



**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 3Q FY10**

- **Distribution per Unit of US0.95¢ for 3Q FY10, unchanged from 2Q FY10**
- **Charter-free value of fleet improves to US\$700 million (+19% yoy), reflecting recovery of asset values in the shipping industry**

**Singapore, 22 October 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 third quarter ended 30 September 2010 ("3Q FY10").

For the quarter, FSL Trust will distribute US\$5.7 million or US0.95¢ per unit to its unitholders. The distribution per unit ("DPU") for 3Q FY10 of US0.95¢, unchanged from 2Q FY10, represents an annualised tax-exempt yield of 10.3%<sup>1</sup>. The distribution will be paid on 26 November 2010 to all unitholders on record as at 1 November 2010. The Distribution Reinvestment Scheme (DRS) will not apply for the 3Q FY10 distribution.

**Review of 3Q FY10 Performance**

Revenue for 3Q FY10 declined 4.9% year-on-year (yoy) to US\$23.4 million compared to US\$24.6 million in 3Q FY09. The 3Q FY10 revenue includes freight revenue of US\$2.5 million earned by the vessels 'FSL Hamburg' and 'FSL Singapore' deployed in the product tanker spot market during the period. This mitigated the loss of bareboat charter lease rentals of approximately US\$3.8 million for the quarter due to the premature termination of bareboat leases for 'FSL Hamburg' and 'FSL Singapore'.

Depreciation expense on the vessels in 3Q FY10 was US\$14.2 million, which is 7.2% lower than the US\$15.3 million in 3Q FY09. The lower depreciation expense was attributed mainly to (i) a revision in the basis of estimation of the residual values of the two re-delivered vessels 'FSL Hamburg' and 'FSL Singapore', and (ii) a revision in depreciation policy for the two

<sup>1</sup> Based on FSL Trust's closing price of S\$0.48 on 22 October 2010 at an exchange rate of US\$1.00:S\$1.30.

vessels in which the estimated useful life of the two vessels was extended from 7 years to 25 years. These revisions do not affect the other 21 vessels owned by the Trust.

The Trust incurred a total of US\$2.1 million in voyage expenses and vessel operating expenses in 3Q FY10. These expenses were attributed to the operations of the vessels 'FSL Hamburg' and 'FSL Singapore' deployed in the product tanker spot market. The Trust did not incur these expenses previously as they were borne by the charterers under the bareboat charters.

The Trust generated net cash from operations (before loan amortization) of US\$14.1 million in 3Q FY10, which is 20.1% lower compared with US\$17.6 million in 3Q FY09. After deducting the loan amortisation of US\$8.0 million and cash retention of US\$0.4 million, the net amount available for distribution was US\$5.7 million or US0.95¢ per unit.

### **Vessel Portfolio**

FSL Trust's vessel portfolio presently comprises 23 vessels of different types comprising containerships, chemical tankers, product tankers, crude oil tankers and dry bulk carriers.

Of these, 21 vessels are chartered on a long-term bareboat charter basis to seven reputable international shipping companies. As at 30 September 2010, the leases of the 21 vessels have an aggregate remaining contracted revenue of US\$618.8 million and an average remaining lease term of 7.4 years<sup>2</sup>. The remaining 2 vessels, both 47,000 dwt product tankers, are presently deployed in the product tanker spot market.

### **Update of the vessels deployed in the product tanker spot market**

The vessels 'FSL Singapore' (formerly 'Verona I') and 'FSL Hamburg' (formerly 'Nika I') were re-delivered to the Trust at the request of their charterers and consequently, the bareboat charter agreements associated with these two vessels were terminated prematurely. FSLTM plans to trade the two vessels in the product tanker spot market in the near-term, with a view to placing them under longer term charters when attractive opportunities arise.

Following the release of the vessels from their recent arrests<sup>3</sup>, 'FSL Singapore' commenced trading in the product tanker spot market in the 4<sup>th</sup> week of June and 'FSL Hamburg' commenced trading in mid-August after completion of its dry-docking. The dry-docking for 'FSL Singapore' is currently scheduled for November 2010. Both vessels are managed by

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<sup>2</sup> On dollar-weighted basis, excluding extension periods and early buy-out options.

