



**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

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 June 2011, FSL Trust has a modern, high quality and diverse portfolio of 25 vessels consisting of seven containerships, eleven product tankers, three chemical tankers, two crude oil tankers and two dry bulk carriers. 23 vessels are employed on long-term bareboat leases and have a dollar-weighted average remaining lease period of approximately seven years (excluding extension periods and early buy-out options). The remaining 2 product tankers are currently trading in the product tanker spot market. The combined portfolio of vessels has a dollar-weighted average age of approximately six years.

Summary of FSL Trust Consolidated Results

| | 2Q 2011 | 2Q 2010 | Inc/(Dec) |
|--|----------|----------|-----------|
| | US\$'000 | US\$'000 | % |
| Revenue | 28,700 | 28,528 | 0.6 |
| Loss for the quarter | (491) | (6,106) | (92.0) |
| Net cash generated from operations | 13,486 | 17,256 | (21.8) |
| Net Distributable Amount | 5,732 | 5,688 | 0.8 |
| Amount to be distributed | 5,732 | 5,688 | 0.8 |
| Distribution Per Unit ("DPU") (US Cents) | | | |
| For the period | 0.95 | 0.95 | - |
| Annualised | 3.80 | 3.80 | - |

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

1(a)(i) Consolidated Income Statements

| | | Group | | | | |
|--------------------------------------|----------|----------|---------------|----------|----------|---------------|
| Note | 2Q 2011 | 2Q 2010 | Inc/ (Dec) | 1H 2011 | 1H 2010 | Inc/ (Dec) |
| | US\$'000 | US\$'000 | % | US\$'000 | US\$'000 | % |
| | 28,700 | 28,528 | 0.6 | 52,552 | 52,960 | (0.8) |
| Revenue | | | | | | |
| | (14,442) | (15,066) | (4.1) | (28,738) | (30,554) | (5.9) |
| Depreciation expense on vessels | | | | | | |
| | - | (7,865) | N.M. | - | (7,865) | N.M. |
| Impairment loss on vessels | | | | | | |
| | (4,267) | (219) | N.M. | (8,410) | (219) | N.M. |
| Vessel operating and voyage expenses | | | | | | |
| | (867) | (897) | (3.3) | (1,700) | (1,876) | (9.4) |
| Management fees | | | | | | |
| | (41) | (44) | (6.8) | (83) | (89) | (6.7) |
| Trustee fees | | | | | | |
| | (912) | (3,861) | (76.4) | (1,647) | (4,412) | (62.7) |
| Other trust expenses | | | | | | |
| | (2,500) | - | N.M. | (2,500) | - | N.M. |
| Call on banker's guarantee | (a) | | | | | |
| Finance income | | | | | | |
| | 23 | 146 | (84.2) | 53 | 172 | (69.2) |
| Finance expenses | (b) | | | | | |
| | (6,183) | (6,817) | (9.3) | (12,009) | (13,524) | (11.2) |
| Loss before income tax | | | | | | |
| | (489) | (6,095) | (92.0) | (2,482) | (5,407) | (54.1) |
| Income tax expense | (c) | | | | | |
| | (2) | (11) | (81.8) | (4) | (13) | (69.2) |
| Loss for the quarter/period | | | | | | |
| | (491) | (6,106) | (92.0) | (2,486) | (5,420) | (54.1) |

Notes:

- (a) Provision for probable call on banker's guarantee (please refer to announcement titled "Update on Daxin proceedings in Japan and PRC" dated 18 July 2011).
- (b) The finance expenses for 2Q 2011 include exchange gain of US\$0.3 million arising from the partial repayment of inter-company US\$-denominated loans previously extended to certain subsidiaries.
- (c) This relates to tax expense on the taxable interest income on bank deposits.

