

Global Ship Lease, Inc.  
Form 6-K  
May 15, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13A-16 OR 15D-16**  
**UNDER**  
**THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report: May 15, 2012**

**Commission File Number 001-34153**

**GLOBAL SHIP LEASE, INC.**

**(Exact name of Registrant as specified in its Charter)**

**c/o Portland House,**

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**Stag Place,**

**London SW1E 5RS,**

**United Kingdom**

**(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or

Form 40-F. Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-I

Rule 101 (b)(1). Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T

Rule 101 (b)(7). Yes  No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes  No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

**Information Contained in this Form 6-K Report**

Attached hereto as Exhibit I is a press release dated May 14, 2012 of Global Ship Lease, Inc. (the Company ) reporting the Company s financial results for the first quarter of 2012. Attached hereto as Exhibit II are the Company s interim unaudited consolidated financial statements for the three month period ended March 31, 2012.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL SHIP LEASE, INC.

Date: May 15, 2011

By: /s/ IAN J. WEBBER  
**Ian J. Webber**  
**Chief Executive Officer**

Investor and Media Contacts:

The IGB Group

David Burke

646-673-9701

### Global Ship Lease Reports Results for the First Quarter of 2012

**LONDON, ENGLAND** May 14, 2012 - Global Ship Lease, Inc. (NYSE:GSL), a containership charter owner, announced today its unaudited results for the three months ended March 31, 2012.

#### First Quarter and Year To Date Highlights

Reported revenue of \$38.4 million for the first quarter 2012, down from \$39.1 million for the first quarter 2011 mainly due to 48 days offhire in the first quarter 2012 for three planned drydockings, compared to three days in the first quarter 2011

Reported net income of \$8.0 million for the first quarter 2012, including a \$2.7 million non-cash interest rate derivative mark-to-market gain. Reported net income for the first quarter 2011 was \$10.8 million, including \$5.0 million non-cash mark-to-market gain

Generated \$25.2 million EBITDA<sup>(1)</sup> for the first quarter 2012, compared to \$26.2 million for the first quarter 2011 due mainly to additional offhire and increased maintenance spend

Excluding the non-cash mark-to-market items, normalized net income<sup>(1)</sup> was \$5.3 million for the first quarter 2012 compared to normalized net income of \$5.9 million for the first quarter 2011

Repaid \$11.8 million of debt in the first quarter 2012 for a total debt repayment of \$127.3 million since August 2009, when we commenced amortization of our credit facility balance

Ian Webber, Chief Executive Officer of Global Ship Lease, stated, "We continued to generate strong financial results and achieve high utilization levels during the first quarter of 2012, as our entire fleet remained secured on long-term fixed rate charters. During a time in which we completed three of seven scheduled drydockings for 2012, we achieved EBITDA of \$25.2 million and utilization of 97%. Despite continuing macro-economic uncertainty, a welcome positive development in our industry has been the recent successful implementation by the liner companies of freight rate increases. Global Ship Lease remains well positioned for long-term success as our fleet has a weighted average remaining lease term of 8.1 years with a contracted revenue stream of \$1.2 billion.

Mr. Webber continued, "Complementing our success generating stable and predictable results, we further strengthened our balance sheet for the benefit of the Company and its shareholders. At a time when we have no purchase obligations, we have used our free cash flow to reduce our debt, paying down \$11.8 million in the first quarter and \$127.3 million since August of 2009.

**SELECTED FINANCIAL DATA UNAUDITED***(thousands of U.S. dollars)*

|                           | <b>Three<br/>months<br/>ended<br/>March 31,<br/>2012</b> | Three<br>months<br>ended<br>March 31,<br>2011 |
|---------------------------|--|---|
| Revenue                   | <b>38,350</b>  | 39,104  |
| Operating Income          | <b>15,199</b>  | 16,276  |
| Net Income                | <b>7,950</b>   | 10,839  |
| EBITDA (1)                | <b>25,168</b>  | 26,225  |
| Normalised Net Income (1) | <b>5,274</b>   | 5,877   |

- (1) EBITDA and Normalized net income are non-US Generally Accepted Accounting Principles (US GAAP) measures, as explained further in this press release, and are considered by Global Ship Lease to be useful measures of its performance. Reconciliations of such non-GAAP measures to the interim unaudited financial information are provided in this Earnings Release.

*Revenue and Utilization*

The 17 vessel fleet generated revenue from long-term fixed rate time charters of \$38.4 million in the three months ended March 31, 2012, down slightly on revenue of \$39.1 million for the comparative period in 2011. The decrease in revenue is mainly due to 48 days offhire for three planned drydockings during the three months ended March 31, 2012 offset by 17 additional ownership days due to 2012 being a leap year. There were 1,547 ownership days in the quarter. The 48 days planned offhire and one day unplanned in the three months ended March 31, 2012 gives a utilization of 96.8%. In the comparable period of 2011, there were three days of planned offhire, representing utilization of 99.8%.

The table below shows fleet utilization for the three months ended March 31, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009.

| Days                                | Three months ended |                 |                 | Year ended      |                 |
|-------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|
|                                     | Mar 31,<br>2012    | Mar 31,<br>2011 | Dec 31,<br>2011 | Dec 31,<br>2010 | Dec 31,<br>2009 |
| Ownership days                      | 1,547              | 1,530           | 6,205           | 6,205           | 5,968           |
| Planned offhire - scheduled drydock | (48)               | (3)             | (95)            | 0               | (32)            |
| Unplanned offhire                   | (1)                | 0               | (11)            | (3)             | (42)            |
| Operating days                      | 1,498              | 1,527           | 6,099           | 6,202           | 5,894           |
| Utilization                         | 96.8%              | 99.8%           | 98.3%           | 99.9%           | 98.8%           |

The drydocking of three vessels was completed in the first quarter 2012, one of which commenced late December 2011. A further four vessels are scheduled to be drydocked in 2012. Two drydockings are scheduled for each of 2013 and 2014, and none in 2015.

*Vessel Operating Expenses*

Vessel operating expenses, which include costs of crew, lubricating oil, spares and insurance, were \$11.7 million for the three months ended March 31, 2012. The average cost per ownership day was \$7,535, up \$199 or 2.7% on \$7,336 for the rolling four quarters ended December 31, 2011. The increase is mainly due to planned increased spend on maintenance. The first quarter 2012 average daily cost was up 4.4% from the average daily cost of \$7,218 for the comparative period in 2011 due to increased crew costs partly offset by positive exchange rate movements on the portion of crew costs denominated in euros and higher spend on maintenance.

Vessel operating expenses continue to be at less than the capped amounts included in Global Ship Lease's ship management agreements.

*Depreciation*

Depreciation for the three months ended March 31, 2012 was \$10.0 million compared to \$9.9 million in the comparative period in 2011. There have been no changes to the fleet.

*General and Administrative Costs*

General and administrative costs incurred were \$1.6 million in the three months ended March 31, 2012, compared to \$1.9 million for the comparable period in 2011.

*Other operating income*

Other operating income in the three months ended March 31, 2012 was \$68,000 compared to \$106,000 for the three months ended March 31, 2011.

*EBITDA*

As a result of the above, EBITDA was \$25.2 million the three months ended March 31, 2012 down from \$26.2 million for the three months ended March 31, 2011.

*Interest Expense*

Interest expense, excluding the effect of interest rate derivatives which do not qualify for hedge accounting, for the three months ended March 31, 2012 was \$5.5 million. The Company's borrowings under its credit facility averaged \$483.6 million during the three months ended March 31, 2012. There were \$48.0 million preferred shares throughout the period giving total average borrowings through the three months ended March 31, 2012 of \$531.6 million. Interest expense in the comparative period in 2011 was \$5.6 million on average borrowings, including the preferred shares, of \$580.8 million.

Interest income for the three months ended March 31, 2012 and 2011 was not material.

