	(66.7)	(24)	1	N.M.
Loss for the quarter/period						
	(8,930)	(186)	N.M.	(23,229)	(6,833)	N.M.

Note:

- (a) This relates to an impairment loss recognised on two dry bulk carriers of US\$3.6 million in 3Q 2013 (see paragraph 8).

1(a)(ii) Statements of Comprehensive Income

		Group			
		3Q 2013	3Q 2012	YTD Sep 2013	YTD Sep 2012
		US\$'000	US\$'000	US\$'000	US\$'000
	Loss for the quarter/period	(8,930)	(186)	(23,229)	(6,833)
	Other comprehensive income:				
	Translation differences relating to financial statements of foreign subsidiaries	1,036	344	658	(249)
	Exchange differences on monetary items forming part of net investment in foreign subsidiaries	111	187	(105)	(157)
	Effective portion of changes in fair value of cash flow hedges	(1,091)	(2,487)	584	(4,326)
	Net change in fair value of cash flow hedges transferred to income statement	2,060	1,852	6,124	6,622
	Net change in fair value of available-for-sale financial assets	579	-	(660)	-
	Net change in fair value of available-for-sale financial assets reclassified to income statement	-	-	5,298	-
	Other comprehensive income, net of tax	2,695	(104)	11,899	1,890
	Total comprehensive income	(6,235)	(290)	(11,330)	(4,943)

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1(a)(iii) Distribution Statements

	Note	Group			
		3Q 2013	3Q 2012	YTD	YTD
		US\$'000	US\$'000	Sep 2013 US\$'000	Sep 2012 US\$'000
Loss for the quarter/period		(8,930)	(186)	(23,229)	(6,833)
Add: Non-cash adjustments	(a)	16,559	14,076	51,642	42,147
Net cash generated from operations		7,629	13,890	28,413	35,314
Less: Repayment of secured bank loans		(11,000)	(11,000)	(33,000)	(33,000)
Prepayment of secured bank loans		-	-	(10,000)	-
Income available for distribution		(3,371)	2,890	(14,587)	2,314
Add: Utilisation of cash retained from previous periods		3,371	-	14,587	1,810
Less: Cash retained in the current period		-	(2,890)	-	(3,470)
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

Note:

- (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

	Note	30 Sep 2013		31 Dec 2012	
		Group	Trust	Group	Trust
		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
Vessels		680,026	-	727,517	-
Subsidiaries		-	523,253	-	523,253
Available-for-sale financial assets		4,977	-	5,637	-
Derivative assets		-	-	47	47
		685,003	523,253	733,201	523,300
Current assets					
Inventories		2,509	-	519	-
Derivative assets		59	59	185	185
Trade and other receivables		5,556	41,335	3,542	85,838
Cash and cash equivalents	(a)	18,084	12,434	37,488	29,604
		26,208	53,828	41,734	115,627
Total assets		711,211	577,081	774,935	638,927
Equity attributable to unitholders of FSL Trust					
Units in issue		525,412	525,412	525,412	525,412
Reserves		(219,510)	(342,956)	(208,180)	(329,918)
Total equity		305,902	182,456	317,232	195,494
Non-current liabilities					
Secured bank loans	(b)	-	-	386,218	386,218
Derivative liabilities		682	682	4,492	4,492
Deferred income		5,372	-	6,455	-
		6,054	682	397,165	390,710
Current liabilities					
Trade and other payables		4,128	788	4,134	684
Lease income received in advance		528	-	2,903	-
Derivative liabilities		4,968	4,968	8,039	8,039
Secured bank loans	(b)	388,183	388,183	44,000	44,000
Deferred income		1,444	-	1,444	-
Current tax payable		4	4	18	-
		399,255	393,943	60,538	52,723
Total liabilities		405,309	394,625	457,703	443,433
Total equity and liabilities		711,211	577,081	774,935	638,927

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

Notes:

(a) Cash and cash equivalents comprise:

	30 Sep 2013		31 Dec 2012	
	Group US\$'000	Trust US\$'000	Group US\$'000	Trust US\$'000
Restricted cash [^]	10,000	10,000	10,000	10,000
Cash at Bank	3,566	690	5,723	608
Short-term deposits	4,518	1,744	21,765	18,996
Cash and cash equivalents [#]	18,084	12,434	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	8,084	2,434	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)).

[#]The September 2013 distribution of US\$1.2 million earned from trading in the chemical tanker pool was received on 1 October 2013 instead of 30 September 2013. If the distribution was received on time on 30 September 2013, the cash and cash equivalents as at 30 September 2013 would have been US\$19.3 million.

(b) Secured bank loans

The non-current portion of the secured bank loans has been classified within current liabilities. Please see page 6 for further details.