1(a)(ii) Statements of Comprehensive Income

| | | Group | | | |
|--|---|----------|----------|----------|----------|
| | | 2Q 2011 | 2Q 2010 | 1H 2011 | 1H 2010 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | Loss for the quarter/period | (491) | (6,106) | (2,486) | (5,420) |
| | Other comprehensive income: | | | | |
| | Translation differences relating to financial statements of foreign subsidiaries | 543 | (1,713) | 1,745 | (2,906) |
| | Exchange differences on monetary items forming part of net investment in foreign subsidiaries | 476 | (3,267) | 1,659 | (5,349) |
| | Effective portion of changes in fair value of cash flow hedges | (3,788) | (4,610) | (5,231) | (7,870) |
| | Net change in fair value of cash flow hedges transferred to income statement | 3,809 | 3,634 | 7,476 | 7,416 |
| | Other comprehensive income, net of tax | 1,040 | (5,956) | 5,649 | (8,709) |
| | Total comprehensive income | 549 | (12,062) | 3,163 | (14,129) |

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

1(a)(iii) Distribution Statements

| | Note | Group | | | |
|---|------|---------------------|---------------------|---------------------|---------------------|
| | | 2Q 2011 US\$'000 | 2Q 2010 US\$'000 | 1H 2011 US\$'000 | 1H 2010 US\$'000 |
| Loss for the quarter/period | | (491) | (6,106) | (2,486) | (5,420) |
| Add: Non-cash adjustments | (a) | 13,977 | 23,362 | 27,511 | 39,005 |
| Net cash generated from operations | | 13,486 | 17,256 | 25,025 | 33,585 |
| Less: Repayment of secured bank loans | | (8,000) | (8,000) | (16,000) | (16,000) |
| Income available for distribution | | 5,486 | 9,256 | 9,025 | 17,585 |
| Add: Utilisation of cash retained from previous periods | | 246 | - | 2,394 | 651 |
| Less: Cash retained in the current period | | - | (3,568) | - | (3,568) |
| Net distributable amount | (b) | 5,732 | 5,688 | 11,419 | 14,668 |
| Amount available for distribution | | 5,732 | 5,688 | 11,419 | 14,668 |
| Comprising: (i) Tax-exempt distribution | | 5,711 | 5,553 | 11,370 | 14,509 |
| (ii) Tax-exempt (one-tier) distribution | | 21 | 135 | 49 | 159 |
| Amount to be distributed | (c) | 5,732 | 5,688 | 11,419 | 14,668 |
| Units at the end of the period ('000) | | 654,665 | 598,665 | 654,665 | 598,665 |
| Distribution per unit (US Cents) | (c) | 0.95 | 0.95 | 1.90 | 2.45 |

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) Total net cash generated for the quarter amounted to US\$13.5 million. The net distributable amount of US\$5.7 million is derived after deducting loan repayments totalling US\$8.0 million and utilising cash retained from prior periods.
- (c) Distribution for 2Q 2011

| | |
|--|--------------|
| i) Stub distribution for period from 1 April 2011 to 22 June 2011^(US\$'000) | 5,208 |
| Outstanding units as at 22 June 2011 ('000) | 598,665 |
| Distribution per unit (US cents) | 0.87 |
| ii) Distribution for period from 23 June 2011 to 30 June 2011 (US\$'000) | 524 |
| Outstanding units as at 30 June 2011 ('000) | 654,665 |
| Distribution per unit (US cents) | 0.08 |
| Amount to be distributed (US\$'000) | 5,732 |
| Total distribution per unit for 2Q 2011 (US cents) | 0.95 |

^ The stub distribution which was announced on 9 June 2011 will be paid on 21 July 2011.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

