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

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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 2012, FSL Trust has a modern, high quality and diverse portfolio of 25 vessels consisting of seven containerships, 11 product tankers, three chemical tankers, two crude oil tankers and two dry bulk carriers. Twenty vessels are employed on long-term bareboat leases and have a dollar-weighted average remaining lease period of approximately five and a half years (excluding extension periods and early buy-out options). Of the remaining five vessels (two product tankers and three chemical tankers), one product tanker is employed on a 3-year time charter contract while the other product tanker will enter a similar 3-year time charter contract in 3Q 2012. The remaining 3 chemical tankers are currently employed in the spot market. The combined portfolio of 25 vessels has a dollar-weighted average age of approximately seven years.

**Summary of FSL Trust Consolidated Results**

	2Q 2012	2Q 2011	Inc/(Dec)
	US\$'000	US\$'000	%
Revenue	29,247	28,700	1.9
Loss for the quarter	(2,479)	(491)	N.M.
Net cash generated from operations	11,580	13,486	(14.1)
Net Distributable Amount	-	5,732	(100.0)
Amount to be distributed	-	5,732	(100.0)
Distribution Per Unit ("DPU") (US Cents)			
For the period	-	0.95	(100.0)
Annualised	-	3.80	(100.0)

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**1(a)(i) Consolidated Income Statements**

Note	Group					
	2Q 2012	2Q 2011	Inc/ (Dec)	1H 2012	1H 2011	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	29,247	28,700	1.9	55,328	52,552	5.3
Depreciation expense on vessels	(14,232)	(14,442)	(1.5)	(28,731)	(28,738)	N.M.
Voyage expenses	(5,762)	(3,037)	89.7	(9,282)	(6,018)	54.2
Vessel operating expenses	(2,561)	(1,230)	N.M.	(4,334)	(2,392)	81.2
Management fees	(788)	(867)	(9.1)	(1,662)	(1,700)	(2.2)
Trustee fees	(40)	(41)	(2.4)	(81)	(83)	(2.4)
Other trust expenses	(1,822)	(912)	99.8	(3,382)	(1,647)	N.M.
Call on banker's guarantee	-	(2,500)	(100.0)	-	(2,500)	(100.0)
Finance income	31	23	34.8	61	53	15.1
Finance expenses	(6,549)	(6,183)	5.9	(14,568)	(12,009)	21.3
<b>Loss before income tax</b>	<b>(2,476)</b>	<b>(489)</b>	<b>N.M.</b>	<b>(6,651)</b>	<b>(2,482)</b>	<b>N.M.</b>
Income tax (expense)/write-back	(3)	(2)	50.0	4	(4)	N.M.
<b>Loss for the quarter/period</b>	<b>(2,479)</b>	<b>(491)</b>	<b>N.M.</b>	<b>(6,647)</b>	<b>(2,486)</b>	<b>N.M.</b>

Notes:

- (a) The finance expenses for 2Q 2012 includes net exchange loss of US\$0.3 million (2Q 2011: net exchange gain of US\$0.3 million) arising from the partial repayment of inter-company US\$-denominated loans previously extended to certain subsidiaries.
- (b) This relates to tax (expense)/write-back on the taxable interest income on bank deposits.

**1(a)(ii) Statements of Comprehensive Income**

	Group			
	2Q 2012	2Q 2011	1H 2012	1H 2011
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the quarter	(2,479)	(491)	(6,647)	(2,486)
<b>Other comprehensive income:</b>				
Translation differences relating to financial statements of foreign subsidiaries	(1,240)	543	(593)	1,745
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	(699)	476	(344)	1,659
Effective portion of changes in fair value of cash flow hedges	(2)	(3,788)	(1,839)	(5,231)
Net change in fair value of cash flow hedges transferred to income statement	1,429	3,809	4,770	7,476
<b>Other comprehensive income, net of tax</b>	<b>(512)</b>	<b>1,040</b>	<b>1,994</b>	<b>5,649</b>
<b>Total comprehensive income</b>	<b>(2,991)</b>	<b>549</b>	<b>(4,653)</b>	<b>3,163</b>

