



**FSL Trust Management Pte. Ltd.**

as Trustee Manager for First Ship Lease Trust

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**For Immediate Release**

**FIRST SHIP LEASE TRUST TO DISTRIBUTE US0.95¢  
PER UNIT FOR 2Q FY10**

- **DPU of US0.95¢ for 2Q FY10 represents an annualised yield of 12.4%<sup>1</sup>**
- **Total remaining contracted revenue of US\$640 million from long-term charters underpins stable cash flow**
- **Charter-free value of vessel portfolio improves 10% on quarter to US\$686 million, reflecting recovering asset values in shipping industry**

**Singapore, 26 July 2010** - FSL Trust Management Pte. Ltd. ("FSLTM"), Trustee-Manager of First Ship Lease Trust ("FSL Trust" or the "Trust") announced today the financial results for FSL Trust for the second quarter ended 30 June 2010 ("2Q FY10").

For 2Q FY10, FSL Trust will distribute US\$5.7 million or US0.95¢ per unit to its unitholders. The 2Q FY10 DPU of US0.95¢ represents an annualised tax-exempt yield of 12.4% and will be paid on 26 August 2010 to all unitholders on record as of 3 August 2010. The Distribution Reinvestment Scheme (DRS) will not apply for the 2Q FY10 distribution.

The 2Q FY10 DPU of US0.95¢ is 61% lower than the DPU of US2.45¢ in 2Q FY09 and is 37% lower than the guidance of US1.50¢ provided by FSLTM in April. FSLTM had announced on 11 May 2010<sup>2</sup> that it had placed the DPU guidance for 2Q FY10 and beyond under review, following the request from the charterers of 'Nika I' (to be renamed 'FSL Hamburg') and 'Verona I' (now renamed 'FSL Singapore') to take re-delivery of the vessels.

Revenue for 2Q FY10 rose 14.8% (+US\$3.7 million) year-on-year to US\$28.5 million. The 2Q FY10 revenue includes a one-off US\$6.0 million recognition of cash security pursuant to the re-delivery of the vessels 'Nika I' and 'Verona I'. Excluding this US\$6.0 million, revenue was 9.3% lower (-US\$2.3 million), primarily due to the premature termination of the bareboat lease arrangements relating to the two vessels.

<sup>1</sup> Based on FSL Trust closing price of S\$0.42 per unit on 23 July 2010 and an exchange rate of US\$1.00 = S\$1.37

<sup>2</sup> Press Release: "First Ship Lease Trust provides update on the re-delivery of 'Verona I' And 'Nika I'", dated 11 May 2010.

Net cash generated from operation for 2Q FY10 (before loan amortization) amounted to US\$17.3 million, which was 1% higher compared with US\$17.1 million in 2Q FY09. The 2Q FY10 distribution of US\$5.7 million represents a payout of 33% of the net cash generated for the quarter, compared with a payout of 55% in 1Q FY10 and 74% in 2Q FY09.

Due to the re-delivery of the two vessels and resulting termination of the long-term bareboat charters, a non-cash impairment charge of US\$7.9 million was recognised this quarter. As a result, the Trust recognised a loss of US\$6.1 million in 2Q FY10.

## **VESSEL PORTFOLIO**

FSL Trust's vessel portfolio comprises 23 vessels, of which 21 vessels are leased out to seven lessees on long-term bareboat charters and 2 vessels are deployed in the product tanker spot market. The remaining contracted revenue of the 21 vessels on long-term bareboat leases stood at US\$640.4 million as at 30 June 2010 and the dollar-weighted average remaining lease term (excluding extension periods and early buy-out options) was 7.7 years.

In June 2010, FSLTM voluntarily sought independent charter-free appraisals for its 23-vessel portfolio. The aggregate charter-free value of the vessel portfolio, which refers to the fair market value of the vessels without taking into consideration the long-term leases, was US\$686.0 million. This is 10% higher than the charter-free value of US\$623.0 million FSLTM obtained in March 2010.

The charter-free value of US\$686.0 million as at June 2010 represents 146% of the outstanding secured loan of US\$469.1 million as at July 2010. The value-to-loan ratio of 146% is comfortably above the minimum value-to-loan coverage ratio of 100% mandated by one of the loan covenants in FSL Trust's credit facility during the credit facility amendment period<sup>3</sup> which ends in 2Q FY11. More significantly, it also meets the mandated minimum ratio of 145% beyond the amendment period. Assuming the current charter-free valuation of vessels remains unchanged, the projected value-to-loan coverage ratio in July 2011 is 157%.

## **VESSELS IN THE PRODUCT TANKER SPOT MARKET**

Upon re-delivery of 'Verona I' and 'Nika I' by its charterers in June 2010, FSLTM designated the two vessels, both 47,000 dwt Super Ice Class 1A product tankers, to be deployed in the product tanker spot market. FSLTM appointed UPT United Product Tankers GmbH & Co. KG and Prisco (Singapore) Pte. Ltd. as the commercial manager and technical manager respectively, for both vessels. 'Verona I' was renamed 'FSL Singapore' and commenced trading in the product tanker spot market in July 2010. 'Nika I' is expected to commence trading in August 2010 after completion of dry-docking.