1(b)(i) Statements of Financial Position

| | 30 Jun 2011 | | 31 Dec 2010 | |
|--|----------------|----------------|----------------|----------------|
| | Group | Trust | Group | Trust |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Non-current assets | | | | |
| Vessels | 843,567 | - | 775,023 | - |
| Subsidiaries | - | 679,314 | - | 592,523 |
| Derivative assets | - | - | 476 | 476 |
| | 843,567 | 679,314 | 775,499 | 592,999 |
| Current assets | | | | |
| Inventories | 1,534 | - | 738 | - |
| Derivative assets | - | - | 188 | 188 |
| Deposits, prepayments and other receivables | 5,902 | 58,309 | 3,758 | 90,743 |
| Cash and cash equivalents | 21,925 | 18,379 | 55,846 | 51,790 |
| | 29,361 | 76,688 | 60,530 | 142,721 |
| | | | | |
| Total assets | 872,928 | 756,002 | 836,029 | 735,720 |
| Equity attributable to unitholders of FSL Trust | | | | |
| Units in issue | 525,414 | 525,414 | 510,273 | 510,273 |
| Reserves | (181,245) | (290,354) | (167,825) | (262,466) |
| Total equity | 344,169 | 235,060 | 342,448 | 247,807 |
| Non-current liabilities | | | | |
| Secured bank loans | 241,722 | 241,722 | 432,409 | 432,409 |
| Derivative liabilities | 11,185 | 11,185 | 14,289 | 14,289 |
| | 252,907 | 252,907 | 446,698 | 446,698 |
| Current liabilities | | | | |
| Trade and other payables | 9,309 | 3,240 | 6,204 | 3,227 |
| Distribution payable | 5,208 | 5,208 | - | - |
| Lease income received in advance | 1,746 | - | 2,682 | - |
| Derivative liabilities | 12,943 | 12,943 | 12,748 | 12,748 |
| Secured bank loan | 246,640 | 246,640 | 25,240 | 25,240 |
| Current tax payable | 6 | 4 | 9 | - |
| | 275,852 | 268,035 | 46,883 | 41,215 |
| Total liabilities | 528,759 | 520,942 | 493,581 | 487,913 |
| Total equity and liabilities | 872,928 | 756,002 | 836,029 | 735,720 |

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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

| | 30 Jun 2011 | 31 Dec 2010 |
|-------------------------------------|-------------|-------------|
| | US\$'000 | US\$'000 |
| Secured bank loans | | |
| Amount repayable within one year | 246,640 | 25,240 |
| Amount repayable after one year | 243,624 | 435,024 |
| Less: Unamortised debt upfront fees | (1,902) | (2,615) |
| | 488,362 | 457,649 |

The Trustee-Manager has, on behalf of FSL Trust, put in place total revolving credit facilities of US\$515 million ("combined facility") of which the outstanding loan balance was US\$490.3 million as at 30 June 2011.

The combined facility comprises three tranches:

| Tranche | Facility amount (US\$'million) | Amount drawn as at 30 Jun 2011 (US\$'million) | Loan maturity | Margin above US\$ 3-month Libor (note 1) |
|---------|-----------------------------------|---|---------------|--|
| A | 250 | 247.7 [^] | 27 March 2014 | 1.70% |
| B | 200 | 198.1 [^] | 2 April 2012 | 1.70% |
| C* | 65 | 44.5 | 2 April 2012 | 1.70% |

* Commitment amount for this tranche was reduced by US\$3.75 million every quarter from 20 September 2010.

Note 1: Post the amendment period which ended on 30 June 2011, the margins for all 3 tranches have been reduced to 1.25% above US\$ 3-month Libor for Tranche A and 1.45% above US\$ 3-month Libor for Tranches B and C.

[^] : US\$25.6 million under Tranche A and US\$20.4 million under Tranche B (totalling US\$46.0 million drawn during the amendment period for the acquisition of the TORM vessels) attract a margin of 1.70% above US\$ 3-month Libor till the respective maturities of the loans.

The Trustee-Manager is in advanced discussions with the lending banks to refinance loans under the credit facility, of which Tranches B and C will mature in April 2012. The terms of the re-financing package are expected to be finalised in the near term. As a sign of support by the lenders, a total of US\$46 million was drawn under the credit facility during the quarter to partially finance the acquisition of two Long Range II product tankers. The additional loans are drawn from Tranches A and B.

The combined facility is secured on the following:

- (i) a first priority mortgage over the Group's vessels in the portfolio;
- (ii) a first priority assignment of the Group's rights, title, interest in the insurances to and for each vessel, including insurance for hull and machinery, protection and indemnity and war risks; 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 until the maturities of the facilities. For interest rate swaps, the all-in effective interest rates range from 4.74% per annum to 6.94% per annum.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

