



First Ship Lease Trust

7th Annual General Meeting

30 April 2014



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

www.FSLTrust.com

Disclaimer

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 statements.

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, our ability to implement our investment strategy, our dependence on credit facilities and new equity from capital markets to execute our investment strategy, the possibility of insufficient insurance to cover losses from inherent operational risks in the industry, lower lease rates from older vessels, our dependence on key personnel, FSL Holdings Pte. Ltd.’s controlling stake in the First Ship Lease Trust (“FSL Trust”), our short operating history, limited historical financial history for the Trust, the risk of government requisitions during periods of emergency or war, the possibility of pirate or terrorist attacks, competition in the industry, political instability where the vessels are flagged or operate, and the cyclicity 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 statements that may be made from time to time by or on behalf of FSL Trust.

Introduction by Simon Davidson - Lead Independent Director

Presentation by Alan Hatton – Chief Executive Officer

Business Model

Recent Initiatives: Providing Stability

FY2013: Financial Highlights

Moving Forward: Charting A New Course

Summary

Questions & Answers

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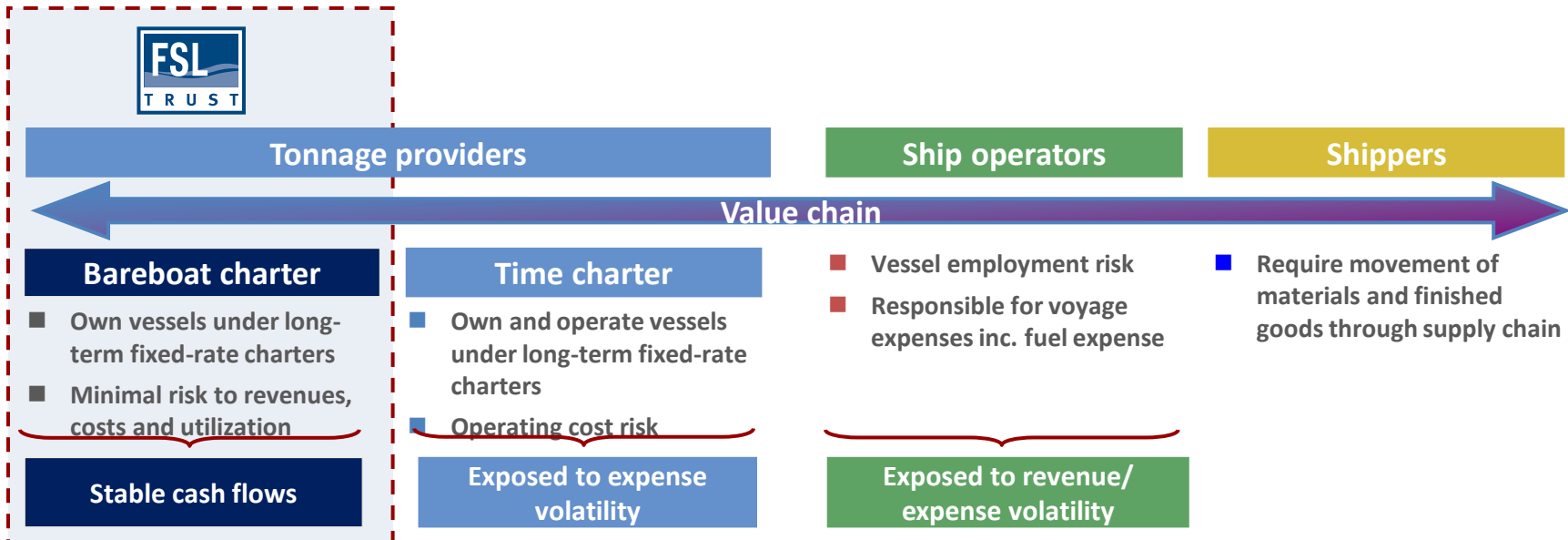
Questions & Answers

Then – The Original Model

FSLT was about...



FSLT was not about...

