

Global Ship Lease, Inc.  
Form 6-K  
July 28, 2016

**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: July 28, 2016**

**Commission File Number 001-34153**

**GLOBAL SHIP LEASE, INC.**

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

**c/o Portland House,**  
**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-T 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

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

Attached hereto as Exhibit I is a press release dated July 28, 2016 of Global Ship Lease, Inc. (the Company) reporting the Company's financial results for the three and six months ended June 30, 2016. Attached hereto as Exhibit II are the Company's interim unaudited consolidated financial statements for the three and six months ended June 30, 2016.

**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: July 28, 2016

By: /s/ Ian J. Webber

Ian J. Webber

Chief Executive Officer

Page 2

**EXHIBIT I**

Investor and Media Contacts:

The IGB Group

Leon Berman

212-477-8438

**Global Ship Lease Reports Results for the Second Quarter of 2016**

**LONDON, ENGLAND July 28, 2016** Global Ship Lease, Inc. (NYSE:GSL), a containership charter owner, announced today its unaudited results for the three months and six months ended June 30, 2016.

**Second Quarter and Year To Date Highlights**

Reported revenue of \$41.3 million for the second quarter 2016. Revenue for the six months ended June 30, 2016 was \$83.9 million

Reported net income of \$6.0 million for the second quarter 2016. For the six months ended June 30, 2016, net income was \$10.6 million

Generated \$28.8 million of Adjusted EBITDA<sup>(1)</sup> for the second quarter 2016. Adjusted EBITDA for the six months ended June 30, 2016 was \$58.1 million

Normalized net income<sup>(1)</sup> was \$5.6 million for second quarter 2016. Normalized net income was \$11.1 million for the six months ended June 30, 2016

Purchased and subsequently cancelled \$4.2 million of the outstanding 10.0% First Priority Secured Notes (the Notes ).

Ian Webber, Chief Executive Officer of Global Ship Lease, stated, "In the second quarter of 2016, Global Ship Lease continued to operate in a highly efficient and cost-effective manner, maximizing the value of our long-term, fixed-rate contracts with high-quality counterparties. Despite the challenging environment facing the broader containership industry, we remain fully insulated from any spot charter market exposure and continue to create value for our shareholders.

Mr. Webber continued, "Increased levels of scrapping and controlled new vessel ordering should result in an improved balance between supply and demand, particularly for the mid-sized and smaller vessel segment which is the focus of our fleet. Our strong capital structure and stable cash flows position us well to pursue attractive vessel acquisitions and opportunistically delever.



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

|   | <b>Three months<br/>ended June 30,<br/>2016</b> | Three months<br>ended June 30,<br>2015 | <b>Six months<br/>ended June 30,<br/>2016</b> | Six months<br>ended June 30,<br>2015 |
|---|---|--|---|--------------------------------------|
| Revenue                                     | <b>41,333</b>                                   | 40,987                                 | <b>83,943</b>                                 | 78,706                               |
| Operating Income                            | <b>17,921</b>                                   | 15,457                                 | <b>36,306</b>                                 | 28,109                               |
| Net Income for Common<br>Shareholders       | <b>6,043</b>                                    | 2,876                                  | <b>10,600</b>                                 | 2,900                                |
| Adjusted EBITDA <sup>(1)</sup>              | <b>28,798</b>                                   | 26,879                                 | <b>58,118</b>                                 | 50,510                               |
| Normalized Net Income (Loss) <sup>(1)</sup> | <b>5,632</b>                                    | 2,876                                  | <b>11,061</b>                                 | 2,900                                |

- (1) Adjusted EBITDA, Normalized net (loss) income, and Cash available for distribution 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 18-vessel fleet generated revenue from fixed-rate, mainly long-term time, charters of \$41.3 million in the three months ended June 30, 2016, up \$0.3 million (or 1%) on revenue of \$41.0 million for the comparative period in 2015, due mainly to the addition of OOCL Ningbo from September 17, 2015 at a daily charter rate of \$34,500, offset by reduced revenue from the disposals of Ville d Aquarius and Ville d Orion in fourth quarter 2015 and from a higher level of planned offhire related to three scheduled dry-dockings in second quarter 2016. There were 1,638 ownership days in the quarter, down 5.3%, representing one (net) less vessel in the fleet, on the comparable period in 2015. There were 51 days of planned offhire for scheduled dry-dockings and two days of unplanned offhire for the three months ended June 30, 2016, giving a utilization of 96.8%. In the comparable period of 2015, there were two days of unplanned offhire for utilization of 99.9%.

For the six months ended June 30, 2016, revenue was \$83.9 million, up \$5.2 million (or 6.7%) on revenue of \$78.7 million in the comparative period, mainly due to the additions of OOCL Qingdao from March 11, 2015 and OOCL Ningbo from September 17, 2015, as above, offset by the effect of the disposals of Ville d Aquarius and Ville d Orion and higher offhire from planned dry-dockings.

The table below shows fleet utilization for the three and six months ended June 30, 2016 and 2015, and for the years ended December 31, 2015, 2014, 2013 and 2012.

| Days                                    | Three months ended |                  | Six months ended |                  | Dec 31,<br>2015 | Dec 31,<br>2014 | Dec 31,<br>2013 | Dec 31,<br>2012 |
|---|--------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
|   | June 30,<br>2016   | June 30,<br>2015 | June 30,<br>2016 | June 30,<br>2015 |                 |                 |                 |                 |
| Ownership days                          | 1,638              | 1,729            | 3,276            | 3,370            | 6,893           | 6,270           | 6,205           | 6,222           |
| Planned offhire - scheduled<br>dry-dock | (51)               | 0                | (51)             | (9)              | (9)             | (48)            | (21)            | (82)            |
| Unplanned offhire                       | (2)                | (2)              | (2)              | (5)              | (7)             | (12)            | (7)             | (16)            |

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|                |       |       |       |       |       |       |       |       |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Idle time      | 0     | 0     | 0     | 0     | (13)  | (64)  | 0     | 0     |
| Operating days | 1,585 | 1,727 | 3,223 | 3,356 | 6,864 | 6,146 | 6,177 | 6,124 |
| Utilization    | 96.8% | 99.9% | 98.4% | 99.6% | 99.6% | 98.0% | 99.5% | 98.4% |

Page 2

We completed two regulatory dry-dockings in the three months ended June 30, 2016; a further dry-docking was substantially complete at the quarter end. A further three regulatory dry-dockings are scheduled in 2016. There was one such dry-docking in 2015.

#### *Vessel Operating Expenses*

Vessel operating expenses, which include costs of crew, lubricating oil, spares and insurance, as well as bunker fuel when a vessel is offhire or without a charter, were \$11.3 million for the three months ended June 30, 2016. The average cost per ownership day in the quarter was \$6,909, compared to \$7,327 for the comparative period, down \$418 or 5.7%. The reductions occurred across several cost categories, most prominently from lower unit prices on lubricating oil, reduced insurance costs on renewals and from the timings of repairs and maintenance.

