



FIRST SHIP LEASE TRUST
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2012

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

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

As at 31 December 2012, FSL Trust has a modern, high quality and diverse portfolio of 25 vessels consisting of seven containerships, 11 product tankers, three chemical tankers, two crude oil tankers and two dry bulk carriers. Twenty-two vessels are employed on leases (20 vessels on long-term bareboat charters and two vessels on time charters) and have a dollar-weighted average remaining lease period of approximately five years (excluding extension periods and early buy-out options). The remaining three chemical tankers are employed in a chemical tanker pool. The combined portfolio of 25 vessels has a dollar-weighted average age of approximately seven and a half years.

Summary of FSL Trust Consolidated Results

	4Q 2012	4Q 2011	Decrease	FY 2012
	US\$'000	US\$'000	%	US\$'000
Revenue	24,059	29,575	(18.7)	106,107
Loss for the quarter/year	(1,554)	(14,732)	(89.5)	(8,387)
Net cash generated from operations	12,294	23,207	(47.0)	47,608
Net Distributable Amount	-	655	(100.0)	654
Amount to be distributed	-	655	(100.0)	654
Distribution Per Unit ("DPU") (US Cents)				
For the period	-	0.10	(100.0)	0.10
Annualised	-	0.40	(100.0)	-

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1(a)(i) Consolidated Income Statements

		Group					
Note	4Q 2012	4Q 2011	Inc/ (Dec)	FY 2012	FY 2011	Inc/ (Dec)	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%	
	24,059	29,575	(18.7)	106,107	110,714	(4.2)	
Revenue	(14,233)	(15,475)	(8.0)	(57,196)	(59,688)	(4.2)	
Depreciation expense on vessels	-	(22,117)	(100.0)	-	(22,117)	(100.0)	
Impairment loss on vessels	147	(3,971)	N.M.	(10,545)	(13,569)	(22.3)	
Voyage expenses	(3,303)	(1,147)	N.M.	(10,439)	(4,706)	N.M.	
Vessel operating expenses	(798)	(1,005)	(20.6)	(3,365)	(3,652)	(7.9)	
Management fees	(39)	(42)	(7.1)	(160)	(169)	(5.3)	
Trustee fees	(878)	(793)	10.7	(5,122)	(3,409)	50.2	
Other trust expenses	4,955	(14,975)	N.M.	19,280	3,404	N.M.	
Results from operating activities	-	2,500	(100.0)	-	-	-	
Write-back of provision for call on a banker's guarantee (a)	-	5,000	(100.0)	-	5,000	(100.0)	
Other income (a)	30	18	66.7	124	79	57.0	
Finance income	(6,529)	(7,280)	(10.3)	(27,782)	(25,549)	8.7	
Finance expenses	(1,544)	(14,737)	(89.5)	(8,378)	(17,066)	(50.9)	
Loss before income tax	(10)	5	N.M.	(9)	-	N.M.	
Income tax (expense)/write-back	(1,554)	(14,732)	(89.5)	(8,387)	(17,066)	(50.9)	
Loss for the quarter/year							

Note:

- (a) This relates to the write-back of a provision for call on banker's guarantee (US\$2.5 million) which was made in 2Q 2011 and the receipt of settlement from Daxin Petroleum Pte. Ltd. (US\$5.0 million) pursuant to the amicable out-of-court settlement in November 2011.

1(a)(ii) Statements of Comprehensive Income

		Group			
		4Q 2012	4Q 2011	FY 2012	FY 2011
		US\$'000	US\$'000	US\$'000	US\$'000
Loss for the quarter/year		(1,554)	(14,732)	(8,387)	(17,066)
Other comprehensive income:					
Translation differences relating to financial statements of foreign subsidiaries		617	(770)	368	(1,023)
Exchange differences on monetary items forming part of net investment in foreign subsidiaries		312	(786)	155	(977)
Effective portion of changes in fair value of cash flow hedges		(402)	1,044	(4,728)	(5,169)
Net change in fair value of cash flow hedges transferred to income statement		2,020	3,624	8,642	14,953
Net change in fair value of available-for-sale financial assets		(2,488)	-	(2,488)	-
Other comprehensive income, net of tax		59	3,112	1,949	7,784
Total comprehensive income		(1,495)	(11,620)	(6,438)	(9,282)

