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**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2014**

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

As at 31 December 2014, FSL Trust has a modern, high quality and diversified portfolio of 23 vessels consisting of seven containerships, eleven product tankers, three chemical tankers and two crude oil tankers. 14 vessels are employed on long-term bareboat charters as at 31 December 2014 and have a dollar-weighted average remaining lease period of approximately four years (excluding extension periods and early buy-out options). The remaining nine vessels are employed on time charter arrangement and in pool. The combined portfolio of 23 vessels has a dollar-weighted average age of approximately nine years.

**Summary of FSL Trust Consolidated Results**

	<b>4Q 2014</b>	<b>4Q 2013</b>	<b>Inc/(Dec)</b>	<b>FY 2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>	<b>US\$'000</b>
Revenue	24,414	23,194	5.3	93,414
Profit/(Loss) for the quarter/year	7,259	(41,984)	N.M.	4,051
Net cash generated from operations	18,491	7,622	142.6	53,225

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

	Note	Group					
		4Q 2014	4Q 2013	Inc/ (Dec)	FY 2014	FY 2013	Inc/ (Dec)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Revenue</b>		24,414	23,194	5.3	93,414	89,993	3.8
Depreciation expense on vessels		(11,458)	(13,343)	(14.1)	(48,665)	(54,482)	(10.7)
Impairment loss on vessels		-	(36,635)	(100.0)	-	(43,408)	(100.0)
Voyage expenses		-	(1,517)	(100.0)	29	(3,248)	N.M.
Vessel operating expenses		(5,199)	(5,732)	(9.3)	(20,297)	(16,354)	24.1
Management fees		(940)	(617)	52.4	(3,033)	(2,794)	8.6
Trustee fees		(30)	(36)	(16.7)	(125)	(149)	(16.1)
Other trust expenses		(636)	(1,392)	(54.3)	(2,619)	(4,888)	(46.4)
Impairment loss on available-for-sale financial assets	(a)	(615)	-	100.0	(1,907)	(5,298)	(64.0)
<b>Results from operating activities</b>		5,536	(36,078)	N.M.	16,797	(40,628)	N.M.
Other income	(c)	5,000	-	100.0	5,000	-	100.0
Finance income		6	7	(14.3)	23	63	(63.5)
Finance expenses		(3,284)	(5,917)	(44.5)	(16,375)	(24,628)	(33.5)
Loss on disposal of vessels	(b)	-	-	N.M.	(1,378)	-	100.0
<b>Profit/(Loss) before tax</b>		7,258	(41,988)	N.M.	4,067	(65,193)	N.M.
Income tax write back/(expense)		1	4	(75.0)	(16)	(20)	(20.0)
<b>Profit/(Loss) for the quarter/year</b>		7,259	(41,984)	N.M.	4,051	(65,213)	N.M.

Note:

- (a) This relates to an impairment loss recognised on FSL Trust's investment in TORM A/S ("TORM") due to a decline in the quoted price of the shares in TORM as at 31 Dec 2014. The entire shareholding was subsequently disposed of and FSL Trust will book a gain of US\$1.71 million in the 1Q FY2015 financial results.
- (b) This relates to the disposal of the two dry bulk carriers in March 2014.
- (c) This relates to a partial settlement of a claim.

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

	Group			
	4Q 2014	4Q 2013	FY 2014	FY 2013
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Profit/(Loss) for the quarter/year</b>	7,259	(41,984)	4,051	(65,213)
<b>Other comprehensive income</b>				
<b>Items that are or may be classified subsequently to profit or loss:</b>				
Translation differences relating to financial statements of foreign subsidiaries	(1,175)	447	(3,569)	1,105
Exchange differences on monetary items forming part of net investment in foreign subsidiaries	(135)	(5)	(539)	(110)
Effective portion of changes in fair value of cash flow hedges	(376)	(420)	(573)	164
Net change in fair value of cash flow hedges transferred to income statement	443	2,123	3,450	8,247
Net change in fair value of available-for-sale financial assets	(615)	(427)	(3,630)	(1,087)
Net change in fair value of available-for-sale financial assets reclassified to income statement	615	-	1,907	5,298
<b>Other comprehensive income, net of tax</b>	(1,243)	1,718	(2,954)	13,617
<b>Total comprehensive income</b>	6,016	(40,266)	1,097	(51,596)