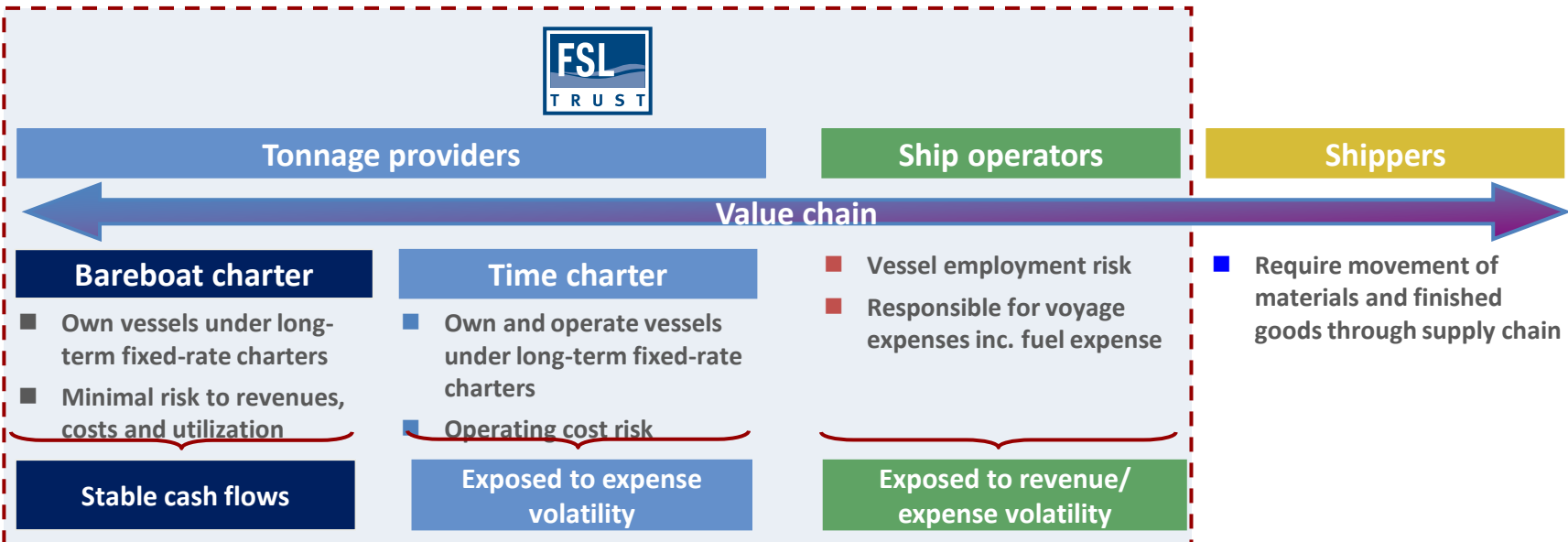


Now – The Current Situation

FSLT was about...



FSLT is now also about...



Now – A Shipowner by Default

- Continued challenging market conditions have caused stress on the FSLT business model:
 - In hindsight, counterparty risk was underestimated and underplayed
 - Exacerbated some by poorly timed and structured deals
 - The Trust had not adapted to the change in business model forced upon it by defaults
- There was a need for change to address long-standing issues

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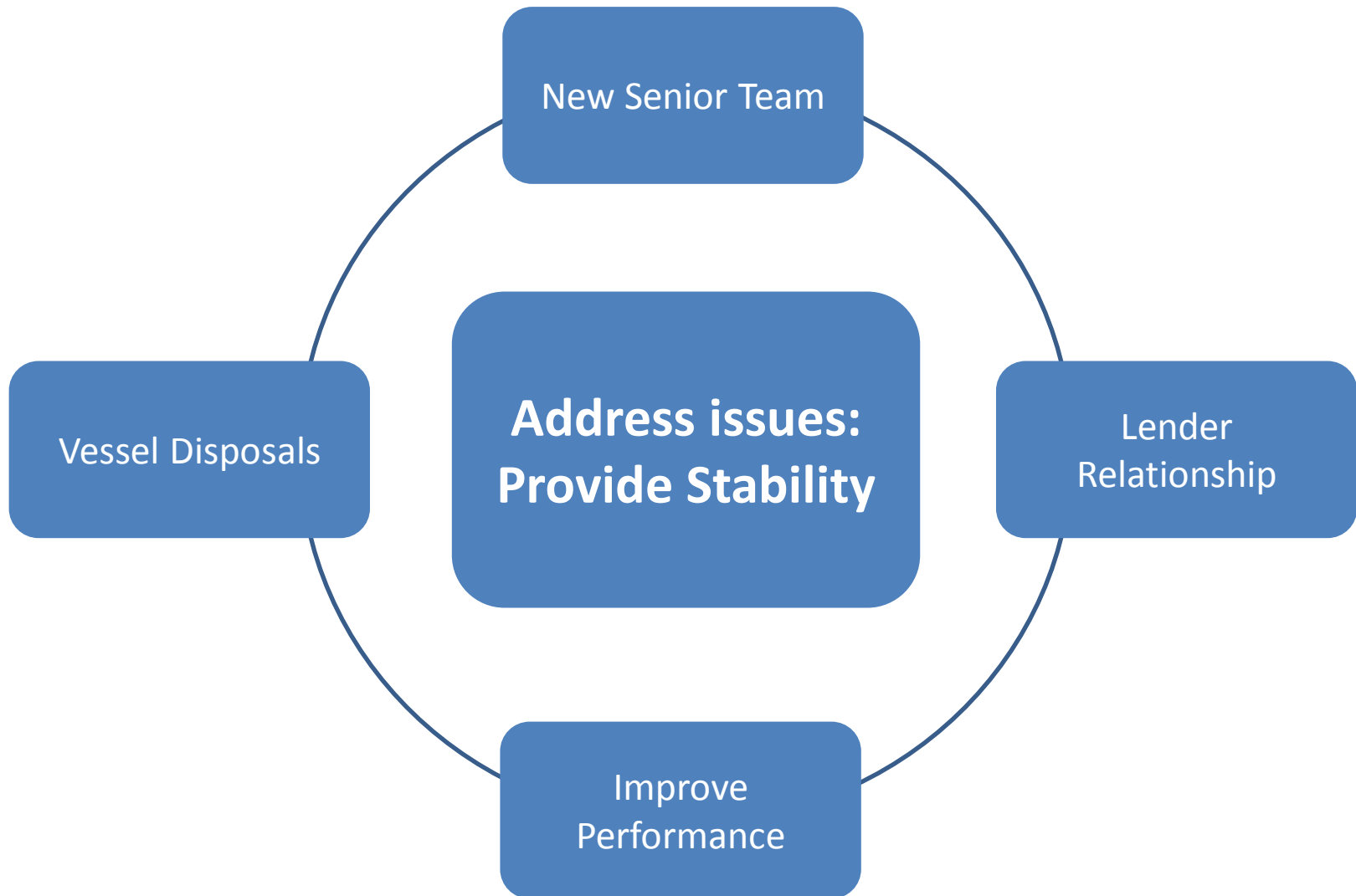
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Initiatives Implemented





