



# First Ship Lease Trust

## 2Q FY10

### Results Presentation



FSL Trust Management Pte. Ltd.  
As Trustee-Manager for FSL Trust

[www.FSLTrust.com](http://www.FSLTrust.com)  
Released 26 July 2010

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Certain statements in this presentation may constitute forward looking statements. Forward looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “anticipate,” “intend,” “estimate,” “forecast,” “project,” “plan,” “potential,” “may,” “should,” “expect,” “pending” and similar expressions identify forward looking statement.

Forward looking statements also include statements about our future growth prospects. Forward looking statements, involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding our earnings, our ability to manage concentration and lessee credit risks, our ability to lease out or dispose vessels, ability to implement our investment strategy, dependence on credit facilities and new equity from capital markets to execute our investment strategy, insufficient insurance to cover losses from inherent operational risks in the industry, lower lease rates from older vessels, dependence on key personnel, , FSL Holdings Pte. Ltd.’s controlling stake in the First Ship Lease Trust (“FSL Trust”), short operating history, lack of historical financial history for the Trust, risk of government requisitions during periods of emergency or war, possibility of pirate or terrorist attacks, competition in the industry, political instability where the vessels are flagged or operate, cyclicalities of the industry and fluctuations in vessel values. For further information, please see the documents and reports that we file with the Singapore Stock Exchange.

FSL Trust may, from time to time, make additional written and oral forward looking statements, including our reports to unitholders. We do not undertake to update any forward-looking statement that may be made from time to time by or on behalf of FSL Trust.

# Results Highlights

Philip Clausius

Chief Executive Officer  
FSL Trust Management

# 2Q FY10 Results Highlights



- **2Q FY10 distribution per unit of US0.95¢ (-61% y-o-y; -37% q-o-q)**
  - Represents an annualised tax-exempt yield of approximately 12.4%<sup>1</sup>
- **Revenue of US\$28.5m (+14.8% y-o-y; +16.8% q-o-q)**
  - Includes a one-off US\$6.0m recognition of cash security pursuant to re-delivery of 'Nika I' and 'Verona I'
- **Net cash from operations of US\$17.3m (before loan amortization) (+0.9% y-o-y; +5.7% q-o-q)**
- **2Q FY10 net loss of US\$6.1m**
  - Mainly due to a non-cash impairment charge of US\$7.9m arising from the re-delivery of 2 vessels and resulting termination of the bareboat charters

<sup>1</sup> Based on FSL Trust's closing price of S\$0.42 on 23 July 2010 and at an exchange rate of US\$1.00:S\$1.37

- **Re-delivery of ‘Nika I’ and ‘Verona I’ in June 2010**
  
- **Arrest and release of the two vessels**
  - Both vessels arrested by Daxin on alleged unpaid bunkers supplied to the vessels
  - ‘Verona I’ arrested on 4 June in Japan, released on 17 June after FSLTM posted US\$1.6m security
  - ‘Nika I’ arrested on 8 June in China, released on 17 July after FSLTM provided US\$2.8m banker’s guarantee
  
- **FSL Trust files Writ against Daxin, Rovina, Mesino and officers of Daxin and/or their representatives on 20 July 2010**
  - Rovina and Mesino who were bareboat charterers of the vessels, are also affiliated to Daxin, which arrested the vessels
  - FSL Trust seeking remedies to damages in connection with the arrests

# Vessels Portfolio



**Total 23 vessels**  
Average age 5.2 years<sup>2</sup>

## 21 vessels on long-term bareboat charters



- Diversified portfolio across five sub-sectors and seven lessees
- Remaining contracted revenue<sup>3</sup> of US\$640m
- Average remaining lease term<sup>3</sup> of 7.7 years
- Earliest lease maturity: 2014

## 2 vessels in product tanker spot market



- 'FSL Singapore' (2006 built) and 'FSL Hamburg' (2005 built)
- 47,000 dwt Super Ice Class 1A product tankers
- Managed by UPT United Product Tankers, established commercial manager that specialises in tankers