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

	30 Sep 2013	31 Dec 2012
	US\$'000	US\$'000
Secured bank loans		
Amount repayable within one year	392,558	44,000
Amount repayable after one year	-	391,558
Less: Unamortised debt upfront fees	(4,375)	(5,340)
	388,183	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\$392.6 million as at 30 September 2013.

The lenders of the term loan had previously granted FSL Trust temporary relaxation of two loan covenants relating to Security Value-to-Loan ("VTL") ratio and Debt Service Coverage ratio ('the Covenants') which expired on 30 June 2013. The affected Covenants were as follow:

<u>Covenants</u>	<u>Prior to relaxation</u>	<u>After relaxation</u>
VTL ratio	125%	100%
Debt Service Coverage ratio	at least 1.1:1	at least 1:1

FSL Trust has obtained the lenders' agreement to grant the extension of the relaxation period as of 1 July 2013 until 31 December 2013 ('Relaxation extension') subject to compliance with certain conditions ('Conditions') by stipulated deadlines.

FSL Trust may not have fully complied with the Conditions and management is still in discussion with the lenders regarding the Relaxation extension. As a result, the entire bank loan may be called for repayment at any time upon notification by the lenders. Accordingly, this loan balance has been classified within current liabilities giving rise to the deficiency in net current assets, amounting to US\$373,047,000 as at 30 September 2013.

Other terms imposed during the period of Relaxation extension include restriction to pay any distributions to unitholders, placement of a US\$10 million security deposit with the security agent, and a levy of 2% per annum imposed on the shortfall amount. The shortfall amount 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 3Q 2013, the applicable margin over US\$ 3-month LIBOR was 3.0%. The VTL ratio will be assessed semi-annually.

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

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 part of its interest rate risk through a combination of interest rate swaps and/or natural hedges to fix the interest rates. The fixed interest rates range from 1.06% per annum to 5.24% per annum.

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1(c) Consolidated Cash Flow Statements

	Group			
	3Q 2013	3Q 2012	YTD Sep 2013	YTD Sep 2012
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
Loss before tax	(8,929)	(183)	(23,205)	(6,834)
Adjustments for:				
Depreciation expense on vessels	13,307	14,232	41,139	42,963
Impairment loss on vessels	3,639	-	6,773	-
Impairment loss on available-for-sale financial assets	-	-	5,298	-
Amortisation of debt upfront fees and initial direct costs	442	498	1,408	1,510
Amortisation of deferred income	(361)	-	(1,083)	-
Interest income	(13)	(33)	(56)	(94)
Interest expense	5,855	6,392	17,793	19,985
Unrealised exchange differences	(237)	(64)	(312)	(47)
	13,703	20,842	47,755	57,483
Changes in working capital:				
Trade and other receivables	(2,361)	(1,151)	(2,035)	348
Inventories	(1,923)	1,238	(1,990)	357
Trade and other payables	662	(224)	51	17
Lease income received in advance	(1,384)	(972)	(2,375)	(984)
Cash generated from operations	8,697	19,733	41,406	57,221
Income tax (paid)/refund	-	-	(37)	8
Cash flows from operating activities	8,697	19,733	41,369	57,229
Investing activities:				
Interest received	13	26	78	84
Cash flows from investing activities	13	26	78	84
Financing activities:				
Distribution to unitholders	-	-	-	(1,309)
Repayment of secured bank loans	(11,000)	(11,000)	(33,000)	(33,000)
Prepayment of secured bank loans	-	-	(10,000)	-
Interest paid	(5,850)	(6,380)	(17,851)	(22,117)
Security deposit	-	(10,000)	-	(10,000)
Cash flows from financing activities	(16,850)	(27,380)	(60,851)	(66,426)
Net decrease in cash and cash equivalents	(8,140)	(7,621)	(19,404)	(9,113)
Cash and cash equivalents at beginning of period	16,224	30,812	27,488	32,304
Cash and cash equivalents at end of period	8,084	23,191	8,084	23,191
Comprising:-				
Cash at Bank	3,566	4,395	3,566	4,395
Short-term deposits	4,518	18,796	4,518	18,796
	8,084	23,191	8,084	23,191

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

2013
Group
At 1 July 2013
Total comprehensive income for the
quarter
At 30 September 2013

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
525,412	(6,560)	(3,014)	1,571	(205,272)	312,137
-	969	1,147	579	(8,930)	(6,235)
525,412	(5,591)	(1,867)	2,150	(214,202)	305,902

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

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

2013
Trust
At 1 July 2013
Total comprehensive income for the quarter
At 30 September 2013

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
525,412	(6,560)	(330,770)	188,082
-	969	(6,595)	(5,626)
525,412	(5,591)	(337,365)	182,456

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

Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000
525,412	(13,282)	(304,390)	207,740
-	(635)	(6,666)	(7,301)
525,412	(13,917)	(311,056)	200,439

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

	3Q 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 September 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 *FSL Durban* (previously known as *Stella Eltanin*)

The restructuring of the bareboat charter agreements with the lessee, OMNI Ships Pte. Ltd. ("OMNI Ships"), 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 was revised from 10 years to 12 years. The residual value of each of the two vessels was also revised.