Relationship With Lenders

- The Trustee-Manager has had to take a very firm line with the secured Lenders

- Inherited a situation with two major problems to address:
 - Part I – Covenant Relaxation Extension

 - Part II – Unsustainable Debt Service

Relationship With Lenders

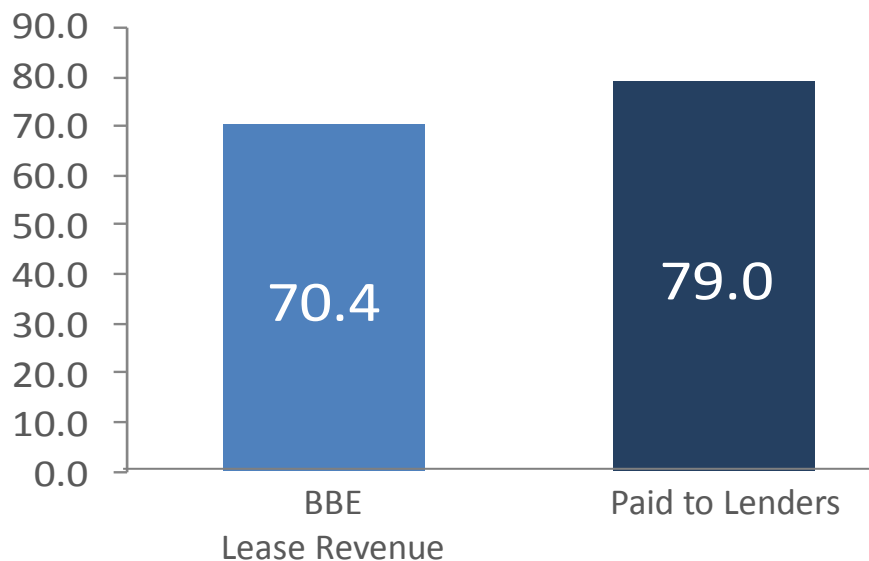
Part I – Covenant Relaxation Extension

- There was a need for a longer-term covenant relaxation extension
- Negotiations were long and drawn-out; FSLTM had to be resolute
- Lenders wanted terms and conditions including:
 - Fees prior to any future distributions, regardless of loan compliance
 - Onerous fees for providing extension
 - Equity to Lenders for providing the extension without any debt reduction
- These were unacceptable and we had to stand firm to protect unitholders' interests

Relationship With Lenders

Part II – Unsustainable Debt Service

- 2013 levels of debt service are unsustainable; we have had to address this
- Short-sighted of Lenders to drain too much cash from operations



**112% of lease revenues
paid to lenders**

Relationship With Lenders

- Combined solution to Parts I & II through negotiation of extension and sale of two vessels
 - Agreeing covenant relaxation extension to prevent default
 - Vessel sale enabled further prepayment and reduction in FY2014 debt service costs
 - Expect to reduce payments to Lenders in 2014 by approximately 25%
 - Extension demonstrates Lenders' support of recent developments at the Trust

Loan Covenant Relaxation

- Loan covenant relaxation extension secured until 31 December 2014
- Relaxed covenants are:

	1QFY14	2QFY14	3QFY14	4QFY14
Debt Service Coverage ratio	0.90	0.95	1.00	1.10
Value-to-loan ratio	105%	105%	110%	110%

- Other conditions:
 - upfront fee of 5bps
 - cash sweep mechanism

Relationship With Lenders

- Lenders have expressed support for approach and results of new team
- Going forward, FSLT must aim to rectify the covenant compliance issue
- This could occur if:
 - Values appreciate dramatically: Unlikely
 - FSLT raises new capital: Logical

Vessel Disposal

- Sale of Stella Fomalhaut and FSL Durban was economically sound:
 - Saved US\$ 3 million capital expenditure in 2014
 - Captured increased valuations in dry bulk sector
 - Vessels were loss-making in 2013
 - Disposed older vessels, with additional running costs
- Additional benefit of reducing FY2014 debt repayments

Improve Performance



- Roger Woods joined in September to improve operational performance
 - Commercial and vessel condition improvements
- Significant cost savings
 - Trust – control on opex and insurance costs, Trustee-Manager fees waived
 - Trustee-Manager – staff costs, Investment Advisory Council disbanded
- Ability to react to vessel issues
 - Valuable experience of operating a fleet