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**1(a)(iii) Distribution Statements**

	Note	Group			
		4Q 2014 US\$'000	4Q 2013 US\$'000	FY 2014 US\$'000	FY 2013 US\$'000
<b>Profit/(Loss) for the quarter/year</b>		7,259	(41,984)	4,051	(65,213)
Add: Non-cash adjustments		11,232	49,606	49,174	101,248
<b>Net cash generated from operations</b>		18,491	7,622	53,225	36,035
Less: Repayment of secured bank loans		(11,000)	(11,000)	(39,000)	(44,000)
Prepayment of secured bank loans	(a)	-	-	-	(10,000)
<b>Income available for distribution</b>		7,491	(3,378)	14,225	(17,965)
Add: Utilisation of cash retained from previous periods		-	3,378	-	17,965
Less: Cash retained in the current period		(7,491)	-	(14,225)	-
<b>Net distributable amount</b>	(b)	-	-	-	-
Amount available for distribution		-	-	-	-
Comprising: (i) Tax-exempt distribution		-	-	-	-
(ii) Tax-exempt (one-tier) distribution		-	-	-	-
<b>Amount to be distributed</b>		-	-	-	-
Units at the end of the quarter ('000)		654,665	654,665	654,665	654,665
<b>Distribution per unit (US Cents)</b>		-	-	-	-

Notes:

- (a) In Q2 2013 a negotiated prepayment of US\$10 million was paid to reduce the final balloon of loan. In Q1 and Q2 of 2014, a total of US\$22 million of the proceeds from the sale of the two dry bulk vessels was applied to Prepayment and Repayment of secured bank loans in the amounts of US\$17 million and US\$5 million respectively. As these amounts were not generated from operations they have not been included in this statement.
- (b) In connection with a loan covenant relaxation from its lenders, FSL Trust is restricted from paying any distributions to unitholders until the lenders confirm that the Trust is in compliant with the terms of the original loan agreement. This will occur after the submission of Q4 2014 compliance certificate following the publication of these financial statements.

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**1(b)(i) Statements of Financial Position**

		31 Dec 2014		31 Dec 2013	
		Group	Trust	Group	Trust
Note		US\$'000	US\$'000	US\$'000	US\$'000
	<b>Non-current assets</b>				
	Vessels	556,019	-	630,968	-
	Subsidiaries	-	423,725	-	479,750
	Available-for-sale financial assets	919	-	4,550	-
	Derivative assets	339	339	233	233
		557,277	424,064	635,751	479,983
	<b>Current assets</b>				
	Inventories	-	-	1,185	-
	Derivative assets	122	122	-	-
	Trade and other receivables	4,767	32,241	5,324	64,139
	Cash and cash equivalents	32,750	21,605	20,367	12,091
(a)		37,639	53,968	26,876	76,230
	<b>Total assets</b>	594,916	478,032	662,627	556,213
	<b>Equity attributable to unitholders of FSL Trust</b>				
	Units in issue	525,412	525,412	525,412	525,412
	Reserves	(258,679)	(367,157)	(259,776)	(351,832)
	<b>Total equity</b>	266,733	158,255	265,636	173,580
	<b>Non-current liabilities</b>				
	Secured bank loans	273,642	273,642	-	-
	Derivative liabilities	155	155	727	727
	Deferred income	3,567	-	5,011	-
(b)		277,364	273,797	5,738	727
	<b>Current liabilities</b>				
	Trade and other payables	1,296	664	6,335	1,020
	Lease income received in advance	2,763	-	2,588	-
	Derivative liabilities	1,316	1,316	3,394	3,394
	Secured bank loans	44,000	44,000	377,492	377,492
(b)	Deferred income	1,444	-	1,444	-
		50,819	45,980	391,253	381,906
	<b>Total liabilities</b>	328,183	319,777	396,991	382,633
	<b>Total equity and liabilities</b>	594,916	478,032	662,627	556,213