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change were applied prospectively from January 2013 to the current quarter under review. As a result of the changes, depreciation expense for 3Q 2013 reduced by US\$0.5 million (YTD Sep 2013: US\$1.4 million) for the two vessels.

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Depreciation on dry bulk carriers- *Stella Fomalhaut* and *FSL Durban* (previously known as *Stella Eltanin*) (cont'd)

Following the lease default by OMNI Ships in September 2013¹, both vessels were redelivered to FSL Trust in October 2013. The expected useful life and residual value of each of the two vessels were revised accordingly upon the redelivery of these vessels and the changes in estimates were applied prospectively from October 2013.

Depreciation on containerships-*Cape Ferro* and *Cape Falcon*

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

The changes in residual value of the vessels constitute a change in estimates. The effects of the change were applied prospectively from April 2013. As a result of the change, depreciation expense for 3Q 2013 increased by US\$0.3 million (YTD Sep 2013: US\$0.6 million) for the two vessels.

Depreciation on crude oil tankers-*FSL Hong Kong* and *FSL Shanghai* (previously known as *Aqua* and *Action*, respectively)

Following the lease default by the subsidiaries of Geden Holdings Ltd. ("Geden") for the two crude oil tankers in June 2013, these vessels were redelivered to FSL Trust; *FSL Hong Kong* is currently deployed in the spot market while *FSL Shanghai* is currently deployed on a short-term variable rate time charter. With the pre-mature termination of the bareboat charter operating lease arrangements, the expected useful life of each of the two vessels was revised from 10 years to 25 years and the basis of estimating the respective residual values was 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 were applied prospectively from July 2013. As a result of the changes, depreciation expense for 3Q 2013 reduced by US\$0.8 million (YTD Sep 2013: US\$0.8 million) for the two vessels.

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

	Group			
	3Q 2013	3Q 2012	YTD Sep 2013	YTD Sep 2012
Basic and diluted earnings per unit is based on:				
Loss for the quarter/period (US\$'000)	(8,930)	(186)	(23,229)	(6,833)
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)	(1.36)	(0.03)	(3.55)	(1.04)
Number of issued units at end of quarter ('000)	654,665	654,665	654,665	654,665
Distribution per unit (US Cents)	-	-	-	0.10

¹ See FSL Trust's press release: "FSL Trust issues demand for redelivery of dry bulk carriers", 16 September 2013.

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

	Note	30 Sep 2013		31 Dec 2012	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.47	0.28	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.

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:

3Q 2013 vs 3Q 2012

	Group		
	3Q 2013	3Q 2012	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	13,940	18,250	(23.6)
BBCE revenue of vessels on:-			
-Time charter	1,154	976	18.2
-Pool	1,364	1,437	(5.1)
-Spot	194	1,769	(89.0)
Total bareboat charter/BBCE revenue	16,652	22,432	(25.8)
Less:			
Depreciation expense on vessels ²	(13,231)	(14,156)	(6.5)
Impairment loss on vessels	(3,639)	-	100.0
Management fees	(693)	(905)	(23.4)
Trustee fees	(36)	(40)	(10.0)
Other trust expenses	(2,013)	(862)	N.M.
Other operating expenses	(19,612)	(15,963)	22.9
Results from operating activities	(2,960)	6,469	N.M.
Finance income	13	33	(60.6)
Finance expenses	(5,982)	(6,685)	(10.5)
Loss before tax	(8,929)	(183)	N.M.
Income tax expense	(1)	(3)	(66.7)
Loss for the quarter	(8,930)	(186)	N.M.

² 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 fall in bareboat charter rentals by 23.6% (-US\$4.3 million) to US\$13.9 million is mainly attributable to:

- i) lease default by the subsidiaries of Geden for the two crude oil tankers, *FSL Hong Kong* and *FSL Shanghai* (-US\$3.0 million); and
- ii) lease default by OMNI Ships for the two dry bulk carriers, *Stella Fomalhaut* and *FSL Durban* (-US\$1.5 million).

The rentals derived from the 16 vessels under bareboat leases continued to support the overall earnings of FSL Trust.