*Change in Fair Value of Financial Instruments*

The Company hedges its interest rate exposure by entering into derivatives that swap floating rate debt for fixed rate debt to provide long-term stability and predictability to cash flows. As these hedges do not qualify for hedge accounting under US GAAP, the outstanding hedges are marked to market at each period end with any change in the fair value being booked to the income and expenditure account. The Company's derivative hedging instruments gave a realized loss of \$4.5 million in the three months ended March 31, 2012 for settlements of swaps in the period, as current LIBOR rates are lower than the average fixed rate. Further, there was a \$2.6 million unrealized gain for revaluation of the balance sheet position given current LIBOR and movements in the forward curve for interest rates. This compares to a realized loss of \$4.8 million in the three months ended March 31, 2011 and an unrealized gain of \$5.0 million.

At March 31, 2012, the total mark-to-market unrealized loss recognized as a liability on the balance sheet was \$42.6 million.

Unrealized mark-to-market adjustments have no impact on operating performance or cash generation in the period reported.

*Taxation*

Taxation for the three months ended March 31, 2012 and in three months ended March 31, 2011 was not material.

*Net Income*

Net income for the three months ended March 31, 2012 was \$8.0 million including \$2.6 million non-cash interest rate derivative mark-to-market gain. For the three months ended March 31, 2011 net income was \$10.8 million, including \$5.0 million non-cash interest rate derivative mark-to-market gain. Normalized net income was \$5.3 million for the three months ended March 31, 2012 and \$5.9 million for the three months ended March 31, 2011.

*Credit Facility*

The container shipping industry has been experiencing a significant cyclical downturn. As a consequence, there has been a continued decline in charter free market values of containerships since mid 2011. While the Company's stable business model largely insulates it from volatility in the freight and charter markets, a covenant in the credit facility with respect to the Leverage Ratio, which is the ratio of outstanding drawings under the credit facility and the aggregate charter free market value of the secured vessels, causes the Company to be sensitive to significant declines in vessel values. Under the terms of the credit facility, the Leverage Ratio cannot exceed 75%. The Leverage Ratio has little impact on the Company's operating performance as cash flows are largely predictable under its business model.

In anticipation of the scheduled test of the Leverage Ratio as at November 30, 2011 when the Company expected that the Leverage Ratio would be between 75% and 90%, the Company agreed with its lenders to waive the requirement to perform the Leverage Ratio test until November 30, 2012. Under the terms of the waiver, the fixed interest margin to be paid over LIBOR increased to 3.50%, prepayments became based on cash flow rather than a fixed amount of \$10 million per quarter, and dividends on common shares cannot be paid.

In the three months ended March 31, 2012 a total of \$11.8 million of debt was prepaid leaving a balance outstanding of \$471.8 million.

*Dividend*

Global Ship Lease is not currently able to pay a dividend on common shares.

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### Fleet

The following table provides information about the on-the-water fleet of 17 vessels chartered to CMA CGM.

| Vessel Name          | Capacity<br>in TEUs<br>(1) | Year<br>Built | Purchase<br>by GSL | Remaining<br>Charter<br>Term (2)<br>(years) | Earliest<br>Charter Expiry<br>Date | Daily<br>Charter<br>Rate \$ |
|----------------------|----------------------------|---------------|--------------------|---|------------------------------------|-----------------------------|
| Ville d Orion        | 4,113                      | 1997          | Dec 2007           | 0.7   | Sept 21, 2012                      | 28,500                      |
| Ville d Aquarius     | 4,113                      | 1996          | Dec 2007           | 0.7   | Sept 20, 2012                      | 28,500                      |
| CMA CGM Matisse      | 2,262                      | 1999          | Dec 2007           | 4.7   | Sept 21, 2016                      | 18,465                      |
| CMA CGM Utrillo      | 2,262                      | 1999          | Dec 2007           | 4.7   | Sept 11, 2016                      | 18,465                      |
| Delmas Keta          | 2,207                      | 2003          | Dec 2007           | 5.7   | Sept 20, 2017                      | 18,465                      |
| Julie Delmas         | 2,207                      | 2002          | Dec 2007           | 5.7   | Sept 11, 2017                      | 18,465                      |
| Kumasi               | 2,207                      | 2002          | Dec 2007           | 5.7   | Sept 21, 2017                      | 18,465                      |
| Marie Delmas         | 2,207                      | 2002          | Dec 2007           | 5.7   | Sept 14, 2017                      | 18,465                      |
| CMA CGM La Tour      | 2,272                      | 2001          | Dec 2007           | 4.7   | Sept 20, 2016                      | 18,465                      |
| CMA CGM Manet        | 2,272                      | 2001          | Dec 2007           | 4.7   | Sept 7, 2016                       | 18,465                      |
| CMA CGM Alcazar      | 5,089                      | 2007          | Jan 2008           | 8.8   | Oct 18, 2020                       | 33,750                      |
| CMA CGM Château d If | 5,089                      | 2007          | Jan 2008           | 8.8   | Oct 11, 2020                       | 33,750                      |
| CMA CGM Thalassa     | 11,040                     | 2008          | Dec 2008           | 13.8  | Oct 1, 2025                        | 47,200                      |
| CMA CGM Jamaica      | 4,298                      | 2006          | Dec 2008           | 10.7  | Sept 17, 2022                      | 25,350                      |
| CMA CGM Sambhar      | 4,045                      | 2006          | Dec 2008           | 10.7  | Sept 16, 2022                      | 25,350                      |
| CMA CGM America      | 4,045                      | 2006          | Dec 2008           | 10.7  | Sept 19, 2022                      | 25,350                      |
| CMA CGM Berlioz      | 6,621                      | 2011          | Aug 2009           | 9.4   | May 28, 2021                       | 34,000                      |

(1) *Twenty-foot Equivalent Units.*

(2) *As at March 31, 2012. Plus or minus 90 days at charterers' option.*

### Conference Call and Webcast

Global Ship Lease will hold a conference call to discuss the Company's results for the three months ended March 31, 2012 today, Monday, May 14, 2012 at 10:30 a.m. Eastern Time. There are two ways to access the conference call:

(1) Dial-in: (866) 966-9439 or (631) 510-7498; Passcode: 74659899

Please dial in at least 10 minutes prior to 10:30 a.m. Eastern Time to ensure a prompt start to the call.

(2) Live Internet webcast and slide presentation: <http://www.globalshiplease.com>

If you are unable to participate at this time, a replay of the call will be available through Monday, May 28, 2012 at (866) 247-4222 or (631) 510-7499. Enter the code 74659899 to access the audio replay. The webcast will also be archived on the Company's website:

<http://www.globalshiplease.com>.

### About Global Ship Lease

Global Ship Lease is a containership charter owner. Incorporated in the Marshall Islands, Global Ship Lease commenced operations in December 2007 with a business of owning and chartering out containerships under long-term, fixed rate charters to top tier container liner companies.

Global Ship Lease owns 17 vessels with a total capacity of 66,349 TEU with an average age, weighted by TEU capacity, at March 31, 2012 of 8.1 years. All of the current vessels are fixed on long-term charters to CMA CGM with an average remaining term of 6.8 years, or 8.1 years on a weighted basis.





**Reconciliation of Non-U.S. GAAP Financial Measures****A. EBITDA**

EBITDA represents Net income before interest income and expense including amortization of deferred finance costs, realized and unrealized gain (loss) on derivatives, income taxes, depreciation and amortization. EBITDA is a non-US GAAP quantitative measure used to assist in the assessment of the Company's ability to generate cash from its operations. We believe that the presentation of EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. EBITDA is not defined in US GAAP and should not be considered to be an alternate to Net income or any other financial metric required by such accounting principles.

**EBITDA - UNAUDITED**

(thousands of U.S. dollars)

|  | Three<br>months<br>ended<br>Mar 31,<br>2012 | Three<br>months<br>ended<br>Mar 31,<br>2011 |
|--|---|---|
| Net income                                     | 7,950                                       | 10,839                                      |
| Adjust: Depreciation                           | 9,969                                       | 9,949                                       |
| Interest income                                | (23)  | (13)  |
| Interest expense                               | 5,466                                       | 5,610                                       |
| Realized loss on interest rate derivatives     | 4,492                                       | 4,783                                       |
| Unrealized (gain) on interest rate derivatives | (2,676)                                     | (4,962)                                     |
| Income tax                                     | (10)  | 19  |
| <b>EBITDA</b>                                  | <b>25,168</b>                               | <b>26,225</b>                               |

**B. Normalized net income**

Normalized net income represents Net income adjusted for the unrealized gain on derivatives. Normalized net income is a non-GAAP quantitative measure which we believe will assist investors and analysts who often adjust reported net income for non-operating items such as change in fair value of derivatives to eliminate the effect of non cash non-operating items that do not affect operating performance or cash generated. Normalized net income is not defined in US GAAP and should not be considered to be an alternate to Net income or any other financial metric required by such accounting principles.

