



FSL Trust Management Pte. Ltd.

as Trustee Manager for First Ship Lease Trust

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For Immediate Release

**FSL Trust posts first quarterly profit since 3QFY11 and
41% increase in net operating cash flow**

Singapore, 14 August 2014 – FSL Trust Management Pte. Ltd. (“FSLTM”), as trustee-manager of First Ship Lease Trust (“FSL Trust” or the “Trust”) has generated a profit of US\$1.0 million for the second quarter of the financial year ending 31 December 2014 (“2QFY14”), compared to a loss of US\$7.2 million for the corresponding period the previous year (“2QFY13”) following the successful restructuring efforts of the senior management team.

Strategic initiatives

FSL Trust has seen a marked improvement in its performance in the past quarter following the successful initiatives that have been implemented since September 2013. The Trust now has a fully deployed portfolio of vessels split between stable bareboat charter revenues and managed shorter term employment in markets with improving fundamentals. The management continues to take further steps to consolidate the position of the Trust and provide a strong platform for future growth.

Key milestones since the beginning of the year include:

- The successful negotiation and execution of a covenant relaxation until the end of 2014
- The disposal of two 15 year-old loss-making dry bulk vessels, reducing forecast capital expenditure by approximately US\$3.0 million and the cost of debt service in 1QFY14 and 2QFY14 by US\$5.3 million
- The appointment of Mr Philip Tan Eng Lay as Chief Financial Officer who will oversee the financial reporting, risk management and treasury side of the Trust’s operations, strengthening overall credit oversight within the Trust
- A new time charter agreement with Tesoro for FSL Shanghai which will generate approximately US\$5.7 million in revenues, a year-on-year increase of US\$1.6 million over the previous time charter contract, the financial impact of which will come into effect in 3QFY14

Commenting on the Trust’s performance, Alan Hatton, Chief Executive Officer of FSLTM said:

“We are pleased that the Trust has generated a quarterly profit for the first time in three years and, more importantly, seen a strong increase in cash generation. This follows a challenging and tumultuous 12 months and demonstrates that, so far, our restructuring efforts have produced good results. Significant progress has been achieved in improving the Trust’s performance and therefore safeguarding its future. The sale of two vessels has reduced our

debt balance, the cost of debt service and relieved the pressure on our cash flow. We remain focused on managing the cost base of the Trust and on improving its performance by identifying opportunities to enhance revenues on the redelivered vessels, as demonstrated recently with the new contract for the FSL Shanghai.

With a full strength management team now in place and on the back of an improved financial performance this quarter, we feel that we are now much better positioned to drive the business forward and generate value for our unit holders.”

2QFY14 Financial Performance

The Trust saw a 40.9% increase in net cash generated from operations during the quarter from US\$12.8 million in 2QFY14 compared to US\$9.1 million in 2QFY13. There was also increase in revenues by 7.8% to US\$22.9 million in 2QFY14 compared to US\$21.3 million in 2QFY13.

Profit of US\$1.0 million was generated in 2QFY14 compared to a loss of US\$7.2 million in the corresponding period the previous financial year (“2QFY13”). This marks the Trust’s first quarterly profit after ten consecutive loss-making quarters.

The Trust achieved a significant reduction in expenses during the second financial quarter. Other operating expenses for 2QFY14 declined 25.7% year on year to US\$13.9 million from US\$18.7 million in 2QFY13 due to lower depreciation expenses and a lack of impairment losses and redelivery expenses incurred for vessels.

Finance expenses decreased by 36.4% to US\$3.9 million for 2QFY14 compared to US\$6.2 million in 2QFY13. This was due to the lower outstanding debt arising from the prepayment of US\$22.0 million made in 1QFY14 with the proceeds from the sale of the two dry bulk vessels, FSL Durban and Stella Fomalhaut, as well as the expiry of interest rate swaps. The short-term outstanding debt has been reclassified to long-term liabilities after executing the further covenant relaxation agreement.

The Trust also significantly reduced its debt repayments with the sale of FSL Durban and Stella Fomalhaut. This helped reduce the cost of the debt service by US\$5.3 million across 1QFY14 and 2QFY14, reducing the scheduled repayments of secured bank loans from US\$11.0 million to US\$8.5 million for each quarter including US\$0.3 million of additional net proceeds applied to 2QFY14.

The improvement in performance has been primarily achieved through the ongoing restructuring efforts of the new management team, which involves the more profitable deployment of the redelivered vessels and a reduction in expenses. The management team remains focused on improving the performance of the Trust further in the coming year.

2QFY2014 Results Conference Call

FSLTM will host a conference call for all registered participants on Friday, 15 August 2014 at 10.00 am (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 12.00 pm (Singapore time) on Monday, 18 August 2014.

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

First Ship Lease Trust ("FSL Trust" or the "Trust") is a shipowner and 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, 11 product tankers, three chemical tankers 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 Depositary Receipts (ADRs) are quoted on the PrimeQX tier of International OTCQX.

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 the current view of management on future events.

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