For the six months ended June 30, 2016 vessel operating expenses were \$22.7 million or an average of \$6,935 per day, compared to \$25.1 million in the comparative period or \$7,451 per day.

#### *Depreciation*

Depreciation for the three months ended June 30, 2016 was \$10.9 million, compared to \$11.4 million in the second quarter 2015, with the reduction being due to one (net) fewer vessel in the fleet.

Depreciation for the six months ended June 30, 2016 was \$21.8 million, compared to \$22.4 million in the comparative period, with the reduction being due to the one (net) fewer vessels in the fleet.

#### *General and Administrative Costs*

General and administrative costs were \$1.3 million in the three months ended June 30, 2016, compared to \$1.5 million in the second quarter of 2015.

For the six months ended June 30, 2016, general and administrative costs were \$3.3 million, the same as for 2015.

#### *Other Operating Income*

Other operating income in the three months ended June 30, 2016 was \$0.1 million, the same as in the second quarter of 2015.

For the six months ended June 30, 2016, other operating income was \$0.1 million, compared to \$0.2 million in the comparative period.

#### *Adjusted EBITDA*

As a result of the above, Adjusted EBITDA was \$28.8 million for the three months ended June 30, 2016, up from \$26.9 million for the three months ended June 30, 2015.

Adjusted EBITDA for the six months ended June 30, 2016 was \$58.1 million, compared to \$50.5 million for the comparative period.

#### *Interest Expense*

Debt at June 30, 2016 comprised amounts outstanding on our Notes, the revolving credit facility which was drawn March 11, 2015, and the secured term loan which was drawn September 10, 2015.





Interest expense for the three months ended June 30, 2016, was \$11.1 million, down \$0.7 million on the interest expense for the three months ended June 30, 2015 of \$11.8 million. The reduction is mainly due to reduced interest on our 10.0% Notes following the repurchase of \$26.7 million principal amount of the Notes in March 2016, and the \$0.5 million gain realized in May 2016 on the purchase in the open market of \$4.2 million principal amount of the Notes, offset by interest on the secured term loan drawn in the third quarter of 2015 and higher amortization of the original issue discount on the Notes.

For the six months ended June 30, 2016, interest expense was \$24.2 million, For the six months ended June 30, 2015, interest expense was \$23.7 million. The increase is due to the effect of drawing on the secured term loan in September 2015, \$0.5 million premium paid in March 2016 in relation to the tender offer which retired approximately \$26.7 million of Notes, and accelerated write-off of the portion of the original issue discount attributable to the Notes which were purchased and retired, offset by lower interest on the Notes following the tender offer and the gain realized in May 2016 on the purchase of Notes in the open market.

Interest income for the three and six months ended June 30, 2016 and 2015 was not material.

#### *Taxation*

Taxation for the three months ended June 30, 2016 was \$9,000, compared to \$19,000 in the second quarter of 2015.

Taxation for the six months ended June 30, 2016 was \$15,000, compared to \$30,000 for the comparative period in 2015.

#### *Earnings Allocated to Preferred Shares*

The Series B preferred shares, issued on August 20, 2014, carry a coupon of 8.75%, the cost of which for the three months ended June 30, 2016 was \$0.8 million, the same as in the comparative period. The cost was \$1.5 million in the six months ended June 30, 2016, again the same as in the comparative period.

#### *Net Income Available to Common Shareholders*

Net income available to common shareholders for the three months ended June 30, 2016, adjusting for the gain made on the purchase of Notes in May 2016, was \$5.6 million, compared to \$2.9 million in the second quarter 2015.

Net income available to common shareholders was \$10.6 million for the six months ended June 30, 2016, compared to \$2.9 million in the comparative period. Normalized net income for the six months ended June 30, 2016, which excludes the gain on the purchase of Notes in May 2016 and charges associated with the tender offer for Notes completed in March 2016, was \$11.1 million. Normalized net income for the six months ended June 30, 2015 was \$2.9 million, the same as reported.

*Fleet*

The following table provides information about the on-the-water fleet of 18 vessels as at June 30, 2016. 15 vessels are chartered to CMA CGM, and three are chartered to OOCL.

| Vessel<br>Name       | Capacity<br>in TEUs <sup>(1)</sup> | Year<br>Built | Purchase<br>by GSL | Remaining<br>Charter<br>Term <sup>(2)</sup><br>(years) | Earliest<br>Charter<br>Expiry<br>Date | Daily<br>Charter<br>Rate<br>\$ |
|----------------------|------------------------------------|---------------|--------------------|--|---------------------------------------|--------------------------------|
| CMA CGM Matisse      | 2,262                              | 1999          | Dec 2007           | 3.5  | Sept 21, 2019                         | 15,300                         |
| CMA CGM Utrillo      | 2,262                              | 1999          | Dec 2007           | 3.5  | Sept 11, 2019                         | 15,300                         |
| Delmas Keta          | 2,207                              | 2003          | Dec 2007           | 1.5  | Sept 20, 2017                         | 18,465                         |
| Julie Delmas         | 2,207                              | 2002          | Dec 2007           | 1.5  | Sept 11, 2017                         | 18,465                         |
| Kumasi               | 2,207                              | 2002          | Dec 2007           | 1.5  | Sept 21, 2017                         | 18,465                         |
| Marie Delmas         | 2,207                              | 2002          | Dec 2007           | 1.5  | Sept 14, 2017                         | 18,465                         |
| CMA CGM La Tour      | 2,272                              | 2001          | Dec 2007           | 3.5  | Sept 20, 2019                         | 15,300                         |
| CMA CGM Manet        | 2,272                              | 2001          | Dec 2007           | 3.5  | Sept 7, 2019                          | 15,300                         |
| CMA CGM Alcazar      | 5,089                              | 2007          | Jan 2008           | 4.5  | Oct 18, 2020                          | 33,750                         |
| CMA CGM Château d If | 5,089                              | 2007          | Jan 2008           | 4.5  | Oct 11, 2020                          | 33,750                         |
| CMA CGM Thalassa     | 11,040                             | 2008          | Dec 2008           | 9.5  | Oct 1, 2025                           | 47,200                         |
| CMA CGM Jamaica      | 4,298                              | 2006          | Dec 2008           | 6.5  | Sept 17, 2022                         | 25,350                         |
| CMA CGM Sambhar      | 4,045                              | 2006          | Dec 2008           | 6.5  | Sept 16, 2022                         | 25,350                         |
| CMA CGM America      | 4,045                              | 2006          | Dec 2008           | 6.5  | Sept 19, 2022                         | 25,350                         |
| CMA CGM Berlioz      | 6,621                              | 2001          | Aug 2009           | 5.2  | May 28, 2021                          | 34,000                         |
| OOCL Tianjin         | 8,063                              | 2005          | Oct 2014           | 1.5  | Oct 28, 2017                          | 34,500                         |
| OOCL Qingdao         | 8,063                              | 2004          | Mar 2015           | 1.8  | Mar 11, 2018                          | 34,500                         |
| OOCL Ningbo          | 8,063                              | 2004          | Sep 2015           | 2.3  | Sep 17, 2018                          | 34,500                         |

(1) *Twenty-foot Equivalent Units.*

(2) *As at June 30, 2016. Plus or minus 90 days, other than (i) OOCL Tianjin which is between October 28, 2017 and January 28, 2018, (ii) OOCL Qingdao which is between March 11, 2018 and June 11, 2018, and (iii) OOCL Ningbo which is between September 17, 2018 and December 17, 2018, all at charterer's option.*

**Conference Call and Webcast**

Global Ship Lease will hold a conference call to discuss the Company's results for the three months ended June 30, 2016 today, Thursday July 28, 2016 at 10:30 a.m. Eastern Time. There are two ways to access the conference call:

(1) Dial-in: (877) 445-2556 or (908) 982-4670; Passcode: 50320171

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 Saturday, August 13, 2016 at (855) 859-2056 or (404) 537-3406. Enter the code 50320171 to access the audio replay. The webcast will also be archived on the Company's website: <http://www.globalshiplease.com>.

