



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

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

As at 31 March 2015, FSL Trust has a modern, high quality and diversified portfolio of 23 vessels consisting of seven containerships, eleven product tankers, three chemical tankers and two crude oil tankers. 14 vessels are employed on long-term bareboat charters as at 31 March 2015 and have a dollar-weighted average remaining lease period of approximately four years (excluding extension periods and early buy-out options). The remaining nine vessels are employed on time charter arrangements and in pools. The combined portfolio of 23 vessels has a dollar-weighted average age of approximately nine years.

Summary of FSL Trust Consolidated Results

	1Q 2015	1Q 2014	Inc/(Dec)
	US\$'000	US\$'000	%
Revenue	24,783	22,436	10.5
Profit/(Loss) for the quarter	5,060	(4,952)	N.M.
Net cash generated from operations	14,185	9,084	56.2

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015

1(a)(i) Consolidated Income Statements

	Note	Group		
		1Q 2015	1Q 2014	Inc/ (Dec)
		US\$'000	US\$'000	%
Revenue		24,783	22,436	10.5
Depreciation expense on vessels		(11,506)	(13,037)	(11.7)
Voyage expenses		-	37	(100.0)
Vessel operating expenses		(5,207)	(5,939)	(12.3)
Management fees		(897)	(707)	26.9
Trustee fees		(30)	(33)	(9.1)
Other Trust expenses		(436)	(820)	(46.8)
Results from operating activities		6,707	1,937	246.3
Other income		19	-	100.0
Finance income		5	5	0.0
Finance expenses		(3,349)	(5,471)	(38.8)
Gain on disposal of available-for-sale financial assets	(a)	1,710	-	100.0
Loss on disposal of vessels	(b)	-	(1,405)	N.M.
Profit/(Loss) before tax		5,092	(4,934)	N.M.
Income tax expense		(32)	(18)	77.8
Profit/(Loss) for the quarter		5,060	(4,952)	N.M.

Note:

- (a) This relates to the disposal of the entire shareholdings in TORM A/S for a total consideration of US\$2.6 million in January 2015.
(b) This relates to the disposal of the two dry bulk carriers in March 2014.

1(a)(ii) Statements of Comprehensive Income

	Group	
	1Q 2015	1Q 2014
	US\$'000	US\$'000
Profit/(Loss) for the quarter	5,060	(4,952)
Other comprehensive income/(losses)		
Items that are or may be classified subsequently to profit or loss:		
Translation differences relating to financial statements of foreign subsidiaries	(1,247)	55
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	-	(173)
Effective portion of changes in fair value of cash flow hedges	(403)	(2)
Net change in fair value of cash flow hedges transferred to income statement	370	1,985
Net change in fair value of available-for-sale financial assets	-	537
Other comprehensive (loss)/income, net of tax	(1,280)	2,402
Total comprehensive income/(loss)	3,780	(2,550)

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015

1(a)(iii) Distribution Statements

	Note	Group	
		1Q 2015	1Q 2014
		US\$'000	US\$'000
Profit/(Loss) for the quarter		5,060	(4,952)
Add: Non-cash adjustments	(a)	9,125	14,036
Net cash generated from operations		14,185	9,084
Less: Repayment of secured bank loans		(11,000)	(8,500)
Prepayment of secured bank loans	(b)	-	-
Income available for distribution		3,185	584
Add: Utilisation of cash retained from previous periods		-	-
Less: Cash retained in the current period		(3,185)	(584)
Net distributable amount	(c)	-	-
Amount available for distribution		-	-
Comprising: (i) Tax-exempt distribution		-	-
(ii) Tax-exempt (one-tier) distribution		-	-
Amount to be distributed		-	-
Units at the end of the quarter ('000)		654,665	654,665
Distribution per unit (US Cents)		-	-

Notes:

(a) Non-cash adjustments

	Group	
	1Q 2015	1Q 2014
	US\$'000	US\$'000
Depreciation expense on vessels	11,147	13,037
Unrealised exchange differences	27	(171)
Loss on disposal of vessels	-	1,405
Gain on disposal of available-for-sale financial assets	(1,710)	-
Amortisation of deferred income	(361)	(361)
Amortisation of initial direct costs	22	126
	9,125	14,036

(b) In Q1 and Q2 of 2014, a total of US\$22.0 million of the proceeds from the sale of the two dry bulk vessels was applied to Prepayment and Repayment of secured bank loans in the amounts of US\$17.0 million and US\$5.0 million respectively. As these amounts were not generated from operations they have not been included in this statement.