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1(a)(iii) Distribution Statements

	Note	Group			
		2Q 2012 US\$'000	2Q 2011 US\$'000	1H 2012 US\$'000	1H 2011 US\$'000
Loss for the quarter		(2,479)	(491)	(6,647)	(2,486)
Add: Non-cash adjustments	(a)	14,059	13,977	28,071	27,511
<b>Net cash generated from operations</b>		11,580	13,486	21,424	25,025
Less: Repayment of secured bank loans		(11,000)	(8,000)	(22,000)	(16,000)
<b>Income available for distribution</b>		580	5,486	(576)	9,025
Add: Utilisation of cash retained from previous periods		-	246	1,810	2,394
Less: Cash retained in the current period		(580)	-	(580)	-
<b>Net distributable amount</b>	(b)	-	5,732	654	11,419
Amount available for distribution		-	5,732	654	11,419
Comprising: (i) Tax-exempt distribution		-	5,711	617	11,370
(ii) Tax-exempt (one-tier) distribution		-	21	37	49
<b>Amount to be distributed</b>		-	5,732	654	11,419
Units at the end of the quarter ('000)		654,665	654,665	654,665	654,665
<b>Distribution per unit (US Cents)</b>		-	0.95	0.10	1.90

Notes:

- (a) Non-cash adjustments include depreciation expenses, translation exchange differences and amortisation of certain debt upfront fees and initial direct costs. Initial direct costs are transaction expenses incurred in the origination of new leases. These costs are capitalised and amortised into earnings in proportion to the recognition of lease income.
- (b) In connection with a temporary relaxation of two of FSL Trust's loan covenants from its lenders, FSL Trust is restricted from paying any distributions to unitholders during the Relaxation Period (see paragraph 1(b)(ii)).

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1(b)(i) Statements of Financial Position

	30 Jun 2012		31 Dec 2011	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-current assets</b>				
Vessels	754,694	-	784,696	-
Subsidiaries	-	601,852	-	601,828
Derivative assets	738	738	426	426
	755,432	602,590	785,122	602,254
<b>Current assets</b>				
Inventories	1,879	-	998	-
Derivative assets	687	687	314	314
Trade and other receivables	2,246	47,549	3,677	83,030
Cash and cash equivalents	30,812	24,070	32,304	28,877
	35,624	72,306	37,293	112,221
<b>Total assets</b>	<b>791,056</b>	<b>674,896</b>	<b>822,415</b>	<b>714,475</b>
<b>Equity attributable to unitholders of FSL Trust</b>				
Units in issue	525,412	525,412	525,412	525,412
Reserves	(206,395)	(317,672)	(200,433)	(304,168)
<b>Total equity</b>	<b>319,017</b>	<b>207,740</b>	<b>324,979</b>	<b>221,244</b>
<b>Non-current liabilities</b>				
Secured bank loans	407,545	407,545	428,780	428,780
Derivative liabilities	7,008	7,008	8,781	8,781
	414,553	414,553	437,561	437,561
<b>Current liabilities</b>				
Trade and other payables	4,308	899	5,840	3,122
Lease income received in advance	1,474	-	1,486	-
Derivative liabilities	7,699	7,699	8,548	8,548
Secured bank loan	44,000	44,000	44,000	44,000
Current tax payable	5	5	1	-
	57,486	52,603	59,875	55,670
<b>Total liabilities</b>	<b>472,039</b>	<b>467,156</b>	<b>497,436</b>	<b>493,231</b>
<b>Total equity and liabilities</b>	<b>791,056</b>	<b>674,896</b>	<b>822,415</b>	<b>714,475</b>

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

	30 Jun 2012	31 Dec 2011
	US\$'000	US\$'000
<b>Secured bank loans</b>		
Amount repayable within one year	44,000	44,000
Amount repayable after one year	413,558	435,558
Less: Unamortised debt upfront fees	(6,013)	(6,778)
	451,545	472,780

The Trustee-Manager, on behalf of FSL Trust, has secured a 6-year amortising term loan facility with an outstanding loan balance of US\$457.6 million as at 30 June 2012.