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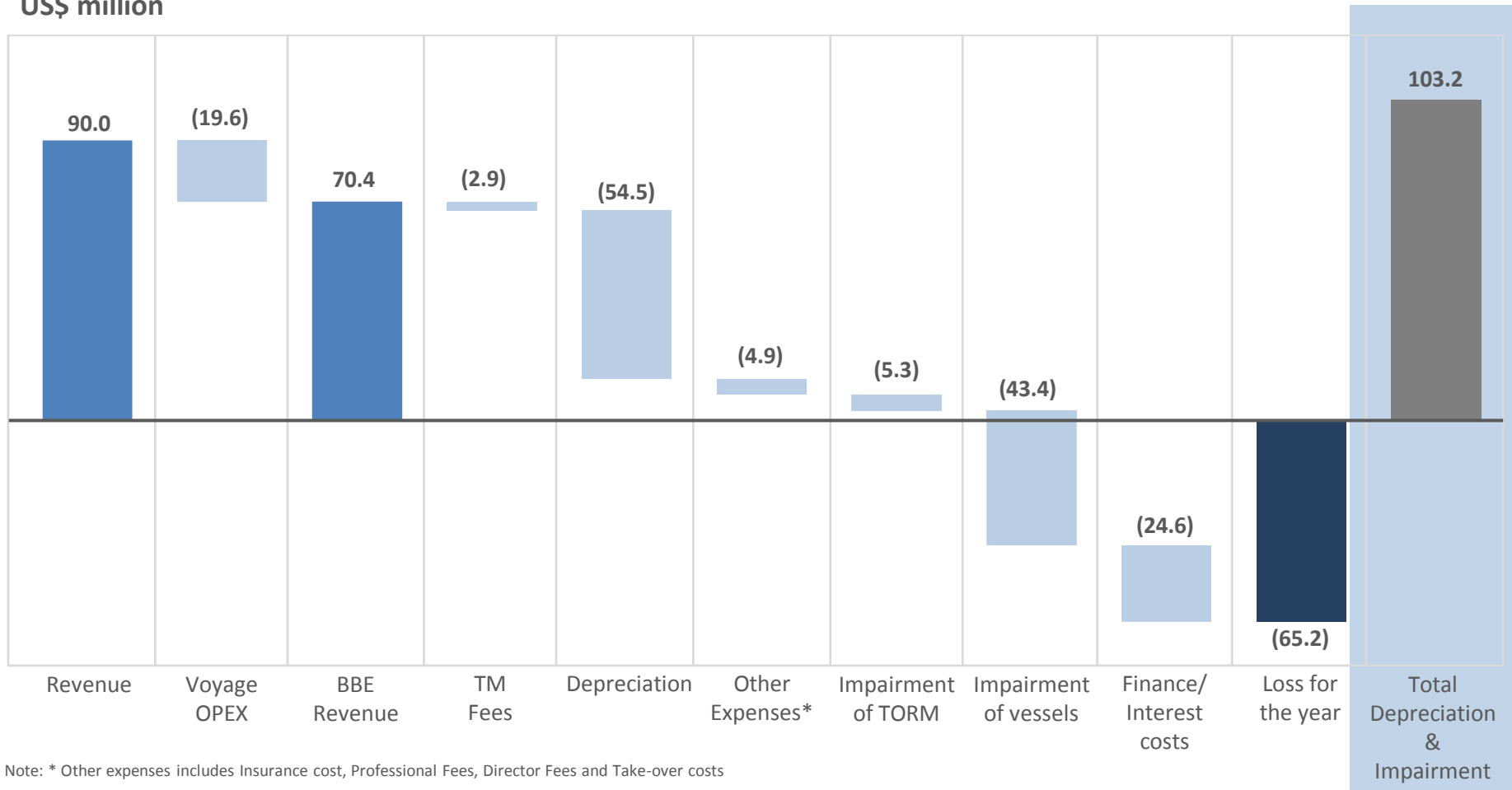
Questions & Answers

Profit & Loss Breakdown



Profit & Loss significantly affected by high depreciation and impairment charges in 2013