1(c) Consolidated Cash Flow Statements

| | | Group | | | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2Q 2011 | 2Q 2010 | 1H 2011 | 1H 2010 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | Note | | | | |
| Operating activities: | | | | | |
| Loss before income tax | | (489) | (6,095) | (2,482) | (5,407) |
| Adjustments for: | | | | | |
| Depreciation expense on vessels | | 14,442 | 15,066 | 28,738 | 30,554 |
| Impairment loss on vessels | | - | 7,865 | - | 7,865 |
| Amortisation of debt upfront fees and initial direct costs | | 480 | 487 | 951 | 983 |
| Interest income | | (23) | (146) | (53) | (172) |
| Interest expense | | 5,977 | 6,110 | 11,917 | 12,206 |
| Unrealised exchange differences | | (293) | 394 | (877) | 682 |
| | | 20,094 | 23,681 | 38,194 | 46,711 |
| Changes in working capital: | | | | | |
| Deposits, prepayments and other receivables | | (2,981) | (6,786) | (2,156) | (6,775) |
| Inventories | | (17) | (321) | (796) | (321) |
| Trade and other payables | | 2,047 | 2,677 | 3,144 | 2,661 |
| Lease income received in advance | | 1,193 | (49) | (936) | (501) |
| Cash generated from operations | | 20,336 | 19,202 | 37,450 | 41,775 |
| Income taxes paid | | (8) | - | (8) | - |
| Cash flows from operating activities | | 20,328 | 19,202 | 37,442 | 41,775 |
| Investing activities: | | | | | |
| Acquisition of vessels | | (93,220) | - | (93,220) | - |
| Interest received | | 29 | 31 | 65 | 60 |
| Costs incurred for dry-docking | | (5) | (197) | (18) | (197) |
| Cash flows from investing activities | | (93,196) | (166) | (93,173) | (137) |
| Financing activities: | | | | | |
| Net proceeds from issuance of units | (a) | 15,141 | - | 15,141 | - |
| Distribution to unitholders | | (5,687) | (8,980) | (11,375) | (17,960) |
| Repayment of secured bank loans | | (8,000) | (8,000) | (16,000) | (16,000) |
| Proceeds from borrowings | | 46,000 | - | 46,000 | - |
| Interest paid | | (5,880) | (6,013) | (11,956) | (12,176) |
| Cash flows from financing activities | | 41,574 | (22,993) | 21,810 | (46,136) |
| Net decrease in cash and cash equivalents | | (31,294) | (3,957) | (33,921) | (4,498) |
| Cash and cash equivalents at beginning of period | | 53,219 | 56,229 | 55,846 | 56,770 |
| Cash and cash equivalents at end of period | | 21,925 | 52,272 | 21,925 | 52,272 |
| Comprising:- | | | | | |
| Cash at Bank | | 19,125 | 30,142 | 19,125 | 30,142 |
| Short-term deposits | | - | 22,130 | - | 22,130 |
| Short-term deposit (restricted) | (b) | 2,800 | - | 2,800 | - |
| | | 21,925 | 52,272 | 21,925 | 52,272 |

Notes:

- (a) Pursuant to a private placement exercise conducted in June 2011, 56 million new units were allotted and issued on 23 June 2011 at S\$0.35 per unit (6.4% discount to adjusted volume weighted average price). The total net proceeds from this equity issuance amounted to US\$15.1 million (or S\$18.7 million).
- (b) This relates to a cash deposit provided as security for a banker's guarantee of US\$2.8 million for the release of a vessel, 'FSL Hamburg'.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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

| | Note | Units in Issue | Hedging Reserve | Foreign Currency Translation Reserve | Accumulated Profit/(Losses) | Total Equity |
|---|------|----------------|-----------------|--------------------------------------|-----------------------------|--------------|
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 2011 Group | | | | | | |
| At 1 April 2011 | | 510,273 | (23,773) | 1,442 | (148,568) | 339,374 |
| Total comprehensive income for the quarter | | - | 21 | 1,019 | (491) | 549 |
| Contribution by and distribution to unitholders: | | | | | | |
| Units issued pursuant to equity placement | (a) | 15,141 | - | - | - | 15,141 |
| Distribution to unitholders | | - | - | - | (10,895) | (10,895) |
| At 30 June 2011 | | 525,414 | (23,752) | 2,461 | (159,954) | 344,169 |

| | Units in Issue | Hedging Reserve | Foreign Currency Translation Reserve | Accumulated Profit/(Losses) | Total Equity |
|---|----------------|-----------------|--------------------------------------|-----------------------------|--------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 2010 Group | | | | | |
| At 1 April 2010 | 510,273 | (26,598) | 161 | (114,146) | 369,690 |
| Total comprehensive income for the quarter | - | (976) | (4,980) | (6,106) | (12,062) |
| Contribution by and distribution to unitholders: | | | | | |
| Distribution to unitholders | - | - | - | (8,980) | (8,980) |
| At 30 June 2010 | 510,273 | (27,574) | (4,819) | (129,232) | 348,648 |

Note:

- (a) Pursuant to a private placement exercise conducted in June 2011, 56 million new units were allotted and issued on 23 June 2011 at \$0.35 per unit (6.4% discount to adjusted volume weighted average price). The total net proceeds from this equity issuance amounted to US\$15.1 million (or S\$18.7 million).