<sup>3</sup> Under the credit facility amendment agreement with FSL Trust's lenders announced on 2 September 2009, the amendment period will extend until the end of 2Q FY11

As an approximation of expected product tanker spot market earnings, the current one-year time charter rate for 47-48,000 dwt product tankers is US\$13,500 per day as reported by Clarkson<sup>4</sup>. However, investors and unitholders should be cautioned that freight rates in the spot market are very volatile. Further, a reasonable transition time should be expected for the two vessels to attain their full earning potential in the product tanker spot market following their releases from the recent arrests.

Following the deployment of the two vessels in the product tanker spot market, FSLTM will reinstate the management fee for the two vessels based on 4% of bareboat charter equivalent revenue<sup>5</sup>.

## **OUTLOOK**

Mr Philip Clausius, Chief Executive Officer of FSLTM, said: “Our business focus on long-term bareboat leasing remains unchanged notwithstanding the re-delivery of two vessels in June. The revenue from the 21 bareboat leases in our vessel portfolio will continue to underpin the stability of our long-term cash flow. Our strategic focus on growing and further diversifying the portfolio remains unchanged.”

Mr Clausius added: “Given market fundamentals, we believe the outlook for the tanker and containership sectors are quite positive, but less so for the dry bulk sector. We expect to trade ‘Nika I’ and ‘FSL Singapore’ in the product tanker spot market in the near-term. There is no rush to lock them into medium to long-term charters now but we will do so as and when the tanker market continues to improve.”

## **SIGNIFICANT EVENTS IN 2Q FY10 AND SUBSEQUENT EVENTS**

### **Re-delivery of ‘Nika I’ and ‘Verona I’**

FSL Trust announced on 4 May 2010 that it had been requested to take re-delivery of ‘Nika I’ and ‘Verona I’ by its charterers Rovina Shipping Company Ltd. (“Rovina”) and Mesino Shipping Company Ltd. (“Mesino”). Rovina and Mesino, which are affiliates of Groda Shipping & Transportation Ltd, had indicated they did not intend to continue making full lease payments under the charter agreements.

FSLTM proceeded to serve the notices of default on Rovina and Mesino in June 2010. On 14 July 2010, FSL Trust received the cash amount of US\$6.0 million, which served as security deposits for the contract fulfillment by the charterers, upon the expiry of the stipulated default notice period. The US\$6 million was recognised as non-recurring revenue in 2Q FY10.

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<sup>4</sup> Clarkson Research Services. *Shipping Intelligence Weekly* 16 Jul. 2010: 9.

<sup>5</sup> Bareboat charter equivalent revenue refers to freight revenue less voyage expense and operating expense

### **Arrest and Release of 'Nika I' and 'Verona I'**

FSLTM announced on 5 June 2010 that the vessel 'Verona I' was arrested in Japan on 4 June 2010 by Singapore-based Daxin Petroleum Pte Ltd ("Daxin") on the basis that Daxin had not been paid for bunkers supplied to the vessel. Subsequently, 'Nika I' was arrested on 8 June 2010 in China by Daxin on the same basis.

FSLTM secured the release of 'Verona I' in Japan on 17 June 2010 after a security deposit of US\$1.6 million was posted with the Japanese court. Similarly, 'Nika I' was released in China on 17 July 2010 after a banker's guarantee of US\$2.8 million was provided.

### **Writ filed against Daxin, its affiliates and their officers and/or representatives**

FSLTM announced on 22 July 2010 that it has filed a Writ of Summons (the "Writ") in the Supreme Court of Singapore on 20 July 2010 against Daxin, Rovina, Mesino and officers of Daxin and/or its representatives in connection with, amongst others, the arrests of 'Verona I' and 'Nika I' and the discontinuation of the legal actions against 'Verona I' and 'Nika I' in Japan and the People's Republic of China, respectively.

Both Rovina and Mesino, who were the bareboat charterers of the two vessels, are also affiliated companies of Daxin. Both vessels, which are now released after FSLTM provided the required securities, had been arrested by Daxin in June 2010 in respect of alleged claims against Rovina and Mesino for unpaid bunkers which Daxin had allegedly supplied to the vessels.

FSL Trust is seeking various remedies including damages for all loss and damage suffered in connection with the arrest of the two vessels. Concurrently, FSL Trust is vigorously defending the claims made against the vessels in the said legal actions in Japan and the People's Republic of China.

### **CONFERENCE CALL FOR 2Q FY10 RESULTS**

FSLTM will host a conference call for all registered participants on Tuesday, 27 July 2010 at 8.00 a.m. (Singapore time) / 8.00 p.m. (U.S. ET) to discuss the results. An audio recording of the conference call will be available on FSL Trust's website at [www.FSLTrust.com](http://www.FSLTrust.com) from 12.00 p.m. (Singapore time) on 28 July 2010.