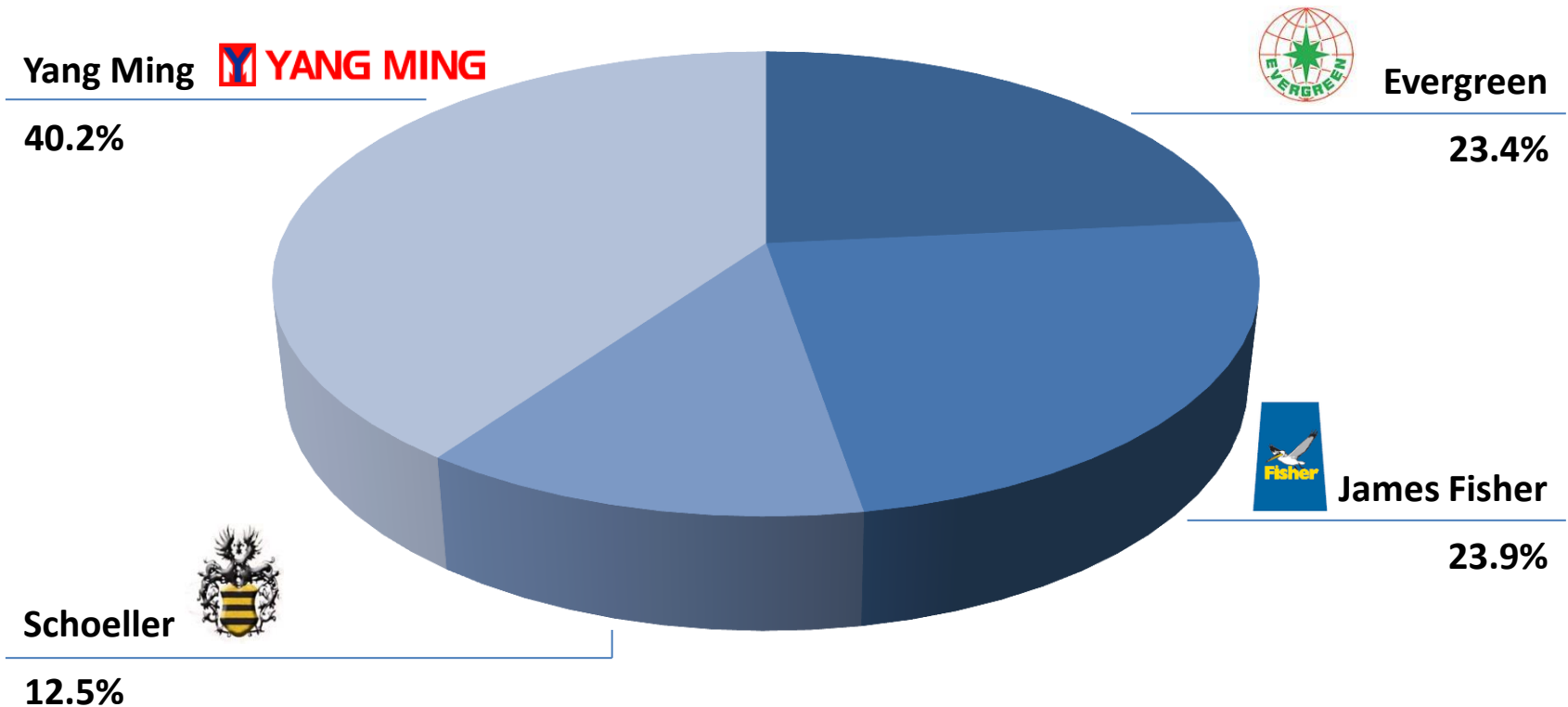
US\$ million



Note: * Other expenses includes Insurance cost, Professional Fees, Director Fees and Take-over costs

2013 Trading – Bareboat Charters

Bareboat charters - All have performed well
2013 revenues: US\$ 49.9 million



2013 Trading – Lease Defaults

- July: Geden Holdings
 - Contracted rate of US\$ 16,400 to actuals of US\$ 3,374 after redelivery
 - Take-over and upgrade costs of over US\$ 750,000
- September: OMNI Ships
 - Payment problems since the restructuring in January
 - Decisive action taken in September to take redelivery
 - Take-over and upgrade costs of US\$ 1.5 million
 - Vessels lost US\$ 14,000 from redelivery until year end
- Legal actions proceeding to make recoveries where possible

2013 Trading – Redelivered Vessels

- **Chemical tankers**

In Nordic Tanker pool, 2013 daily average of US\$ 12,100 TCE

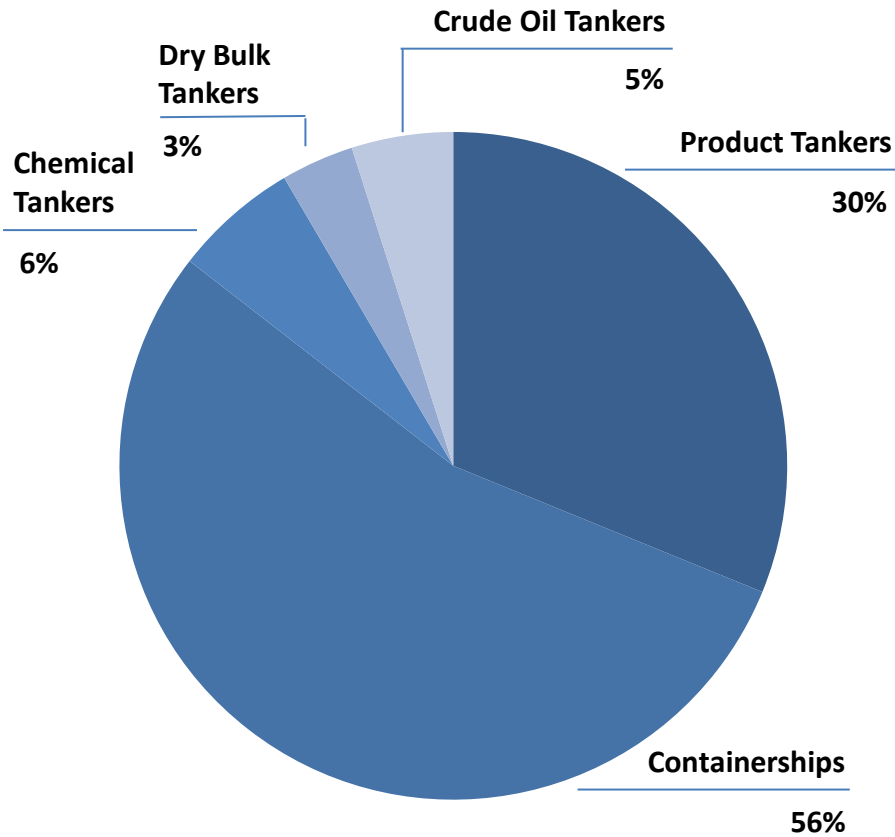
- **Product tankers**

- MRs: On Time Charter to Petrobas at US\$ 14,000 per day less commissions (net US\$ 13,580)
- LR2s: On restructured bareboat charter to TORM, 2013 daily average of US\$ 8,000 BBE