<sup>2</sup> on a dollar-weighted average basis by net book value

<sup>3</sup> excluding extension periods and early buy-out options

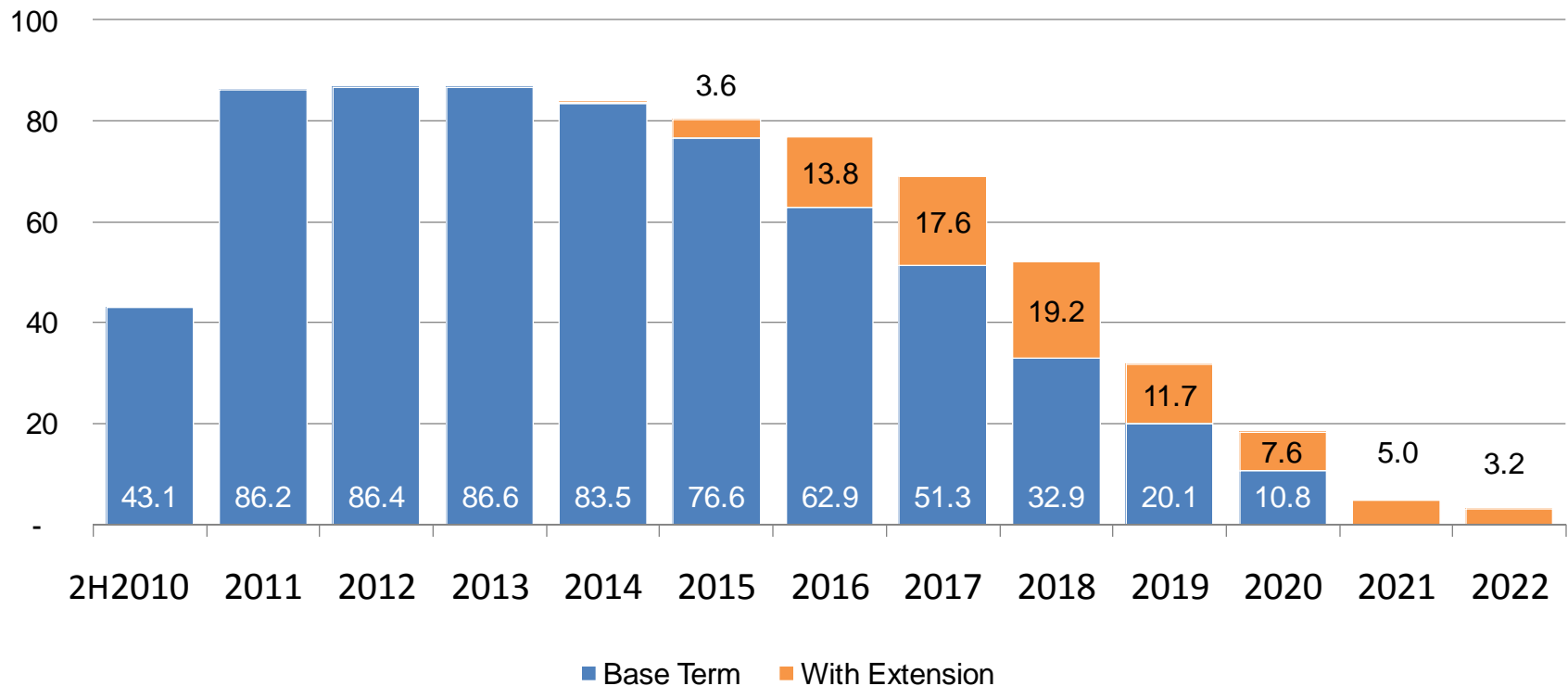
# US\$640m remaining contracted revenue underpins stable cash flow



## Remaining contracted revenue as at 30 June 2010

Based on 21 vessels on long-term bareboat charter, excluding extension options and early buy-out options

