

Global Ship Lease Reports Results for the Fourth Quarter of 2018

March 5, 2019

LONDON, March 05, 2019 (GLOBE NEWSWIRE) -- Global Ship Lease, Inc. (NYSE:GSL) (the "Company" or "Global Ship Lease"), a containership charter owner, announced today its unaudited results for the three months and year ended December 31, 2018.

Fourth Quarter 2018 and Full Year Highlights

- Reported operating revenues of \$50.0 million for the fourth quarter 2018. Operating revenues for the year ended December 31, 2018 were \$157.1 million. Operating revenues include the Poseidon Containers fleet acquired on November 15, 2018.
- Reported net loss⁽¹⁾ of \$72.5 million for the fourth quarter 2018, after a non-cash impairment charge of \$71.8 million. For the year ended December 31, 2018, net loss was \$60.4 million.
- Generated \$26.6 million of Adjusted EBITDA⁽²⁾ for the fourth quarter 2018. Adjusted EBITDA for the year ended December 31, 2018 was \$97.2 million.
- Normalized net income⁽¹⁾⁽²⁾, excluding costs and charges associated with the strategic combination, the non-cash impairment charge and the premium paid for amortization of our high yield notes, was \$1.7 million for the fourth quarter 2018. Normalized net income was \$13.8 million for the year ended December 31, 2018.
- On October 29, 2018, announced the entry into a definitive agreement to merge with Poseidon Containers Holdings LLC and K&T Marine LLC (together, "Poseidon Containers") in a stock-for-stock transaction, adding 19 containerships to the fleet and representing a total transaction value of over \$780 million on an asset value basis, to create a leading containership charter owner focused on mid-sized and smaller vessels (the "Poseidon Transaction"). The Poseidon Transaction was completed on November 15, 2018. The combined company has a fleet of 38 vessels with a total capacity of 198,793 TEU, an average fleet age weighted by TEU capacity of 11.0 years, and contracted revenue as of December 31, 2018, net of address commission, of \$648.2 million (based on the earliest possible redelivery date) and \$791.1 million (based on the latest possible redelivery dates and including all options). The combined fleet had a charter-attached broker valuation of \$1.33 billion as of December 31, 2018.
- On November 9, 2018, announced that Poseidon Containers had agreed five-year charters with CMA CGM for four of its 6,927 TEU containerships, *Mary*, *Kristina*, *Katherine* and *Alexandra*. On December 10, 2018 announced two further five-year charters with CMA CGM for the 2015-built, 6,882 TEU containerships *UASC Bubiyan* and *UASC Yas*. The new charter for *Mary* commenced in October 2018, and the remaining five new charters will commence upon expiry of their existing charters during the first half of 2019. The charters, which are each at gross rate of \$25,910 per day and which add up to \$279.4 million of contracted revenue, net of address commission, and are expected to deliver over \$200.0 million of EBITDA over the term of the charters.
- On December 11, 2018, announced that the Annual Mandatory Offer to purchase up to \$20.0 million aggregate principal amount of the outstanding 9.875% First Priority Secured Notes due 2022 (the "Notes"), was fully subscribed. Accordingly, \$20.0 million of Notes were purchased on December 12, 2018 at a purchase price of 102%, for an aggregate purchase price, inclusive of accrued and unpaid interest, of approximately \$20.5 million.
- On December 20, 2018, announced that the requisite consents had been received from holders of the Notes to approve certain amendments to the indenture governing the Notes.

George Youroukos, Executive Chairman of Global Ship Lease, stated, "2018 was a transformative year for Global Ship Lease, as we repositioned the Company, attained a significantly greater earnings potential, dramatically increased our NAV per share, and created an integrated, industry-leading management platform to unlock shareholder value. Through a highly complementary merger, combining the downside protection of strong contract cover with the upside potential of exposure to recovering market fundamentals in our fleet segments, we have redefined the Company across all major metrics: more than doubling the size of the fleet, establishing a leverage profile that compares favorably with the peer group, extending the fleet's average remaining contract duration, increasing the contracted revenue backlog, and adding vessels that are on average younger, larger, and better specified. We are in a strong position to fully capitalize on GSL's enhanced capabilities by pursuing our strategic priorities of realizing our fleet's expanded upside potential through longer-term charters at attractive rates, improving our capital structure and cost of debt, and growing our fleet of modern, mid-sized and smaller containerships in an accretive manner."

Ian Webber, Chief Executive Officer of Global Ship Lease, commented, "The integration process for our combined company, with \$1.3 billion in assets post-merger, is proceeding well, and we are delighted to have completed this transaction for the benefit of all shareholders. With the signing of six highly attractive five-year charters during the fourth quarter and the opportunistic refinancing of Poseidon Containers' debt, our shareholders are already benefitting from an NAV uplift of over \$145 million since the transaction was announced. Moving forward, we remain confident that the supply/demand fundamentals for mid-sized and smaller containerships are supportive, after years of limited new vessel orders and favorable demand growth across the most relevant tradelanes. These positive fundamentals, combined with the significantly enhanced operational and financial profile of the new Global Ship Lease, position us to move confidently forward as a leading provider of mid-sized and smaller containerships."

