



FSL Trust Management Pte. Ltd.

as Trustee Manager for First Ship Lease Trust

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For immediate release

FSL TRUST REDUCES DEBT FACILITY AND FY2014 DEBT REPAYMENTS WITH DISPOSAL OF VESSELS

- Disposal of two 15 year-old dry bulk vessels, *MT Stella Fomalhaut* and *MT FSL Durban*, which were loss-making in FY2013
- Savings of approximately US\$3 million in required dry dock capital expenditure in 1QFY2014 expected from the disposal
- Proceeds from the disposal will be used to repay debt, and at least US\$5 million will be applied to repayments in 1Q and 2QFY2014

Singapore, 18 March 2014 - FSL Trust Management Pte. Ltd. ("**FSLTM**"), as trustee-manager of First Ship Lease Trust ("**FSL Trust**" or the "**Trust**") has sold its two dry bulk vessels, *MT Stella Fomalhaut* and *MT FSL Durban* ("**Disposal**"). The Disposal is expected to save FSL Trust approximately US\$3 million (approximately S\$3.8 million based on the prevailing exchange rate¹) in dry dock capital expenditure in the financial period ending 31 March 2014 ("**1QFY2014**") and reduce its cost of debt service in 1QFY2014 and the financial period ending 30 June 2014 ("**2QFY2014**") by at least US\$5 million (approximately S\$6.3 million based on the prevailing exchange rate).

FSL Trust has sold the dry bulk vessels for a cash consideration of **US\$23.55 million** before commissions and transaction costs (approximately **S\$29.8 million** based on the prevailing exchange rate) in cash, which took into account current strong market asset prices and the advantage to FSL Trust of saving the significant cost of a third special survey and dry docking of each vessel in Q1FY2014. The net proceeds from the Disposal will be applied to the outstanding loan facility and to reduce subsequent principal repayments in 1QFY2014 and 2QFY2014. The Disposal represents an additional element of the previously announced agreement with lenders to extend the loan covenant relaxation till 31 December 2014.

The Disposal is part of the Trust's efforts to stabilise its position and to conserve cash following the series of lessee defaults and subsequent reduction in revenues over the past 24 months. The sale is opportunistic in nature due to the recovery of valuations of this vintage of vessel in the dry bulk market and is consistent with FSL's business of managing a modern and well maintained portfolio of vessels. By ensuring that the Trust need not incur the cost of dry docking the vessels, and through obtaining at least US\$5 million of relief from its lenders in relation to scheduled loan repayments in 1QFY2014 and 2QFY2014, the liquidity position and prospects for the Trust are significantly improved. This is part of the ongoing restructuring of the Trust but there are no immediate plans for further vessel sales. Although this transaction marks the exit of the dry bulk market for FSL Trust at present, the Trust will continue to be open to

¹ For the purposes of this announcement the prevailing as at **28 February 2014** is US\$1:S\$1.2677.

future involvement in the sector. Following the Disposal, FSL Trust owns a fleet of 23 modern and high quality vessels consisting of containerships and crude oil, epoxy-coated clean product & stainless steel chemical tankers.

Under the Deed of Trust, the Trustee-Manager is entitled to a divestment fee 0.5% of vessel disposal proceeds, excluding proceeds from exercise of original purchase or early buyout options. As a gesture of goodwill to the Trust and the Lenders, in this case, the Trustee-Manager will waive the divestment fee for this disposal. This will not affect future fees payable to the Trustee-Manager which will be governed by the FSL Trust Deed.

FSL Trust will incur a US\$0.9 million (approximately S\$1.2 million based on the prevailing exchange rate) loss on disposal in 1QFY2104, but the Disposal will not have a material impact on the net tangible assets per unit of FSL Trust.

Save for their interests in the Trust (if any), none of the Directors of FSLTM or the controlling unitholders of the Trust has any interest, direct or indirect, in the Disposal. No person is proposed to be appointed as a director of FSLTM in connection with the Disposal.

Alan Hatton, Chief Executive Officer of FSLTM commented: “We are very pleased to have been able to sell some of the Trust’s older tonnage at a price representative of the significant recent improvement in older vintage handymax valuations. The sales enable the Trust to conserve cash as it relieves the financial burden of imminent third special surveys and dry dockings in 1QFY2014. Furthermore, we have successfully negotiated with our Lenders to apply at least US\$5 million of the sales proceeds to the US\$44 million debt principle repayments due this year. The benefit of those combined savings significantly improve the cash outlook for the Trust in the near term.”

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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 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.