**NORMALIZED NET INCOME - UNAUDITED**

(thousands of U.S. dollars)

|   | Three<br>months<br>ended<br>Mar 31,<br>2012 | Three<br>months<br>ended<br>Mar 31,<br>2011 |
|---|---|---|
| Net income                                    | 7,950                                       | 10,839                                      |
| Adjust: Unrealized (gain) loss on derivatives | (2,676)                                     | (4,962)                                     |
| <b>Normalized net income</b>                  | <b>5,274</b>                                | <b>5,877</b>                                |



**Safe Harbor Statement**

This communication contains forward-looking statements. Forward-looking statements provide Global Ship Lease's current expectations or forecasts of future events. Forward-looking statements include statements about Global Ship Lease's expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as anticipate, believe, continue, estimate, expect, intend, may, ongoing, plan, potential, predict, project, will or similar words or phrases, or the negatives of those words or phrases, are used in forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. These forward-looking statements are based on assumptions that may be incorrect, and Global Ship Lease cannot assure you that these projections included in these forward-looking statements will come to pass. Actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors.

The risks and uncertainties include, but are not limited to:

future operating or financial results;

expectations regarding the future growth of the container shipping industry, including the rates of annual demand and supply growth;

the overall health and condition of the U.S. and global financial markets;

the financial condition of CMA CGM, Global Ship Lease's sole charterer and only source of operating revenue, and its ability to pay charterhire in accordance with the charters;

Global Ship Lease's financial condition and liquidity, including its ability to obtain additional waivers which might be necessary under the existing credit facility or obtain additional financing to fund capital expenditures, vessel acquisitions and other general corporate purposes;

Global Ship Lease's ability to meet its financial covenants and repay its credit facility;

Global Ship Lease's expectations relating to dividend payments and forecasts of its ability to make such payments including the availability of cash and the impact of constraints under its credit facility;

future acquisitions, business strategy and expected capital spending;

operating expenses, availability of key employees and crew, number of offhire days, drydocking and survey requirements, general and administrative costs and insurance costs;

general market conditions and shipping industry trends, including charter rates and factors affecting supply and demand;

assumptions regarding interest rates and inflation;

changes in the rate of growth of global and various regional economies;

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risks incidental to vessel operation, including piracy, discharge of pollutants and vessel accidents and damage including total or constructive total loss;

estimated future capital expenditures needed to preserve Global Ship Lease's capital base;

Global Ship Lease's expectations about the availability of ships to purchase, the time that it may take to construct new ships, or the useful lives of its ships;

Global Ship Lease's continued ability to enter into or renew long-term fixed-rate charters including the re-chartering of vessels on the expiry of existing charters, or to secure profitable employment for its vessels in the spot market;

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the continued performance of existing long-term fixed-rate time charters;

Global Ship Lease's ability to capitalize on its management's and board of directors' relationships and reputations in the containership industry to its advantage;

changes in governmental and classification societies' rules and regulations or actions taken by regulatory authorities;

expectations about the availability of insurance on commercially reasonable terms;

unanticipated changes in laws and regulations including environmental and taxation; and

potential liability from future litigation.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Global Ship Lease's actual results could differ materially from those anticipated in forward-looking statements for many reasons specifically as described in Global Ship Lease's filings with the SEC. Accordingly, you should not unduly rely on these forward-looking statements, which speak only as of the date of this communication. Global Ship Lease undertakes no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this communication or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks Global Ship Lease describes in the reports it will file from time to time with the SEC after the date of this communication.

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Statements of Income

(Expressed in thousands of U.S. dollars except share data)

|  | Three months ended March 31, |            |
|--|------------------------------|------------|
|  | 2012                         | 2011       |
| <b>Operating Revenues</b>                                    |                              |            |
| Time charter revenue   | \$ 38,350                    | \$ 39,104  |
| <b>Operating Expenses</b>                                    |                              |            |
| Vessel operating expenses                                    | 11,657                       | 11,043     |
| Depreciation   | 9,969                        | 9,949      |
| General and administrative                                   | 1,593                        | 1,942      |
| Other operating income                                       | (68)                         | (106)      |
| Total operating expenses                                     | 23,151                       | 22,828     |
| <b>Operating Income</b>                                      | 15,199                       | 16,276     |
| <b>Non Operating Income (Expense)</b>                        |                              |            |
| Interest income  | 23                           | 13         |
| Interest expense   | (5,466)                      | (5,610)    |
| Realized loss on interest rate derivatives                   | (4,492)                      | (4,783)    |
| Unrealized gain on interest rate derivatives                 | 2,676                        | 4,962      |
| <b>Income before Income Taxes</b>                            | 7,940                        | 10,858     |
| Income taxes   | 10                           | (19)       |
| <b>Net Income</b>  | \$ 7,950                     | \$ 10,839  |
| <b>Earnings per Share</b>                                    |                              |            |
| Weighted average number of Class A common shares outstanding |                              |            |
| Basic  | 47,481,471                   | 47,186,378 |
| Diluted  | 47,481,471                   | 47,405,490 |
| Net income in \$ per Class A common share                    |                              |            |
| Basic  | \$ 0.17                      | \$ 0.23    |
| Diluted  | \$ 0.17                      | \$ 0.23    |
| Weighted average number of Class B common shares outstanding |                              |            |
| Basic and diluted  | 7,405,956                    | 7,405,956  |
| Net income in \$ per Class B common share                    |                              |            |
| Basic and diluted  | \$ 0.00                      | \$ 0.00    |

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

|  | March 31,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| <b>Assets</b>  |                   |                      |
| Cash and cash equivalents  | \$ 30,144         | \$ 25,814            |
| Restricted cash  | 3,027             | 3,027                |
| Accounts receivable  | 13,999            | 13,911               |
| Prepaid expenses   | 853               | 726                  |
| Other receivables  | 1,036             | 839                  |
| Deferred tax   | 34                | 19                   |
| Deferred financing costs   | 1,184             | 1,168                |
| <b>Total current assets</b>  | <b>50,277</b>     | <b>45,504</b>        |
| Vessels in operation   | 883,794           | 890,249              |
| Other fixed assets   | 48                | 54                   |
| Intangible assets - other  | 87                | 92                   |
| Deferred tax   | 19                | 10                   |
| Deferred financing costs   | 3,296             | 3,626                |
| <b>Total non-current assets</b>  | <b>887,244</b>    | <b>894,031</b>       |
| <b>Total Assets</b>  | <b>\$ 937,521</b> | <b>\$ 939,535</b>    |
| <b>Liabilities and Stockholders Equity</b>   |                   |                      |
| <b>Liabilities</b>   |                   |                      |
| Current portion of long term debt  | \$ 51,900         | \$ 46,000            |
| Intangible liability - charter agreements  | 2,119             | 2,119                |
| Accounts payable   | 6,315             | 1,286                |
| Accrued expenses   | 4,839             | 4,953                |
| Derivative instruments   | 17,713            | 15,920               |
| <b>Total current liabilities</b>   | <b>82,886</b>     | <b>70,278</b>        |
| Long term debt   | 419,924           | 437,612              |
| Preferred shares   | 48,000            | 48,000               |
| Intangible liability - charter agreements  | 19,521            | 20,050               |
| Derivative instruments   | 24,927            | 29,395               |
| <b>Total long-term liabilities</b>   | <b>512,372</b>    | <b>535,057</b>       |
| <b>Total Liabilities</b>   | <b>\$ 595,258</b> | <b>\$ 605,335</b>    |
| <b>Commitments and contingencies</b>   |                   |                      |
| <b>Stockholders Equity</b>   |                   |                      |
| Class A Common stock - authorized 214,000,000 shares with a \$0.01 par value; 47,481,864 shares issued and outstanding (2011 - 47,463,978) | \$ 475            | \$ 475               |
| Class B Common stock - authorized 20,000,000 shares with a \$0.01 par value; 7,405,956 shares issued and outstanding (2011 - 7,405,956)    | 74                | 74                   |