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1(a)(iii) Distribution Statements

	Note	Group			
		4Q 2012	4Q 2011	FY 2012	FY 2011
		US\$'000	US\$'000	US\$'000	US\$'000
Loss for the quarter/year		(1,554)	(14,732)	(8,387)	(17,066)
Add: Non-cash adjustments	(a)	13,848	37,939	55,995	80,912
Net cash generated from operations		12,294	23,207	47,608	63,846
Less: Repayment of secured bank loans		(11,000)	(3,523)	(44,000)	(26,707)
Income available for distribution		1,294	19,684	3,608	37,139
Add: Utilisation of cash retained from previous periods		-	-	1,810	2,394
Less: Cash retained in the current period		(1,294)	(19,029)	(4,764)	(21,240)
Net distributable amount	(b)	-	655	654	18,293
Amount available for distribution		-	655	654	18,293
Comprising: (i) Tax-exempt distribution		-	632	617	18,214
(ii) Tax-exempt (one-tier) distribution		-	23	37	79
Amount to be distributed		-	655	654	18,293
Units at the end of the period ('000)		654,665	654,665	654,665	654,665
Distribution per unit (US Cents)		-	0.10	0.10	2.95

Notes:

- (a) Non-cash adjustments include depreciation expenses, translation exchange differences and amortisation of certain debt upfront fees and initial direct costs. Initial direct costs are transaction expenses incurred in the origination of new leases. These costs are capitalised and amortised into earnings in proportion to the recognition of lease income.
- (b) In connection with a temporary relaxation of two of FSL Trust's loan covenants from its lenders, FSL Trust is restricted from paying any distributions to unitholders until 30 June 2013.

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1(b)(i) Statements of Financial Position

		31 Dec 2012		31 Dec 2011	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
	Vessels	727,517	-	784,696	-
	Subsidiaries	-	523,253	-	601,828
	Available-for-sale financial assets	5,637	-	-	-
	Derivative assets	47	47	426	426
		733,201	523,300	785,122	602,254
Current assets					
	Inventories	519	-	998	-
	Derivative assets	185	185	314	314
	Trade and other receivables	3,542	85,838	3,677	83,030
	Cash and cash equivalents	37,488	29,604	32,304	28,877
		41,734	115,627	37,293	112,221
	Total assets	774,935	638,927	822,415	714,475
Equity attributable to unitholders of FSL Trust					
	Units in issue	525,412	525,412	525,412	525,412
	Reserves	(208,180)	(329,918)	(200,433)	(304,168)
	Total equity	317,232	195,494	324,979	221,244
Non-current liabilities					
	Secured bank loans	386,218	386,218	428,780	428,780
	Derivative liabilities	4,492	4,492	8,781	8,781
	Deferred income	6,455	-	-	-
		397,165	390,710	437,561	437,561
Current liabilities					
	Trade and other payables	4,134	684	5,840	3,122
	Lease income received in advance	2,903	-	1,486	-
	Derivative liabilities	8,039	8,039	8,548	8,548
	Secured bank loan	44,000	44,000	44,000	44,000
	Deferred income	1,444	-	-	-
	Current tax payable	18	-	1	-
		60,538	52,723	59,875	55,670
	Total liabilities	457,703	443,433	497,436	493,231
	Total equity and liabilities	774,935	638,927	822,415	714,475

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

Notes:

- (a) Available-for-sale financial assets relate to the shares in TORM A/S ("TORM") received by FSL Trust as part of an agreement to permanently amend the terms on its two charter contracts. FSL Trust's shareholding in the enlarged share capital of TORM is approximately 2.5%.
- (b) Cash and cash equivalents comprise:

	31 Dec 2012		31 Dec 2011	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Restricted cash [^]	10,000	10,000	-	-
Cash at Bank	5,723	608	6,894	3,467
Short-term deposits	21,765	18,996	25,410	25,410
Cash and cash equivalents	37,488	29,604	32,304	28,877
Less: Restricted cash	(10,000)	(10,000)	-	-
Cash and cash equivalents in the statement of cash flows	27,488	19,604	32,304	28,877

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

- (c) Deferred income is recognised on the Statement of Financial Position upon the receipt of shares in TORM by FSL Trust and is amortised to the Income Statement over the remaining lease term on the TORM charter contracts.

