



FSL Trust Management Pte. Ltd.

as Trustee Manager for First Ship Lease Trust

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For Immediate Release

**FIRST SHIP LEASE TRUST PROVIDES UPDATE ON THE
RE-DELIVERY OF 'VERONA I' AND 'NIKA I'**

- **Vessels continue to perform under Contracts of Affreightment with Rosneft**
- **Trustee-Manager continues to explore alternative commercial solutions that optimise revenue generation**
- **No trigger of event of default under loan agreement and no interest cost impact**
- **2Q FY10 distribution per unit ("DPU") guidance of US1.5 cents under review**

Singapore, 11 May 2010 - FSL Trust Management Pte. Ltd. ("FSLTM"), Trustee-Manager of First Ship Lease Trust ("FSL Trust" or the "Trust") refers to the earlier announcement¹ on 4 May 2010 and wishes to provide an update on this matter.

The lessees of the vessels 'Verona I' and 'Nika I' (the "Lessees"), which are affiliates of Groda Shipping & Transportation Ltd. ("Groda Shipping"), made requests to FSL Trust on 3 May 2010 to take re-delivery of the two vessels. The Lessees have indicated that it has become increasingly difficult for them to improve their cash flow and the reasons appear to be:

- a. the higher voyage expenses due to escalating bunker prices;
- b. under-utilisation of the vessels under the Contracts of Affreightment with OJSC Rosneft Oil Company (the "COAs"); and
- c. limited options to generate incremental revenue given the trading area of the vessels.

For the month of May, the Lessees made full payment only for 'Nika I' but not for 'Verona I'. They have informed FSLTM that they will not make full payments for either vessel from June 2010 onwards under the respective bareboat charter agreements.

¹ Press Release "First Ship Lease Trust requested to take re-delivery of two vessels 'Verona I' and 'Nika I'", dated 4 May 2010.

FSLTM has received confirmation that both 'Verona I' and 'Nika I' are in good operating condition and that FSL Trust's subsidiaries, as owners of the vessels, are properly insured against all major maritime risks. In addition, FSLTM has appointed Columbia Shipmanagement (Singapore) Pte. Ltd. as technical advisor to provide assistance in all technical and operational matters.

At this juncture, FSLTM expects both vessels to continue to perform smoothly under the respective COAs. Two important factors that will affect the cash flows of the two vessels are bunker expenses and the actual cargo volume shipped under the COAs. Based on prevailing bunker prices and the conservative assumption that the vessels carry only the contractually guaranteed cargo volume without any incremental revenue from other sources, the vessels could earn approximately US\$13,000 per day/vessel on a time charter equivalent basis (or about US\$7,000 per day/vessel on a bareboat charter equivalent basis²).

Mr Philip Clausius, CEO of FSLTM said: "While this contingent event is regrettable, the management has, in a very short period of time, assumed control of the situation and we are putting systems in place to deal with the new circumstances in a professional manner. The vessels have planned voyages under the COAs and our immediate priority is the continued smooth operation of the vessels whilst we explore alternative commercial solutions that would optimize our revenue generation. Notwithstanding the fact that management is spending exponentially more time on these two vessels, FSLTM has decided to voluntarily suspend the management fee it is entitled to receive from the Trust for these two vessels until further notice."

Mr Cheong Chee Tham, CFO of FSLTM said: "It is important to highlight that this specific event does not trigger an event of default under our loan agreement nor does it result in an increase in interest expense. Whilst the near-term cash generation potential for these two vessels might be substantially less than the originally contracted bareboat charter rate, it is worth noting that the US\$6 million cash security deposit provides a cushion against the loss. As a result of this development, our DPU guidance for 2Q FY10 and beyond is under review by our Board of Directors."

FSLTM would like to highlight that all its other lease agreements are structured with full recourse to entities of substance, either through a corporate guarantee, or otherwise on the basis of direct contractual recourse. FSLTM is presently not aware of any information that would lead it to believe that its other customers would not continue to fulfil their lease payment obligations.

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² After operating expenses of US\$6,000 per day/vessel

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, consisting of seven containerships, nine product tankers, three chemical tankers, two dry bulk carriers 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 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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