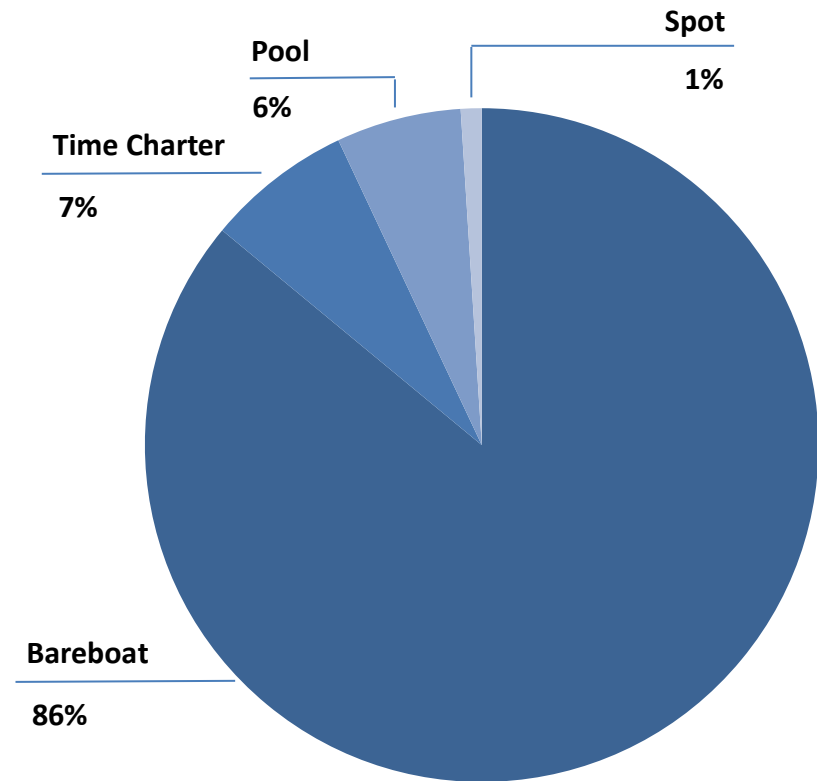
2013 Trading – Vessel Deployment



By Vessel Type



By Employment



Impairment Charges

- FSLT took US\$ 43.4 million of impairment charges
 - US\$ 6.7 million due to the lease defaults during the year
 - US\$ 36.7 million at year end

- Now have a standardised and uniform impairment policy for assessing the carrying value of redelivered vessels
 - Based on third-party 20-year average rates for each sector
 - Recognises reduced earning potential of tankers over 15 years of age

Vessel Carrying Value

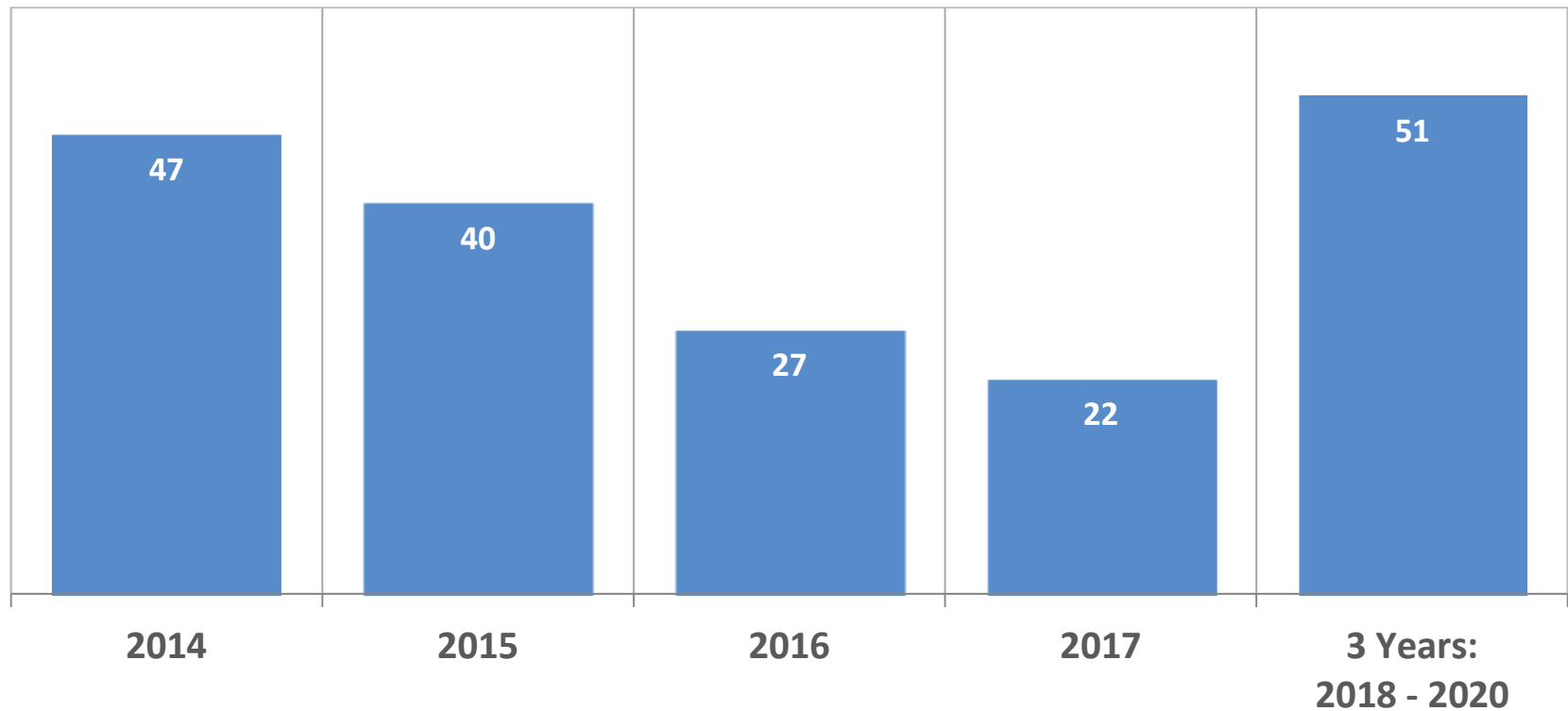


“We are now confident that the balance sheet of the Trust is, as a result, more realistic and credible.”