Annual Report on Form 20F

Global Ship Lease, Inc has filed its Annual Report for 2015 with the Securities and Exchange Commission. A copy of the report can be found under the Investor Relations section (Annual Reports) of the Company's website at <http://www.globalshiplease.com> Shareholders may request a hard copy of the audited financial statements free of charge by contacting the Company at [info@globalshiplease.com](mailto:info@globalshiplease.com) or by writing to Global Ship Lease, Inc, care of Global Ship Lease Services Limited, Portland House, Stag Place, London SW1E 5RS or by telephoning +44 (0) 207 869 8806.

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 mainly long-term, fixed-rate charters to top tier container liner companies.

Global Ship Lease owns 18 vessels with a total capacity of 82,312 TEU and an average age, weighted by TEU capacity, at June 30, 2016 of 11.5 years. All 18 vessels are currently fixed on time charters, 15 of which are with CMA CGM. The average remaining term of the charters at June 30, 2016 is 4.0 years or 4.3 years on a weighted basis.

#### Reconciliation of Non-U.S. GAAP Financial Measures

##### A. Adjusted EBITDA

Adjusted 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. Adjusted 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 Adjusted 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. Adjusted 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.

#### ADJUSTED EBITDA – UNAUDITED

(thousands of U.S. dollars)

|   | Three<br>months<br>ended<br>June<br>30,<br>2016 | Three<br>months<br>ended<br>June<br>30,<br>2015 | Six<br>months<br>ended<br>June<br>30,<br>2016 | Six<br>months<br>ended<br>June<br>30,<br>2015 |
|---|---|---|---|---|
| Net income available to Common Shareholders | 6,043   | 2,876   | 10,600  | 2,900   |
| Adjust: Depreciation                        | 10,877  | 11,422  | 21,812  | 22,401  |
| Interest income                             | (38)  | (13)  | (82)  | (27)  |
| Interest expense                            | 11,142  | 11,810  | 24,242  | 23,675  |
| Income tax                                  | 9   | 19  | 15  | 30  |
| Earnings allocated to preferred shares      | 765   | 765   | 1,531   | 1,531   |
| Adjusted EBITDA                             | 28,798  | 26,879  | 58,118  | 50,510  |

##### B. Normalized net income

Normalized net income represents net income adjusted for the premium paid on the tender offer together with the related accelerated amortization of deferred financing costs and original issue discount. 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 that do not affect operating

performance or operating 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>June 30,<br>2016 | Three<br>months<br>ended<br>June 30,<br>2015 | Six<br>months<br>ended<br>June 30,<br>2016 | Six<br>months<br>ended<br>June 30,<br>2015 |
|--|--|--|--|--|
| Net income available to Common Shareholders  | 6,043  | 2,876  | 10,600                                     | 2,900                                      |
| Adjust: Gain on purchase of Notes  | (452)  |  | (452)                                      |  |
| Premium paid on tender offer for Notes   |  |  | 533  |  |
| Accelerated write off of deferred financing charges related to purchase and tender offer | 10   |  | 90   |  |
| Accelerated write off of original issue discount related to purchase and tender offer    | 31   |  | 290  |  |
| Normalized net income  | 5,632  | 2,876  | 11,061                                     | 2,900                                      |

### 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, predict, project, will or similar words or phrases, or the negatives of those words or phrases, may identify 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 strength of future growth of the container shipping industry, including the rates of annual demand and supply growth;

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the financial condition of CMA CGM (the company's principal charterer and main source of operating revenue) and other charterers and their ability to pay charter hire in accordance with the charters;

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

Global Ship Lease's financial condition and liquidity, including its ability to obtain additional financing to fund capital expenditures, vessel acquisitions and for other general corporate purposes and its ability to meet its financial covenants and repay its borrowings;

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 first priority secured notes;

future acquisitions, business strategy and expected capital spending;

operating expenses, availability of key employees, crew, number of off-hire days, dry-docking and survey requirements, costs of regulatory compliance, insurance costs and general and administrative costs;

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

assumptions regarding interest rates and inflation;

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

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 vessels to purchase, the time that it may take to construct new vessels, or the useful lives of its vessels;

Global Ship Lease's continued ability to enter into or renew 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;

the continued performance of existing charters;

Global Ship Lease's ability to capitalize on management's and 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; 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 FINANCIAL STATEMENTS**

**THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2016**

## Global Ship Lease, Inc.

## Interim Unaudited Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

|  | Note | June 30,<br>2016  | December 31,<br>2015 |
|--|------|-------------------|----------------------|
| <b>Assets</b>                              |      |                   |                      |
| Cash and cash equivalents                  |      | \$ 50,250         | \$ 53,591            |
| Accounts receivable                        |      | 42                | 87                   |
| Due from related party                     | 6    | 2,347             | 2,124                |
| Prepaid expenses                           |      | 1,727             | 1,101                |
| Other receivables                          |      | 270               | 118                  |
| Inventory                                  |      | 536               | 610                  |
| Total current assets                       |      | 55,172            | 57,631               |
| Vessels in operation                       | 4    | 827,951           | 846,939              |
| Other fixed assets                         |      | 5                 | 5                    |
| Intangible assets                          |      | 25                | 39                   |
| Other long term assets                     | 5    | 252               | 306                  |
| Total non-current assets                   |      | 828,233           | 847,289              |
| <b>Total Assets</b>                        |      | <b>\$ 883,405</b> | <b>\$ 904,920</b>    |
| <b>Liabilities and Stockholders Equity</b> |      |                   |                      |
| <b>Liabilities</b>                         |      |                   |                      |
| Current portion of long term debt          | 5    | 26,465            | 35,160               |
| Intangible liability charter agreements    |      | 1,949             | 2,104                |
| Deferred revenue                           |      | 588               | 796                  |
| Accounts payable                           |      | 1,638             | 622                  |
| Due to related party                       | 6    | 3,629             | 1,256                |
| Accrued expenses                           |      | 12,224            | 13,694               |
| Total current liabilities                  |      | 46,493            | 53,632               |
| Long term debt                             | 5    | 418,730           | 442,913              |
| Intangible liability charter agreements    |      | 10,685            | 11,589               |
| Deferred tax liability                     |      | 15                | 20                   |
| Total long term liabilities                |      | 429,430           | 454,522              |
| <b>Total Liabilities</b>                   |      | <b>\$ 475,923</b> | <b>\$ 508,154</b>    |