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

	31 Dec 2012	31 Dec 2011
	US\$'000	US\$'000
Secured bank loans		
Amount repayable within one year	44,000	44,000
Amount repayable after one year	391,558	435,558
Less: Unamortised debt upfront fees	(5,340)	(6,778)
	430,218	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\$435.6 million as at 31 December 2012.

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

- (i) the minimum security value-to-loan ratio ("VTL") is reduced from 125% to 100%; and
- (ii) debt service coverage ratio is reduced from at least 1.1:1 to at least 1:1.

As of the date of this announcement, FSL Trust is in full compliance with the covenants under the term loan facility.

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

The interest margin of the term loan:

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

For 4Q 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;
- (iii) a first priority assignment of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and
- (iv) a pledge over the Group's shares in TORM.

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

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1(c) Consolidated Cash Flow Statements

	Note	Group			
		4Q 2012 US\$'000	4Q 2011 US\$'000	FY 2012 US\$'000	FY 2011 US\$'000
Operating activities:					
Loss before income tax		(1,544)	(14,737)	(8,378)	(17,066)
Adjustments for:					
Depreciation expense on vessels		14,233	15,475	57,196	59,688
Impairment loss on vessels		-	22,117	-	22,117
Amortisation of debt upfront fees and initial direct costs		492	1,696	2,002	3,169
Amortisation of deferred income		(225)	-	(225)	-
Interest income		(30)	(18)	(124)	(79)
Interest expense		6,233	6,051	26,218	23,756
Unrealised exchange differences		(79)	(102)	(126)	(831)
		19,080	30,482	76,563	90,754
Changes in working capital:					
Trade and other receivables		(125)	(1,072)	223	77
Inventories		122	530	479	(260)
Trade and other payables		(42)	(2,930)	(25)	452
Lease income received in advance		2,400	(2,680)	1,416	(1,196)
Release of pledged cash deposit	(a)	-	2,800	-	2,800
Cash generated from operations		21,435	27,130	78,656	92,627
Income tax refund/(paid)		-	-	8	(8)
Cash flows from operating activities		21,435	27,130	78,664	92,619
Investing activities:					
Acquisition of vessels		-	-	-	(93,183)
Interest received		16	16	100	87
Costs incurred for dry-docking		-	-	-	(18)
Cash flows from investing activities		16	16	100	(93,114)
Financing activities:					
Net proceeds from issuance of units		-	-	-	15,139
Distribution to unitholders		-	(6,219)	(1,309)	(23,326)
Repayment of secured bank loans		(11,000)	(483,080)	(44,000)	(506,264)
Net proceeds from secured bank loans		-	472,780	-	518,780
Interest paid		(6,154)	(6,868)	(28,271)	(24,576)
Security deposit	(b)	-	-	(10,000)	-
Cash flows from financing activities		(17,154)	(23,387)	(83,580)	(20,247)
Net increase/(decrease) in cash and cash equivalents		4,297	3,759	(4,816)	(20,742)
Cash and cash equivalents at beginning of period		23,191	28,545	32,304	53,046
Cash and cash equivalents at end of period		27,488	32,304	27,488	32,304
Comprising:-					
Cash at Bank		5,723	6,894	5,723	6,894
Short-term deposits		21,765	25,410	21,765	25,410
		27,488	32,304	27,488	32,304

Notes:

- (a) In FY 2010, a cash deposit was provided as security for a banker's guarantee of US\$2.8 million for the release of a vessel, *FSL Hamburg*. Pursuant to the amicable out-of-court settlement on a without-admission-of-liability basis between FSL Trust and Daxin Petroleum Pte. Ltd. in November 2011, this banker's guarantee was released.
- (b) This relates to a deposit placed with the security agent of the amortising term loan facility (see paragraph 1(b)(ii)).