US\$ million

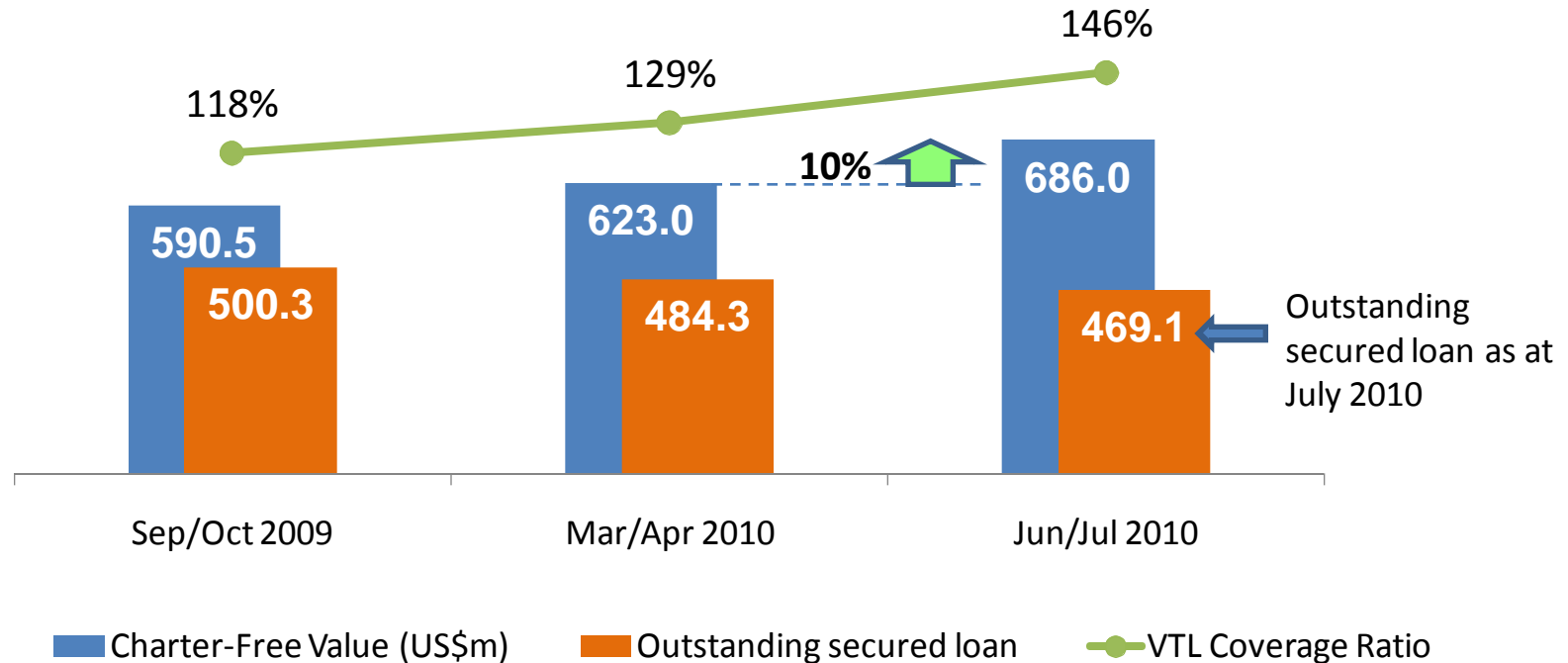


# Improving Asset Values



Improving asset values and progressive reduction of outstanding secured loan provides more headroom for value-to-loan coverage

Charter-free value of FSL Trust's 23-vessel fleet and value-to-loan (VTL) coverage ratio





# Vessel Portfolio

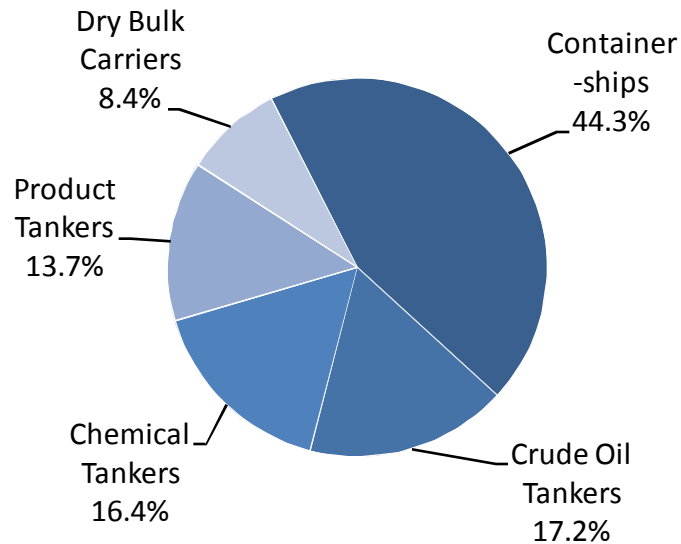
Diversified across 7 customers and 5 sub-sectors