(c) No distribution has been recommended by the Board in the first quarter of 2015.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015

1(b)(i) Statements of Financial Position

		31 Mar 2015		31 Dec 2014	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
		543,125	-	556,019	-
		-	423,725	-	423,725
		-	-	919	-
		149	149	339	339
		543,274	423,874	557,277	424,064
Current assets					
		24	-	-	-
		287	287	122	122
		6,459	13,119	4,767	32,241
	(a)	36,421	26,525	32,750	21,605
		43,191	39,931	37,639	53,968
		586,465	463,805	594,916	478,032
Equity attributable to unitholders of FSL Trust					
		525,412	525,412	525,412	525,412
		(254,899)	(370,717)	(258,679)	(367,157)
		270,513	154,695	266,733	158,255
Non-current liabilities					
	(b)	262,920	262,920	273,642	273,642
		271	271	155	155
		3,206	-	3,567	-
		266,397	263,191	277,364	273,797
Current liabilities					
		1,480	709	1,296	664
		1,421	-	2,763	-
		1,210	1,210	1,316	1,316
	(b)	44,000	44,000	44,000	44,000
		1,444	-	1,444	-
		49,555	45,919	50,819	45,980
		315,952	309,110	328,183	319,777
		586,465	463,805	594,916	478,032

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

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

Note:

(a) Cash and cash equivalents comprise:

	31 Mar 2015		31 Dec 2014	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Restricted cash [^]	2,629	2,629	10,000	10,000
Cash at Bank	30,919	23,802	19,878	11,512
Short-term deposits	2,873	94	2,872	93
Cash and cash equivalents	36,421	26,525	32,750	21,605
Less: Restricted cash	(2,629)	(2,629)	(10,000)	(10,000)
Cash and cash equivalents in the statement of cash flows	33,792	23,896	22,750	11,605

[^] This relates to the cash proceeds from the sale of TORM A/S shares in 1Q 2015. (see paragraph (b)). The security deposit of US\$10.0 million placed with the security agent of the amortising loan facility has now been released.

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

	31 Mar 2015	31 Dec 2014
	US\$'000	US\$'000
Secured bank loans		
Amount repayable within one year	44,000	44,000
Amount repayable after one year	265,531	276,531
Less: Unamortised debt upfront fees	(2,611)	(2,889)
	306,920	317,642

The Trustee-Manager, on behalf of FSL Trust, secured a 6-year amortising term loan facility in December 2011 and the outstanding loan balance was US\$306.9 million as at 31 March 2015.

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%

As at 31 March 2015, the Trust is in compliance with the terms of the original loan agreement.

For 1Q 2015, the applicable margin over US\$ 3-month LIBOR was 3.0%. The VTL ratio will be assessed semi-annually.

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

(b) 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 or upon disposal, the cash proceeds from the sale of these shares;
- (v) pledge of the shares of all the vessel-owning subsidiaries.

