



**FSL Trust Management Pte. Ltd.**

as Trustee Manager for First Ship Lease Trust

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**For immediate release**

## **FSL TRUST SECURES RELAXATION OF LOAN COVENANTS AND ANNOUNCES FULL YEAR EARNINGS FOR 2013**

- Relaxation of loan covenants secured until 31 December 2014
- Business undergone significant restructuring, management now focused on improving operations and strengthening the performance of the Trust
- Full year revenue of US\$90.0 million for FY2013
- The Trust remains cashflow positive with 4QFY13 and FY2013 net cash generated from operations of US\$7.6 million and US\$36.0 million

**Singapore, 28 February 2014** - FSL Trust Management Pte. Ltd. ("**FSLTM**"), as trustee-manager of First Ship Lease Trust ("**FSL Trust**" or the "**Trust**") is pleased to announce that it has successfully secured a loan covenant relaxation until 31 December 2014.

The Trustee-Manager has been in discussions with its lenders since September 2013 to negotiate a set of covenant relaxation terms that would ensure the near term future of the Trust and provide a platform for the Trust to move forward. With this covenant relaxation agreement in place, management can focus on improving the performance of the Trust.

FSL Trust Management Pte Ltd, as trustee-manager of First Ship Lease Trust, also announces the Trust's financial results for the financial year ended 31 December 2013 ("**FY2013**") with a 15.2% decline in revenue to US\$90.0 million from US\$106.1 million in the previous financial year 2012 ("**FY2012**").

For the fourth quarter ended 31 December 2013 ("**4QFY13**"), revenue decreased 3.6% to US\$23.2 million from US\$24.1 million in the corresponding period of the previous financial year ("**4QFY12**").

Alan Hatton, Chief Executive Officer of FSLTM commented:

"We are very pleased to have reached an agreement with our lenders regarding a relaxation of our loan covenants until 31 December 2014. This marks significant progress for the Trust.

Despite the extremely challenging year the Trust has faced due to lessee defaults, with the agreement of a loan covenant relaxation and improving performance due to ongoing restructuring efforts, the Trust is now in a stronger position to move forward."

## FOURTH QUARTER AND FULL YEAR EARNINGS

	4QFY13 US\$'000	4QFY12 US\$'000	Dec %	FY2013 US\$'000	FY 2012 US\$'000	Dec %
Revenue	23,194	24,059	(3.6)	89,993	106,107	(15.2)
Loss for the quarter / period	(41,984)	(1,554)	N.M.	(65,213)	(8,387)	N.M.
Net cash generated from operations	7,622	12,294	(38.0)	36,035	47,608	(24.3)

Total Bareboat charter/bareboat charter equivalent (“**BBCE**”) revenue decreased 23.8% and 17.4% year-on-year (“**YoY**”) to US\$15.9 million and US\$70.1 million for 4QFY13 and FY2013 respectively. A breakdown by charter type is provided below:-

	4QFY13 US\$'000	4QFY12 US\$'000	Inc/(Dec) %	FY2013 US\$'000	FY2012 US\$'000	Inc/(Dec) %
Rentals from vessels on bareboat charter	13,792	18,747	(26.4)	60,681	76,347	(20.5)
BBCE revenue of vessels on:-						
- Time charter	1,126	980	14.9	4,403	2,270	94.0
- Pool / RSA	535	1,094	(51.1)	4,394	2,531	73.6
- Spot	416	6	N.M.	610	3,672	(83.4)
Total bareboat charter/BBCE revenue	15,869	20,827	(23.8)	70,088	84,820	(17.4)

N.M. – Not meaningful

In FY2013, bareboat charter revenue fell by 20.5% YoY mainly due to lease defaults by the subsidiaries of Geden Holdings Ltd. (“**Geden**”) and by Omni Ships Pte. Ltd. (“**Omni Ships**”). As at 31 December 2013, 16 out of 25 vessels in the Trust’s portfolio were leased on bareboat charters.