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

Note:

(a) Cash and cash equivalents comprise:

	31 Dec 2014		31 Dec 2013	
	Group	Trust	Group	Trust
	US\$'000	US\$'000	US\$'000	US\$'000
Restricted cash <sup>^</sup>	10,000	10,000	10,000	10,000
Cash at Bank	19,878	11,512	7,499	1,998
Short-term deposits	2,872	93	2,868	93
Cash and cash equivalents	32,750	21,605	20,367	12,091
Less: Restricted cash	(10,000)	(10,000)	(10,000)	(10,000)
Cash and cash equivalents in the statement of cash flows	22,750	11,605	10,367	2,091

<sup>^</sup> This relates to a deposit placed with the security agent of the amortising term loan facility. This will be released when the Lenders accept and acknowledge that the Trust is in compliance with the terms of the original loan agreement. (see paragraph 1(b)(ii)).

(b) As at 31 December 2014, the Trust is in compliance with the terms of the original loan agreement. Accordingly, the long term portion of the loan balance was classified under non-current liabilities.

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

	31 Dec 2014	31 Dec 2013
	US\$'000	US\$'000
<b>Secured bank loans</b>		
Amount repayable within one year	44,000	381,558
Amount repayable after one year	276,531	-
Less: Unamortised debt upfront fees	(2,889)	(4,066)
	317,642	377,492

The Trustee-Manager, on behalf of FSL Trust, secured a 6-year amortising term loan facility in December 2011 and the outstanding loan balance was US\$317.6 million as at 31 December 2014.

In February 2014, the lenders granted a loan covenant relaxation extension until 31 December 2014 ("Relaxation extension"), with the following additional conditions:

- i) a cash sweep mechanism whereby if cash balances are over US\$20 million for two consecutive quarters (e.g. Quarter 1 and Quarter 2), the lesser of i) Quarter 1 cash balance less US\$20 million, or ii) Quarter 2 cash balance less US\$20 million, will be immediately applied against settlement of the loan outstanding.  
The cash sweep only applies until the end of the relaxation period or when VTL reaches up to 125%, whichever is earlier;

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

- ii) an upfront fee of 5bps on the loan outstanding; and
- iii) Pledge of the shares of all the vessel-owning subsidiaries.

The original and relaxed covenants are as follow:

Covenants	Original	After Relaxation			
		1Q 2014	2Q 2014	3Q 2014	4Q 2014
VTL ratio	125%	105%	105%	110%	110%
Debt Service Coverage ratio	at least 1.10:1	at least 0.90:1	at least 0.95:1	at least 1.00:1	at least 1.10:1

Liquid Assets during the Relaxation Period shall be not less than the figures applicable for the specified periods in the schedules as follows:

Period	1Q 2014	2Q 2014	3Q 2014	4Q 2014
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Liquid Assets	11,500	17,500	20,000	20,000

Other conditions imposed during the period of Relaxation extension include the retention of a US\$10 million security deposit with the security agent, and a levy of 2% per annum imposed on the shortfall amount. The shortfall amount is the difference between the outstanding loan balance and the theoretical loan balance assuming VTL ratio is 125%.

The interest margin of the term loan:

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

For 4Q 2014, the applicable margin over US\$ 3-month LIBOR was 3.0%. The VTL ratio will be assessed semi-annually.

As at 31 December 2014, the Trust is in compliance with the terms of the original loan agreement.

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

The term loan is secured on the following:

- (i) a first priority mortgage over the Group's vessels in the portfolio;
- (ii) a first priority assignment of the Group's rights, title, interest in the insurances to and for each vessel, including insurance for hull and machinery, protection and indemnity and war risks;
- (iii) a first priority assignment of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and
- (iv) a pledge over the Group's shares in TORM or upon disposal, the cash proceeds from the sale of these shares.