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

2012
Group
At 1 October 2012
Total comprehensive income for the
quarter
At 31 December 2012

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Fair value reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,412	(13,917)	(3,349)	-	(189,419)	318,727
-	1,618	929	(2,488)	(1,554)	(1,495)
525,412	(12,299)	(2,420)	(2,488)	(190,973)	317,232

2011
Group
At 1 October 2011
Total comprehensive income for the quarter
Contribution by and distribution to unitholders:
Distribution to unitholders
At 31 December 2011

Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
525,412	(20,881)	(1,387)	(160,326)	342,818
-	4,668	(1,556)	(14,732)	(11,620)
-	-	-	(6,219)	(6,219)
525,412	(16,213)	(2,943)	(181,277)	324,979

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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 October 2012	525,412	(13,917)	(311,056)	200,439
Total comprehensive income for the quarter	-	1,618	(6,563)	(4,945)
At 31 December 2012	525,412	(12,299)	(317,619)	195,494

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
2011 Trust				
At 1 October 2011	525,412	(20,881)	(273,804)	230,727
Total comprehensive income for the quarter	-	4,668	(7,932)	(3,264)
Contribution by and distribution to unitholders:				
Distribution to unitholders	-	-	(6,219)	(6,219)
At 31 December 2011	525,412	(16,213)	(287,955)	221,244

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

	4Q 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 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

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

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

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

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

In 3Q 2012, all three chemical tankers were delivered into the 'Nordic Tankers 19,000 Stainless Steel Pool' ('Nordic Pool'). The 'Nordic Pool' measures revenue based on the contractual rates and the duration of each voyage for each vessel, and revenue is recognised upon delivery of service in accordance with the terms and conditions of the charter parties on a time charter equivalent basis. Total pool revenue is derived by aggregating the revenues earned by each vessel participating in the pool.

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

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

Depreciation on vessels

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

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

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change have been applied prospectively from January 2012 as the payment default was assessed to be an adjusting post-balance sheet event for the year ended 31 December 2011. The change reduces depreciation expense for the current quarter by US\$1.0 million (FY 2012: US\$3.9 million) for the three vessels.

ii) Product tankers-TORM Margrethe and TORM Marie

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

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change have been applied prospectively from April 2012. The change reduces depreciation expense for the current quarter by US\$0.27 million (FY 2012: US\$0.80 million) for the two vessels.

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

	Group			
	4Q 2012	4Q 2011	FY 2012	FY 2011
Basic and diluted earnings per unit is based on:				
Loss for the quarter/year (US\$'000)	(1,554)	(14,732)	(8,387)	(17,066)
Weighted average number of issued units (basic and diluted) ('000)	654,665	654,665	654,665	628,123
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	(0.24)	(2.25)	(1.28)	(2.72)
Number of issued units at end of quarter/year ('000)	654,665	654,665	654,665	654,665
Distribution per unit (US Cents)	-	0.10	0.10	2.95

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

	Note	31 Dec 2012		31 Dec 2011	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.48	0.30	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 year.

8. Review of Performance

The breakdown of the revenue (on a bareboat charter/bareboat charter equivalent ("BBCE") basis) by the respective charter types and the net result from operations are as follows:

4Q 2012 vs 4Q 2011

	Group		
	4Q 2012	4Q 2011	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	18,747	23,625	(20.6)
BBCE revenue of vessels in:-			
-Time charter	980	-	N.M.
-Pool	1,094	-	N.M.
-Spot	6	756	(99.2)
Total bareboat charter/BBCE revenue	20,827	24,381	(14.6)
Less:			
Depreciation expense on vessels ¹	(14,157)	(15,399)	(8.1)
Impairment loss on vessels	-	(22,117)	(100.0)
Management fees	(798)	(1,005)	(20.6)
Trustee fees	(39)	(42)	(7.1)
Other trust expenses	(878)	(793)	10.7
Other operating expenses	(15,872)	(39,356)	(59.7)
Results from operating activities	4,955	(14,975)	N.M.
Write-back of provision for call on a banker's guarantee	-	2,500	(100.0)
Other income	-	5,000	(100.0)
Finance income	30	18	66.7
Finance expenses	(6,529)	(7,280)	(10.3)
Loss before income tax	(1,544)	(14,737)	(89.5)
Income tax (expense)/write-back	(10)	5	N.M.
Loss for the quarter	(1,554)	(14,732)	(89.5)

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

8. Review of Performance (cont'd)

a. Bareboat charter/BBCE revenue

The rentals derived from the 22 vessels under leases continued to support the overall earnings of FSL Trust.

Rentals from vessels on bareboat charter fell 20.6% to US\$18.7 million primarily from:

- payment default by the subsidiaries of PT Berlian Laju Tanker Tbk ("BLT") for the three chemical tankers since February 2012; and
- lower rentals from vessels leased to TORM as the leases were restructured.