## Portfolio diversification remains a key risk management strategy

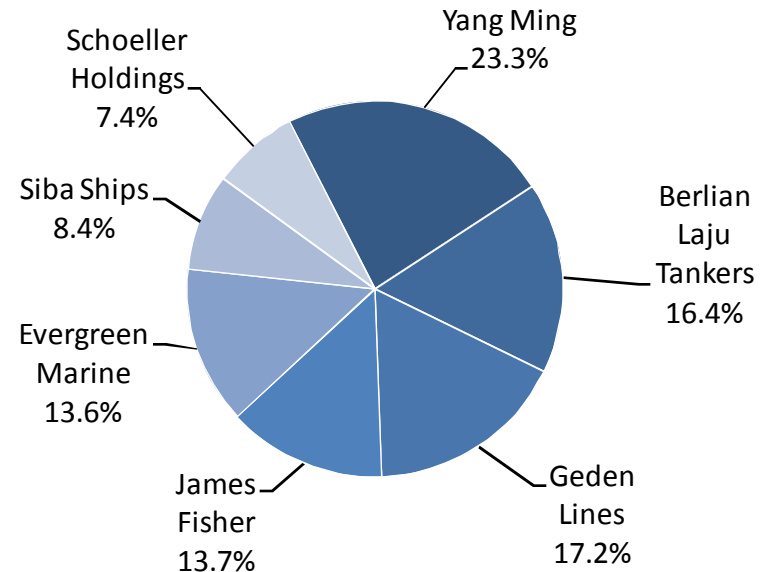
**Lease Revenue by Vessel Type**

(for 21 vessels on bareboat charters)



**Lease Revenue by Lessee**

(for 21 vessels on bareboat charters)



\* Based on annualised revenue of US\$86 million, which assumes the daily lease rate from the two vessels leased to Geden Lines are fixed at US\$20,335 per vessel

# Financial Highlights

Cheong Chee Tham  
Chief Financial Officer  
FSL Trust Management

# Consolidated Income Statements



	2Q 2010	2Q 2009	Inc/(Dec)
	US\$'000	US\$'000	%
<b>Revenue</b>	28,528	24,841	14.8
Depreciation expense on vessels	(15,066)	(15,324)	(1.7)
Impairment loss on vessels	(7,865)	-	100.0
Vessel operating expenses	(219)	-	100.0
Management fees	(897)	(993)	(9.7)
Trustee fees	(44)	(46)	(4.3)
Other trust expenses	(3,861)	(587)	N.M.
Finance income	146	50	N.M.
Finance expenses	(6,817)	(5,590)	21.9
<b>(Loss)/Profit before income tax</b>	<b>(6,095)</b>	<b>2,351</b>	<b>N.M.</b>
Income tax expense	(11)	(4)	N.M.
<b>(Loss)/Profit for the quarter</b>	<b>(6,106)</b>	<b>2,347</b>	<b>N.M.</b>

Includes US\$6.0m recognition of cash security pursuant to the vessel re-delivery of 'Nika I' and 'Verona I'.

Due to re-delivery of 2 vessels and the resulting termination of bareboat charter

Includes (i) US\$2.5m for fees incurred for senior note offering and legal costs relating to the re-delivery and arrest of 'Nika I' and 'Verona I' and (ii) US\$1.1m net non-recurring vessel related expense

# Financial Impact from re-delivery and arrest of vessels



**The financial impact in 2Q 2010 arising from the re-delivery and arrest of the vessels is summarized below:**

	<b>US\$' million</b>
Loss of bareboat charter lease rentals	(1.889)
Impairment loss on vessels	(7.865)
Recognition of cash security deposits (received on 14 July 2010)	6.000
Net vessel related expenses (non-recurring)	(1.099)
	<b>(4.853)</b>

# Distribution Statements



US\$8m is the scheduled quarterly loan amortization

**(Loss)/profit for the quarter**

Add: Non-cash adjustments

**Net cash generated from operations**

Less: Repayment of secured bank loans

**Income available for distribution**

Add: Utilisation of cash retained from previous periods

Less: Cash retained in the current period

**Net distributable amount**

Add: Income from the previous period to be distributed

Amount available for distribution

Comprising:(i) Tax-exempt distribution

(ii) Tax-exempt (one-tier) distribution

**Amount to be distributed**

Units at the end of the quarter ('000)