FSL Trust has hedged part of its interest rate risk through a combination of interest rate swaps and/or natural hedges to fix the interest rates. The fixed interest rates range from 1.06% per annum to 1.65% per annum.

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**1(c) Consolidated Cash Flow Statements**

	Group			
	4Q 2014	4Q 2013	FY 2014	FY 2013
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Operating activities:</b>				
Profit/(Loss) before tax	7,258	(41,988)	4,067	(65,193)
Adjustments for:				
Depreciation expense on vessels	11,458	13,343	48,665	54,482
Impairment loss on vessels	-	36,635	-	43,408
Impairment loss on available-for-sale financial assets	615	-	1,907	5,298
Amortisation of debt upfront fees and initial direct costs	411	436	1,680	1,844
Amortisation of deferred income	(361)	(361)	(1,444)	(1,444)
Interest income	(6)	(7)	(23)	(63)
Interest expense	3,241	5,674	15,620	23,467
Loss on disposal of vessels	-	-	1,378	-
Unrealised exchange differences	(198)	(105)	(606)	(417)
	22,418	13,627	71,244	61,382
Changes in working capital:				
Trade and other receivables	1,957	231	558	(1,804)
Inventories	97	1,324	1,185	(666)
Trade and other payables	634	2,091	(4,870)	2,142
Lease income received in advance	2,239	2,060	175	(315)
<b>Cash generated from operations</b>	<b>27,345</b>	<b>19,333</b>	<b>68,292</b>	<b>60,739</b>
Income tax (paid)/refund	-	(1)	(17)	(38)
<b>Cash flows from operating activities</b>	<b>27,345</b>	<b>19,332</b>	<b>68,275</b>	<b>60,701</b>
<b>Investing activities:</b>				
Interest received	6	9	23	87
Net proceed on disposal of vessels	-	-	22,261	-
Costs incurred for dry-docking	(458)	(498)	(1,361)	(498)
<b>Cash flows (used in)/from investing activities</b>	<b>(452)</b>	<b>(489)</b>	<b>20,923</b>	<b>(411)</b>
<b>Financing activities:</b>				
Distribution to unitholders	-	-	-	-
Repayment of secured bank loans	(11,000)	(11,000)	(44,000)	(44,000)
Prepayment of secured bank loans	(26)	-	(17,026)	(10,000)
Interest paid	(3,169)	(5,560)	(15,789)	(23,411)
<b>Cash flows used in financing activities</b>	<b>(14,195)</b>	<b>(16,560)</b>	<b>(76,815)</b>	<b>(77,411)</b>
Net increase/(decrease) in cash and cash equivalents	12,698	2,283	12,383	(17,121)
Cash and cash equivalents at beginning of period	10,052	8,084	10,367	27,488
Cash and cash equivalents at end of period	22,750	10,367	22,750	10,367
<b>Comprising:-</b>				
Cash at Bank	19,878	7,499	19,878	7,499
Short-term deposits	2,872	2,868	2,872	2,868
	22,750	10,367	22,750	10,367



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

	Units in Issue	Hedging Reserve	Foreign Currency Translation Reserve	Fair value reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2014 Group</b>						
At 1 October 2014	525,412	(1,078)	(4,223)	-	(259,394)	260,717
Total comprehensive income for the quarter	-	67	(1,310)	-	7,259	6,016
At 31 December 2014	525,412	(1,011)	(5,533)	-	(252,135)	266,733

	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
<b>2013 Group</b>						
At 1 October 2013	525,412	(5,591)	(1,867)	2,150	(214,202)	305,902
Total comprehensive income for the quarter	-	1,703	442	(427)	(41,984)	(40,266)
At 31 December 2013	525,412	(3,888)	(1,425)	1,723	(256,186)	265,636

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>2014 Trust</b>				
At 1 October 2014	525,412	(1,078)	(362,366)	161,968
Total comprehensive income for the quarter	-	67	(3,780)	(3,713)
At 31 December 2014	525,412	(1,011)	(366,146)	158,255

	Units in Issue	Hedging Reserve	Accumulated Losses	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>2013 Trust</b>				
At 1 October 2013	525,412	(5,591)	(337,365)	182,456
Total comprehensive income for the quarter	-	1,703	(10,579)	(8,876)
At 31 December 2013	525,412	(3,888)	(347,944)	173,580

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

	<b>4Q 2014 Units</b>	<b>FY 2013 Units</b>
At the beginning of the period	654,665,077	654,665,077
Units issued during the period	-	-
At the end of the period	654,665,077	654,665,077

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

Not applicable.