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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

| | Note | Units in Issue US\$'000 | Hedging Reserve US\$'000 | Accumulated Losses US\$'000 | Total Equity US\$'000 |
|--|------|----------------------------|-----------------------------|--------------------------------|--------------------------|
| 2011 Trust | | | | | |
| At 1 April 2011 | | 510,273 | (23,773) | (248,782) | 237,718 |
| Total comprehensive income for the quarter | | - | 21 | (6,925) | (6,904) |
| Contribution by and distribution to unitholders: | | | | | |
| Units issued pursuant to equity placement | (a) | 15,141 | - | - | 15,141 |
| Distribution to unitholders | | - | - | (10,895) | (10,895) |
| At 30 June 2011 | | 525,414 | (23,752) | (266,602) | 235,060 |

| | Units in Issue US\$'000 | Hedging Reserve US\$'000 | Accumulated Losses US\$'000 | Total Equity US\$'000 |
|--|----------------------------|-----------------------------|--------------------------------|--------------------------|
| 2010 Trust | | | | |
| At 1 April 2010 | 510,273 | (26,598) | (194,501) | 289,174 |
| Total comprehensive income for the quarter | - | (976) | (8,203) | (9,179) |
| Contribution by and distribution to unitholders: | | | | |
| Distribution to unitholders | - | - | (8,980) | (8,980) |
| At 30 June 2010 | 510,273 | (27,574) | (211,684) | 271,015 |

Note:

- (a) Pursuant to a private placement exercise conducted in June 2011, 56 million new units were allotted and issued on 23 June 2011 at S\$0.35 per unit (6.4% discount to adjusted volume weighted average price). The total net proceeds from this equity issuance amounted to US\$15.1 million (or S\$18.7 million).

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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

| | 2Q 2011 Units | FY 2010 Units |
|--------------------------------|------------------|------------------|
| At the beginning of the period | 598,665,077 | 598,665,077 |
| Units issued during the period | 56,000,000 | - |
| At the end of the period | 654,665,077 | 598,665,077 |

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, modified with an emphasis of matter, dated 20 July 2011 on the interim financial report of FSL Trust and its subsidiaries for the quarter ended 30 June 2011 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

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 2010.

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.

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

| | Group | | | |
|---|---------|---------|---------|---------|
| | 2Q 2011 | 2Q 2010 | 1H 2011 | 1H 2010 |
| Basic and diluted earnings per unit is based on: | | | | |
| Loss for the quarter/period (US\$'000) | (491) | (6,106) | (2,486) | (5,420) |
| Weighted average number of issued units (basic and diluted) ('000) | 603,588 | 598,665 | 601,140 | 598,665 |
| Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents) | (0.08) | (1.02) | (0.41) | (0.91) |
| Number of issued units at end of quarter/period ('000) | 654,665 | 598,665 | 654,665 | 598,665 |
| Distribution per unit (US Cents) | 0.95 | 0.95 | 1.90 | 2.45 |

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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

| | Note | 30 Jun 2011 | | 31 Dec 2010 | |
|---------------------------------|------|-------------|-------|-------------|-------|
| | | Group | Trust | Group | Trust |
| Net asset value per unit (US\$) | (a) | 0.53 | 0.36 | 0.57 | 0.41 |