Time charter

i) Product tanker

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\$1.2 million in the quarter under review. In the same quarter last year, *FSL Hamburg* recognised its time charter income from 23 August 2012 (commencement of time charter arrangement with Petrobras) while *FSL Singapore* recognised time charter income from Petrobras for the full quarter.

ii) Crude oil tanker

Following its redelivery on 15 July 2013, *FSL Shanghai* was deployed on a short-term time charter arrangement and incurred a BBCE loss of US\$68,000 in the quarter under review. The loss was mainly attributed to the low daily time charter rate earned as the vessel was in the process to be re-approved by oil majors following a change in technical manager. The daily time charter rate resumed to competitive levels from October 2013.

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\$1.4 million in the quarter under review.

Spot

Following its redelivery on 4 July 2013, *FSL Hong Kong* was deployed in the spot market and generated US\$2.4 million of freight income. After deducting voyage and vessel operating expenses, *FSL Hong Kong* generated BBCE revenue of US\$0.2 million in the quarter under review. In the same quarter last year, the three chemical tankers and *FSL Hamburg* generated a BBCE revenue of US\$1.8 million from trading in their respective spot markets.

b. Impairment loss on vessels

Following the lease default for the two dry bulk carriers (*Stella Fomalhaut* and *FSL Durban*), 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. The recoverable amount, determined based on value-in-use of each vessel, is derived 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.

It was assessed that the carrying amounts of *Stella Fomalhaut* and *FSL Durban* had exceeded the recoverable amount and an impairment loss of US\$3.6 million for both vessels was recognised.

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\$1.2 million were incurred, arising from the redeliveries of its two crude oil tankers and two dry bulk carriers.

d. Results from operating activities

On an overall basis, FSL Trust incurred an operating loss of US\$3.0 million in this quarter compared to an operating profit of US\$6.5 million for the same period last year.

For 3Q 2013, FSL Trust incurred a net loss of US\$8.9 million after taking into account finance expenses of US\$6.0 million.

9. **Variance from Prospect Statement**

Not applicable.

10. **Outlook and Prospects**

3Q 2013 has been challenging, primarily due to the defaults in relation to two aframax oil tankers and two handymax dry bulk carriers. FSL Trust has ensured that despite these defaults, the vessels have continued to generate a return. The defaults affect both revenues and costs, as it has been expensive to change technical management and upgrade the vessels to our standard. These costs will also impact the fourth quarter due to the timing of expenditures.

The short term focus is to address the ongoing issues and clarify the position of the lenders following the first covenant relaxation in June 2012 and to optimise earnings on the nine vessels that FSL Trust now has operational control over. Going forward, there is scope to improve cash generation and FSL Trust remains able to service its scheduled debt and interest payments.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

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

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

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

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

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the interim financial results of the Group for the quarter ended 30 September 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

Alan Hatton
Chief Executive Officer
14 November 2013



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/ZA/130

Attention: Mr Alan Hatton

14 November 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 September 2013, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in unitholders' funds and condensed consolidated statement of cash flows of the Group for the period then ended, and certain explanatory notes (the "condensed consolidated interim financial information"). The 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 lenders of the amortising term loan facility, with a carrying amount of US\$388,183,000 as at 30 September 2013, had previously granted the Trust temporary relaxation of two loan covenants relating to Security Value-to-Loan ratio and Debt Service Coverage ratio ('the Covenants') which expired on 30 June 2013. The Trust has obtained the lenders' agreement to grant the extension of the relaxation period as of 1 July 2013 until 31 December 2013 ('Relaxation extension') subject to compliance with certain conditions ('Conditions') by stipulated deadlines.

Management is of the view that the Trust may not have fully complied with the Conditions and management is still in discussion with the lenders regarding Relaxation extension. Should the Relaxation extension be deemed effective, the Covenants under the Relaxation extension would apply and the Trust would have breached the Debt Service Coverage Ratio covenant as at 30 September 2013. Should the Relaxation extension not be deemed effective, the Covenants prior to the loan relaxation would prevail and the Trust would have breached such Covenants as at 30 September 2013.

Should the lenders not waive the breach of the Covenants or where the Trust breaches either of the Covenants upon the expiry of the Relaxation extension, the lenders shall have the ability to exercise their remedies under the loan agreement. As a result, the entire bank loan may be called for repayment at any time upon notification by the lenders. Accordingly, this loan balance has been classified within current liabilities giving rise to the deficiency in net current assets, amounting to US\$373,047,000 as at 30 September 2013.



Management is of the view that such existing and potential breaches of loan covenants shall be resolved and the estimated cash flows from the portfolio of vessels will be sufficient to meet the scheduled principal repayments and interest payments and accordingly, it is appropriate to continue using going concern basis for the preparation of the condensed consolidated interim financial information.

The above circumstances indicate the existence of material uncertainties that may cast significant doubt about 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. In the event that the Group is unable to continue as a going concern, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

14 November 2013