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

The figures have not been audited or reviewed by the auditors.

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

Not applicable.

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

Except for the change as disclosed in paragraph 5, FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2013.

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

Depreciation on containerships - Ever Radiant and Ever Respect

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

The changes in residual value of the vessels constitute a change in estimates. The effects of the change were applied prospectively from January 2014. As a result of the change, depreciation expense for 4Q 2014 increased by US\$0.9 million and the effect in current and future years for the two vessels are as follow:

	<b>2014 US\$'000</b>	<b>2015 to 2016 US\$'000</b>	<b>2017 onwards US\$'000</b>
Aggregate increase in depreciation expense	3,709	3,945	-

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Depreciation on containerships -FSL Busan and FSL Santos (previously known as Cape Ferro and Cape Falcon, respectively)

The two vessels were redelivered to FSL Trust upon the expiry of bareboat lease; both vessels are currently deployed in a 1200-1400/1700 TEU earnings pool which is managed by HANSE Bereederung GmbH ('Hanse Pool'). With the expiry of the bareboat charter operating lease arrangements, the expected useful life of each of the two vessels was revised from 10 years to 25 years and the basis of estimating the respective residual values was also changed.

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change were applied prospectively from July 2014. As a result of the change, depreciation expense for 4Q 2014 increased by US\$0.2 million and the effect in current and future years for the two vessels are as follow:

	2014 US\$'000	2015 to 2016 US\$'000	2017 onwards US\$'000
Aggregate increase in depreciation expense	313	1,452	8,375

Depreciation on product tanker - Cumbrian Fisher and Clyde Fisher

For both vessels, a new addendum was signed with James Fisher Everard to renew the bareboat lease until 23 December 2017. With this short term extension, the expected useful life of each of the two vessels was revised from 10 years to 25 years and the basis of estimating the respective residual values was also changed.

The changes in the expected useful life and residual value of the vessels constitute a change in estimates. The effects of the change were applied prospectively from October 2014. As a result of the change, depreciation expense for 4Q 2014 decreased by US\$0.2 million and the effect in current and future years for the two vessels are as follow:

	2014 US\$'000	2015 to 2016 US\$'000	2017 onwards US\$'000
Aggregate increase/(decrease) in depreciation expense	(237)	2,038	13,290

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**6. Earnings per Unit (“EPU”) and Distribution per Unit (“DPU”) for the financial period**

	Group			
	4Q 2014	4Q 2013	FY 2014	FY 2013
Basic and diluted earnings per unit is based on:				
Profit/(Loss) for the quarter/year (US\$'000)	7,259	(41,984)	4,051	(65,213)
Weighted average number of issued units (basic and diluted) ('000)	654,665	654,665	654,665	654,665
Basic and diluted earnings per unit based on weighted average number of units in issue (US Cents)	1.11	(6.41)	0.62	(9.96)
Number of issued units at end of quarter ('000)	654,665	654,665	654,665	654,665
Distribution per unit (US Cents)	-	-	-	-

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

	Note	31 Dec 2014		31 Dec 2013	
		Group	Trust	Group	Trust
Net asset value per unit (US\$)	(a)	0.41	0.24	0.41	0.27