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

Consolidated Income Statements

| | Group | | | | | |
|--------------------------------------|----------|----------|---------------|----------|----------|---------------|
| | 2Q 2011 | 2Q 2010 | Inc/ (Dec) | 1H 2011 | 1H 2010 | Inc/ (Dec) |
| | US\$'000 | US\$'000 | % | US\$'000 | US\$'000 | % |
| Revenue | 28,700 | 28,528 | 0.6 | 52,552 | 52,960 | (0.8) |
| Depreciation expense on vessels | (14,442) | (15,066) | (4.1) | (28,738) | (30,554) | (5.9) |
| Impairment loss on vessels | - | (7,865) | N.M. | - | (7,865) | N.M. |
| Vessel operating and voyage expenses | (4,267) | (219) | N.M. | (8,410) | (219) | N.M. |
| Management fees | (867) | (897) | (3.3) | (1,700) | (1,876) | (9.4) |
| Trustee fees | (41) | (44) | (6.8) | (83) | (89) | (6.7) |
| Other trust expenses | (912) | (3,861) | (76.4) | (1,647) | (4,412) | (62.7) |
| Call on banker’s guarantee | (2,500) | - | N.M. | (2,500) | - | N.M. |
| Finance income | 23 | 146 | (84.2) | 53 | 172 | (69.2) |
| Finance expenses | (6,183) | (6,817) | (9.3) | (12,009) | (13,524) | (11.2) |
| Loss before income tax | (489) | (6,095) | (92.0) | (2,482) | (5,407) | (54.1) |
| Income tax expense | (2) | (11) | (81.8) | (4) | (13) | (69.2) |
| Loss for the quarter/period | (491) | (6,106) | (92.0) | (2,486) | (5,420) | (54.1) |

2Q 2011 vs 2Q 2010

In June 2011, FSL Trust acquired two Long Range II product tankers from a wholly-owned subsidiary of TORM A/S (“TORM”) and concurrently leased the vessels back to TORM. The acquisition of these vessels increases FSL Trust’s portfolio from 23 vessels to 25 vessels.

Revenue increased marginally by 0.6% (+US\$0.2 million) to US\$28.7 million in 2Q 2011 compared to 2Q 2010. Included in 2Q 2010 revenue was a US\$6.0 million security deposit received by FSL Trust arising from the re-delivery of ‘FSL Hamburg’ and ‘FSL Singapore’ in 2Q 2010. Excluding this amount, 2Q 2011’s revenue would have risen by 27.4% as compared to 2Q 2010. The net increase was attributed to the freight income earned by the vessels in the spot market post re-deliveries and additional lease revenue from the newly acquired vessels leased to TORM.

Excluding the vessel operating and voyage expenses of US\$4.3 million relating to the product tankers trading in the spot market and provision for call on banker’s guarantee of US\$2.5 million, total operating expenditure fell 41.4% (-US\$11.5 million) to US\$16.3 million. The higher expenditure in 2Q 2010 was mainly due to (i) impairment loss of US\$7.9 million, net vessel related expenses (non-recurring) of US\$1.1 million and legal fees relating to the handling of the re-delivery and arrest of ‘FSL Hamburg’ and ‘FSL Singapore’, and (ii) professional fees incurred for the aborted senior note offering.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

8. Review of Performance (cont'd)

On the basis of the judgment passed by the court in PRC in favour of Daxin Petroleum Pte. Ltd. ("Daxin") in its bunker claims case against Rovina Shipping Company Limited ("Rovina", an affiliate company of Daxin), Daxin will now be able to call upon the banker's guarantee posted by the Trustee-Manager as security for the release of 'Nika I' (now renamed 'FSL Hamburg'). As the PRC judgment was in relation to an event existing as at 30 June 2011, a provision for this call on the banker's guarantee amounting to US\$2.5 million was made for 2Q 2011.

Taking into consideration the provision for call on banker's guarantee of US\$2.5 million, FSL Trust reported a US\$0.5 million net loss during the current quarter under review.

Trading performance of two product tankers

| | 2Q 2011 | 1H 2011 |
|--|--------------|--------------|
| | US\$ million | US\$ million |
| Freight income | 7.569 | 10.645 |
| Voyage expenses | (3.037) | (6.018) |
| Time charter equivalent revenue | 4.532 | 4.627 |
| Less: Crew cost, vessel maintenance and others | (1.306) | (2.544) |
| Bareboat charter equivalent revenue | 3.226 | 2.083 |

Subsequent to the re-deliveries in 2Q 2010, 'FSL Hamburg' and 'FSL Singapore' were deployed in the product tanker spot market. While expenditure is recognised on an accrual basis, freight income is recognised only upon discharge of the freight. In 2Q 2011, out of the US\$7.6 million recognised, US\$1.6 million was primarily attributed to freight carried in 1Q 2011. On a cumulative basis for 1H 2011, 'FSL Hamburg' and 'FSL Singapore' generated a time-charter equivalent and bareboat charter equivalent revenue of US\$4.6 million and US\$2.1 million, respectively, on the back of freight income of US\$10.6 million.