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

(i) the minimum security value-to-loan ratio ("VTL") is reduced from 125% to 100%; and

(ii) debt service coverage ("DSC") ratio is reduced from at least 1.1:1 to at least 1:1.

During the Relaxation Period, FSL Trust is restricted from paying any distributions to unitholders. In addition, a US\$10 million security deposit will be placed with the security agent, and FSL Trust's lenders will also impose a levy of 2% per annum on the shortfall amount, which is the difference between the outstanding loan balance and the theoretical loan balance assuming VTL ratio is 125%.

The interest margin of the term loan:

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

For 2Q 2012, the applicable margin over US\$ 3-month Libor was 3.0%. The VTL ratio will be assessed semi-annually.

The term loan is secured on the following:

(i) a first priority mortgage over the Group's vessels in the portfolio;

(ii) a first priority assignment of the Group's rights, title, interest in the insurances to and for each vessel, including insurance for hull and machinery, protection and indemnity and war risks; and

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

FSL Trust has hedged its interest rate risk through a combination of interest rate swaps and/or natural hedges to fix the interest rates. The fixed interest rates range from 1.65% per annum to 5.24% per annum.

Based on the latest valuation of FSL Trust's vessel portfolio, the VTL ratio is approximately 110% and will be applicable for the 6 months from 30 June 2012 for the purposes of interest expense computation. Assuming this valuation remains unchanged during the Relaxation Period, the projected additional interest expense on the shortfall amount is approximately US\$0.7 million during this 12 months.

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1(c) Consolidated Cash Flow Statements

	Group			
	2Q 2012	2Q 2011	1H 2012	1H 2011
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Operating activities:</b>				
Loss before income tax	(2,476)	(489)	(6,651)	(2,482)
Adjustments for:				
Depreciation expense on vessels	14,232	14,442	28,731	28,738
Amortisation of debt upfront fees and initial direct costs	503	480	1,012	951
Interest income	(31)	(23)	(61)	(53)
Interest expense	5,687	5,977	13,593	11,917
Unrealised exchange differences	303	(293)	17	(877)
	18,218	20,094	36,641	38,194
Changes in working capital:				
Trade and other receivables	(838)	(2,981)	1,499	(2,156)
Inventories	(380)	(17)	(881)	(796)
Trade and other payables	726	2,047	241	3,144
Lease income received in advance	1,474	1,193	(12)	(936)
<b>Cash generated from operations</b>	19,200	20,336	37,488	37,450
Refund of income tax	-	(8)	8	(8)
<b>Cash flows from operating activities</b>	19,200	20,328	37,496	37,442
<b>Investing activities:</b>				
Acquisition of vessels	-	(93,220)	-	(93,220)
Interest received	30	29	58	65
Costs incurred for dry-docking	-	(5)	-	(18)
<b>Cash flows from investing activities</b>	30	(93,196)	58	(93,173)
<b>Financing activities:</b>				
Net proceeds from issuance of units	-	15,141	-	15,141
Distribution to unitholders	(654)	(5,687)	(1,309)	(11,375)
Repayment of secured bank loans	(11,000)	(8,000)	(22,000)	(16,000)
Proceeds from borrowings	-	46,000	-	46,000
Interest paid	(8,697)	(5,880)	(15,737)	(11,956)
<b>Cash flows from financing activities</b>	(20,351)	41,574	(39,046)	21,810
Net decrease in cash and cash equivalents	(1,121)	(31,294)	(1,492)	(33,921)
Cash and cash equivalents at beginning of period	31,933	50,419	32,304	53,046
Cash and cash equivalents at end of period	30,812	19,125	30,812	19,125
<b>Comprising:-</b>				
Cash at Bank	18,205	19,125	18,205	19,125
Short-term deposits	12,607	-	12,607	-
	30,812	19,125	30,812	19,125