|  |   |            |            |
|--|---|------------|------------|
| Commitments and contingencies  | 7 |            |            |
| <b>Stockholders Equity</b>   |   |            |            |
| Class A Common stock authorized 214,000,000 shares with a \$0.01 par value; 47,558,547 shares issued and outstanding (2015 47,541,484) | 8 | \$ 476     | \$ 475     |
| Class B Common stock authorized 20,000,000 shares with a \$0.01 par value; 7,405,956 shares issued and outstanding (2015 7,405,956)    | 8 | 74         | 74         |
| Series B Preferred shares authorized 16,100 shares with \$0.01 par value; 14,000 shares issued and outstanding (2015 14,000)           | 8 |            |            |
| Additional paid in capital   |   | 386,540    | 386,425    |
| Retained earnings  |   | 20,392     | 9,792      |
| <b>Total Stockholders Equity</b>   |   | 407,482    | 396,766    |
| <b>Total Liabilities and Stockholders Equity</b>   |   | \$ 883,405 | \$ 904,920 |

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 June 30, |            | Six months ended June 30, |            |
|--|------|-----------------------------|------------|---------------------------|------------|
|  |      | 2016                        | 2015       | 2016                      | 2015       |
| <b>Operating Revenues</b>                                    |      |                             |            |                           |            |
| Time charter revenue   |      | \$ 9,341                    | \$ 7,724   | \$ 18,678                 | \$ 12,596  |
| Time charter revenue related party                           | 6    | 31,992                      | 33,263     | 65,265                    | 66,110     |
|  |      | 41,333                      | 40,987     | 83,943                    | 78,706     |
| <b>Operating Expenses</b>                                    |      |                             |            |                           |            |
| Vessel operating expenses                                    |      | 10,917                      | 12,146     | 21,919                    | 24,064     |
| Vessel operating expenses related party                      | 6    | 400                         | 523        | 800                       | 1,046      |
| Depreciation   | 4    | 10,877                      | 11,422     | 21,812                    | 22,401     |
| General and administrative                                   |      | 1,281                       | 1,548      | 3,250                     | 3,304      |
| Other operating income                                       |      | (63)                        | (109)      | (144)                     | (218)      |
| Total operating expenses                                     |      | 23,412                      | 25,530     | 47,637                    | 50,597     |
| <b>Operating Income</b>                                      |      | 17,921                      | 15,457     | 36,306                    | 28,109     |
| <b>Non Operating Income (Expense)</b>                        |      |                             |            |                           |            |
| Interest income  |      | 38                          | 13         | 82                        | 27         |
| Interest expense   |      | (11,142)                    | (11,810)   | (24,242)                  | (23,675)   |
| <b>Income before Income Taxes</b>                            |      | 6,817                       | 3,660      | 12,146                    | 4,461      |
| Income taxes   |      | (9)                         | (19)       | (15)                      | (30)       |
| <b>Net Income</b>  |      | \$ 6,808                    | \$ 3,641   | \$ 12,131                 | \$ 4,431   |
| Earnings allocated to Series B Preferred Shares              | 8    | (765)                       | (765)      | (1,531)                   | (1,531)    |
| <b>Net Income available to Common Shareholders</b>           |      | \$ 6,043                    | \$ 2,876   | \$ 10,600                 | \$ 2,900   |
| <b>Earnings per Share</b>                                    |      |                             |            |                           |            |
| Weighted average number of Class A common shares outstanding |      |                             |            |                           |            |
| Basic (including RSUs without service conditions)            | 10   | 47,850,107                  | 47,766,484 | 47,845,842                | 47,766,484 |
| Diluted  | 10   | 47,956,959                  | 47,836,975 | 47,888,279                | 47,836,786 |

|  |    |    |           |    |           |    |           |    |           |
|--|----|----|-----------|----|-----------|----|-----------|----|-----------|
| Net income per Class A common share                          |    |    |           |    |           |    |           |    |           |
| Basic (including RSUs without service conditions)            | 10 | \$ | 0.13      | \$ | 0.06      | \$ | 0.22      | \$ | 0.06      |
| Diluted  | 10 | \$ | 0.13      | \$ | 0.06      | \$ | 0.22      | \$ | 0.06      |
| Weighted average number of Class B common shares outstanding |    |    |           |    |           |    |           |    |           |
| Basic and diluted  | 10 |    | 7,405,956 |    | 7,405,956 |    | 7,405,956 |    | 7,405,956 |
| Net income per Class B common share                          |    |    |           |    |           |    |           |    |           |
| Basic and diluted  | 10 | \$ | 0.00      | \$ | 0.00      | \$ | 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 |                | Six months ended |                 |
|---|------|--------------------|----------------|------------------|-----------------|
|   |      | June 30, 2016      | June 30, 2015  | June 30, 2016    | June 30, 2015   |
| <b>Cash Flows from Operating Activities</b>   |      |                    |                |                  |                 |
| Net income  |      | \$ 6,808           | \$ 3,641       | \$ 12,131        | \$ 4,431        |
| <b>Adjustments to Reconcile Net income to Net Cash Provided by Operating Activities</b> |      |                    |                |                  |                 |
| Depreciation  | 4    | 10,877             | 11,422         | 21,812           | 22,401          |
| Amortization of deferred financing costs  | 5    | 820                | 807            | 1,772            | 1,598           |
| Amortization of original issue discount   | 5    | 334                | 174            | 916              | 520             |
| Amortization of intangible liability  |      | (530)              | (530)          | (1,059)          | (1,059)         |
| Share based compensation  | 9    | 82                 | 25             | 115              | 50              |
| Gain on repurchase of secured notes   | 5    | (452)              |                | (452)            |                 |
| Decrease (increase) in accounts receivable and other assets                             |      | 151                | (590)          | (398)            | 848             |
| Decrease (increase) in inventory  |      | 40                 | 4              | 74               | (67)            |
| Increase (decrease) in accounts payable and other liabilities                           |      | 8,896              | 11,674         | (1,285)          | (1,557)         |
| (Decrease) increase in unearned revenue   |      | (104)              | (79)           | (208)            | 126             |
| Movement in related party balances  | 6    | 347                | (1,186)        | 1,063            | (37)            |
| Unrealized foreign exchange (gain) loss   |      | (58)               | 54             | (28)             | 32              |
| <b>Net Cash Provided by Operating Activities</b>  |      | <b>27,211</b>      | <b>25,416</b>  | <b>34,453</b>    | <b>27,286</b>   |
| <b>Cash Flows from Investing Activities</b>   |      |                    |                |                  |                 |
| Cash paid for vessels   |      |                    | (170)          |                  | (54,390)        |
| Cash paid in respect of sale of vessels   |      | (97)               |                | (254)            |                 |
| Cash paid for other assets  |      |                    |                | (1)              |                 |
| Cash paid for drydockings   |      | (948)              | (1,063)        | (948)            | (2,548)         |
| <b>Net Cash Used in Investing Activities</b>  |      | <b>(1,045)</b>     | <b>(1,233)</b> | <b>(1,203)</b>   | <b>(56,938)</b> |
| <b>Cash Flows from Financing Activities</b>   |      |                    |                |                  |                 |
| Repurchase of secured notes   | 5    | (3,748)            | (350)          | (30,410)         | (350)           |
| Proceeds from drawdown of revolving credit facility                                     | 5    |                    |                |                  | 40,000          |
| Deferred financing costs incurred   | 5    |                    | (370)          |                  | (370)           |
| Repayment of credit facilities  | 5    | (1,925)            |                | (4,650)          |                 |
| Series B Preferred Shares dividends paid  | 8    | (765)              | (765)          | (1,531)          | (1,531)         |
| <b>Net Cash Used in Financing Activities</b>  |      | <b>(6,438)</b>     | <b>(1,485)</b> | <b>(36,591)</b>  | <b>37,749</b>   |