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|  |                   |                   |
|--|-------------------|-------------------|
| Additional paid in capital                       | 351,969           | 351,856           |
| Accumulated deficit                              | (10,255)          | (18,205)          |
| <b>Total Stockholders Equity</b>                 | <b>342,263</b>    | <b>334,200</b>    |
| <b>Total Liabilities and Stockholders Equity</b> | <b>\$ 937,521</b> | <b>\$ 939,535</b> |

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## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

|   | Three months ended March 31, |                  |
|---|------------------------------|------------------|
|   | 2012                         | 2011             |
| <b>Cash Flows from Operating Activities</b>   |                              |                  |
| Net income  | \$ 7,950                     | \$ 10,839        |
| <b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b> |                              |                  |
| Depreciation  | 9,969                        | 9,949            |
| Amortization of deferred financing costs  | 314                          | 269              |
| Change in fair value of certain derivative instruments                                  | (2,676)                      | (4,962)          |
| Amortization of intangible liability  | (529)                        | (529)            |
| Settlements of hedges which do not qualify for hedge accounting                         | 4,492                        | 4,783            |
| Share based compensation  | 113                          | 136              |
| (Increase) in other receivables and other assets  | (498)                        | (315)            |
| Increase (decrease) in accounts payable and other liabilities                           | 2,994                        | (538)            |
| Unrealized foreign exchange loss  | 16                           | 9                |
| <b>Net Cash Provided by Operating Activities</b>  | <b>22,145</b>                | <b>19,641</b>    |
| <b>Cash Flows from Investing Activities</b>   |                              |                  |
| Settlements of hedges which do not qualify for hedge accounting                         | (4,492)                      | (4,783)          |
| Cash paid to acquire intangible assets  |                              | (26)             |
| Costs relating to drydockings   | (1,536)                      | (837)            |
| <b>Net Cash Used in Investing Activities</b>  | <b>(6,028)</b>               | <b>(5,646)</b>   |
| <b>Cash Flows from Financing Activities</b>   |                              |                  |
| Repayment of debt   | (11,787)                     | (13,816)         |
| <b>Net Cash Used in Financing Activities</b>  | <b>(11,787)</b>              | <b>(13,816)</b>  |
| <b>Net increase in Cash and Cash Equivalents</b>  | <b>4,329</b>                 | <b>179</b>       |
| <b>Cash and Cash Equivalents at start of Period</b>                                     | <b>25,814</b>                | <b>28,360</b>    |
| <b>Cash and Cash Equivalents at end of Period</b>                                       | <b>\$ 30,144</b>             | <b>\$ 28,539</b> |
| <b>Supplemental information</b>   |                              |                  |
| Non cash investing and financing activities   |                              |                  |
| Total interest paid   | \$ 5,255                     | \$ 5,374         |
| Income tax paid   | \$ 10                        | \$ 26            |

**GLOBAL SHIP LEASE, INC.**  
**INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2012**

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

|   |      | March 31,         | December 31,      |
|---|------|-------------------|-------------------|
|   | Note | 2012              | 2011              |
| <b>Assets</b>                               |      |                   |                   |
| Cash and cash equivalents                   |      | \$ 30,144         | \$ 25,814         |
| Restricted cash                             | 9    | 3,027             | 3,027             |
| Accounts receivable                         |      | 13,999            | 13,911            |
| Prepaid expenses                            |      | 853               | 726               |
| Other receivables                           |      | 1,036             | 839               |
| Deferred tax                                |      | 34                | 19                |
| Deferred financing costs                    |      | 1,184             | 1,168             |
| <b>Total current assets</b>                 |      | <b>50,277</b>     | <b>45,504</b>     |
| Vessels in operation                        | 4    | 883,794           | 890,249           |
| Other fixed assets                          |      | 48                | 54                |
| Intangible assets - other                   | 5    | 87                | 92                |
| Deferred tax                                |      | 19                | 10                |
| Deferred financing costs                    |      | 3,296             | 3,626             |
| <b>Total non-current assets</b>             |      | <b>887,244</b>    | <b>894,031</b>    |
| <b>Total Assets</b>                         |      | <b>\$ 937,521</b> | <b>\$ 939,535</b> |
| <b>Liabilities and Stockholders' Equity</b> |      |                   |                   |
| <b>Liabilities</b>                          |      |                   |                   |
| Current portion of long term debt           | 6    | \$ 51,900         | \$ 46,000         |
| Intangible liability - charter agreements   |      | 2,119             | 2,119             |
| Accounts payable                            |      | 6,315             | 1,286             |
| Accrued expenses                            |      | 4,839             | 4,953             |
| Derivative instruments                      | 10   | 17,713            | 15,920            |
| <b>Total current liabilities</b>            |      | <b>82,886</b>     | <b>70,278</b>     |
| Long term debt                              | 6    | 419,924           | 437,612           |
| Preferred shares                            | 9    | 48,000            | 48,000            |
| Intangible liability - charter agreements   |      | 19,521            | 20,050            |
| Derivative instruments                      | 10   | 24,927            | 29,395            |
| <b>Total long-term liabilities</b>          |      | <b>512,372</b>    | <b>535,057</b>    |
| <b>Total Liabilities</b>                    |      | <b>\$ 595,258</b> | <b>\$ 605,335</b> |
| Commitments and contingencies               | 8    |                   |                   |

See accompanying notes to interim unaudited consolidated financial statements



## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Balance Sheets (continued)

(Expressed in thousands of U.S. dollars except share data)

|  |   | March 31,         | December 31,      |
|--|---|-------------------|-------------------|
|  |   | 2012              | 2011              |
|  | Note  |                   |                   |
| <b>Stockholders Equity</b>                       |   |                   |                   |
| Class A Common stock                             | authorized 214,000,000 shares with a \$0.01 par value; 47,481,864 shares issued and outstanding (2011 47,463,978) | 9 \$ 475          | \$ 475            |
| Class B Common stock                             | authorized 20,000,000 shares with a \$0.01 par value; 7,405,956 shares issued and outstanding (2011 7,405,956)    | 9 74              | 74                |
| Additional paid in capital                       |   | 351,969           | 351,856           |
| Accumulated deficit                              |   | (10,255)          | (18,205)          |
| <b>Total Stockholders Equity</b>                 |   | <b>342,263</b>    | <b>334,200</b>    |
| <b>Total Liabilities and Stockholders Equity</b> |   | <b>\$ 937,521</b> | <b>\$ 939,535</b> |

See accompanying notes to interim unaudited consolidated financial statements

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Statements of Income

(Expressed in thousands of U.S. dollars except share data)

|  | Note | Three months ended March 31, |            |
|--|------|------------------------------|------------|
|  |      | 2012                         | 2011       |
| <b>Operating Revenues</b>                                    |      |                              |            |
| Time charter revenue   |      | \$ 38,350                    | \$ 39,104  |
| <b>Operating Expenses</b>                                    |      |                              |            |
| Vessel operating expenses                                    |      | 11,657                       | 11,043     |
| Depreciation   | 4    | 9,969                        | 9,949      |
| General and administrative                                   |      | 1,593                        | 1,942      |
| Other operating income                                       |      | (68)                         | (106)      |
| Total operating expenses                                     |      | 23,151                       | 22,828     |
| <b>Operating Income</b>                                      |      | 15,199                       | 16,276     |
| <b>Non Operating Income (Expense)</b>                        |      |                              |            |
| Interest income  |      | 23                           | 13         |
| Interest expense   |      | (5,466)                      | (5,610)    |
| Realized loss on interest rate derivatives                   |      | (4,492)                      | (4,783)    |
| Unrealized gain on interest rate derivatives                 | 10   | 2,676                        | 4,962      |
| <b>Income before Income Taxes</b>                            |      | 7,940                        | 10,858     |
| Income taxes   |      | 10                           | (19)       |
| <b>Net Income</b>  |      | \$ 7,950                     | \$ 10,839  |
| <b>Earnings per Share</b>                                    |      |                              |            |
| Weighted average number of Class A common shares outstanding |      |                              |            |
| Basic  | 12   | 47,481,471                   | 47,186,378 |
| Diluted  | 12   | 47,481,471                   | 47,405,490 |
| Net income in \$ per Class A common share                    |      |                              |            |
| Basic  | 12   | \$ 0.17                      | \$ 0.23    |
| Diluted  | 12   | \$ 0.17                      | \$ 0.23    |
| Weighted average number of Class B common shares outstanding |      |                              |            |
| Basic and diluted  |      | 7,405,956                    | 7,405,956  |
| Net income in \$ per Class B common share                    |      |                              |            |
| Basic and diluted  | 12   | \$ 0.00                      | \$ 0.00    |