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 1.65% per annum.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015

1(c) Consolidated Cash Flow Statements

	Group	
	1Q 2015	1Q 2014
	US\$'000	US\$'000
Operating activities:		
Profit/(Loss) before tax	5,092	(4,934)
Adjustments for:		
Depreciation expense on vessels	11,506	13,037
Amortisation of debt upfront fees and initial direct costs	404	429
Amortisation of deferred income	(361)	(361)
Interest income	(5)	(5)
Interest expense	3,064	5,321
Loss on disposal of vessels	-	1,405
Gain on disposal of available-for-sale financial assets	(1,710)	-
Unrealised exchange differences	27	(171)
	18,017	14,721
Changes in working capital:		
Trade and other receivables	(1,696)	(1,363)
Inventories	(24)	189
Trade and other payables	83	2,845
Lease income received in advance	(1,342)	(2,050)
Cash generated from operations	15,038	14,342
Income tax paid	(32)	(17)
Cash flows from operating activities	15,006	14,325
Investing activities:		
Interest received	9	5
Net proceed on disposal of vessels	-	22,234
Net proceed on disposal of available-for-sale financial assets	2,629	-
Costs incurred for dry-docking	(10)	(265)
Cash flows from investing activities	2,628	21,974
Financing activities:		
Repayment of secured bank loans	(11,000)	(13,500)
Prepayment of secured bank loans	-	(17,000)
Interest paid	(2,963)	(5,526)
Security deposit	10,000	-
Pledged deposit	(2,629)	-
Cash flows used in financing activities	(6,592)	(36,026)
Net increase in cash and cash equivalents	11,042	273
Cash and cash equivalents at beginning of period	22,750	10,367
Cash and cash equivalents at end of period	33,792	10,640
Comprising:-		
Cash at Bank	30,919	7,771
Short-term deposits	2,873	2,869
	33,792	10,640

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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
2015 Group						
At 1 January 2015	525,412	(1,011)	(5,533)	-	(252,135)	266,733
Total comprehensive income/ (loss) for the quarter	-	(33)	(1,247)	-	5,060	3,780
At 31 March 2015	525,412	(1,044)	(6,780)	-	(247,075)	270,513

	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
2014 Group						
At 1 January 2014	525,412	(3,888)	(1,425)	1,723	(256,186)	265,636
Total comprehensive income/ (loss) for the quarter	-	1,983	(118)	537	(4,952)	(2,550)
At 31 March 2014	525,412	(1,905)	(1,543)	2,260	(261,138)	263,086

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2015 Trust				
At 1 January 2015	525,412	(1,011)	(366,146)	158,255
Total comprehensive loss for the quarter	-	(33)	(3,527)	(3,560)
At 31 March 2015	525,412	(1,044)	(369,673)	154,695

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2014 Trust				
At 1 January 2014	525,412	(3,888)	(347,944)	173,580
Total comprehensive income/(loss) for the quarter	-	1,983	(5,929)	(3,946)
At 31 March 2014	525,412	(1,905)	(353,873)	169,634

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

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

	1Q 2015 Units	FY 2014 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 not been audited or reviewed by the auditors.

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

Not applicable.

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

FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2014.

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

There are no changes.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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

	Group	
	1Q 2015	1Q 2014
Basic and diluted earnings per unit is based on:		
Profit/(Loss) for the quarter (US\$'000)	5,060	(4,952)
Weighted average number of issued units (basic and diluted) ('000)	654,665	654,665
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	0.77	(0.76)
Number of issued units at end of quarter ('000)	654,665	654,665
Distribution per unit (US Cents)	-	-

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

	Note	31 Mar 2015		31 Dec 2014	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.41	0.24	0.41	0.24

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.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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:

1Q 2015 vs 1Q 2014

	Group		
	1Q 2015	1Q 2014	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	13,149	13,619	(3.5)
BBCE revenue of vessels on:-			
-Time charter	1,911	134	1326.1
-Pool	4,157	2,642	57.3
-Spot	-	26	(100.0)
Total bareboat charter/BBCE revenue	19,217	16,421	17.0
Less:			
Depreciation expense on vessels ¹	(11,147)	(12,924)	(13.7)
Management fees	(897)	(707)	26.9
Trustee fees	(30)	(33)	(9.1)
Other Trust expenses ²	(436)	(820)	(46.8)
Other operating expenses	(12,510)	(14,484)	(13.6)
Results from operating activities	6,707	1,937	246.3
Other income	19	-	100.0
Finance income	5	5	0.0
Finance expenses	(3,349)	(5,471)	(38.8)
Gain on disposal of available-for-sale financial assets	1,710	-	100.0
Loss on disposal of vessels	-	(1,405)	(100.0)
Profit/(Loss) before tax	5,092	(4,934)	N.M.
Income tax expense	(32)	(18)	77.8
Profit/(Loss) for the quarter	5,060	(4,952)	N.M.