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|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| <b>Net Increase (decrease) in Cash and Cash Equivalents</b> | 19,728    | 22,698    | (3,341)   | 8,097     |
| <b>Cash and Cash Equivalents at Start of Period</b>         | 30,522    | 18,694    | 53,591    | 33,295    |
| <b>Cash and Cash Equivalents at End of Period</b>           | \$ 50,250 | \$ 41,392 | \$ 50,250 | \$ 41,392 |
| <b>Supplemental information</b>                             |           |           |           |           |
| Total interest paid   | \$ 725    | \$ 130    | \$ 22,232 | \$ 21,130 |
| Income tax paid   | \$ 10     | \$ 19     | \$ 26     | \$ 36     |

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<br>Stock at<br>\$0.01<br>Par value | Number of<br>Series B<br>Preferred<br>Shares at<br>\$0.01<br>Par<br>value | Common<br>Stock | Series<br>B<br>Preferred<br>Shares | Additional<br>Paid in<br>Capital | Retained<br>Earnings | Stockholders<br>Equity |
|--|--|---|-----------------|------------------------------------|----------------------------------|----------------------|------------------------|
| <b>Balance at January 1, 2015</b>              | 54,947,440   | 14,000  | \$ 549          | \$                                 | \$ 386,350                       | \$ 51,237            | \$ 438,136             |
| Restricted Stock Units (note 9)                |  |   |                 |                                    | 75                               |                      | 75                     |
| Net loss for the period                        |  |   |                 |                                    |                                  | (28,875)             | (28,875)               |
| Dividends on Class A<br>Common Shares (note 8) |  |   |                 |                                    |                                  | (9,508)              | (9,508)                |
| Series B Preferred Shares<br>dividend (note 8) |  |   |                 |                                    |                                  | (3,062)              | (3,062)                |
| <b>Balance at December 31, 2015</b>            | 54,947,440   | 14,000  | \$ 549          | \$                                 | \$ 386,425                       | \$ 9,792             | \$ 396,766             |
| Restricted Stock Units (note 9)                |  |   |                 |                                    | 115                              |                      | 115                    |
| Class A Common Shares<br>issued (note 8)       | 17,063   |   | 1               |                                    |                                  |                      | 1                      |
| Net income for the period                      |  |   |                 |                                    |                                  | 12,131               | 12,131                 |
| Series B Preferred Shares<br>dividend (note 8) |  |   |                 |                                    |                                  | (1,531)              | (1,531)                |
| <b>Balance at June 30, 2016</b>                | 54,964,503   | 14,000  | \$ 550          | \$                                 | \$ 386,540                       | \$ 20,392            | \$ 407,482             |

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 Global Ship Lease group owns and charters out containerships. As of June 30, 2016, the group owned 18 vessels; 15 were time chartered to CMA CGM and three to Orient Overseas Container Lines with remaining charter periods ranging from 1.50 to 9.50 years.

The following table provides information about the 18 vessels owned as at June 30, 2016:

| Vessel Name          | Capacity<br>in TEUs <sup>(1)</sup> | Year<br>Built | Purchase Date<br>by GSL | Charterer | Charter<br>Remaining<br>Duration<br>(years)<br><sup>(2)</sup> | Daily<br>Charter<br>Rate |
|----------------------|------------------------------------|---------------|-------------------------|-----------|---|--------------------------|
| CMA CGM Matisse      | 2,262                              | 1999          | December 2007           | CMA CGM   | 3.50  | \$ 15.300                |
| CMA CGM Utrillo      | 2,262                              | 1999          | December 2007           | CMA CGM   | 3.50  | \$ 15.300                |
| Delmas Keta          | 2,207                              | 2003          | December 2007           | CMA CGM   | 1.50  | \$ 18.465                |
| Julie Delmas         | 2,207                              | 2002          | December 2007           | CMA CGM   | 1.50  | \$ 18.465                |
| Kumasi               | 2,207                              | 2002          | December 2007           | CMA CGM   | 1.50  | \$ 18.465                |
| Marie Delmas         | 2,207                              | 2002          | December 2007           | CMA CGM   | 1.50  | \$ 18.465                |
| CMA CGM La Tour      | 2,272                              | 2001          | December 2007           | CMA CGM   | 3.50  | \$ 15.300                |
| CMA CGM Manet        | 2,272                              | 2001          | December 2007           | CMA CGM   | 3.50  | \$ 15.300                |
| CMA CGM Alcazar      | 5,089                              | 2007          | January 2008            | CMA CGM   | 4.50  | \$ 33.750                |
| CMA CGM Château d'If | 5,089                              | 2007          | January 2008            | CMA CGM   | 4.50  | \$ 33.750                |
| CMA CGM Thalassa     | 11,040                             | 2008          | December 2008           | CMA CGM   | 9.50  | \$ 47.200                |
| CMA CGM Jamaica      | 4,298                              | 2006          | December 2008           | CMA CGM   | 6.50  | \$ 25.350                |
| CMA CGM Sambhar      | 4,045                              | 2006          | December 2008           | CMA CGM   | 6.50  | \$ 25.350                |
| CMA CGM America      | 4,045                              | 2006          | December 2008           | CMA CGM   | 6.50  | \$ 25.350                |
| CMA CGM Berlioz      | 6,621                              | 2001          | August 2009             | CMA CGM   | 5.25  | \$ 34.000                |
| OOCL Tianjin         | 8,063                              | 2005          | October 2014            | OOCL      | 1.50  | \$ 34.500                |
| OOCL Qingdao         | 8,063                              | 2004          | March 2015              | OOCL      | 1.75  | \$ 34.500                |
| OOCL Ningbo          | 8,063                              | 2004          | September 2015          | OOCL      | 2.25  | \$ 34.500                |

- (1) *Twenty-foot Equivalent Units.*
- (2) *Plus or minus 90 days, other than (i) OOCL Tianjin which is between October 28, 2017 and January 28, 2018, (ii) OOCL Qingdao which is between March 11, 2018 and June 11, 2018, and (iii) OOCL Ningbo which is between September 17, 2018 and December 17, 2018, all at charterer's option.*

**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**

**Counterparty risk**

Most of the Company's revenues are derived from charters to CMA CGM. The Company is consequently highly dependent on the performance by CMA CGM of its obligations under these charters. The container shipping industry is volatile and has been experiencing a sustained cyclical downturn. Many container shipping companies have reported losses.