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**

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 2014 vs 4Q 2013

	Group		
	4Q 2014 US\$'000	4Q 2013 US\$'000	Inc/(Dec) %
Rentals from vessels on bareboat charter	13,456	13,792	(2.4)
BBCE revenue of vessels on:-			
-Time charter	1,952	1,126	73.3
-Pool	3,504	535	555.0
-Spot	-	416	(100.0)
Total bareboat charter/BBCE revenue	18,912	15,869	19.2
Less:			
Depreciation expense on vessels <sup>1</sup>	(11,155)	(13,267)	(15.9)
Impairment loss on vessels	-	(36,635)	(100.0)
Management fees	(940)	(617)	52.4
Trustee fees	(30)	(36)	(16.7)
Other trust expenses <sup>2</sup>	(636)	(1,392)	(54.3)
Impairment loss on available-for-sale financial assets	(615)	-	100.0
Other operating expenses	(13,376)	(51,947)	(74.3)
<b>Results from operating activities</b>	5,536	(36,078)	N.M.
Other income	5,000	-	100.0
Finance income	6	7	(14.3)
Finance expenses	(3,284)	(5,917)	(44.5)
<b>Profit/(Loss) before tax</b>	7,258	(41,988)	N.M.
Income tax write-back	1	4	(75.0)
<b>Profit/(Loss) for the quarter</b>	7,259	(41,984)	N.M.

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

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

8. Review of Performance (cont'd)

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals declined by 2.4% (US\$0.3 million) to US\$13.5 million, mainly attributable by:

- i) the expiry of bareboat lease for FSL Busan and FSL Santos (US\$ 1.6 million), subsequent to which the revenue is classified as "Pool/RSA" revenue;
- ii) offset with the better performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, US\$ 1.3 million.

The rentals derived from the remaining 14 vessels under bareboat leases continued to support the overall earnings of FSL Trust.

Time charter

i) Product tanker

The two vessels (*FSL Hamburg* and *FSL Singapore*) are employed on time charter arrangements with Petróleo Brasileiro S.A. These vessels together generated a net time charter revenue of US\$2.5 million. After deducting vessel operating expenses, these vessels generated BBCE revenue of US\$1.0 million in the quarter under review.

ii) Crude oil tanker

In July 2014, *FSL Shanghai* was deployed on a time charter arrangement with Tesoro Corporation and generated a BBCE revenue of \$0.9 million in the quarter under review.

Pool/RSA

i) Chemical tanker

The three chemical tankers are employed in 'Nordic Tankers 19,000 Stainless Steel Pool'. Collectively, these vessels generated net pool revenue of US\$3.8 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$1.9 million in the quarter under review.

ii) Crude oil tanker

*FSL Hong Kong*, employed on a RSA (Revenue Sharing Agreement) since December 2013, generated a BBCE revenue of US\$1.3 million in the quarter under review.

iii) Containership

*FSL Busan (ex Cape Ferro)* and *FSL Santo (ex Cape Falcon)* were redelivered to FSL Trust in July 2014 and employed in a 1200-1400/1700 TEU earnings pool which is managed by HANSE Bereederung GmbH ('Hanse Pool'). Collectively, these vessels generated net pool revenue of US\$1.2 million. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.3 million in the quarter under review.

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8. Review of Performance (cont'd)

b. Other operating expenses

Other operating expenses declined 74.3% (US\$38.6 million) to US\$13.4 million due mainly to:

- Lower depreciation expenses of US\$2.1 million arising from changes in the expected useful life and residual value for certain vessels taken last year and the quarter under review.
- Available-for-sale financial assets relate to the shares in TORM received by FSL Trust as part of an agreement to permanently amend the terms on its two charter contracts. In Q4 2014, an impairment loss of US\$0.6 million was recognised due to a decline in the quoted price of the shares in TORM.
- During the quarter of Q4 2013, upon re-assessment of the recoverable amount, it was assessed that the carrying amounts of Ever Radiant, Ever Respect, Stella Fomalhaut, FSL Durban, FSL Hong Kong, FSL Shanghai, FSL Singapore, FSL Hamburg, TORM Margrethe and TORM Marie had exceeded the recoverable amount and an impairment loss of US\$36.6 million for the 10 vessels was recognized.
- Included in other trust expenses in Q4 2013 were higher non-recurring vessel-related expenses (US\$0.3 million) arising from the change in technical manager for the redelivered crude oil tankers and dry bulk carriers; and higher professional fees (US\$0.2 million).

c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$5.5 million in this quarter as compared to a loss of US\$36 million over the same period last year.

d. Finance expenses

Finance expenses in Q4 2014 including exchange gain of US\$255,000 (Q4 2013: US\$81,000) decreased 44.5% (US\$2.6 million) mainly due to:

- lower outstanding indebtedness arising from prepayment of US\$22 million in Q1 2014.
- the termination of high cost interest rate SWAPs resulting in lower finance expense.

