



FSL Trust Management Pte. Ltd.

as Trustee Manager for First Ship Lease Trust

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For Immediate Release

FSL Trust Generates Healthy Cash Flow Maintains Distribution at US0.95¢ per unit in 2QFY11

- **17th consecutive quarterly distribution since IPO represents an annualised tax-exempt yield of 13.3%¹**
- **Group's long-term bareboat charters, including the two recently acquired TORM vessels, continue to underpin earnings**

Singapore, 20 July 2011 – First Ship Lease Trust (“FSL Trust” or the “Trust”), which is managed by Trustee-Manager, FSL Trust Management Pte. Ltd. (“FSLTM”), generated a net cash from operations of US\$13.5 million. Of this, US\$5.7 million will be distributed to unitholders for the quarter ended 30 June 2011 (2QFY11).

The distribution translates to US0.95¢² per unit and is the Trust's 17th consecutive quarterly distribution since its debut on the SGX Mainboard in March 2007. This represents an annualised tax-exempt yield of 13.3%¹, of which US0.87¢ per unit and US0.08¢ per unit will be paid out on 21 July 2011 and 26 August 2011, respectively.

Higher freight income from FSL Trust's two product tankers, ‘*FSL Hamburg*’ and ‘*FSL Singapore*’, trading in the spot market and maiden contribution from two newly acquired vessels – ‘*TORM Margrethe*’ and ‘*TORM Marie*’³ which are leased to a wholly-owned subsidiary of TORM A/S (“TORM”) – lifted 2QFY11 revenue to US\$28.7 million, 20% higher compared to 1QFY11's US\$23.9 million. The quarter's revenue is also 27.4% above 2QFY10's US\$22.5 million before accounting for the US\$6.0 million one-off security deposit received due to the pre-mature termination of the bareboat charter arrangement relating to ‘*FSL Hamburg*’ and ‘*FSL Singapore*’.

‘*FSL Hamburg*’ and ‘*FSL Singapore*’, the two product tankers deployed in the product tanker spot market performed well in this quarter with freight income of US\$7.6 million resulting in a bareboat

¹ Based on closing price of S\$0.345 on 20 July 2011 and exchange rate of US\$1.00 to S\$1.21

² The distribution comprises a stub distribution US0.87¢ and a final distribution of US0.08¢

³ *MT TORM Margrethe* and *MT TORM Marie* were added to the Trust's existing portfolio of 23 vessels in June 2011, increasing the portfolio to 25 vessels

charter equivalent revenue of US\$3.2 million. The tankers were also profitable in 1Q FY2011 if freight income of US\$1.6 million attributed to freight carried in 1Q FY2011 (but discharged in 2Q FY2011) were recognised in the same quarter instead of 2Q FY2011. This is because FSL Trust recognises expenditure on an accrual basis whilst freight income is taken in only upon discharge of freight.

On a cumulative basis for 1H FY2011, '*FSL Hamburg*' and '*FSL Singapore*' generated a time-charter equivalent and bareboat charter equivalent revenue of US\$4.6 million and US\$2.1 million, respectively, on the back of freight income of US\$10.6 million.

Notwithstanding the improved freight income, the Trust reported a reduced net loss of US\$0.5 million in 2QFY11 compared with the same period last year of US\$6.1 million and 1QFY11's US\$2.0 million. The quarter's loss is due to a provision of US\$2.5 million for the expected call on the banker's guarantee on the back of a judgment passed by the PRC court in favour of Daxin Petroleum Pte. Ltd (Daxin) for its bunker claims against its affiliate Rovina Shipping Company Limited, formerly the lessee of 'Nika I' (now renamed '*FSL Hamburg*'). (Please refer to Press Release dated 18 July 2011 for more details). Excluding this provision of US\$2.5 million, the Trust would have made a profit of US\$2.0 million for the current quarter.

Mr Philip Clausius, President and Chief Executive Officer of FSLTM said: "Steady earnings from our long-term bareboat charters, including the newly minted sale and leaseback deals with TORM, is testimony that the Trust is now back on course for growth.

Appetite for alternative shipping lease financing options is growing and we believe that the Trust has successfully rebuilt its platform to capture these opportunities. Management will continue to ride on this momentum to grow and diversify the Trust both in terms of new vessels and reputable clients."

The two new product tankers from TORM were acquired for a total of US\$92 million. This was funded by the successful private placement of 56 million new FSL Trust units, which raised US\$15 million (net), the drawdown of US\$46 million from the Trust's existing revolving credit facility and the utilisation of US\$28 million from its previous equity issue in September 2009, as well as cash-in-hand. Post these acquisitions, the Trust has a healthy cash balance of US\$21.9 million as at 30 June 2011.