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.

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.

**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, 2015 filed with the Securities and Exchange Commission on April 15, 2016 in the Company's Annual Report on Form 20-F.

*Impairment Testing*

Due to continuing poor industry conditions, impairment tests on a vessel by vessel basis were performed as at December 31, 2015. No impairment was recognised as, based on the assumptions made, the expected undiscounted future cash flows exceeded the vessels' carrying amounts.

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.

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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 (continued)***Recently issued accounting standards*

In April 2016, FASB issued an accounting standards update in respect of Compensation – Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting. The amendments are intended to simplify various aspects of the accounting for employee share-based payments including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments are effective for annual periods beginning after December 15, 2016, although early application is permitted. The Company is currently assessing the impact of adopting this update on its financial statements.

Management do not believe that any other 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.

**4. Vessels in Operation, less Accumulated Depreciation**

|                          | <b>June 30,</b>   | December 31,      |
|--------------------------|-------------------|-------------------|
|                          | <b>2016</b>       | 2015              |
| Cost                     | \$ 1,093,990      | \$ 1,095,245      |
| Accumulated Depreciation | (266,738)         | (248,306)         |
| Drydock in progress      | 699               |                   |
| <b>Net book value</b>    | <b>\$ 827,951</b> | <b>\$ 846,939</b> |

Both Ville d Aquarius and Ville d Orion were redelivered at the end of their charters during the fourth quarter of 2015 and the sales of the vessels were agreed and completed in November 2015 and December 2015, respectively.

**5. Long-Term Debt**

|                                      | <b>June 30,</b> | December 31, |
|--------------------------------------|-----------------|--------------|
|                                      | <b>2016</b>     | 2015         |
| 2019 Notes                           | \$ 420,000      | \$ 420,000   |
| Less repurchase of Notes (note 5(a)) | (31,212)        | (350)        |
| Less original issue discount         | (6,300)         | (6,300)      |

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|  |                |          |
|--|----------------|----------|
| Amortization of original issue discount                        | 3,175          | 2,259    |
| 2019 Notes (note 5(a))   | 385,663        | 415,609  |
| Revolving Credit Facility (note 5(b))                          | 39,200         | 40,000   |
| Secured Term Loan (note 5(c))                                  | 29,225         | 33,075   |
| Less: Deferred financing costs (note 5(e))                     | (8,893)        | (10,611) |
| <b>Balance</b>   | <b>445,195</b> | 478,073  |
| Less: Current portion of 2019 Notes (note 5(a))                | (18,765)       | (26,660) |
| Less: Current portion of Revolving Credit Facility (note 5(b)) |                | (800)    |
| Less: Current portion of Secured Term Loan (note 5(c))         | (7,700)        | (7,700)  |
| <b>Non-current portion of Long-Term Debt</b>                   | <b>418,730</b> | 442,913  |

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**Global Ship Lease, Inc.**

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

(Expressed in thousands of U.S. dollars)

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

**a) 10.0% First Priority Secured Notes Due 2019**

On March 19, 2014 the Company completed the sale of \$420,000 of 10.0% First Priority Secured Notes which mature on April 1, 2019. Proceeds after the deduction of the original issue discount, but before expenses, amounted to \$413,700.

Interest on the 2019 Notes is payable semi-annually on April 1 and October 1 of each year, commencing on October 1, 2014. As at June 30, 2016 the 2019 Notes are secured by first priority ship mortgages on 16 of the Company's 18 vessels (the Mortgaged Vessels) and by assignments of earnings and insurances, a pledge over certain bank accounts, as well as share pledges over each subsidiary owning a Mortgaged Vessel. In addition, the 2019 Notes are fully and unconditionally guaranteed, jointly and severally, by the Company's 18 vessel owning subsidiaries and Global Ship Lease Services Limited.

The original issue discount is being amortised on an effective interest rate basis over the life of the 2019 Notes.

Under the 2019 Notes the Company is required within 120 days following the end of each financial year, in which the Company has at least \$1,000 of Excess Cash Flow, to offer to purchase up to a maximum offer amount of \$20,000, such amount being the aggregate of 102% of the principal amount plus any accrued and unpaid interest to, but not including, the purchase date. The first such offer, for 2014, in the maximum amount of \$20,000, was launched on April 21, 2015. At the close of this offer, \$350 was tendered and accepted.

Following the sale of two vessels (see note 4) secured to the 2019 Notes in November and December 2015, the Company was required to offer the net sale proceeds, less a proportion to be used to repay part of the associated revolving credit facility (see note 5(c)), to Noteholders (Collateral Sale Offer) within 90 days of receipt of the sale proceeds. The terms of the Collateral Sale Offer are the same as those of the annual Excess Cash Flow Offer. Consequently, on February 2, 2016, the Company launched a combined Excess Cash Flow Offer for 2015 and the Collateral Sale Offer in an aggregate amount of \$28,417 (Maximum Offer Amount), at a purchase price of 102% of the aggregate principal amount plus accrued and unpaid interest up to but not including the date of purchase. At the close of this offer, the Notes tendered exceeded the Maximum Offer Amount and \$26,662 were accepted on a pro rata basis.

On May 31, 2016, the Company purchased \$4,200 of Notes in the open market. This gave rise to a gain of \$452, which is included within Interest Expense in the Consolidated Statements of Income. These Notes were subsequently cancelled.

**b) Revolving Credit Facility**

On March 19, 2014, and in connection with the 2019 Notes, the Company entered into a \$40,000 senior secured revolving credit facility with Citibank N.A. (the Revolving Credit Facility). This facility matures on October 1, 2018.



The interest rate under the facility is USD LIBOR plus a margin of 3.25% and is payable at least quarterly. A commitment fee of 1.30% per annum is due quarterly on undrawn amounts.

The collateral provided to the 2019 Notes also secures on a first priority basis the Revolving Credit Facility. There is a Cash Balance financial covenant which is tested each six months, commencing June 30, 2014. Up to and including December 31, 2015, the Company must have a minimum cash balance of \$15,000 on each test date. After this date, the minimum cash balance on each test date increases to \$20,000.

Amounts outstanding under this facility can be prepaid without penalty, other than breakage costs in certain circumstances. During the quarter ended March 31, 2015, \$40,000 was drawn down under the Revolving Credit Facility to assist with the purchase of OOCL Qingdao on March 11, 2015. Following the sale of two secured vessels (see note 4) in November and December 2015, \$800 of the net sale proceeds was applied to reduce amounts outstanding under the facility.

**c) Secured Term Loan**

On July 29, 2015, the Company entered into a \$35,000 secured term loan with DVB Bank SE (the Secured Term Loan ). This facility matures five years after drawdown, with early repayment, inter alia, if the 2019 Notes are not refinanced by November 30, 2018, or if the secured vessel ceases to be employed on a charter for a period in excess of 90 days. The interest rate under the loan is USD LIBOR plus a margin of 2.75%, until November 30, 2018 and 3.25% thereafter, and is payable at least quarterly.