Time charter

The two vessels (*FSL Singapore* and *FSL Hamburg*) under time charter arrangements with Petróleo Brasileiro S.A. ("Petrobras") earned a BBCE revenue of US\$1.0 million in the quarter under review.

Pool

The three chemical tankers are deployed in the 'Nordic Pool'. Collectively, these vessels generated net pool revenue of US\$3.0 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.1 million in the quarter under review.

Spot

No vessels were deployed in the spot market during the quarter under review. However, there were minor adjustments from previous spot charter transactions that were recognised in this quarter.

b. Other operating expenses

Excluding impairment loss of US\$22.1 million recognised in 4Q 2011, other operating expenses declined 7.9% (-US\$1.4 million) to US\$15.9 million due mainly to lower depreciation expense arising from the changes in expected useful life and residual value of the three chemical tankers and the two vessels leased to TORM. See paragraph 5 for more details.

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$5.0 million in this quarter before accounting for net finance expenses.

d. Non-recurring items

In 4Q 2011, non-recurring items were:

- Settlement sum of US\$5.0 million from Daxin Petroleum Pte. Ltd. was recognised as 'Other income' in connection with the out-of-court settlement in November 2011; and
- Write-back of a provision for call on the banker's guarantee of US\$2.5 million.

e. Finance expenses

Finance expenses in 4Q 2012 (excluding exchange gains of US\$52,000 (4Q 2011: US\$389,000) decreased 14.2% (-US\$1.1 million) due to the recognition of unamortised debt upfront fees relating to the old credit facility in 4Q 2011.

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8. Review of Performance (cont'd)

FSL Trust incurred a net loss of US\$1.6 million in 4Q 2012. Arising from the temporary relaxation of two loan covenants under the amortising term loan facility, FSL Trust is restricted from paying any distributions to unitholders until 30 June 2013.

FY 2012 vs FY 2011

	Group		
	FY 2012	FY 2011	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	76,347	89,124	(14.3)
BBCE revenue of vessels in:-			
-Time charter	2,270	-	N.M.
-Pool	2,531	-	N.M.
-Spot	3,672	3,012	21.9
Total bareboat charter/BBCE revenue	84,820	92,136	(7.9)
Less:			
Depreciation expense on vessels ²	(56,893)	(59,385)	(4.2)
Impairment loss on vessels	-	(22,117)	(100.0)
Management fees	(3,365)	(3,652)	(7.9)
Trustee fees	(160)	(169)	(5.3)
Other trust expenses	(5,122)	(3,409)	50.2
Other operating expenses	(65,540)	(88,732)	(26.1)
Results from operating activities	19,280	3,404	N.M.
Other income	-	5,000	(100.0)
Finance income	124	79	57.0
Finance expenses	(27,782)	(25,549)	8.7
Loss before income tax	(8,378)	(17,066)	(50.9)
Income tax expense	(9)	-	N.M.
Loss for the year	(8,387)	(17,066)	(50.9)

a. Bareboat charter/BBCE revenue

For the year ended 31 December 2012, rentals from vessels on bareboat charter fell 14.3% to US\$76.3 million primarily from the payment default by the subsidiaries of BLT for the three chemical tankers since February 2012.

Time charter

FSL Singapore and *FSL Hamburg* entered into time charter arrangements with Petrobras on 16 May 2012 and 23 August 2012 respectively, at a gross daily time charter rate of US\$14,000. On a combined basis, these two vessels contributed BBCE revenue of US\$2.3 million for the year ended 31 December 2012.

² For this analysis, depreciation expense on dry-docking costs is included in vessel operating expenses in deriving BBCE revenue.

8. Review of Performance (cont'd)

Pool

The three chemical tankers entered the 'Nordic Pool' on a staggered basis in 3Q 2012; two vessels entered the pool in July 2012 while the third vessel joined the pool in August 2012. Collectively, these vessels generated net pool revenue of US\$5.9 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$2.5 million during the year ended 31 December 2012.