The Trust now has a modern fleet of 25 vessels (with a dollar-weighted average age of about 6 years), of which 23 are on long-term bareboat leases, with a remaining lease revenue of US\$635 million and a weighted remaining lease term of 6.7 years (as at 30 June 2011).

UPDATE ON THE CREDIT FACILITY

FSL Trust has put in place total revolving credit facilities of US\$515 million (“Credit Facility”) of which the outstanding loan balance was US\$490.3 million as at 30 June 2011, which was reduced to US\$483.1 million after a loan repayment on 1 July 2011.

The amendment period under the Credit Facility which the Trust entered into in September 2009 ended on 30 June 2011. From 1 July 2011, the margin under all 3 tranches of the Credit Facility will be reduced to 1.25% (Tranche A) and 1.45% (Tranches B and C) above US\$ 3-month Libor⁴. The security-to-loan covenant will also revert from 100% to 145%. Post the amendment period, FSL Trust is in full compliance under the bank covenants. The acquisition of the two TORM vessels also improves the security-to-loan valuation as these vessels were funded equally by debt and equity/cash.

Tranche A of the Credit Facility, comprising about 50% of the outstanding loan will mature in March 2014, while the balance (Tranches B and C) will be due in April 2012. The Trustee-Manager is in advanced discussions with lending banks on refinancing the Credit Facility to extend the tenure of the entire outstanding loan to 2016 or beyond, ie including balances under Tranche A. This Credit Facility will be transformed from a revolving facility to a typical amortising mortgage loan. FSLTM expects the discussions with the banks to be finalised in the near term and will make the appropriate announcement in due course.

OUTLOOK

The addition of two product tankers on lease to TORM further increases the stable and predictable cash flow generated by the Trust’s vessels on long-term leases. The Trustee-Manager’s immediate focus is to tie-up the re-financing of the Credit Facility and at the same time continue to seek cash flow accretive growth opportunities.

With regard to ‘FSL Hamburg’ and ‘FSL Singapore’, indications in early 3Q FY2011 for the relevant spot rates showed a softening of freight earnings. Hence, earnings from these 2 product tankers may be dampened. The Trustee-Manager will continue to seek longer term employment options for the two tankers.

⁴ Except for US\$46 million drawn during the amendment period, which attracts a margin of 1.7% above US\$ 3-month Libor

SUBSEQUENT EVENTS

Judgment passed by court of Japan

In June 2010, *'Verona I'* (now renamed as *'FSL Singapore'*) was arrested by Daxin on the basis of alleged unpaid bunkers. In order to secure the release of the vessel, a security deposit of US\$1.6 million was posted with the Japanese court. The Japanese court has recently ruled in favour of the Trust and has set aside the arrest of *'Verona I'* by Daxin. If there is no appeal, the Trustee-Manager expects the security deposit to be released in due course. The release of the security deposit will not have any financial impact to the net income of the Group.

Judgment passed by court in PRC

In June 2010, *'Nika I'* (now renamed as *'FSL Hamburg'*) was arrested by Daxin on the basis of alleged unpaid bunkers. In order to secure the release of the vessel, the Trustee-Manager had posted a banker's guarantee in favour of Daxin as security. The Chinese court had recently ruled in favour of Daxin, which would allow Daxin to call upon this banker's guarantee. As the judgment was in relation to an event existing as at 30 June 2011, a provision of US\$2.5 million was made in 2Q FY2011 based on an expected call on the banker's guarantee.

CONFERENCE CALL FOR 2Q FY11 RESULTS

FSLTM will host a conference call for all registered participants on Thursday, 21 July 2011 at 10 a.m. (Singapore time) to discuss the results. An audio recording of the conference call will be available on FSL Trust's website at www.FSLTRUST.com from 12.00pm (Singapore time) on Friday, 22 July 2011.