See accompanying notes to interim unaudited consolidated financial statements

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

|   | Note | Three months ended March 31, |                  |
|---|------|------------------------------|------------------|
|   |      | 2012                         | 2011             |
| <b>Cash Flows from Operating Activities</b>   |      |                              |                  |
| Net income  |      | \$ 7,950                     | \$ 10,839        |
| <b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b> |      |                              |                  |
| Depreciation  | 4    | 9,969                        | 9,949            |
| Amortization of deferred financing costs  |      | 314                          | 269              |
| Change in fair value of certain derivative instruments                                  | 10   | (2,676)                      | (4,962)          |
| Amortization of intangible liability  |      | (529)                        | (529)            |
| Settlements of hedges which do not qualify for hedge accounting                         | 10   | 4,492                        | 4,783            |
| Share based compensation  | 11   | 113                          | 136              |
| (Increase) in other receivables and other assets  |      | (498)                        | (315)            |
| Increase (decrease) in accounts payable and other liabilities                           |      | 2,994                        | (538)            |
| Unrealized foreign exchange loss  |      | 16                           | 9                |
| <b>Net Cash Provided by Operating Activities</b>  |      | <b>22,145</b>                | <b>19,641</b>    |
| <b>Cash Flows from Investing Activities</b>   |      |                              |                  |
| Settlements of hedges which do not qualify for hedge accounting                         | 10   | (4,492)                      | (4,783)          |
| Cash paid to acquire intangible assets  |      |                              | (26)             |
| Costs relating to drydockings   |      | (1,536)                      | (837)            |
| <b>Net Cash Used in Investing Activities</b>  |      | <b>(6,028)</b>               | <b>(5,646)</b>   |
| <b>Cash Flows from Financing Activities</b>   |      |                              |                  |
| Repayment of debt   |      | (11,787)                     | (13,816)         |
| <b>Net Cash Used in Financing Activities</b>  |      | <b>(11,787)</b>              | <b>(13,816)</b>  |
| <b>Net increase in Cash and Cash Equivalents</b>  |      | <b>4,329</b>                 | <b>179</b>       |
| <b>Cash and Cash Equivalents at start of Period</b>                                     |      | <b>25,814</b>                | <b>28,360</b>    |
| <b>Cash and Cash Equivalents at end of Period</b>                                       |      | <b>\$ 30,144</b>             | <b>\$ 28,539</b> |
| <b>Supplemental information</b>   |      |                              |                  |
| Non cash investing and financing activities   |      |                              |                  |
| Total interest paid   |      | \$ 5,255                     | \$ 5,374         |
| Income tax paid   |      | \$ 10                        | \$ 26            |

See accompanying notes to interim unaudited consolidated financial statements



## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Statements of Changes in Stockholders' Equity

(Expressed in thousands of U.S. dollars except share data)

|                                     | Number of<br>Common Stock at<br>\$0.01<br>Par value | Common<br>Stock | Additional<br>Paid in<br>Capital | Accumulated<br>Deficit | Stockholders<br>Equity |
|-------------------------------------|---|-----------------|----------------------------------|------------------------|------------------------|
| <b>Balance at December 31, 2010</b> | 54,536,423  | \$ 545          | \$ 351,295                       | \$ (27,276)            | \$ 324,564             |
| Restricted Stock Units (note 11)    |   |                 | 565                              |                        | 565                    |
| Class A Shares issued (note 9)      | 333,511   | 4               | (4)                              |                        |                        |
| Net income for the period           |   |                 |                                  | 9,071                  | 9,071                  |
| <b>Balance at December 31, 2011</b> | 54,869,934  | \$ 549          | \$ 351,856                       | \$ (18,205)            | \$ 334,200             |
| Restricted Stock Units (note 11)    |   |                 | 113                              |                        | 113                    |
| Class A Shares issued (note 9)      | 17,886  |                 |                                  |                        |                        |
| Net income for the period           |   |                 |                                  | 7,950                  | 7,950                  |
| <b>Balance at March 31, 2012</b>    | 54,887,820  | \$ 549          | \$ 351,969                       | \$ (10,255)            | \$ 342,263             |

See accompanying notes to interim unaudited consolidated financial statements

## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements

(Expressed in thousands of U.S. dollars)

**1. General**

On August 14, 2008, Global Ship Lease, Inc. (the Company or GSL) merged indirectly with Marathon Acquisition Corp. (Marathon), a company then listed on The American Stock Exchange. Following the merger, the Company became listed on the New York Stock Exchange on August 15, 2008.

**2. Nature of Operations and Basis of Preparation**

## (a) Nature of Operations

The Company owns and charters out containerships under long term time charters. All vessels are time chartered to CMA CGM S.A. (CMA CGM) for remaining terms as at March 31, 2012 ranging from 0.75 to 13.75 years (see note 7). The following table provides information about the 17 vessels chartered to CMA CGM and which are reflected in these interim unaudited consolidated financial statements:

| Vessel Name          | Capacity<br>in TEUs <sup>(1)</sup> | Year<br>Built | Purchase Date<br>by GSL <sup>(2)</sup> | Charter<br>Remaining<br>Duration<br>(years) <sup>(3)</sup> | Daily<br>Charter<br>Rate |
|----------------------|------------------------------------|---------------|--|--|--------------------------|
| Ville d Orion        | 4,113                              | 1997          | December 2007                          | 0.75   | \$ 28,500                |
| Ville d Aquarius     | 4,113                              | 1996          | December 2007                          | 0.75   | \$ 28,500                |
| CMA CGM Matisse      | 2,262                              | 1999          | December 2007                          | 4.75   | \$ 18,465                |
| CMA CGM Utrillo      | 2,262                              | 1999          | December 2007                          | 4.75   | \$ 18,465                |
| Delmas Keta          | 2,207                              | 2003          | December 2007                          | 5.75   | \$ 18,465                |
| Julie Delmas         | 2,207                              | 2002          | December 2007                          | 5.75   | \$ 18,465                |
| Kumasi               | 2,207                              | 2002          | December 2007                          | 5.75   | \$ 18,465                |
| Marie Delmas         | 2,207                              | 2002          | December 2007                          | 5.75   | \$ 18,465                |
| CMA CGM La Tour      | 2,272                              | 2001          | December 2007                          | 4.75   | \$ 18,465                |
| CMA CGM Manet        | 2,272                              | 2001          | December 2007                          | 4.75   | \$ 18,465                |
| CMA CGM Alcazar      | 5,089                              | 2007          | January 2008                           | 8.75   | \$ 33,750                |
| CMA CGM Château d If | 5,089                              | 2007          | January 2008                           | 8.75   | \$ 33,750                |
| CMA CGM Thalassa     | 11,040                             | 2008          | December 2008                          | 13.75  | \$ 47,200                |
| CMA CGM Jamaica      | 4,298                              | 2006          | December 2008                          | 10.75  | \$ 25,350                |
| CMA CGM Sambhar      | 4,045                              | 2006          | December 2008                          | 10.75  | \$ 25,350                |
| CMA CGM America      | 4,045                              | 2006          | December 2008                          | 10.75  | \$ 25,350                |
| CMA CGM Berlioz      | 6,621                              | 2001          | August 2009                            | 9.50   | \$ 34,000                |

(1) Twenty-foot Equivalent Units.