**Distribution per unit (US Cents)**

2Q 2010	2Q 2009
US\$'000	US\$'000
(6,106)	2,347
23,362	14,759
17,256	17,106
(8,000)	(4,189)
9,256	12,917
-	-
(3,568)	(210)
5,688	12,707
-	-
5,688	12,707
5,553	12,662
135	45
5,688	12,707
598,665	518,665
0.95	2.45

# Balance Sheets



## Total unitholders' funds

Units in issue

Retained earnings

Other reserves

Distribution

## Liabilities

Debt

Derivative liabilities (net)

Accruals

## Total Capital

## Non-current Assets

Vessels, cost

- Accumulated Depreciation

Impairment loss

Initial Direct Cost

Derivative assets

## Current Assets

Inventories

Derivative assets

Prepayments and receivables

Cash and cash equivalents

## Total Assets

30 Jun 2010	31 Dec 2009
US\$'000	US\$'000
<b>348,648</b>	<b>380,737</b>
510,273	510,273
14,128	19,548
(32,393)	(23,684)
(143,360)	(125,400)
<b>512,626</b>	<b>522,502</b>
472,953	488,292
30,756	27,496
8,917	6,714
<b>861,274</b>	<b>903,239</b>
<b>799,607</b>	<b>845,187</b>
972,488	985,651
(171,315)	(145,412)
(7,865)	-
4,420	4,948
1,879	-
<b>61,667</b>	<b>58,052</b>
321	-
926	-
8,148	1,282
52,272	56,770
<b>861,274</b>	<b>903,239</b>

Includes US\$6.0m recognition of cash security pursuant vessel re-delivery and US\$1.6m security deposit posted for the release of 'Verona I'

# Highlights from Cash Flow Statements



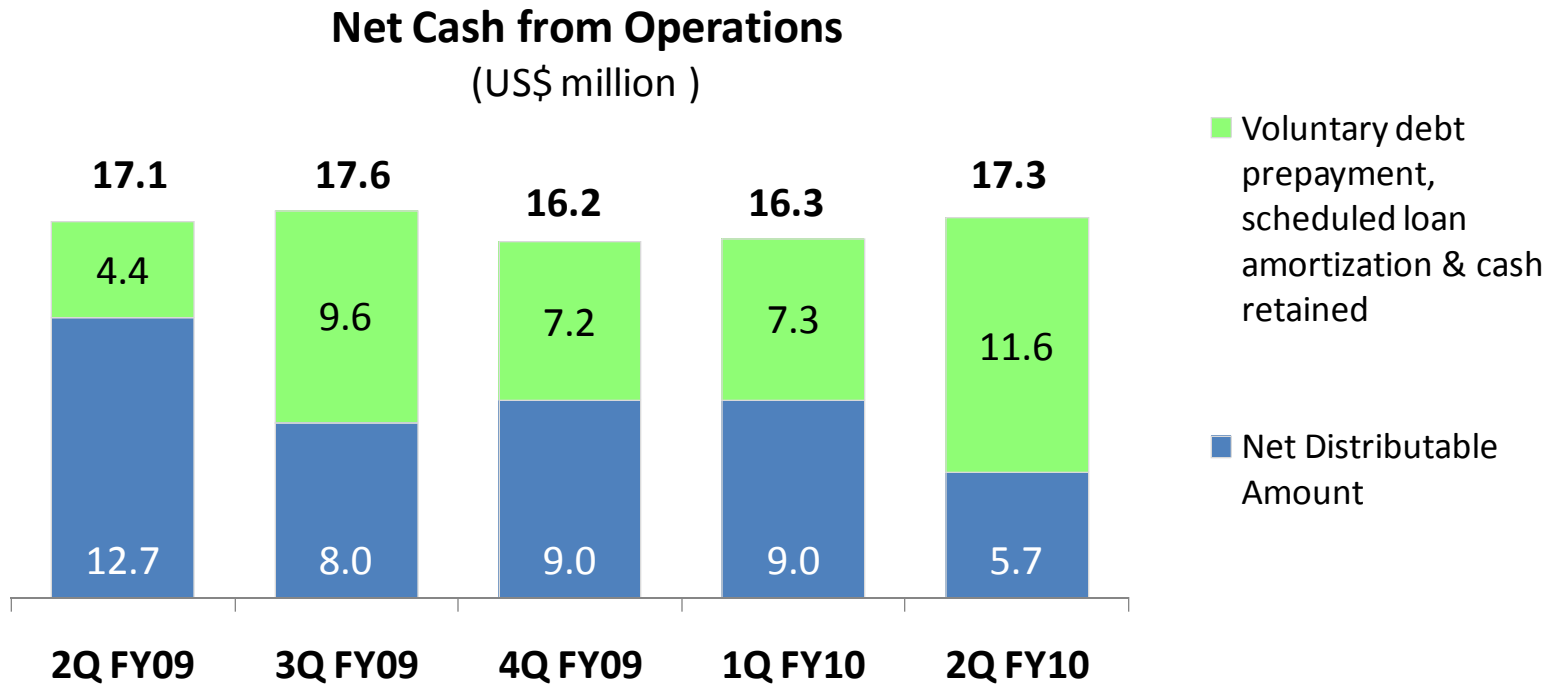
	2Q FY10	2Q FY09
	US\$'000	US\$'000
<b>Operating activities:</b>		
(Loss)/Profit before tax	(6,095)	2,351
Adjustments for:		
Depreciation expense on vessels	15,066	15,324
Impairment loss on vessels	7,865	-
Other fees and expenses	6,845	5,621
Operating cash flow before working capital changes	23,681	23,296
Changes in working capital	(4,479)	(360)
<b>Cash flows from operating activities</b>	<b>19,202</b>	<b>22,936</b>
<b>Cash flows from investing activities</b>	<b>(166)</b>	<b>67</b>
<b>Financing activities:</b>		
Distribution to unitholders	(8,980)	(8,515)
Repayment of secured bank loans	(8,000)	(8,000)
Interest paid	(6,013)	(5,931)
<b>Cash flows from financing activities</b>	<b>(22,993)</b>	<b>(22,446)</b>
Net (decrease)/increase in cash and cash equivalents	(3,957)	557
Cash and cash equivalents at beginning of period	56,229	23,000
Cash and cash equivalents at end of period	52,272	23,557