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**Global Ship Lease, Inc.**
**Notes to the Interim Unaudited Consolidated Financial Statements (continued)**

(Expressed in thousands of U.S. dollars)

**5. Long-Term Debt (continued)****c) Secured Term Loan (continued)**

The Secured Term Loan is secured by a first priority ship mortgage on OOCL Tianjin and by assignment of earnings and insurances for the same vessel.

The Secured Term Loan is repayable in 20 equal quarterly instalments, commencing three months after drawdown. \$35,000 was drawn down under the Secured Term Loan on September 10, 2015. The loan agreement requires an additional \$1,400 to be repaid over eight equal quarterly instalments to provide a reserve for potential enhancement expenditure on the secured vessel ahead of the expiry of the initial charter to OOCL. These additional instalments reduce the debt balance and can be redrawn to fund the enhancement work, or utilized to permanently reduce the quarterly instalments for the remainder of the term of the loan if no such work is required.

**d) Repayment Schedule**

Based on scheduled and estimated repayments from July 1, 2016 the long term debt will be reduced in each of the relevant periods as follows:

| <b>Year ending June 30,</b>                    |                   |
|--|-------------------|
| 2017   | \$ 26,465         |
| 2018   | 25,940            |
| 2019   | 397,458           |
| 2020   | 7,000             |
| 2021   | 350               |
| Less: amortization of original issue discount  | (3,125)           |
| Less: amortization of deferred financing costs | (8,893)           |
|  | <b>\$ 445,195</b> |

**e) Deferred financing costs**

|             |              |
|-------------|--------------|
| <b>June</b> | December 31, |
| <b>30,</b>  | 2015         |

|   | <b>2016</b>     |                  |
|---|-----------------|------------------|
| Opening balance                               | \$ 10,611       | \$ 12,913        |
| Expenditure in the period                     |                 | 971              |
| Amortization included within interest expense | (1,718)         | (3,273)          |
| <b>Closing balance</b>                        | <b>\$ 8,893</b> | <b>\$ 10,611</b> |

The Company incurred costs during the first half of 2015 in relation to the drawdown of the Revolving Credit Facility (see note 5(b)) amounting to \$370 which have been deferred. During the quarter ended September 30, 2015 the Company incurred costs in relation to the drawdown of the Secured Term Loan (see note 5(c)) amounting to \$601 which have been deferred.

Deferred financing costs are amortized on an effective interest rate basis over the life of the financings for which they were incurred.

The Company has adopted the accounting standards update issued by FASB in April 2015 Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs . Effective December 31, 2015, debt issuance costs, other than the up-front arrangement fee for the Revolving Credit Facility, related to our recognized debt liabilities are presented as a direct deduction from the carrying amount of that debt. The arrangement fee for the Revolving Credit Facility is presented as Other Long Term Assets.

**Global Ship Lease, Inc.**

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

(Expressed in thousands of U.S. dollars)

**6. 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 June 30, 2016 is a significant shareholder of the Company, owning Class A and Class B common shares representing a 44.43% voting interest in the Company.

Amounts due to and from CMA CGM companies are shown in the Consolidated Balance Sheets. The current account balances at June 30, 2016 and December 31, 2015 relate to amounts payable to or recoverable from CMA CGM group companies. The majority of the Company's charter arrangements are with CMA CGM and one of its subsidiaries provides the Company with ship management services on the majority of its vessels.

**Time Charter Agreements**

The majority of the Company's time charter arrangements are with CMA CGM. Under these 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 June 30, 2016 of between 1.50 and 9.50 years (see note 2(a)). Of the \$706,401 maximum contracted future charter hire receivable for the fleet set out in note 7, \$635,676 relates to the 15 vessels that were chartered to CMA CGM as at June 30, 2016. Revenues generated from charters to CMA CGM are shown separately in the Consolidated Statements of Income.

**Ship Management Agreements**

At June 30, 2016, the Company outsourced day to day technical management of 13 of its vessels to CMA Ships Limited (CMA Ships), a wholly owned subsidiary of CMA CGM. The Company pays CMA Ships an annual management fee of \$123 per vessel (2015: \$123) and reimburses costs incurred by CMA Ships on its behalf, mainly being for the provision of crew, lubricating oils and routine maintenance. Such reimbursement is subject to a cap per day per vessel, depending on the vessel. The impact of the cap is determined annually on a vessel by vessel basis for so long as the initial charter remains in place; no claims have been made under the cap agreement. Ship management fees related to CMA Ships are shown separately in the Consolidated Statements of Income.

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

**7. Commitments and Contingencies**

**Charter Hire Receivable**

The Company has entered into time charters for its vessels. The charter hire is fixed for the duration of the charter. The maximum contracted annual future charter hire receivable (not allowing for any offhire and assuming expiry at the mid-point between the earliest and latest possible end dates) for the 18 vessels subject to charters as at June 30, 2016 is as follows:

| <b>Year ending June 30,</b> |                   |
|-----------------------------|-------------------|
| 2017                        | 169,108           |
| 2018                        | 145,415           |
| 2019                        | 108,684           |
| 2020                        | 92,433            |
| 2021                        | 70,677            |
| Thereafter                  | 120,084           |
|                             | <b>\$ 706,401</b> |

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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)

**8. Share Capital**

At June 30, 2016 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. Dividends, when declared, must be paid as follows:

firstly, to all Class A common shares at the applicable rate for the quarter;

secondly, to all Class A common shares until they have received payment for all preceding quarters at the rate of \$0.23 per share per quarter;

thirdly, to all Class B common shares at the applicable rate for the quarter;

then, to all Class A and B common shares as if they were a single class.

The Class B common shares remain subordinated until the Company has paid a dividend at least equal to \$0.23 per quarter per share on both the Class A and Class B common shares for the immediately preceding four-quarter period. Due to the requirements described above, Class B common shares cannot receive any dividend until all Class A common shares have received dividends representing \$0.23 per share per quarter for all preceding quarters. Should the notional arrearages of dividend on the Class A common shares be made up and a dividend at the rate of \$0.23 per share be paid for four consecutive quarters, the Class B common shares convert to Class A common shares on a one-for-one basis. Also, each Class B common share will convert into a Class A common share on a change of control of the Company.

A dividend of \$0.10 per Class A common share was paid on August 24, 2015 and on November 24, 2015. Prior to these, the last quarter for which a dividend was paid was the fourth quarter 2008 at \$0.23 per Class A common share.

Restricted stock units have been granted periodically to the Directors and management, under the Company's 2008 Equity Incentive Plan, as part of their compensation arrangements (see note 9). On August 28, 2015, the Company adopted the 2015 Equity Incentive Plan. The 2008 Equity Incentive Plan was closed. The 2015 Plan permits a maximum issuance of 1,500,000 shares.