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

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

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,412	(14,709)	(1,941)	(186,100)	322,662
-	1,427	(1,939)	(2,479)	(2,991)
-	-	-	(654)	(654)
525,412	(13,282)	(3,880)	(189,233)	319,017

2011  
Group  
At 1 April 2011  
Total comprehensive income for the quarter  
Contribution by and distribution to unitholders:  
Units issued pursuant to equity placement  
Distribution to unitholders  
At 30 June 2011

Note

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
510,273	(23,773)	1,442	(148,568)	339,374
-	21	1,019	(491)	549
15,141	-	-	-	15,141
-	-	-	(10,895)	(10,895)
525,414	(23,752)	2,461	(159,954)	344,169

(a)

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).

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

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2012 Trust				
At 1 April 2012	525,412	(14,709)	(297,211)	213,492
Total comprehensive income for the quarter	-	1,427	(6,525)	(5,098)
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(654)	(654)
At 30 June 2012	525,412	(13,282)	(304,390)	207,740

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	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	15,141	-	-	15,141
Distribution to unitholders	-	-	(10,895)	(10,895)
At 30 June 2011	525,414	(23,752)	(266,602)	235,060

Note

(a)

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).



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

	2Q 2012 Units	FY 2011 Units
At the beginning of the period	654,665,077	598,665,077
Units issued during the period	-	56,000,000
At the end of the period	654,665,077	654,665,077

1(d)(iv) Sales, Transfers, Disposal, Cancellation and/or use of Treasury Units

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have been extracted from the Interim Financial Information which has been reviewed by the auditors in accordance with the Singapore Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

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

The Auditors' review report dated 23 July 2012 on the interim financial report of FSL Trust and its subsidiaries for the quarter ended 30 June 2012 is enclosed in the Appendix.

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

Except for the change in the method of computation as disclosed in paragraph 5, FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2011.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Chemical tankers-Pertiwi, Pujawati and Prita Dewi

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

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change have been applied prospectively from January 2012 as the payment default was assessed to be an adjusting post-balance sheet event for the year ended 31 December 2011. The change reduces depreciation expense for the current quarter by US\$1.0 million (1H 2012: US\$2.0 million) for the three vessels.

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

Product tankers- *TORM Margrethe* and *TORM Marie*

In April 2012, the various stakeholders of TORM (including FSL Trust) agreed upon a restructuring plan for all of TORM's leases. Under the proposed restructuring terms, the various early-buyout and purchase options relating to the *TORM Margrethe* and *TORM Marie* leases will be cancelled. In addition, the contracted bareboat charter rates for these two vessels are also re-aligned to rates that TORM achieves in the tanker market. In view of these revised terms, the expected useful life of each of the two vessels has been revised from 7 years to 25 years and the basis of estimating the respective residual values has also changed.

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change have been applied prospectively from April 2012. The change reduces depreciation expense for the current quarter by US\$0.3 million for the two vessels.

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

	Group			
	2Q 2012	2Q 2011	1H 2012	1H 2011
Basic and diluted earnings per unit is based on:				
Loss for the quarter (US\$'000)	(2,479)	(491)	(6,647)	(2,486)
Weighted average number of issued units (basic and diluted) ('000)	654,665	603,588	654,665	601,140
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(0.38)	(0.08)	(1.02)	(0.41)
Number of issued units at end of quarter ('000)	654,665	654,665	654,665	654,665
Distribution per unit (US Cents)	-	0.95	0.10	1.90

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

	Note	30 Jun 2012		31 Dec 2011	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.49	0.32	0.50	0.34

Note:

(a) Net asset value per unit was calculated based on the applicable number of units issued as at the end of the respective period/year.