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

Three months ended	Three months ended	Year ended	Year ended
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	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Operating Revenues (3)	50,021	37,927	157,097	159,278
Operating (Loss)	(56,205)	(72,178)	(10,261)	(15,353)
Net (Loss) (1)	(72,503)	(99,824)	(60,426)	(77,328)
Adjusted EBITDA (2)	26,577	24,841	97,241	110,303
Normalized Net Income (1)(2)	1,698	2,190	13,775	25,206

The results for the three months and year ended December 31, 2018 include the results of the Poseidon Containers containerships acquired on November 15, 2018 (the "Poseidon Containers Fleet"). (1) Net loss and Normalized net income available to common shareholders.

(2) Adjusted EBITDA and Normalized net income are non-US Generally Accepted Accounting Principles (US GAAP) financial measures, as explained further in this press release, and are considered by Global Ship Lease to be useful measures of its performance. For reconciliations of such non-GAAP financial measures to net loss, the most directly comparable US GAAP financial measure, please see "Reconciliation of Non-U.S. GAAP Financial Measures" below.

(3) Operating Revenues are net of address commissions. Brokerage commissions are included in Time charter and voyage expenses.

Following the Poseidon Transaction, minor reclassifications of expenses and balance sheet items have taken place.

Operating Revenues and Utilization

The Company's fleet generated operating revenues from fixed-rate time charters of \$50.0 million in the three months ended December 31, 2018, an increase of \$12.1 million compared to \$37.9 million for the comparative period in 2017, with the increase principally due to the addition of the Poseidon Containers Fleet on November 15, 2018, partially offset by reduced revenue from *GSL Ningbo* and *OOCL Qingdao* as the charters for these vessels renewed at lower rates. There were 2,656 ownership days in the quarter, an increase of 60% compared to 1,656 days in the comparable period in 2017, which was primarily due to the addition of the Poseidon Containers Fleet and *GSL Valerie* in June 2018. In the fourth quarter 2018, there was no planned offhire from regulatory drydocking, seven days of unplanned offhire and 30 days of idle time for one vessel between charters, giving an overall utilization of 98.6%. There were a total of 10 days of unplanned offhire in the fourth quarter 2017, giving an overall utilization of 99.4%.

For the year ended December 31, 2018, operating revenues were \$157.1 million, a decrease of \$2.2 million, or 1.4%, compared to \$159.3 million in the prior year, notwithstanding the addition of the Poseidon Containers Fleet on November 15, 2018 and *GSL Valerie*, mainly for reduced revenue from *GSL Ningbo* and *OOCL Qingdao* as the charters for these vessels renewed at lower rates.

The table below shows our fleet utilization for the three months and years ended December 31, 2018 and 2017 and for the years ended December 31, 2016, 2015 and 2014.

	Three months ended		Year ended		Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017			
Days							
Ownership days	2,656	1,656	7,675	6,570	6,588	6,893	6,270
Planned offhire - scheduled drydock	0	0	(34)	(62)	(100)	(9)	(48)
Unplanned offhire	(7)	(10)	(17)	(40)	(3)	(7)	(12)
Idle time	(30)	0	(47)	0	0	(13)	(64)
Operating days	2,619	1,646	7,577	6,468	6,485	6,864	6,146
Utilization	98.6%	99.4%	98.7%	98.4%	98.4%	99.6%	98.0%

There were two regulatory drydockings in 2018 and four in 2017. Two regulatory drydockings are due in 2019.

Vessel Operating Expenses

Vessel operating expenses, which include costs of crew, lubricating oil, repairs, maintenance, insurance and management fees, were \$18.1 million for the three months ended December 31, 2018, compared to \$11.4 million in the prior year period. The increase was due to 1,000 (up 60%) additional ownership days as a result of our acquisition of the Poseidon Containers Fleet and the addition of *GSL Valerie* in June 2018. The average cost per ownership day in the quarter was \$6,818, compared to \$6,859 for the prior year period, down \$41 per day.

For the year ended December 31, 2018, vessel operating expenses were \$49.3 million, or an average of \$6,420 per day, compared to \$42.7 million in the prior year or \$6,499 per day, representing a reduction of \$79 per day or 1.2%.

Time Charter and Voyage Expenses

Time charter and voyage expenses comprise mainly commission paid to third party ship brokers, the cost of bunker fuel for owner's account when a vessel is off-hire or idle and miscellaneous costs associated with a vessel's voyage. Time charter and voyage expenses were \$1.0 million for the three

months ended December 31, 2018, compared to \$0.3 million in the comparative period in 2017. The increase was mainly due to the addition of the Poseidon Containers Fleet, all of which incur such commission, compared to our legacy vessels, where commission has been paid only for those which have completed their initial charters to CMA CGM or OOCL and which have been employed on a new charter obtained with the assistance of a broker.