Spot

Spot revenues were derived from *FSL Hamburg* and *FSL Singapore* before they started their time charter arrangements with Petrobras as well as from the three chemical tankers from 2Q 2012 before they entered the 'Nordic Pool' in 3Q 2012. Total freight income generated by these vessels amounted to US\$19.0 million. After deducting voyage and vessel operating expenses, these vessels generated BBCE revenue of US\$3.7 million for the year ended 31 December 2012. The spot BBCE revenue of US\$3.0 million in Year 2011 was contributed by *FSL Hamburg* and *FSL Singapore*.

b. Other operating expenses

Excluding impairment loss of US\$22.1 million recognised in FY 2011, other operating expenses declined marginally by 1.6% (-US\$1.1 million) to US\$65.5 million in FY 2012 mainly due to net impact of the following:

- Lower depreciation from the chemical tankers (-US\$3.9 million) arising from the changes in the expected useful life and residual value of the vessels;
- Full year impact on depreciation expense from the vessels leased to TORM (+US\$1.4 million) as TORM vessels were acquired in June 2011;
- Vessel related expenses (non-recurring) of US\$2.5 million arising from the re-delivery of the three chemical tankers to FSL Trust and the change in technical manager for *FSL Hamburg* and *FSL Singapore*;
- Lower investor-related expenses (-US\$0.3 million) due to suspension of quarterly distributions from 2Q 2012; and
- Lower legal fees (-US\$0.6 million).

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$19.3 million in FY 2012 before accounting for net finance expenses.

d. Finance expenses

Finance expenses increased 8.7% (+US\$2.2 million) to US\$27.8 million in FY 2012 due mainly to higher interest expense on outstanding indebtedness primarily from increased margins under the amortising loan facility secured in December 2011.

For the year ended 31 December 2012, FSL Trust reported a net loss of US\$8.4 million.

9. Variance from Prospect Statement

Not applicable.

10. Outlook and Prospects

2012 has been a challenging year for FSL Trust. The Trustee-Manager's disciplined approach and its wide network have helped FSL Trust to deploy spot vessels to longer term arrangements within a short time frame. These arrangements have enhanced FSL Trust's revenue visibility and improved its operational profile.

However, due to the prolonged crisis, two of its lessees have initiated restructuring discussions with the Trustee-Manager. The discussions are in their preliminary stages and are subject to final approval by FSL Trust's lenders. The Trustee-Manager expects these restructurings, on a combined basis, to have a material impact on revenue from the first quarter of 2013.

The outlook for the shipping industry remains uncertain as the industry continues to work its way through the record level of newbuilding deliveries. The Trustee-Manager will remain vigilant and is committed to steer FSL Trust through this unprecedented shipping down cycle, which the Trustee-Manager believes is near, if not at the bottom.

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 : US\$654,665

Distribution Period : 1 October 2011 to 31 December 2011

Distribution Type : Cash, Tax-exempt Distribution

Distribution Rate : US0.10 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 are also not subject to Singapore withholding tax. The unitholders are not entitled to tax credits for any taxes paid by the Trustee-Manager of FSL Trust.

(c) Payment Date : Not applicable

(d) Books closure date : Not applicable

(e) Currency election procedures : Not applicable

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

No distribution has been declared.

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

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

14. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

16. Breakdown of Revenue and Net Profit

	Group		
	FY 2012	FY 2011	Inc/(Dec)
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	55,328	52,552	5.3
(b) Net loss after tax reported for first half year	(6,647)	(2,486)	N.M.
(c) Revenue reported for second half year	50,779	58,162	(12.7)
(d) Net loss after tax reported for second half year	(1,740)	(14,580)	(88.1)

17. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2012

	FY 2012	FY 2011
	US\$	US\$
In respect of the period:		
1 July 2012 to 30 September 2012	-	
1 April 2012 to 30 June 2012	-	
1 January 2012 to 31 March 2012	654,665	
1 October 2011 to 31 December 2011	654,665	
1 July 2011 to 30 September 2011		6,219,318
1 April 2011 to 30 June 2011		5,732,118
1 January 2011 to 31 March 2011		5,687,318
1 October 2010 to 31 December 2010		5,687,318

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18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement

There is no person occupying a managerial position in FSL Trust Management Pte. Ltd. ("FSLTM"), Trustee-Manager of First Ship Lease Trust, or any of its principal subsidiaries who is related to a director, chief executive officer or substantial shareholder of FSLTM.

19. 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 unaudited financial results of the Group for the fourth quarter and year ended 31 December 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
21 January 2013