(2) Purchase dates of vessels related to the Company's time charter business.

(3) As at March 31, 2012. Plus or minus 90 days at charterer's option.

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**Global Ship Lease, Inc.**

**Notes to the Interim Unaudited Consolidated Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**2. Nature of Operations and Basis of Preparation (continued)**

**(b) Basis of Preparation**

**(i) Counterparty risk**

All of the Company's vessels are chartered to CMA CGM and payments to the Company under the charters are currently its sole source of operating revenue. The Company is consequently highly dependent on the performance by CMA CGM of its obligations under the charters. The container shipping industry is volatile and is currently experiencing a cyclical downturn and many container shipping companies are reporting losses.

CMA CGM is discussing with its lenders the rescheduling of certain repayments and the adjustment of certain covenants to take account of the cyclical nature of the container shipping industry.

Nevertheless, if CMA CGM ceases doing business or fails to perform its obligations under the charters, the Company's business, financial position and results of operations would be materially adversely affected as it is probable that, even if the Company was able to find replacement charters, such replacement charters would be at significantly lower daily rates and shorter durations. If such events occur, there would be significant uncertainty about the Company's ability to continue as a going concern.

The Company has experienced continued and, from time to time, increased delays in receiving charterhire from CMA CGM, where between two and four instalments have been outstanding. Under the charter contracts charterhire is due to be paid every 15 days in advance on the 1st and 16th of each month. As at March 31, 2012, two periods of charterhire, due on March 1 and March 16, 2012, were outstanding amounting to \$13,314. This was received in April 2012. As at close of business on May 11, 2012, two periods of charterhire, due on April 16, 2012 and May 1, 2012 and totalling \$12,884 were outstanding.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

**(ii) Credit facility**

A further consequence of the current cyclical downturn is that there have been declines in charter free market values of containerships. Under the terms of the Company's credit facility, the Leverage Ratio, being the ratio of outstanding drawings under the credit facility and the aggregate charter free market value of the secured vessels which are under charter, cannot exceed 75%. On November 30, 2011, due to the declines in market values, the Company agreed with its lenders a waiver of the requirement to perform the Leverage Ratio test until November 30, 2012. Should there not be a significant improvement in charter free market values, a further waiver or other relief is likely to be required in respect of the test as at November 30, 2012.

If relief in respect of the test due as at November 30, 2012 is required and is not obtained and the Leverage Ratio is above 75%, the lenders may declare an event of default and accelerate some or all of the debt or require the Company to provide additional security which would raise substantial doubt about the Company's ability to continue as a going concern. The Company was compliant with all of its financial covenants at March 31, 2012 and at the date of issuance of these financial statements.

As a result of the waiver, the relevant debt is classified as non-current in the consolidated balance sheet and the consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities, or any other

adjustments that might result should the Company be unable to continue as a going concern.

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**Global Ship Lease, Inc.**

**Notes to the Interim Unaudited Consolidated Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**3. ACCOUNTING POLICIES AND DISCLOSURE**

The accompanying financial information is unaudited and reflects all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair statement of financial position and results of operations for the interim periods presented. The financial information does not include all disclosures required under United States Generally Accepted Accounting Principles ( US GAAP ) for annual financial statements. These interim unaudited consolidated financial statements should be read in conjunction with the Company s financial statements as of December 31, 2011 filed with the Securities and Exchange Commission on April 13, 2012 in the Company s Annual Report on Form 20-F.

*Impairment Testing*

The decline in charter free vessel values referred to in note 2(b)(ii) was seen as an indicator of potential impairment of the carrying value of the Company s vessels. Accordingly, an impairment test, based on expected undiscounted cash flows by vessel, was performed as at December 31, 2011. A test of impairment was also undertaken as at December 31, 2010. There have been no additional significant indicators of impairment noted by management since the test performed as at December 31, 2011.

The assumptions used involve a considerable degree of estimation. Actual conditions may differ significantly from the assumptions and thus actual cash flows may be significantly different to those expected with a material effect on the recoverability of each vessel s carrying amount. The most significant assumptions made for the determination of expected cash flows are (i) charter rates on expiry of existing charters, which are based on a reversion to the historical mean for each category of vessel, adjusted to reflect current and expected market conditions (ii) off-hire days, which are based on actual off-hire statistics for the Company s fleet (iii) operating costs, based on current levels escalated over time based on long term trends (iv) dry docking frequency, duration and cost and (v) estimated useful life which is assessed as a total of 30 years. In the case of an indication of impairment, the results of a recoverability test would also be sensitive to the discount rate applied.

Based on the assumptions made, the expected undiscounted future cash flows exceed the vessels carrying amounts as of December 31, 2011 and accordingly no impairment has been recognised.

*Recently issued accounting standards*

There have been no applicable accounting standards issued since December 31, 2011.

Management do not believe that any recently issued, but not yet effective accounting pronouncements, if currently adopted, would have a material impact on the interim unaudited consolidated financial statements of the Company.

## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars)

## 4. Vessels in Operation, less Accumulated Depreciation

|                                 | March 31,<br>2012 | December 31,<br>2011 |
|---------------------------------|-------------------|----------------------|
| Cost                            | \$ 1,013,395      | \$ 1,012,051         |
| Accumulated depreciation        | (129,757)         | (122,325)            |
| Drydock expenditure in progress | 156               | 523                  |
| <b>Net book value</b>           | <b>\$ 883,794</b> | <b>\$ 890,249</b>    |

## 5. Intangible Assets

|  | March 31,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| Opening balance vessel purchase options and software development | \$ 92             | \$ 13,671            |
| Impairment vessel purchase options                               |                   | (13,645)             |
| Additions software development                                   |                   | 71                   |
| Depreciation software development                                | (5)               | (5)                  |
| <b>Closing balance</b>   | <b>\$ 87</b>      | <b>\$ 92</b>         |

## Vessel Purchase Options

On November 8, 2010, the Company signed agreements with the sellers of two 4,250 TEU newbuildings to terminate the purchase obligations under contracts entered into in September 2008 and grant the Company options to purchase the vessels one year later. Intangible assets relating to these purchase options were recognised at the fair value of the purchase options on the date of the agreement.

The purchase options were to be declared by September 16, 2011 for one vessel and October 4, 2011 for the other. The purchase of these vessels was always predicated on achieving a strong return for shareholders by acquiring the vessels, which had time charters attached, at an attractive price and securing financing on favorable terms. As the Company was unable to obtain committed finance on acceptable terms, the intangible assets relating to these purchase options was written off in the second quarter 2011. The purchase options have subsequently lapsed.

## 6. Long-Term Debt

In December 2007 the Company entered into an \$800,000 senior secured credit facility with ABN AMRO Bank N.V. (formerly Fortis Bank Nederland N.V.), Citigroup Global Markets Limited (formerly Citibank), HSH Nordbank AG, Sumitomo Mitsui Banking Corporation, KFW IpeX Bank GmbH and DnB NOR Bank ASA. Subsequently, Bank of Scotland plc joined the syndicate.

Amounts borrowed under the credit facility bear interest at U.S. dollar Libor plus a margin of 2.50%, 3.00% or 3.50% depending on the Leverage Ratio (being the ratio of the balance outstanding on the credit facility to the aggregate charter free market value of the secured vessels), determined at the end of April, May, August and November each year with updated valuations to be obtained for the tests at the end of April and

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November.

The Leverage Ratio is not permitted to exceed 75%.

Further to an amendment to the credit facility agreed in August 2009, between June 30, 2010 and April 30, 2011, borrowings under the credit facility were repaid quarterly in an amount equal to free cash in excess of \$20,000 determined as at the previous month end subject to a minimum of \$40,000 repayment a year on a rolling 12 month trailing basis. On this basis, a repayment of \$13,816 was made on March 31, 2011.