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8. Review of Performance

Consolidated Income Statements

	Group					
	2Q 2012	2Q 2011	Inc/ (Dec)	1H 2012	1H 2011	Inc/ (Dec)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	29,247	28,700	1.9	55,328	52,552	5.3
Depreciation expense on vessels	(14,232)	(14,442)	(1.5)	(28,731)	(28,738)	N.M.
Voyage expenses	(5,762)	(3,037)	89.7	(9,282)	(6,018)	54.2
Vessel operating expenses	(2,561)	(1,230)	N.M.	(4,334)	(2,392)	81.2
Management fees	(788)	(867)	(9.1)	(1,662)	(1,700)	(2.2)
Trustee fees	(40)	(41)	(2.4)	(81)	(83)	(2.4)
Other trust expenses	(1,822)	(912)	99.8	(3,382)	(1,647)	N.M.
Call on banker's guarantee	-	(2,500)	(100.0)	-	(2,500)	(100.0)
Finance income	31	23	34.8	61	53	15.1
Finance expenses	(6,549)	(6,183)	5.9	(14,568)	(12,009)	21.3
<b>Loss before income tax</b>	<b>(2,476)</b>	<b>(489)</b>	<b>N.M.</b>	<b>(6,651)</b>	<b>(2,482)</b>	<b>N.M.</b>
Income tax (expense)/write-back	(3)	(2)	50.0	4	(4)	N.M.
<b>Loss for the quarter/period</b>	<b>(2,479)</b>	<b>(491)</b>	<b>N.M.</b>	<b>(6,647)</b>	<b>(2,486)</b>	<b>N.M.</b>

2Q 2012 vs 2Q 2011

Revenue rose marginally by 1.9% (+US\$0.5 million) to US\$29.2 million compared to 2Q 2011. The breakdown is as follows:-

	2Q 2012	2Q 2011	Inc/(Dec)
	US\$'000	US\$'000	%
Bareboat charter revenue	18,111	21,131	(14.3)
Freight income:			
-Chemical tankers	6,844	-	100.0
-Product tankers	3,670	7,569	(51.5)
	10,514	7,569	38.9
Time charter revenue	622	-	100.0
	29,247	28,700	1.9

Bareboat charter revenue fell 14.3% (-US\$3.0 million) to US\$18.1 million mainly due to the payment default by the subsidiaries of PT Berlian Laju Tanker Tbk ("BLT") for three chemical tankers since February 2012. Rentals from vessels leased to TORM A/S were reduced in 2Q 2012 as the leases were being restructured.

Freight income totalling US\$10.5 million was earned in this quarter from the five vessels trading in the spot market. The three chemical tankers, which started active trading in 2Q 2012, earned US\$6.8 million in this quarter whilst the two product tankers generated freight income of US\$3.7 million. One of the product tankers, *FSL Singapore* ceased trading in the spot market and commenced trading on a time charter basis with Petróleo Brasileiro S.A. ("Petrobras") from mid-May 2012, generating a time charter revenue of US\$0.6 million in 2Q 2012. *FSL Hamburg* continues to trade in the spot market but is expected to start a similar 3-year time charter contract with Petrobras in 3Q 2012.

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**8. Review of Performance (cont'd)**

Voyage expenses (comprise mainly bunkers and port charges) and vessel operating expenses (comprise mainly crew costs and vessel maintenance costs) increased 95.1% (+US\$4.1 million) to US\$8.3 million as bunkers, port charges, crew and vessel related operating costs were incurred for the three chemical tankers which started trading in the spot market from March 2012.

The other operating expenses which consist of depreciation, management fees, trustee fees and other trust expenses, increased by 3.8% (+US\$0.6 million) to US\$16.9 million in 2Q 2012. The higher expenditure was due mainly to a non-recurring vessel related expense of US\$1.1 million arising from the redelivery of the three chemical tankers and change in technical manager for *FSL Hamburg* and *FSL Singapore*, offset by lower depreciation (-US\$0.2 million). The provision for a call on banker's guarantee of US\$2.5 million in 2Q 2011 was related to the arrest of *FSL Hamburg* in China in June 2010. This provision was subsequently reversed in 4Q 2011 in connection with the out-of-court settlement in November 2011.