Includes US\$6.0m recognition of cash security pursuant vessel re-delivery and US\$1.6m security deposit posted for the release of 'Verona I'

# Net Cash from Operations



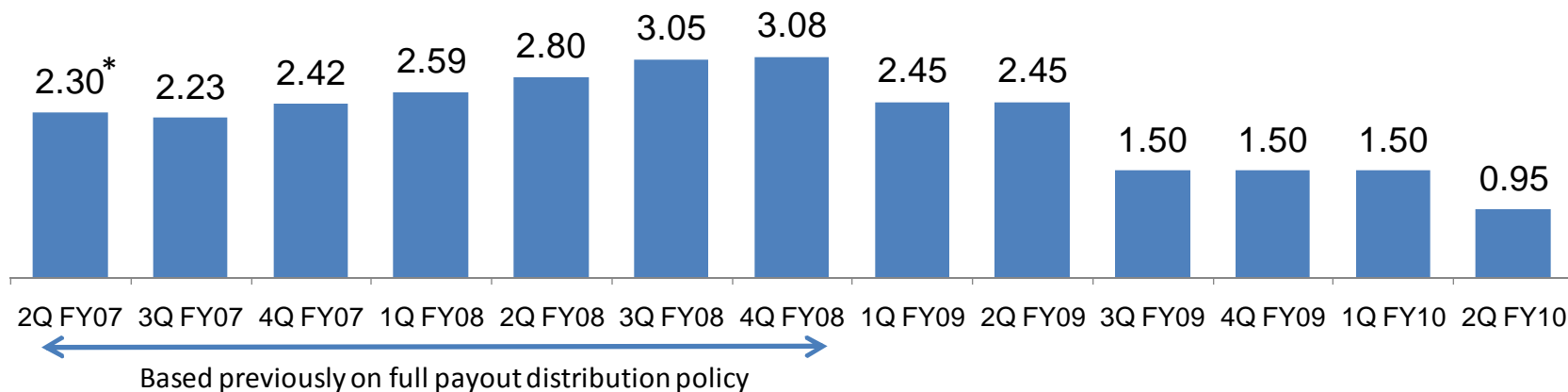
**Retained cash from lower distribution primarily applied towards reduction of outstanding secured debt**





We have maintained 13 consecutive quarters of distribution since IPO in Mar 2007

Distribution per unit (US cents)



\* This was the actual distribution for the period 19 March 2007 to 30 June 2007. Normalised DPU on a quarterly basis is US2.19¢.