<sup>3</sup> Refer to Press Releases: "Arrest of 'Verona I'", dated 5 June 2010, "Arrest of 'Nika I' at Qingdao" dated 8 June 2010 and "Update on the Arrest of 'Verona I' and 'Nika I'", dated 9 June 2010, "FSL Trust Secures The Release Of 'Verona I'", dated 18 June 2010 and "FSL Trust secures the release of 'Nika I'", dated 18 July 2010.

commercial manager, UPT United Product Tankers GmbH & Co. KG, and technical manager, Prisco (Singapore) Pte. Ltd.

The two vessels earned total freight revenues of US\$2.5 million during 3Q FY10. During this period, the vessels incurred voyage expenses (mainly bunkers and port charges) of US\$0.9 million and vessel operating expenses of US\$1.2 million. For 3Q FY10, the bareboat charter equivalent revenue generated by these vessels amounted to US\$0.4 million<sup>4</sup>.

With respect to the Writ of Summons filed against Daxin Petroleum Pte Ltd, its affiliates and their officers and/or representatives (the “Defendants”)<sup>5</sup>, the Defendants have filed their defence. Legal proceedings are on-going and there are no material developments at this point.

### **Update on the Credit Facility and the improvement in charter-free value of the fleet**

As at 30 September 2010, the Trust carried outstanding secured debt of US\$468.3 million. This amount was further reduced to US\$461.1 million after a loan repayment on 1 October 2010. FSL Trust does not have any loan tranche maturing until 2 April 2012.

In September 2010, FSLTM sought independent charter-free appraisals for its 23-vessel portfolio. The charter-free value of FSL Trust’s fleet, which refers to the fair market value of the fleet without considering the long-term leases, was US\$700.3 million in September 2010. This is 2.1% higher than the charter-free value of US\$686.0 million in June 2010 and 18.6% higher than the US\$590.3 million in September 2009, and reflects the recovery in asset values in the shipping industry.

The charter-free value of US\$700.3 million in September 2010 represents 152% of the Trust’s outstanding secured debt of US\$461.1 million as at 1 October 2010. The value-to-loan (the “VTL”) ratio of 152% is thus above the minimum VTL ratio of 100% mandated by one of the debt covenants in the Trust’s credit facility during the credit facility amendment period<sup>6</sup> which ends in 2Q FY11. More significantly, it satisfies the mandated minimum VTL ratio, which will be revised to 145%, after the amendment period. Assuming the current charter-free valuation of the vessels remains unchanged, the projected VTL ratio in July 2011 will be 160%.

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<sup>4</sup> After subtracting US\$0.9m in voyage expenses and US\$1.2m in vessel operating expenses from the freight revenue of US\$2.5m.

<sup>5</sup> Refer to the press release “FSL Trust files Writ against Daxin Petroleum Pte. Ltd., Its affiliates and their officers and/or representatives”, dated 22 July 2010.

<sup>6</sup> Under the credit facility amendment agreement with FSL Trust’s lenders announced on 2 September 2009, the amendment period will expire at the end of 2Q FY11.

## **Outlook**

Mr Philip Clausius, Chief Executive Officer of FSLTM, said: “Over the course of the quarter, the two tankers, ‘FSL Hamburg’ and ‘FSL Singapore’, were successfully introduced to the product tanker spot market and gained approvals from several oil majors. Despite volatile freight rates in the spot market, we believe the vessels are now well-positioned to attain their full earnings potential. As the tanker market improves, we will also explore various mid-to-long-term employment options for these two vessels.

“For our other 21 vessels, we continue to generate stable cashflow from our bareboat lease portfolio, which is underpinned by long-term fixed-rate bareboat contracts and healthy remaining contracted revenue. Asset values have recovered substantially and we are in full compliance with our debt covenants. Our fundamentals remain solid and our business model continues to generate value for unitholders.”

## **3Q FY10 Results Conference Call**

FSLTM will host a conference call for all registered participants on Monday, 25 October 2010 at 5.30 p.m. (Singapore time) / 10.30 a.m. (U.K. time) 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 26 October 2010.