Source :
Annual Report 2013
Letter to Unitholders, Page 6

Bareboat Lease Revenue Backlog

**Remaining contracted revenue stood at US\$187 million#
as at 31 December 2013**



Note: * Note: # Based on 14 vessels leased on fixed-rate bareboat charters (excludes extension and early buyout options)

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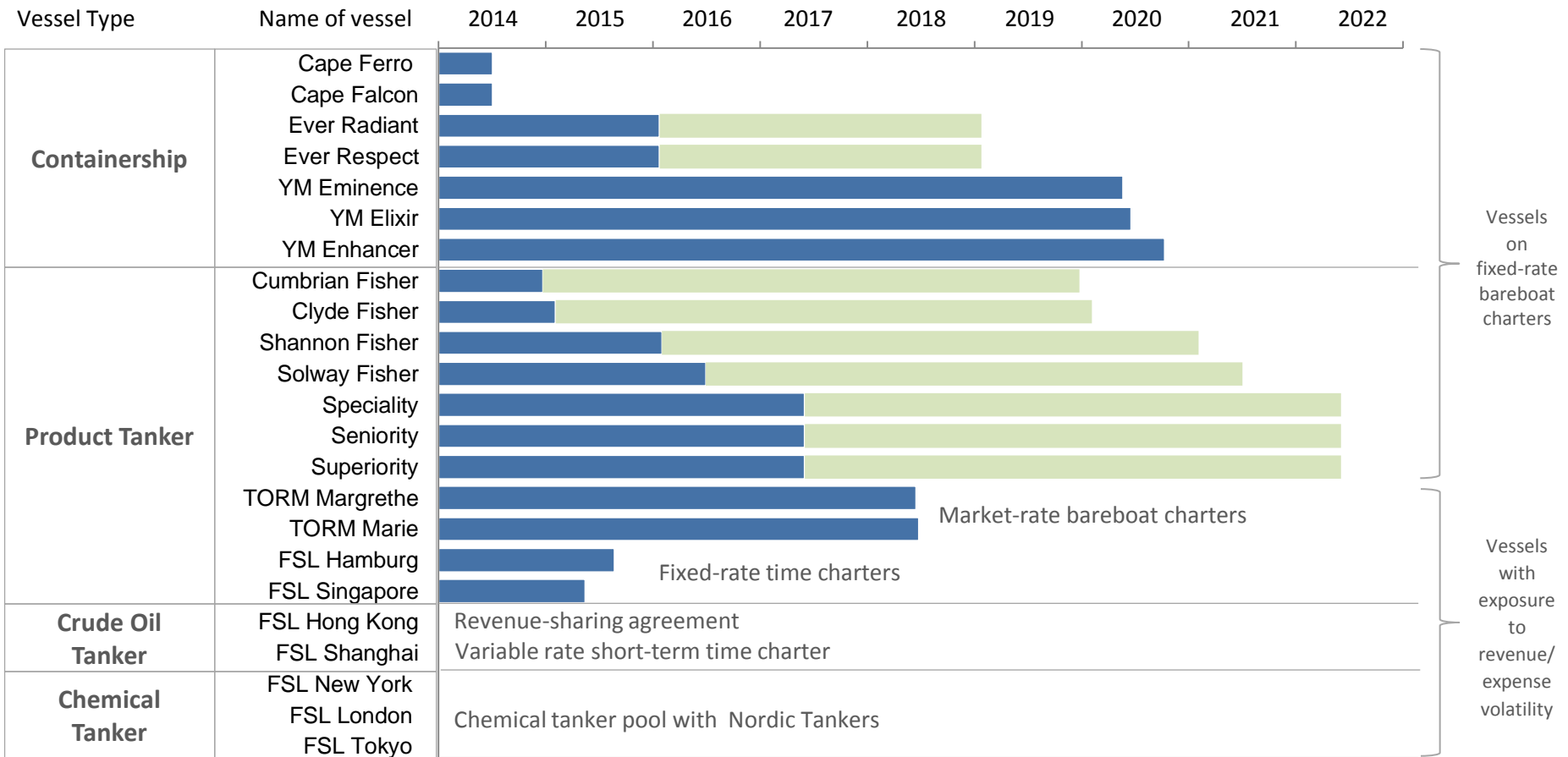
Questions & Answers

- Leases are concluding and vessels are being redelivered
 - Management exploring redeployment options
- Two ships scheduled for dry-docking in 2014
- Secured contracted bareboat revenues of US\$ 186.5 million as at 31 Dec 2013
- Chemical tanker, Aframax and LR2 vessels positioned to benefit from expected market upturns

Maturity of Leases



Lease maturity of vessels (2014 to 2022)
with average remaining lease term of five years*