# Credit Facility

## No loan tranche maturing until April 2012



- Outstanding secured debt as at 30 Jun 2010 was US\$476.3m , and was further reduced to US\$469.1m after repayment in early July 2010
- Scheduled loan amortization of US\$8m per quarter during Amendment Period<sup>^</sup>
- No outstanding orderbook that requires additional funding
- Full compliance with loan covenants

Tranche	Facility amount (US\$ million )	Amount drawn as at 30 Jun 2010 (US\$ million)	Loan maturity	Margin over US\$ 3-month LIBOR during Amendment Period <sup>^</sup>
A	250	238.1	27 Mar 2014	1.70%
B	200	190.4	2 Apr 2012	1.70%
C	65	47.8	2 Apr 2012	1.70%
Total	515	476.3		

<sup>^</sup> Amendment Period extends until end of 2Q FY11

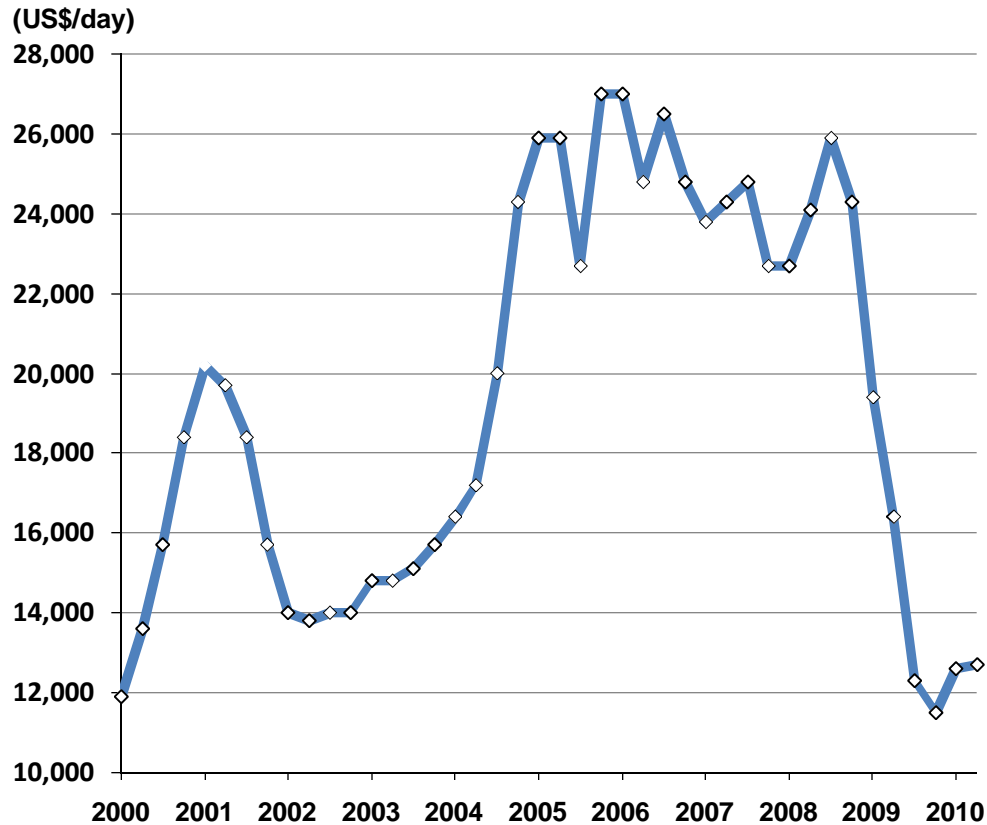
# Concluding remarks

Philip Clausius  
Chief Executive Officer  
FSL Trust Management

# Product Tanker TC rates



## Product tanker (47,000 dwt) one-year time charter rates\*



- More upside opportunities than downside risks
- Current charter rates still well below 10-year historical average - No rush to fix medium to long-term now

\* Source: Marsoft Maritime Advisors, dated April 2010, for 5-year old vessel.

# Concluding Remarks



- **FSL Trust's business focus on long-term bareboat leasing remains unchanged**
- **Strategic focus on growing and further diversifying the vessel portfolio remains unchanged**
- **Positive outlook for tankers and containership sectors**