Finance expenses (excluding net exchange losses of US\$0.3 million (2Q 2011: net exchange gains of US\$0.3 million)) decreased 2.5% (-US\$0.2 million) to US\$6.2 million.

On an overall basis, FSL Trust reported a net loss of US\$2.5 million for the current quarter.

**Performance of three chemical tankers**

The performance of the three chemical tankers is as follows:

	2Q 2012	2Q 2011
	US\$'000	US\$'000
Freight income	6,844	-
Voyage expenses	(3,446)	-
Time charter equivalent revenue	3,398	-
Less: Vessel operating expenses	(1,350)	-
Bareboat charter equivalent revenue	2,048	-

Though the vessels were delivered in 1Q 2012, they only commenced active trading in the spot market from April 2012, generating bareboat charter equivalent revenue of US\$2.0 million in 2Q 2012.

The three chemical tankers will enter the 'Nordic Siva' pool in 3Q 2012.

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8. Review of Performance (cont'd)

Performance of two product tankers

The two product tankers, *FSL Hamburg* and *FSL Singapore* have been trading in the product tanker spot market since 3Q 2010. Both vessels have now been contracted to enter into 3-year time charter contracts with Petrobras. *FSL Singapore* commenced employment under the time charter contract from mid-May 2012, whilst *FSL Hamburg* is slated to start time charter employment in 3Q 2012.

For the quarter under review, performance by these two product tankers was weaker compared to the same period last year.

The performance of the two product tankers is as follows:

	2Q 2012	2Q 2011	Inc/(Dec)
	US\$'000	US\$'000	%
<u>Spot charters</u>			
Freight income	3,670	7,569	(51.5)
Voyage expenses	(2,316)	(3,037)	(23.7)
Time charter equivalent revenue ("TCE")	1,354	4,532	(70.1)
<u>Time charter</u>			
Time charter revenue	622	-	100.0
TCE/Time charter revenue	1,976	4,532	(56.4)
Less: Vessel operating expenses	(1,287)	(1,306)	(1.5)
Bareboat charter equivalent revenue	689	3,226	(78.6)

Spot charter performance

For their operations under spot charters, time charter equivalent revenue fell 70.1% (-US\$3.2 million) to US\$1.4 million in 2Q 2012. This was mainly contributed by:

- (i) lower freight rates earned in this quarter;
- (ii) timing difference in recognition of freight income (-US\$2.5 million) as freight income is recognised on a 'discharge-to-discharge' basis while expenses are recognised on an accrual basis. In 2Q 2012, about US\$0.9 million of freight revenue earned in 2Q 2012 will only be recognised in 3Q 2012; while correspondingly, freight revenue of about US\$1.6 million was recognised in 2Q 2011 for a freight carried in 1Q 2011; and
- (iii) loss of spot charter revenue from mid-May 2012 for *FSL Singapore* and loss of approximately 20 employment days as she made preparation to enter into time charter employment with Petrobras.

Time charter performance

Following the commencement of the time charter with Petrobras in mid-May 2012, *FSL Singapore* generated time charter revenue of US\$0.6 million for 2Q 2012 at a gross daily time charter rate of US\$14,000.

The vessel operating expenses, such as crew costs and vessel maintenance costs in 2Q 2012, were marginally lower than same quarter last year due to cost savings arising from the change in technical manager.

On an overall basis, bareboat charter equivalent revenue of US\$0.7 million was generated in this quarter, down 78.6% from the same quarter last year.