For 4Q 2014, FSL Trust achieved net profits of US\$7.3 million.

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

FY 2014 vs FY 2013

	Group		
	FY 2014	FY 2013	Inc/(Dec)
	US\$'000	US\$'000	%
Rentals from vessels on bareboat charter	55,245	60,681	(9.0)
BBCE revenue of vessels on:-			
-Time charter	6,130	4,403	39.2
-Pool/RSA	10,934	4,394	148.8
-Spot	26	610	(95.8)
Total bareboat charter/BBCE revenue	72,335	70,088	3.2
Less:			
Depreciation expense on vessels <sup>1</sup>	(47,853)	(54,179)	(11.7)
Impairment loss on vessels	-	(43,408)	(100.0)
Management fees	(3,033)	(2,794)	8.6
Trustee fees	(125)	(149)	(16.1)
Other trust expenses <sup>2</sup>	(2,620)	(4,888)	(46.4)
Impairment loss on available-for-sale financial assets	(1,907)	(5,298)	(64.0)
Other operating expenses	(55,538)	(110,716)	(49.8)
<b>Results from operating activities</b>	16,797	(40,628)	N.M.
Other income	5,000	-	100.0
Finance income	23	63	(63.5)
Finance expenses	(16,375)	(24,628)	(33.5)
Disposal of vessels	(1,378)	-	100.0
<b>Profit/(Loss) before tax</b>	4,067	(65,193)	N.M.
Income tax expense	(16)	(20)	(20.0)
<b>Profit/(Loss) for the year</b>	4,051	(65,213)	N.M.

a. Bareboat charter/BBCE revenue

Bareboat charter

For the year ended 31 December 2014, bareboat charter rentals declined by 9.0% (US\$5.4 million) to US\$55.2 million, mainly attributable by:

- i) the sale of FSL Durban and Stella Fomalhaut in Q1 2014, (US\$ 2.5 million),
- ii) pre-mature termination of the bareboat charter lease following the lease default by the subsidiaries of Geden for the two crude oil tankers, FSL Hong Kong and FSL Shanghai (US\$2.3 million),
- iii) the expiry of bareboat lease for FSL Busan and FSL Santos, (US\$ 2.7 million),
- iv) better performance of the 2 LR2 tankers, TORM Margrethe and Torm Marie, US\$ 2.1 million.

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

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



8. Review of Performance (cont'd)

Time charter

i) Product tanker

The two vessels (*FSL Hamburg* and *FSL Singapore*) are employed on time charter arrangements with Petróleo Brasileiro S.A. These vessels together generated a net time charter revenue of US\$9.3 million in FY 2014 (FY 2013: US\$9.7 million). After deducting vessel operating expenses, these vessels generated BBCE revenue of US\$3.6 million in FY 2014 (FY 2013: US\$4.0 million).

ii) Crude oil tanker

Following its redelivery on 15 July last year, *FSL Shanghai* was deployed on a short-term time charter arrangement and generated a BBCE revenue of \$1.0 million in first half of the year 2014.

In July 2014, *FSL Shanghai* was deployed on a time charter arrangement with Tesoro Corporation and generated a BBCE revenue of \$1.6 million in the second half of the year 2014.