On August 20, 2014, the Company issued 1,400,000 depositary shares, each of which represents 1/100<sup>th</sup> of one share of the Company's 8.75% Series B Cumulative Redeemable Perpetual Preferred Shares (the Series B Preferred Shares). Dividends are payable at 8.75% per annum in arrears on a quarterly basis. At any time after August 20, 2019 (or within 180 days after the occurrence of a fundamental change), the Series B Preferred Shares may be redeemed, at the discretion of the Company, in whole or in part, at a redemption price of \$2,500.00 per share (equivalent to \$25.00 per depositary share). The net proceeds from the offering were \$33,497. These shares are classified as Equity in the

Consolidated Balance Sheets. The dividends payable on the Series B Preferred Shares are presented as a reduction of Retained Earnings in the Consolidated Statements of Equity, when and if declared by the Board of Directors. An initial dividend was declared on September 22, 2014 for the third quarter 2014. Subsequent quarterly dividends have been declared, the last of which was on June 10, 2016 for the second quarter 2016.

**Global Ship Lease, Inc.**

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

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

**9. Share-Based Compensation**

Share based awards since January 1, 2015, are summarized as follows:

|   | <b>Restricted Stock Units</b> |   |  |
|---|-------------------------------|---|--|
|   | Number of<br>Units            | Weighted<br>Average<br>Fair Value<br>on Grant<br>Date | Actual Fair<br>Value on<br>Vesting<br>Date |
| <b>Unvested as at January 1, 2015</b>   | <b>300,000</b>                | <b>\$ 3.25</b>  | <b>n/a</b>                                 |
| Vested in 2015                          |                               |   |  |
| <b>Unvested as at December 31, 2015</b> | <b>300,000</b>                | <b>\$ 3.25</b>  | <b>n/a</b>                                 |
| Granted March 3, 2016                   | 200,000                       | \$ 1.18   |  |
| <b>Unvested as at June 30, 2016</b>     | <b>500,000</b>                | <b>\$ 2.42</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 Statements of Income over the vesting period. During the three and six months ended June 30, 2016, the Company recognized a total of \$82 (2015: \$25) and \$115 (2015: \$50) share based compensation cost. As at June 30, 2016, there was a total of \$142 unrecognized compensation cost relating to the above share based awards (December 31, 2015: \$ nil). The remaining cost is expected to be recognized over a period of six months.

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 was after September 30, 2012 in respect of half of the grant and after September 30, 2013 for the other half of the grant. 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. Restricted stock units granted to management on March 7, 2013 are expected to vest when the individual leaves employment, provided that this is after September 30, 2015 and is not as a result of resignation or termination for cause.

On August 28, 2015, the Company adopted the 2015 Equity Incentive Plan which allows the Board of Directors to grant employees, consultants and directors of the Company and its subsidiaries, options, stock appreciation rights, stock grants, stock units and dividend equivalents on substantially the same terms as the 2008 Plan, which was closed for further awards. The 2015 Plan permits a maximum issuance of 1,500,000 shares.



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Under the 2015 Plan, restricted stock units granted to four members of management on March 3, 2016 were divided into two tranches. The first tranche (100,000 restricted stock units) will vest when the individual leaves employment, provided that this is after December 31, 2016 and is not for cause. The second tranche (100,000 restricted stock units) also vests after December 31, 2016 on the same terms, but, in addition, only if and when the stock price has been at or above \$5.00 for 20 consecutive trading days and provided that this has occurred before December 31, 2019. On March 31 and June 30, 2016, 8,529 and 8,534 shares respectively, were issued under the 2015 Plan, representing 20% of directors' base fee for the quarters ended March 31 and June 30, 2016.

**Global Ship Lease, Inc.**

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

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

**10. 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 available to common stockholders, 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. The Class B common shareholders' dividend rights are subordinated to those of holders of Class A common shares (see note 8). 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 June 30, 2016, there were 500,000 restricted stock units granted and unvested as part of management's equity incentive plan. As of June 30, 2016 only Class A and B common shares are participating securities.

For the three and six months ended June 30, 2016 and June 30, 2015, the diluted weighted average number of shares includes the incremental effect of outstanding stock based incentive awards.

## Global Ship Lease, Inc.

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

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

## 10. Earnings per Share (continued)

| (In thousands, except share data)                                       | Three months ended |                  | Six months ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | 2016               | June 30,<br>2015 | 2016             | June 30,<br>2015 |
| <b>Class A common shares</b>  |                    |                  |                  |                  |
| Weighted average number of common shares outstanding (B)                | 47,550,107         | 47,541,484       | 47,545,842       | 47,541,484       |
| Weighted average number of RSUs without service conditions (note 9) (B) | 300,000            | 225,000          | 300,000          | 225,000          |
| Dilutive effect of share-based awards                                   | 106,852            | 70,491           | 42,437           | 70,302           |
| Common shares and common share equivalents (F)                          | 47,956,959         | 47,836,975       | 47,888,279       | 47,836,786       |
| <b>Class B common shares</b>  |                    |                  |                  |                  |
| Basic weighted average number of common shares outstanding (D)          | 7,405,956          | 7,405,956        | 7,405,956        | 7,405,956        |
| Dilutive effect of share-based incentive awards                         |                    |                  |                  |                  |
| Common shares (H)   | 7,405,956          | 7,405,956        | 7,405,956        | 7,405,956        |
| <b>Basic Earnings per Share</b>   |                    |                  |                  |                  |
| Net income available to shareholders                                    | \$ 6,043           | \$ 2,876         | \$ 10,600        | \$ 2,900         |
| Available to:   |                    |                  |                  |                  |
| - Class A shareholders for period                                       | \$ 6,043           | \$ 2,876         | \$ 10,600        | \$ 2,900         |
| - 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)                                    | \$ 6,043           | \$ 2,876         | \$ 10,600        | \$ 2,900         |
| Net income available for Class B (C)                                    |                    |                  |                  |                  |
| <b>Basic Earnings per share:</b>  |                    |                  |                  |                  |
| Class A (A/B)   | \$ 0.13            | \$ 0.06          | \$ 0.22          | \$ 0.06          |
| Class B (C/D)   |                    |                  |                  |                  |
| <b>Diluted Earnings per Share</b>                                       |                    |                  |                  |                  |
| Net income available to common shareholders                             | \$ 6,043           | \$ 2,876         | \$ 10,600        | \$ 2,900         |

Available to:

|   |    |       |    |       |    |        |    |       |
|---|----|-------|----|-------|----|--------|----|-------|
| - Class A shareholders for period         | \$ | 6,043 | \$ | 2,876 | \$ | 10,600 | \$ | 2,900 |
| - 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)      | \$ | 6,043 | \$ | 2,876 | \$ | 10,600 | \$ | 2,900 |
| Net income available for Class B (G)      |    |       |    |       |    |        |    |       |
| Diluted Earnings per share:               |    |       |    |       |    |        |    |       |
| Class A (E/F)                             | \$ | 0.13  | \$ | 0.06  | \$ | 0.22   | \$ | 0.06  |
| Class B (G/H)                             |    |       |    |       |    |        |    |       |

### 11. Subsequent Events

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