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals declined by 3.5% (US\$0.5 million), mainly affected by:

- i) the expiry of bareboat lease for FSL Busan and FSL Santos (US\$1.6 million), subsequent to which the revenue is classified as “Pool/RSA” revenue;
- ii) Cumbrian Fisher and Clyde Fisher bareboat contracts renewed at a lower daily rate (US\$0.3 million); and offset with
- iii) the better performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, US\$1.5 million.

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

² Included in the other Trust expenses are vessel inspection fees, valuation fees, insurance, director fees, professional fees, take over costs, printing, investor relations and others.

8. Review of Performance (cont'd)

The rentals derived from the remaining 10 vessels under bareboat leases continued to support the overall earnings of FSL Trust.

Time charter

i) Product tanker

The two vessels (*FSL Hamburg* and *FSL Singapore*) are employed on time charter arrangements with Petróleo Brasileiro S.A. These vessels together generated a net time charter revenue of US\$2.4 million. After deducting vessel operating expenses, these vessels generated BBCE revenue of US\$1.1 million in the quarter under review.

ii) Crude oil tanker

FSL Shanghai, deployed on a time charter arrangement with Tesoro Corporation since July 2014 generated a BBCE revenue of \$0.8 million in the quarter under review.

Pool/RSA

i) Chemical tanker

The three chemical tankers are employed in 'Nordic Tankers 19,000 Stainless Steel Pool'. Collectively, these vessels generated net pool revenue of US\$4.0 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.9 million in the quarter under review.

ii) Crude oil tanker

FSL Hong Kong, employed on a RSA (Revenue Sharing Agreement) since December 2013, generated a BBCE revenue of US\$1.8 million in the quarter under review.

iii) Containership

FSL Busan (ex Cape Ferro) and *FSL Santos (ex Cape Falcon)* were redelivered to FSL Trust in July 2014 and employed in a 1200-1400/1700 TEU earnings pool which is managed by HANSE Bereederung GmbH ('Hanse Pool'). Collectively, these vessels generated net pool revenue of US\$1.3 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.4 million in the quarter under review.

b. Other operating expenses

Other operating expenses declined 13.6% (US\$2.0 million) due mainly to:

- Lower depreciation expenses of US\$1.8 million arising from changes in the expected useful life and residual value for certain vessels taken last year and the disposal of the two dry bulk carrier in 1Q 2014.

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

8. Review of Performance (cont'd)

- A non-recurring vessel-related expenses of US\$0.2 million incurred in 1Q 2014 on the Ex-Omni vessel.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$6.7 million in this quarter as compared to US\$1.9 million over the same period last year.

d. Finance expenses

Finance expenses in Q1 2015 including exchange gain of US\$7,000 (1Q 2014: US\$166,000) decreased 38.8% (US\$2.1 million) mainly due to:

- lower outstanding indebtedness arising from prepayment of US\$22.0 million in 1Q 2014.
- the expiration of high cost interest rate SWAPs in FY 2014 resulting in lower finance expense.

e. Disposal of Available-for-sale financial assets

TORM A/S shares were disposed for a net cash consideration of US\$2.6 million. A gain of US\$1.7 million was recorded in the quarter under review.

For 1Q 2015, FSL Trust achieved net profits of US\$5.1 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

The outlook for the Trust continues to improve. Our strong bareboat charter counterparties continue to perform and due to improved tanker markets, we have been able to maintain profitability and secure time charters at improved rates which should enable further progress going forward.

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

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/recommendeded, 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 31 March 2015 to be false or misleading in any material aspect.

<p>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.</p>
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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
13 May 2015