Pool/Revenue Sharing Agreement ('RSA')

i) Chemical tanker

The three chemical tankers are employed in 'Nordic Tankers 19,000 Stainless Steel Pool'. Collectively, these vessels generated net pool revenue of US\$14.1 million in FY 2014 (FY 2013: US\$12.2 million). After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$6.6 million in FY 2014 (FY 2013: US\$4.2 million).

ii) Crude oil tanker

*FSL Hong Kong*, employed on a RSA (Revenue Sharing Agreement) since December 2013, generated a BBCE revenue of US\$3.6 million in FY 2014 (FY 2013: US\$0.2 million).

iii) Containership

*FSL Busan (ex Cape Ferro)* and *FSL Santo (ex Cape Falcon)* were redelivered to FSL Trust in July 2014 and employed in a 1200-1400/1700 TEU earnings pool which is managed by HANSE Bereederung GmbH ('Hanse Pool'). Collectively, these vessels generated net pool revenue of US\$2.2 million in FY 2014. After deducting vessel operating expenses, these vessels earned BBCE revenue of US\$0.7 million in FY 2014.

Spot

No vessel was directly deployed in the spot market by FSL Trust during the year 2014. Any spot exposure was through vessels in pool arrangements.

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

b. Depreciation expense on vessels

Depreciation expense on vessels declined by 11.7% (US\$6.3 million) due to the changes in the expected useful life and residual value for certain vessels taken in FY 2013 and FY 2014. Please see paragraph 5 for details.

c. Other trust expenses

Other trust expenses decreased by 46.4% (US\$2.2 million) due to lower non-recurring vessel-related expenses (FY 2014: US\$0.1 million; FY 2013: US\$2.3 million). The non-recurring vessel-related expenses incurred in FY 2013 were for redeliveries of its two crude oil tankers (FSL Hong Kong and FSL Shanghai) and two dry bulk carriers (Stella Fomalhaut and FSL Durban).

d. Impairment loss on available-for-sale financial assets

Available-for-sale financial assets relate to the shares in TORM received by FSL Trust as part of an agreement to permanently amend the terms on its two charter contracts. In FY 2014, an impairment loss of US\$1.9 million was recognised due to a decline in the quoted price of the shares in TORM (FY 2013 : US\$5.3 million).

e. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$16.8 million in FY 2014 as compared to a loss of US\$40.6 million in FY 2013.

f. Finance expenses

Finance expenses in FY 2014 including exchange gain of US\$666,000 (FY 2013: US\$374,000) decreased 33.5% (US\$8.3 million) mainly due to:

- lower outstanding indebtedness arising from prepayment of US\$22 million in Q1 2014.
- the termination of high cost interest rate SWAPs resulting in lower finance expense.

For the year ended 31 December 2014, FSL Trust achieved net profits of US\$4.0 million.

**9. Variance from Prospect Statement**

Not applicable.

**10. Outlook and Prospects**

The outlook for the Trust has improved significantly due to the impending compliance with the covenants of our original 2011 loan agreement. The bareboat charters with first class counterparties continue to provide a strong base of cashflow and the improved deployment of the redelivered vessels provide potential upside through spot market exposure in interesting sectors.

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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 : No  
previous corresponding period

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

No distribution has been declared.

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

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

**14. 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 2014	FY 2013	Inc/(Dec)
	US\$'000	US\$'000	%
(a) Revenue reported for first half year	45,381	44,341	2.3
(b) Net profit/ (loss) after tax reported for first half year	(3,952)	(14,299)	(72.4)
(c) Revenue reported for second half year	48,033	45,652	5.2
(d) Net profit/ (loss) after tax reported for second half year	8,003	(50,914)	N.M.

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**17. Breakdown of the total distribution (in dollar value) for the financial year ended 31 December 2014**

In respect of the period:

1 July 2014 to 30 September 2014  
1 April 2014 to 30 June 2014  
1 January 2014 to 31 March 2014  
1 October 2013 to 31 December 2013  
1 July 2013 to 30 September 2013  
1 April 2013 to 30 June 2013  
1 January 2013 to 31 March 2013  
1 October 2012 to 31 December 2012

FY 2014	FY 2013
US\$	US\$
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

**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 interim financial results of the Group for the quarter ended 31 December 2014 to be false or misleading in any material aspect.

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

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

Alan Hatton  
Chief Executive Officer  
25 February 2015