Distribution Statements

| | Note | Group | | | |
|---|------|----------|----------|----------|----------|
| | | 2Q 2011 | 2Q 2010 | 1H 2011 | 1H 2010 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Loss for the quarter/period | | (491) | (6,106) | (2,486) | (5,420) |
| Add: Non-cash adjustments | (a) | 13,977 | 23,362 | 27,511 | 39,005 |
| Net cash generated from operations | | 13,486 | 17,256 | 25,025 | 33,585 |
| Less: Repayment of secured bank loans | | (8,000) | (8,000) | (16,000) | (16,000) |
| Income available for distribution | | 5,486 | 9,256 | 9,025 | 17,585 |
| Add: Utilisation of cash retained from previous periods | | 246 | - | 2,394 | 651 |
| Less: Cash retained in the current period | | - | (3,568) | - | (3,568) |
| Net distributable amount | | 5,732 | 5,688 | 11,419 | 14,668 |
| Amount available for distribution | | 5,732 | 5,688 | 11,419 | 14,668 |
| Comprising: (i) Tax-exempt distribution | | 5,711 | 5,553 | 11,370 | 14,509 |
| (ii) Tax-exempt (one-tier) distribution | | 21 | 135 | 49 | 159 |
| Amount to be distributed | (b) | 5,732 | 5,688 | 11,419 | 14,668 |
| Units at the end of the period ('000) | | 654,665 | 598,665 | 654,665 | 598,665 |
| Distribution per unit (US Cents) | (b) | 0.95 | 0.95 | 1.90 | 2.45 |

Notes:

- (a) Non-cash adjustments include depreciation expenses, translation exchange differences and amortisation of certain debt upfront fees and initial direct costs.
- (b) This comprises a stub distribution of US0.87¢ and a final distribution of US0.08¢. Please see note (c) on page 3 for the details.

8. Review of Performance (cont'd)

For 2Q 2011, FSL Trust generated net cash from operations of US\$13.5 million, of which 43% or US\$5.7 million will be distributed to unitholders. This equates to a distribution per unit ("DPU") of US0.95¢ for the current quarter under review (comprising a stub distribution of US0.87¢ and a final distribution of US0.08¢). The residual cash was applied primarily towards quarterly loan repayments totalling US\$8.0 million.

The Trustee-Manager is not entitled to any incentive fees as the Net Distributable Amount per unit ("DAU") of US0.95¢ did not meet the incentive fee threshold DAU of US2.45¢.

Distribution Reinvestment Scheme

For the quarter ended 30 June 2011, the Board has determined that the Distribution Reinvestment Scheme will not apply to the distribution declared for this quarter.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

The addition of two product tankers on lease to TORM further increases the stable and predictable cash flow generated by the Trust's vessels on long-term leases. The Trustee-Manager's immediate focus is to tie-up the re-financing of the credit facility and at the same time continue to seek cash-flow accretive growth opportunities.

With regard to 'FSL Hamburg' and 'FSL Singapore', indications in early 3Q 2011 for the relevant spot rates showed a softening of the freight earnings. Hence, earnings from these two product tankers may be dampened. The Trustee-Manager will continue to seek longer term employment options for the two tankers.

11. Subsequent events

Judgment passed by court in Japan

As announced on 18 July 2011, the Japanese court has ruled in favour of the Trust and has set aside the arrest of 'Verona I' (now renamed 'FSL Singapore') by Daxin. If there is no appeal, the Trustee-Manager expects the security deposit of approximately US\$1.6 million to be released by the Japanese court in due course. The release of the security deposit will not have any financial impact to the net income of the Group.