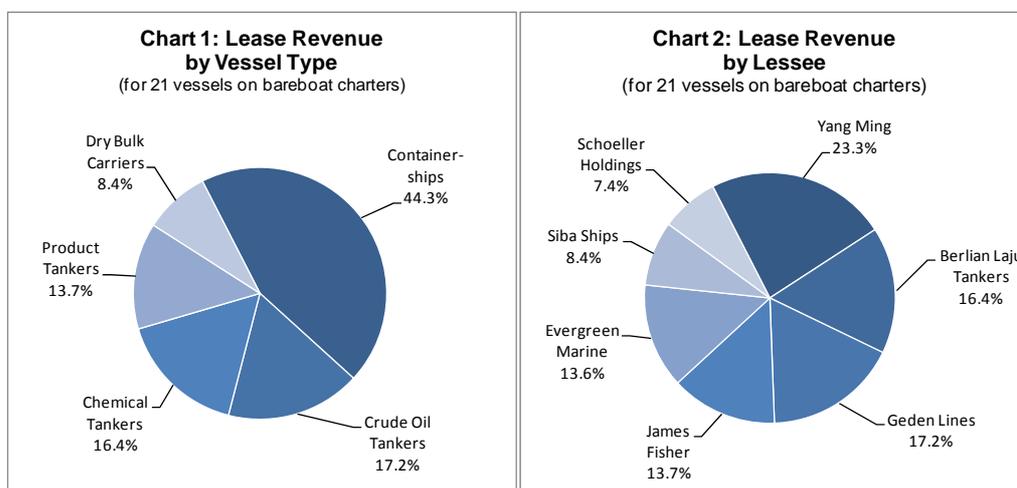
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## APPENDIX:

### A) Summary Of Results

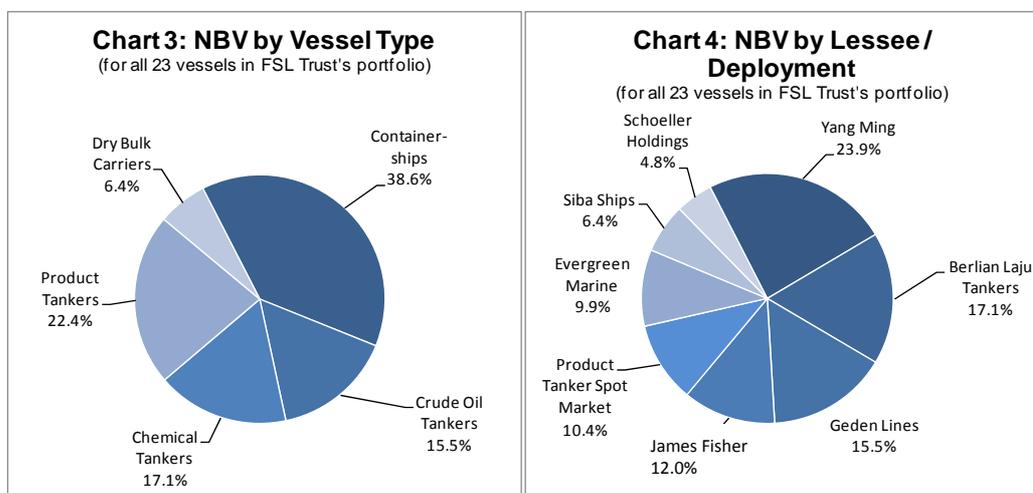
|                                       | 3Q FY10<br>US\$'000 | 3Q FY09<br>US\$'000 | Inc/(Dec)<br>% |
|---------------------------------------|---------------------|---------------------|----------------|
| Revenue                               | 23,421              | 24,628              | (4.9)          |
| Profit for the quarter                | 649                 | 2,737               | (76.3)         |
| Net cash from operations              | 14,077              | 17,628              | (20.1)         |
| Net Distributable Amount              | 5,687               | 7,964               | (28.6)         |
| Amount to be distributed              | 5,687               | 7,964               | (28.6)         |
| Distribution per unit ("DPU")(US cts) |                     |                     |                |
| For the period                        | 0.95                | 1.50                | (36.7)         |
| Annualised                            | 3.80                | 6.00                | (36.7)         |

### 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 September 2010 is US\$785 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, comprising seven containerships, nine product tankers, three chemical tankers, two dry bulk carriers and two crude oil tankers. Of these, 21 vessels are leased to seven reputable international shipping companies on long-term bareboat charter basis and two vessels are presently deployed in the product tanker spot market.

FSL Trust is managed by FSL Trust Management Pte. Ltd., the trustee-manager. The trustee-manager aims to grow and diversify the Trust’s portfolio through accretive acquisitions of vessel with leases, to increase predictable cashflow generation and to provide sustainable regular cash distributions to unitholders of the Trust.

FSL Trust is listed on the main board of the Singapore Exchange Securities Trading Limited (SGX-ST) and its American Depository Receipts (ADR) 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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