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## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars)

**6. Long-Term Debt (continued)**

At April 30, 2011 the Leverage Ratio was less than 75% and greater than 65%. Accordingly, from that date (i) interest margin paid on borrowings was 3.00% (ii) prepayments of borrowings were fixed at \$10,000 per quarter, and (iii) the Company was able to make dividend payments to common shareholders. On this basis, further repayments of \$10,000 were made on both June 30, 2011 and September 30, 2011.

Due to the downturn after April 2011 in charter free market values of containerships, on November 30, 2011 the Company obtained a waiver from its lenders of the requirement to perform the Leverage Ratio test until November 30, 2012. Accordingly from November 30, 2011 (i) the interest margin on borrowings reverted to 3.50% (ii) prepayments of borrowings are being made quarterly in an amount equal to free cash in excess of \$20,000 determined as at the previous month end subject to a minimum of \$40,000 repayment a year on a rolling 12 month trailing basis, and (iii) the Company is unable to make dividend payments to common shareholders. On this basis, repayments were made of \$15,341 on December 31, 2011 and \$11,788 on March 30, 2012.

The next Leverage Ratio test is scheduled for November 30, 2012.

The final maturity date of the credit facility is August 14, 2016 at which point any remaining outstanding balance must be repaid.

The credit facility is secured by, inter alia, first priority mortgages on each of the Company's 17 vessels, a pledge of shares of the vessel owning subsidiaries as well as assignments of earnings and insurances. The financial covenants in the credit facility are: a) a minimum cash balance of the lower of \$15,000 or six months net interest expense; b) net debt to total capitalization ratio not to exceed 75%; c) EBITDA to debt service, on a trailing four-quarter basis, to be no less than 1.10 to 1; and d) a minimum net worth of \$200,000 (with all terms as defined in the credit facility).

Long-term debt is summarized as follows:

|  | <b>March 31,</b>  | December 31,      |
|--|-------------------|-------------------|
|  | <b>2012</b>       | 2011              |
| Credit facility, at Libor USD + 2.50% to 3.50% | \$ 471,824        | \$ 483,612        |
| Less current instalments of long-term debt     | (51,900)          | (46,000)          |
|  | <b>\$ 419,924</b> | <b>\$ 437,612</b> |

Based on (i) management's reasonable estimate of cash flows from April 1, 2012 and (ii) the Leverage Ratio being at or below 75% at the next scheduled test date of November 30, 2012, the estimated repayments in each of the relevant periods are as follows:

**Year ending March 31,**

|      |           |
|------|-----------|
| 2013 | \$ 51,900 |
| 2014 | 40,000    |
| 2015 | 40,000    |
| 2016 | 40,000    |
| 2017 | 299,924   |



**\$ 471,824**

The amount of excess cash generated may vary significantly from management's estimates and consequently the repayment profile of outstanding debt may be significantly different from that presented. Further, the Leverage Ratio may not be at or below 75% as at November 30, 2012 in which case, assuming a continuation of the current waiver, quarterly prepayments will continue to be based on free cash in excess of \$20,000 at the measurement dates.

**Global Ship Lease, Inc.**

**Notes to the Interim Unaudited Consolidated Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**7. Related Party Transactions**

CMA CGM is presented as a related party as it was, until the merger referred to in Note 1, the parent company of Global Ship Lease, Inc. and at March 31, 2012 is a significant shareholder of the Company, owning Class A and Class B common shares representing a 45% voting interest in the Company.

Amounts due to and from CMA CGM companies are summarized as follows:

|  | March 31,        | December 31,     |
|--|------------------|------------------|
|  | 2012             | 2011             |
| Current account (below)  | \$ 7,119         | \$ 2,597         |
| <b>Amounts due to CMA CGM companies presented within liabilities</b> | <b>\$ 7,119</b>  | <b>\$ 2,597</b>  |
| Current account (below)  | \$ 13,999        | \$ 13,911        |
| <b>Amounts due from CMA CGM companies presented within assets</b>    | <b>\$ 13,999</b> | <b>\$ 13,911</b> |

CMA CGM charters all of the Company's vessels and one of its subsidiaries provides the Company with ship management services. The current account balances at March 31, 2012 and December 31, 2011 relate to amounts payable to or recoverable from CMA CGM group companies.

CMA CGM holds all of the Series A preferred shares of the Company. During the three months to March 31, 2012, the Company incurred costs in respect of dividends on these preferred shares of \$301 (2011: \$276).

**Time Charter Agreements**

All of the Company's vessels are time chartered to CMA CGM. Under each of the time charters, hire is payable in advance and the daily rate is fixed for the duration of the charter. The charters are for remaining periods as at March 31, 2012 of between 0.75 and 13.75 years (see note 2(a)). All the \$1,163,832 future charter hire receivable for the fleet set out in note 8 relates to the 17 ships currently chartered to CMA CGM.

**Ship Management Agreements**

The Company outsources day to day technical management of its 17 vessels to a ship manager, CMA Ships Limited, a wholly owned subsidiary of CMA CGM. The Company pays CMA Ships Limited an annual management fee of \$114 per vessel and reimburses costs incurred on its behalf, mainly being for the provision of crew, lubricating oils and routine maintenance. Such reimbursement is subject to a cap of between \$5.4 and \$8.8 per day per vessel depending on the vessel. The impact of the cap is determined quarterly and for the fleet as a whole. Ship management fees expensed for the three months ended March 31, 2012 amounted to \$485 (2011: \$485).

Except for transactions with CMA CGM companies, the Company did not enter into any other related party transactions.

## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars except share data)

**8. Commitments and Contingencies****Charter Hire Receivable**

The Company has entered into long term time charters for its vessels. The charter hire is fixed for the duration of the charter. The charters for the vessels were originally for periods of between five and 17 years and the maximum future annual charter hire receivable for the fleet of 17 vessels as at March 31, 2012 is as follows:

|                       | Fleet as at         |
|-----------------------|---------------------|
|                       | March 31,           |
| Year ending March 31, | 2012                |
| 2013                  | 150,943             |
| 2014                  | 135,952             |
| 2015                  | 135,952             |
| 2016                  | 136,324             |
| 2017                  | 127,993             |
| Thereafter            | 496,668             |
|                       | <b>\$ 1,163,832</b> |

**9. Share Capital**

At March 31, 2012 the Company had two classes of common shares. The rights of holders of Class B common shares are identical to those of holders of Class A common shares, except that the dividend rights of holders of Class B common shares are subordinated to those of holders of Class A common shares until certain financial conditions, mainly relating to the record of dividend payments, have been met when the Class B common shares would convert to Class A common shares on a one-for-one basis. The financial conditions have not yet been met and accordingly the conversion has not taken place.

Restricted stock units are granted periodically to the Directors and management, under the Company's 2008 Equity Incentive Plan, as part of their compensation arrangements (see note 11).

The Series A preferred shares rank senior to the common shares and are mandatorily redeemable in 12 quarterly instalments commencing August 31, 2016. They are classified as a long-term liability. The dividend that preferred shareholders are entitled to is presented as part of interest expense.

There are 6,188,088 Class A Warrants outstanding which expire on September 1, 2013 and give the holders the right to purchase one Class A common share at a price of \$9.25.

As at March 31, 2012, total proceeds received in 2008 from the exercise of Public Warrants prior to their expiry in August 2010 were \$3,027 (December 31, 2011: \$3,027). These funds are to be used only to redeem the Series A preferred shares, with a minimum redemption amount of \$5,000. As this threshold has not been reached, none of the preferred shares have been redeemed and the funds are classified as restricted cash in the balance sheet.



## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars except share data)

**10. Interest Rate Derivatives and Fair Value Measurements**

The Company is exposed to the impact of interest rate changes on its variable rate debt. Accordingly, the Company has entered into interest rate swap agreements to manage the exposure to interest rate variability. As of March 31, 2012 a total of \$580,000 of debt was swapped into fixed rate debt at a weighted average rate of 3.59%. None of the Company's interest rate agreements qualify for hedge accounting and therefore the net changes in the fair value of the interest rate derivative assets and liabilities at each reporting period are reflected in the current period operations as unrealized gains and losses on derivatives. Cash flows related to interest rate derivatives (initial payments for the derivatives and periodic cash settlements) are included within cash flows from investing activities in the consolidated statement of cash flows.