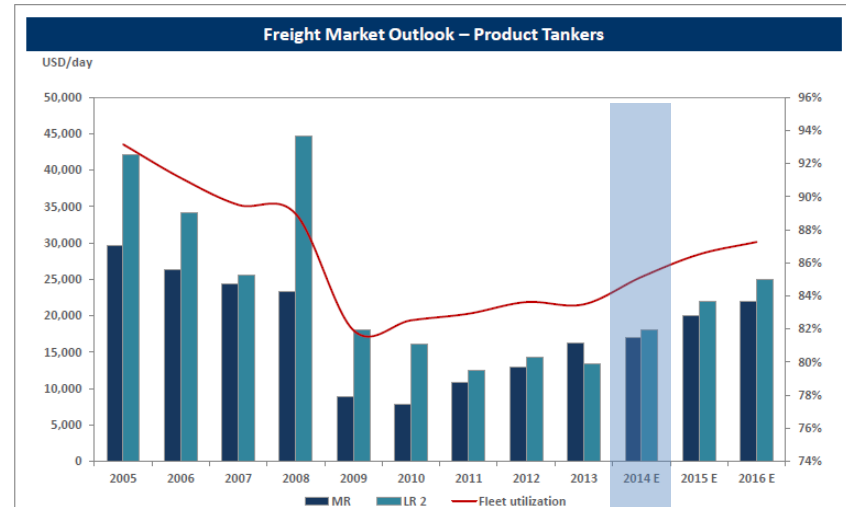
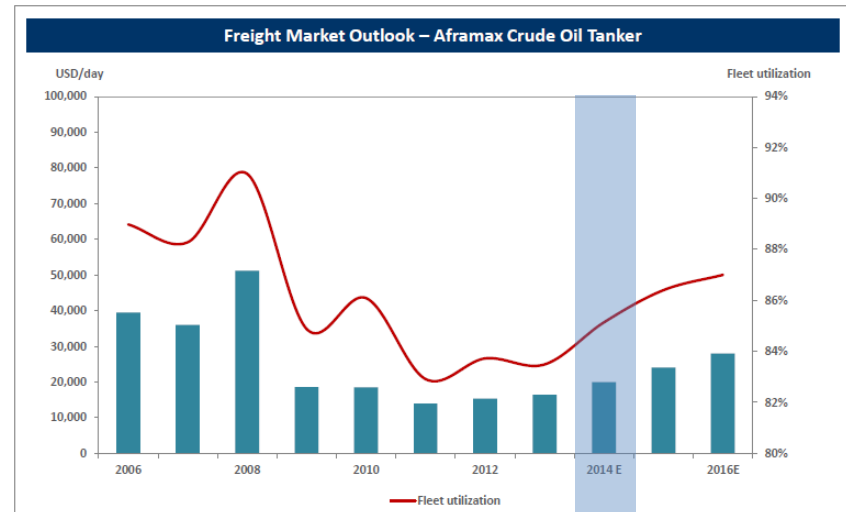


■ Base ■ Extension

Industry Outlook – Crude & Products



- US and Europe looking economically stronger
- Asset prices firming; rates more volatile
- Rates still well below 20-year average
- Trade patterns changing; new opportunities
- Some sectors look “over ordered” now
- Still supply side capacity from slow-steaming

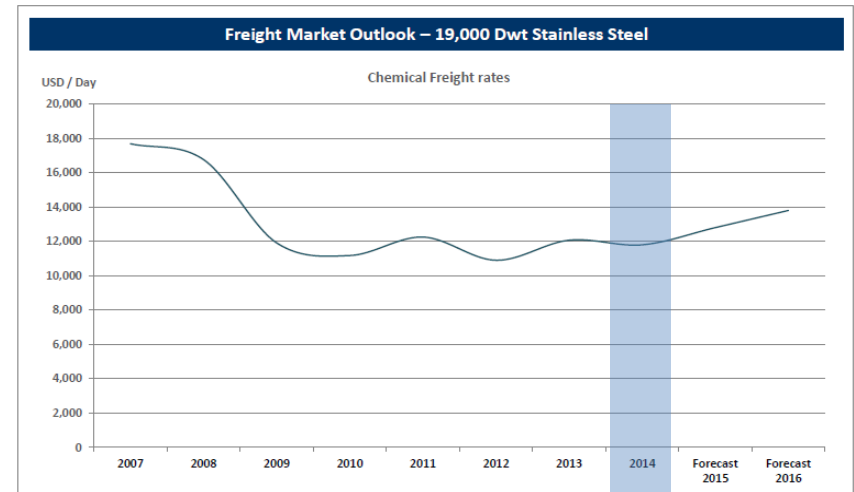


Source: RS Platou

Industry Outlook – Chemical



- Steady growth in chemicals business
- More production coming on stream
- Niche market, high barriers of entry
- Order book manageable
- Rates less volatile; COA business
- High utilisation and breadth of cargo base



Source : RS Platou

- Key aims to improve status of the Trust:
 - Complete senior team
 - Optimise efficient fleet management
 - Define and execute Trust strategy
 - Rectify covenant issues
 - Recapitalise the Trust

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- 2013 was a tumultuous year, but stability has been restored
- Experienced new team has expertise to match the Trust's needs
- Financial position and operational performance much improved
- Balance sheet is now more realistic and credible
- Strong revenue generation from bareboat leases
- Upside potential in tanker market exposure
- Platform to drive the Trust forward and deliver unitholder value

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A FRESH APPROACH

Addressing long-standing issues
and repositioning the Trust

We are focused on ensuring the business is
well positioned for future growth.