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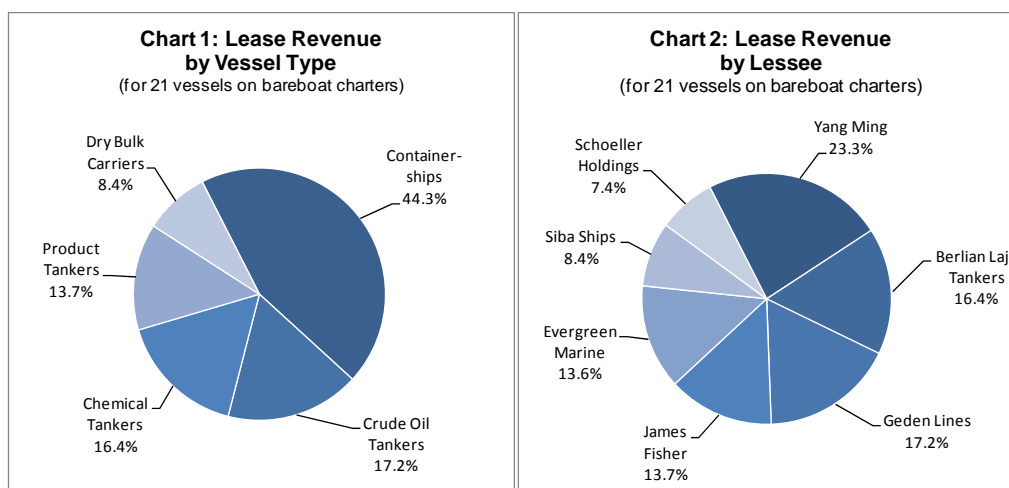
## APPENDIX:

### A) Summary Of Results

	2Q FY10 US\$'000	2Q FY09 US\$'000	Inc/(Dec) %
Revenue	28,528	24,841	14.8
Net (loss)/profit after tax	(6,106)	2,347	N.M.
Net cash from operations	17,256	17,106	0.9
Net Distributable Amount	5,688	12,707	(55.2)
Amount to be distributed	5,688	12,707	(55.2)
Distribution per unit ("DPU")(US cts)			
For the period	0.95	2.45	(61.2)
Annualised	3.80	9.80	(61.2)

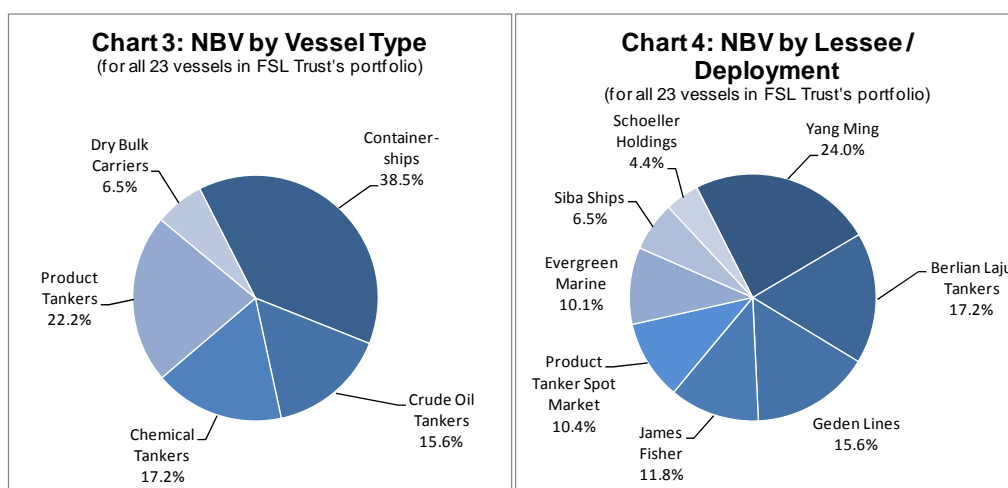
N.M.: Not Meaningful

### B) Revenue by Vessel Type and By Lessee for the 21 vessels on long-term bareboat charter



Note: Based on annualized revenue of US\$86 million, which assumes that the daily lease rental from the two vessels leased to Geden Lines are fixed at US\$20,335 per vessel.

### C) Net Book Value by Vessel Type and by Lessee/Deployment for the 23 vessels in FSL Trust's vessel portfolio



Note: Net Book value as at 30 June 2010 is US\$793 million

## **About First Ship Lease Trust (Bloomberg: FSLT SP; Reuters: FSLT.SI; OTCQX: FSHPY)**

First Ship Lease Trust ("FSL Trust" or the "Trust") is a provider of leasing services on a long-term bareboat charter basis to the international shipping industry. The Trust has a diversified portfolio of 23 modern and high quality vessels, consisting of seven containerships, nine product tankers, three chemical tankers, two dry bulk carriers and two crude oil tankers.

FSL Trust is listed on the main board of the Singapore Exchange Securities Trading Limited (SGX-ST) and its American Depository Receipts are quoted on the PrimeQX tier of International OTCQX. FSL Trust is a component stock of the FTSE ST Maritime Index.

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*This news release 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.*

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