Realized gains or losses from interest rate derivatives are recognized in the consolidated statement of income. In addition, the interest rate derivatives are marked to market at each reporting period end and are recorded at fair values. This generates unrealized gains or losses. The unrealized gain on interest rate derivatives for the three months ended March 31, 2012 was \$2,676 (2011: unrealized gain of \$4,962).

Derivative instruments held by the Company are categorized as level 2 in the fair value hierarchy. As at March 31, 2012, these derivatives represented a liability of \$42,640 (December 31, 2011: \$45,315).

**11. Share-Based Compensation**

Share based awards are summarized as follows:

|  | Number of Units |               | Restricted Stock Units                    |                                   |
|--|-----------------|---------------|---|-----------------------------------|
|  | Management      | Directors     | Weighted Average Fair Value on Grant date | Actual Fair Value on Vesting date |
| <b>Un-Vested as at January 1, 2011</b>   | <b>260,000</b>  | <b>58,511</b> | <b>\$ 4.23</b>                            | <b>n/a</b>                        |
| Vested in January 2011                   |                 | (58,511)      | 1.88                                      | 5.04                              |
| Granted on March 17, 2011                | 15,000          | 17,886        | 6.15                                      | n/a                               |
| Vested in September 2011                 | (206,250)       |               | 4.84                                      | 2.35                              |
| Granted on September 2, 2011             | 150,000         |               | 3.07                                      | n/a                               |
| Vested in October 2011                   | (68,750)        |               | 4.84                                      | 1.96                              |
| <b>Un-Vested as at December 31, 2011</b> | <b>150,000</b>  | <b>17,886</b> | <b>\$ 3.40</b>                            | <b>n/a</b>                        |
| Vested in January 2012                   |                 | (17,886)      | 6.15                                      | 1.75                              |
| Granted on March 13, 2012                | 75,000          | 32,070        | 3.43                                      | n/a                               |
| <b>Un-Vested as at March 31, 2012</b>    | <b>225,000</b>  | <b>32,070</b> | <b>\$ 3.22</b>                            | <b>n/a</b>                        |

Using the graded vesting method of expensing the restricted stock unit grants, the calculated weighted average fair value of the stock units is recognized as compensation cost in the consolidated statement of income over the vesting period. During the three months ended March 31, 2012, the Company recognized a total of \$113 (2011: \$136) share based compensation costs. As at March 31, 2012, there was a total of \$607 unrecognized compensation cost relating to the above share based awards (December 31, 2011: \$352). The remaining cost is expected to be recognized over a period of 30 months.



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**Global Ship Lease, Inc.**

**Notes to the Interim Unaudited Consolidated Financial Statements (continued)**

(Expressed in thousands of U.S. dollars except share data)

**11. Share-Based Compensation (continued)**

The restricted stock units granted to three members of management on August 14, 2008 were to vest over a period of three years; one third on the first anniversary of the merger, one third on the second anniversary and one third on the third anniversary. The vesting dates were amended and a total of 260,000 vested annually during September and October of 2009, 2010 and 2011.

The restricted stock units granted to Directors on March 1, 2010 vested in January 2011. The restricted stock units granted to Directors on March 17, 2011 vested in January 2012. The restricted stock units granted to Directors on March 13, 2012 will vest in January 2013.

Restricted stock units granted to one member of management on March 17, 2011 vested during September and October 2011. The restricted stock units granted to four members of management on September 2, 2011 were to vest over two years; half during September and October 2012 and the remaining half during September and October 2013. In March 2012, these grants were amended and restated to provide that vesting would occur only when the individual leaves employment, for whatever reason, provided that this is after September 30, 2012 in respect of half of the grant and after September 30, 2013 for the other half of the grant. The restricted stock units granted to management on March 13, 2012 are expected to vest when the individual leaves employment, provided that this is after September 30, 2014 and is not as a result of resignation or termination for cause.

**12. Earnings per Share**

Basic earnings per common share is presented under the two-class method and is computed by dividing the earnings applicable to common stockholders by the weighted average number of common shares outstanding for the period.

Under the two class method, net income, if any, is first reduced by the amount of dividends declared in respect of common shares for the current period, if any, and the remaining earnings are allocated to common shares and participating securities to the extent that each security can share the earnings assuming all earnings for the period are distributed. For the three months ended March 31, 2012, no dividend was declared (2011: nil dividends). The Class B common shareholders' dividend rights are subordinated to those of holders of Class A common shares. Net income for the relevant period is allocated based on the contractual rights of each class of security and as there was insufficient net income to allow any dividend on the Class B common shares no earnings were allocated to Class B common shares.

Losses are only allocated to participating securities in a period of net loss if, based on the contractual terms, the relevant common shareholders have an obligation to participate in such losses. No such obligation exists for Class B common shareholders and, accordingly, losses would only be allocated to the Class A common shareholders.

At March 31, 2012, there were 6,188,088 Class A Warrants to purchase Class A common shares at an exercise price of \$9.25 outstanding which are due to expire on September 1, 2013. In addition, there were 257,070 restricted stock units granted and unvested as part of management's equity incentive plan and as part of the Directors' compensation for 2012. As of March 31, 2012 only Class A and B common shares are participating securities.

For the three months ended March 31, 2012, the diluted weighted average number of Class A common shares outstanding is the same as the basic weighted average number of shares outstanding. The diluted weighted average number of shares excludes the outstanding restricted stock units and the outstanding warrants as these would have had an antidilutive effect. For the three months ended March 31, 2011, the diluted weighted average number of shares includes the incremental effect of outstanding stock based incentive awards but excludes the effect of outstanding warrants as these were antidilutive.

## Global Ship Lease, Inc.

## Notes to the Interim Unaudited Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars except per share data)

## 12. Earnings per Share (continued)

| (In thousands, except share data)                        | Three months ended |                   |
|--|--------------------|-------------------|
|  | 2012               | March 31,<br>2011 |
| <b>Class A common shares</b>                             |                    |                   |
| Weighted average number of common shares outstanding (B) | 47,481,471         | 47,186,378        |
| Dilutive effect of share-based awards                    |                    | 219,112           |
| Common shares and common share equivalents (F)           | 47,481,471         | 47,405,490        |
| <b>Class B common shares</b>                             |                    |                   |
| Weighted average number of common shares outstanding (D) | 7,405,956          | 7,405,956         |
| Dilutive effect of share-based awards                    |                    |                   |
| Common shares (H)  | 7,405,956          | 7,405,956         |
| <b>Basic Earnings per Share</b>                          |                    |                   |
| Net income available to shareholders                     | \$ 7,950           | \$ 10,839         |
| Available to:  |                    |                   |
| - Class A shareholders for period                        | \$ 7,950           | \$ 10,839         |
| - Class A shareholders for arrears                       |                    |                   |
| - Class B shareholders for period                        |                    |                   |
| - allocate pro-rata between Class A and B                |                    |                   |
| Net income available for Class A (A)                     | \$ 7,950           | \$ 10,839         |
| Net income available for Class B (C)                     |                    |                   |
| Basic Earnings per share:                                |                    |                   |
| Class A (A/B)  | \$ 0.17            | \$ 0.23           |
| Class B (C/D)  |                    |                   |
| <b>Diluted Earnings per Share</b>                        |                    |                   |
| Net income available to shareholders                     | \$ 7,950           | \$ 10,839         |
| Available to:  |                    |                   |
| - Class A shareholders for period                        | \$ 7,950           | \$ 10,839         |
| - Class A shareholders for arrears                       |                    |                   |
| - Class B shareholders for period                        |                    |                   |
| - allocate pro rata between Class A and B                |                    |                   |
| Net income available for Class A (E)                     | \$ 7,950           | \$ 10,839         |
| Net income available for Class B (G)                     |                    |                   |
| Diluted Earnings per share:                              |                    |                   |
| Class A (E/F)  | \$ 0.17            | \$ 0.23           |
| Class B (G/H)  |                    |                   |

## 13. Subsequent Events

There are no subsequent events other than those disclosed elsewhere in these consolidated financial statements.