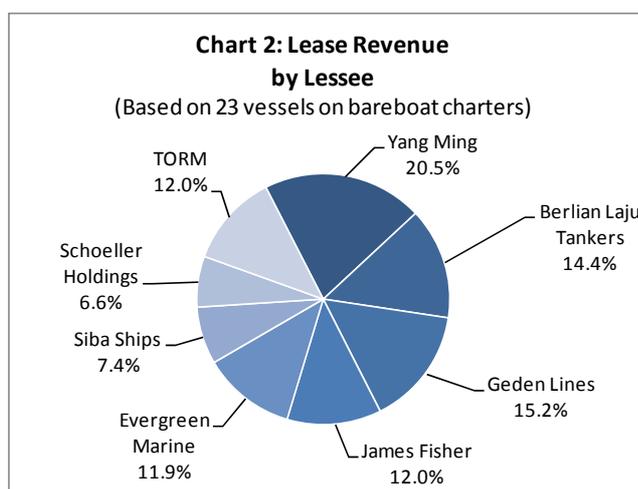
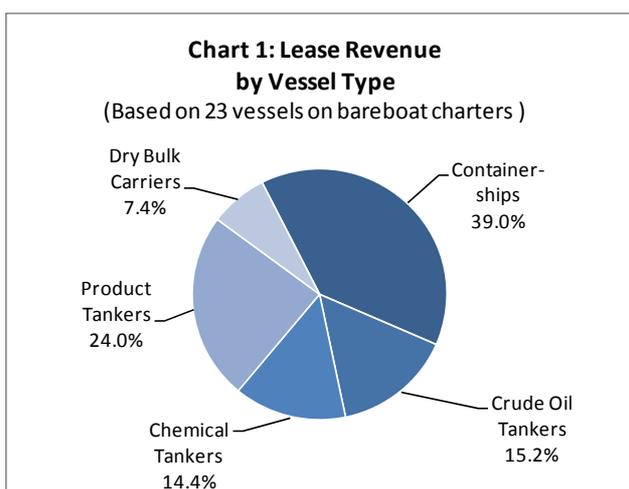
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APPENDIX

A. Summary of FSL Trust Consolidated Results

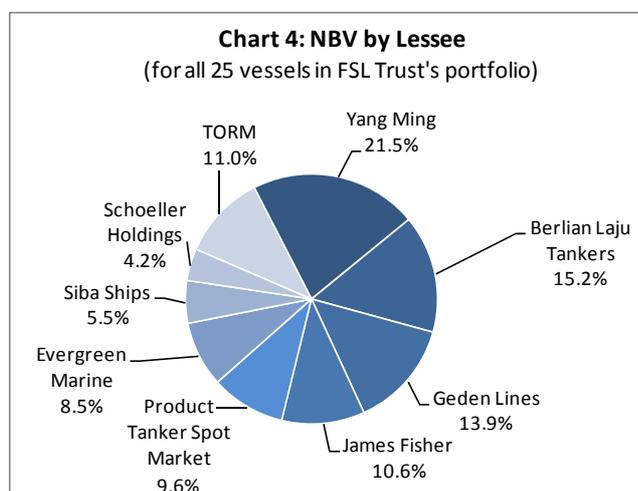
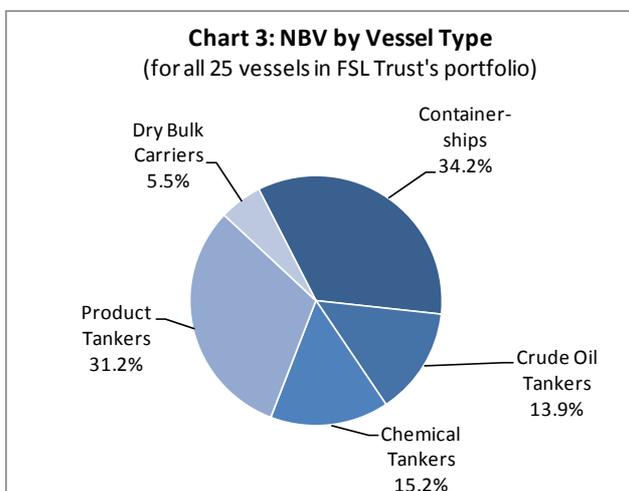
	2Q FY2011 US\$'000	2Q FY2010 US\$'000	Inc/(Dec) %
Revenue	28,700	28,528	0.6
Loss for the quarter	(491)	(6,106)	(92.0)
Net cash generated from operations	13,486	17,256	(21.8)
Net Distributable Amount	5,732	5,688	0.8
Amount to be distributed	5,732	5,688	0.8
Distribution Per Unit ("DPU") (US Cents)			
For the period	0.95	0.95	-
Annualised	3.80	3.80	-

B. Revenue by Vessel Type and By Lessee for the 23 vessels on long-term bareboat charter



Note: Based on annualized revenue of US\$98 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 25 vessels in FSL Trust's vessel portfolio



Note: Net book value as at 30 June 2011 is US\$838.4 million

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

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 25 modern and high quality vessels, comprising of seven containerships, eleven product tankers, three chemical tankers, two dry bulk carriers and two crude oil tankers. Of these, 23 vessels are leased to eight 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 are quoted on the PrimeQX tier of International OTCQX. FSL Trust is a component stock of the FTSE ST Maritime Index.

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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