The performances of the remaining nine vessels in the Trust’s portfolio were as follows:

- i) Two product tankers, *FSL Singapore* and *FSL Hamburg*, have been employed on time charters with Petróleo Brasileiro S.A. since May 2012 and August 2012 respectively. These vessels contributed BBCE revenue of US\$4.0 million in FY2013.
- ii) *FSL Shanghai*, a crude oil tanker, has been employed on a short-term time charter since it was redelivered from Geden in July 2013. The vessel generated BBCE revenue of US\$0.4 million in FY2013.
- iii) *FSL Hong Kong*, which was also redelivered from Geden, generated BBCE revenue of US\$0.6 million in FY2013 from employment in the spot market since July 2013. In

December 2013, *FSL Hong Kong* was redeployed on a Revenue Sharing Agreement (“**RSA**”) and contributed BBCE revenue of US\$0.2 million.

- iv) Three chemical tankers have been employed in the ‘Nordic Tankers 19,000 Stainless Steel Pool’ since the third quarter of 2012. Collectively, these vessels earned BBCE revenue of US\$4.2 million in FY2013.
- v) The two dry bulk carriers, *Stella Fomalhaut* and *FSL Durban*, were redelivered to the Trust from Omni Ships in October 2013. Thereafter, they were deployed on short-term time charters and incurred a marginal BBCE loss of US\$14,000 for FY2013.

Depreciation expense for FY2013 declined 4.7% to US\$54.5 million while management fees declined 17.0% to US\$2.8 million. Trustee fees and other trust expenses declined 6.9% to US\$0.1 million and 4.6% to US\$4.9 million respectively.

During its review of the Trust’s vessel portfolio, management has refined the impairment policy and taken a more conservative view of the carrying value of redelivered assets. Upon re-assessment, it was determined that the carrying amounts of 10 of the Trust’s vessels had exceeded their recoverable amounts and a non-cash and one-off impairment loss of US\$43.4 million was recognised.

Overall, the Trust reported a US\$42.0 million loss for 4QFY13 and US\$65.2 million loss for FY2013.

The Trust remains cashflow positive with 4QFY13 and FY2013 net cash generated from operations of US\$7.6 million and US\$36.0 million. As at 31 December 2013, cash and cash equivalents stood at US\$20.4 million. No distributions have been declared for 4QFY13.

During the period of discussions with its lenders, FSL Trust has serviced its quarterly loan amortisation of US\$11.0 million as well as its interest payments. Barring unforeseen circumstances, the Trust’s vessel portfolio is expected to generate sufficient cash flows to continue to meet the principal and interest payments.

#### **4Q AND FULL YEAR 2013 RESULTS CONFERENCE CALL**

FSLTM will host a conference call for all registered participants on Monday, 3 March 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](http://www.FSLTrust.com) from 12.00 pm (Singapore time) on Tuesday, 4 March 2014.

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## **APPENDIX**

### **Relaxation of Loan Covenants**

The relaxation of loan covenants granted by FSL Trust's lenders until 31 December 2014 is based on the following key conditions:

- i. meeting the relaxed Debt Service Coverage ("**DSC**") ratios as follow:

	Q1FY14	Q2FY14	Q3FY14	Q4FY14
DSC ratio	0.90	0.95	1.00	1.10

- ii. meeting the minimum value-to-loan ("**VTL**") ratios as follow:

	Q1FY14	Q2FY14	Q3FY14	Q4FY14
VTL ratio	105%	105%	110%	110%

- iii. a cash sweep mechanism whereby if cash balances are over US\$20 million for two consecutive quarters, the lesser of i) Q1 cash less US\$20 million, or ii) Q2 cash less US\$20 million is applied to the bullet of the loan outstanding. The cash sweep only applies until the end of the relaxation period or when VTL is up to 125%, as per the original loan documentation; and
- iv. an upfront fee of 5bps on the loan outstanding

Some of the conditions based on the original covenant relaxation announced on 30 June 2012<sup>1</sup> and covenant relaxation extension announced on 10 June 2013<sup>2</sup> will remain. This includes the additional margin of 2.0% per annum on the shortfall amount, which is the difference between the outstanding loan balance and the theoretical loan balancing assuming VTL ratio is 125% and the pledge of the shares of all the vessel-owning Special Purpose Companies owned by FSL Trust to the lenders.

<sup>1</sup> Press release: "FSL Trust Secures Relaxation of Loan Covenants", dated 30 June 2013

<sup>2</sup> Press release: "FSL Trust Obtains Extension of Covenants Relaxation", dated 10 June 2013

**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 25 modern and high-quality vessels, comprising seven containerships, 11 product tankers, three chemical tankers, two crude oil tankers and two dry bulk carriers.

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.

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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 the current view of management on future events.*

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