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8. Review of Performance (cont'd)

Distribution Statements

	Note	Group			
		2Q 2012	2Q 2011	1H 2012	1H 2011
		US\$'000	US\$'000	US\$'000	US\$'000
Loss for the quarter		(2,479)	(491)	(6,647)	(2,486)
Add: Non-cash adjustments	(a)	14,059	13,977	28,071	27,511
<b>Net cash generated from operations</b>		<b>11,580</b>	<b>13,486</b>	<b>21,424</b>	<b>25,025</b>
Less: Repayment of secured bank loans		(11,000)	(8,000)	(22,000)	(16,000)
<b>Income available for distribution</b>		<b>580</b>	<b>5,486</b>	<b>(576)</b>	<b>9,025</b>
Add: Utilisation of cash retained from previous periods		-	246	1,810	2,394
Less: Cash retained in the current period		(580)	-	(580)	-
<b>Net distributable amount</b>		<b>-</b>	<b>5,732</b>	<b>654</b>	<b>11,419</b>
Amount available for distribution		-	5,732	654	11,419
Comprising: (i) Tax-exempt distribution		-	5,711	617	11,370
(ii) Tax-exempt (one-tier) distribution		-	21	37	49
<b>Amount to be distributed</b>		<b>-</b>	<b>5,732</b>	<b>654</b>	<b>11,419</b>
Units at the end of the quarter ('000)		654,665	654,665	654,665	654,665
<b>Distribution per unit (US Cents)</b>		<b>-</b>	<b>0.95</b>	<b>0.10</b>	<b>1.90</b>

Note:

- (a) Non-cash adjustments include depreciation expenses, translation exchange differences and amortisation of certain debt upfront fees and initial direct costs.

In connection with a temporary relaxation of two of FSL Trust's loan covenants from its lenders, FSL Trust is restricted from paying any distributions to unitholders during the Relaxation Period (see paragraph 1(b)(ii)).

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

The outlook of the shipping industry remains bleak. In order to brave the challenges ahead, the Trustee-Manager has proactively negotiated and secured the relaxation on two loan covenants which provided FSL Trust with temporary relief over the next 12 months. During this relaxation period, FSL Trust will be restricted from making distributions and any surplus cash will be retained to strengthen the balance sheet for future growth.

The vessels leased on long-term bareboat charters will provide a stable revenue base, and will generate adequate cash flows to enable FSL Trust to meet its interest and loan principal repayments.

The Trustee-Manager has made good progress in the deployment of the vessels previously trading in the volatile spot market. By 3Q 2012, the two product tankers will be on time charter with Petrobras and three chemical tankers in the 'Nordic Siva' pool. These arrangements will provide FSL Trust with better cash flow visibility in this fragile shipping industry.

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**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 : Yes  
previous corresponding period

Amount for period from 1 April 2011 to : US\$5,208,386  
22 June 2011

Amount for period from 23 June 2011 to : US\$523,732  
30 June 2011

Distribution Type : Cash, Tax-exempt Distribution

Stub Distribution Rate for period from 1 : US0.87 cents per unit  
April 2011 to 22 June 2011

Distribution Rate for period from 23 : US0.08 cents per unit  
June 2011 to 30 June 2011

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) Payment Date : Not applicable**

**(d) Books closure date : Not applicable**

**(e) Currency election procedures : Not applicable**

**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.

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

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the interim financial results of the Group for the quarter ended 30 June 2012 to be false or misleading in any material aspect.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, changes in operating expenses, trust expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD  
FSL TRUST MANAGEMENT PTE. LTD.  
(COMPANY REGISTRATION NO. 200702265R)  
AS TRUSTEE-MANAGER OF FIRST SHIP LEASE TRUST

Rebecca Cheng Pei Jiuan  
Company Secretary  
23 July 2012





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

Our ref YC/EC/130

Contact Yvonne Chiu  
(+65 6213 2323)

Attention: Mr Cheong Chee Tham

23 July 2012

Dear Sirs

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

*Introduction*

We have reviewed the accompanying condensed consolidated interim financial information of First Ship Lease Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position of the Group and the Trust as at 30 June 2012, and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in unitholders' funds and condensed consolidated statement of cash flow of the Group for the 3 month period then ended and certain explanatory notes (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

***Scope of review***

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

***Conclusion***

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

***Restriction on use***

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

Yours faithfully



**KPMG LLP**  
*Public Accountants and*  
*Certified Public Accountants*

Singapore  
23 July 2012