Judgment passed by court in PRC

As announced on 18 July 2011, the Chinese court has ruled in favour of Daxin in its bunker claims case against Rovina. The Chinese court had earlier allowed the arrest of 'Nika I' because of alleged bunker claims. In order to secure the release of 'Nika I', the Trustee-Manager had posted a banker's guarantee in favour of Daxin as security. On the basis of the judgment passed by the court in PRC in favour of Daxin, Daxin will now be able to call upon this banker's guarantee. As the PRC judgment was in relation to an event existing as at 30 June 2011, a provision for this call on the banker's guarantee amounting to US\$2.5 million was made for 2Q 2011.

FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

12. Distribution

(a) Current financial period

| | | |
|---|---|--|
| Any distributions declared for the current financial period | : | Yes |
| Amount for period from 1 April 2011 to 22 June 2011 | : | US\$5,208,386 |
| Amount for period from 23 June 2011 to 30 June 2011 | : | US\$523,732 |
| Distribution Type | : | Cash, Tax-exempt Distribution |
| Stub Distribution Rate for period from 1 April 2011 to 22 June 2011 | : | US0.87 cents per unit |
| Distribution Rate for period from 23 June 2011 to 30 June 2011 | : | US0.08 cents per unit |
| Par Value of units | : | Not applicable |
| Tax Rate | : | Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits of any taxes paid by the Trustee-Manager of FSL Trust. |

(b) Corresponding Period of the Immediate Preceding Financial Period

| | | |
|--|---|--|
| Any distributions declared for the previous corresponding period | : | Yes |
| Amount | : | US\$5,687,318 |
| Distribution Period | : | 1 April 2010 to 30 June 2010 |
| Distribution Type | : | Cash, Tax-exempt Distribution |
| Distribution Rate | : | US0.95 cents per unit |
| Par Value of units | : | Not applicable |
| Tax Rate | : | Distributions received by either Singapore tax resident unitholders or non-Singapore tax resident unitholders are exempt from Singapore income tax and also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits of any taxes paid by the Trustee-Manager of FSL Trust. |

(c) Date payable

| | | |
|---|---|----------------|
| - Distribution for period from 1 April 2011 to 22 June 2011 | : | 21 July 2011 |
| - Distribution for period from 23 June 2011 to 30 June 2011 | : | 26 August 2011 |

**FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

- (d) Books closure date : The Transfer Books and Register of Unitholders of FSL Trust will be closed at 5.00 p.m. on 28 July 2011 for the purposes of determining each unitholder's entitlement to the Distribution of US0.08 cents. Unitholders whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with units at 5.00 p.m. on 28 July 2011 will be entitled to the Distribution to be paid on 26 August 2011.
- (e) Currency election procedures : Unitholders whose units are held directly through CDP will receive their distribution in the Singapore dollar equivalent of the US0.08 cents declared. Unitholders who wish to elect to receive the distribution in US dollars can do so by submitting a "Currency Election Notice" by 5.00 p.m. on 10 August 2011.

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

Not applicable.

14. Confirmation by the Board

The Board of FSL Trust Management Pte. Ltd. as Trustee-Manager of First Ship Lease Trust, has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the interim financial results of the Group for the quarter ended 30 June 2011 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
20 July 2011



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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
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Singapore 038989

Our ref KT/EC/116

Contact Kenny Tan
(+65 6213 2836)

Attention: Mr Cheong Chee Tham

20 July 2011

Dear Sirs

First Ship Lease Trust
Independent auditor's report on review of condensed consolidated interim
financial information for the period ended 30 June 2011

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 statements of financial position of the Group and the Trust as at 30 June 2011, condensed consolidated income statement, 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"). 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*.

Emphasis of Matter

Without qualifying our review report, we draw attention to Note 3 of the condensed consolidated interim financial information which states that the condensed consolidated interim financial information for the period ended 30 June 2011 have been prepared on a going concern basis notwithstanding the deficiency in net current assets of US\$246.5million as at 30 June 2011. Under the Trust's financing arrangements, US\$229.9million matures on 2 April 2012. This loan balance, which is due within the next 12 months, has been classified within current liabilities. In connection with this, the Trustee-Manager is currently reviewing and evaluating various re-financing options with the banks (the "re-financing plan").

If the Trust is unable to complete the re-financing plan, and since the current working capital is not sufficient to settle the loan balance of US\$229.9million, these conditions indicate 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
Public Accountants and
Certified Public Accountants

20 July 2011