Time charter and voyage costs were \$1.6 million for the year ended December 31, 2018, compared to \$1.0 million in the prior year; the increase was mainly due to the brokerage commission of the Poseidon Containers Fleet.

Depreciation and amortization

Depreciation and amortization for the three months ended December 31, 2018 was \$10.8 million, compared to \$9.4 million in the comparative period in 2017; the increase was mainly due to the addition of the Poseidon Containers Fleet offset by a reduction due to the effect of lower book values for a number of vessels following impairment charge taken in 2017.

Depreciation and amortization for the year ended December 31, 2018 was \$35.5 million, compared to \$38.0 million in the prior year with the overall reduction being for the reasons noted above.

Impairment

The Company's accounting policies require that tangible fixed assets, such as vessels, are reviewed for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Charter rates in the spot market and asset values improved through the first half of 2018 but softened towards the end of the year. While overall market developments are encouraging, taking into account the seasonal as well as cyclical nature of the container shipping industry, we determined that it would nonetheless be appropriate under US GAAP to review our legacy vessels for impairment as at December 31, 2018. There were no indications of impairment on any of the Poseidon Containers Fleet as they are recorded at less than fair value, as a result of the accounting for the Poseidon Transaction. The review gave rise to a non-cash charge in the fourth quarter of 2018 of \$71.8 million, as the sum of the expected undiscounted future cash flows from three vessels over their estimated remaining useful lives was less than the carrying amounts. The impairment charge was equal to the amount by which the vessels' carrying amounts exceed their fair values. Fair value was assessed, on a vessel by vessel basis, at third party broker assessed charter attached valuations.

At December 31, 2017, our impairment review resulted in a non-cash charge in the fourth quarter of 2017 of \$87.6 million, as the sum of the expected undiscounted future cash flows from five vessels over their estimated remaining useful lives was less than the carrying amounts. The impairment charge was equal to the amount by which the assets' carrying amounts exceed their fair values. Fair value was assessed, on a vessel by vessel basis, as the net present value of estimated future cash flows, discounted by an appropriate discount rate.

General and Administrative Expenses

General and administrative expenses were \$4.6 million in the three months ended December 31, 2018, compared to \$1.5 million in the same period in 2017. The increase was mainly due to retention and severance costs of \$2.0 million and other costs associated with the Poseidon Transaction.

For the year ended December 31, 2018, general and administrative expenses were \$9.2 million, compared to \$5.4 million for 2017, the increase being for the reason noted above.

Adjusted EBITDA

As a result of the above, Adjusted EBITDA was \$26.6 million for the three months ended December 31, 2018, an increase from \$24.8 million for the three months ended December 31, 2017, mainly as a result of the addition of the Poseidon Containers Fleet.

Adjusted EBITDA for the year ended December 31, 2018 was \$97.2 million, compared to \$110.3 million for 2017 with the reduction mainly as a result of lower revenue on our legacy vessels, which was partially offset by the addition of the Poseidon Containers Fleet.

Interest Expense

Debt at December 31, 2018 totaled \$889.3 million, comprising \$340.0 million of indebtedness on our Notes and \$34.8 million of indebtedness under a secured term loan, both collateralized by 18 our legacy vessels, \$506.3 million bank debt collateralized by the Poseidon Containers Fleet and \$8.2 million drawn under our growth facility and secured by one vessel.

Debt at December 31, 2017 totaled \$414.8 million, comprised \$360.0 million outstanding on our Notes and \$54.8 million under a secured term loan, both of which were closed in October 2017 as part of a re-financing. The net proceeds, together with cash on hand, were used to refinance our previous 10.000% notes due 2019 ("2019 Notes"). In addition, all outstanding borrowings under both the previous revolving credit facility and the previous secured term loan were repaid and terminated.

Interest expense for the three months ended December 31, 2018, including on the debt assumed as part of the Poseidon Transaction on November 15, 2018, was \$16.2 million, a decrease of \$10.8 million on the interest expense for the three months ended December 31, 2017 of \$27.0 million. Interest expense in the comparative period included charges associated with the refinancing of our 2019 Notes and other debt, which was completed in October 2017, and which resulted in a premium paid on the redemption of the 2019 Notes of \$8.7 million, the write off of the remaining balance of original issue discount associated with the 2019 Notes of \$1.4 million and the write off of the remaining balance of deferred financing charges of \$4.3 million associated with debt repaid.

For the year ended December 31, 2018, interest expense was \$48.7 million, a decrease of \$10.7 million on interest expense of \$59.4 million for the year ended December 31, 2017. The reduction was mainly due to the reasons noted above.

Interest income for the three months ended December 31, 2018 was \$0.4 million, an increase of \$0.2 million compared to the same period in 2017. The increase was mainly due to higher average cash balances and increased interest rates. Interest income for the year ended December 31, 2018 was \$1.4 million, compared to \$0.5 million in 2017.

Other income, net

Other income, net is mainly comprised of gains in bunkers following deliveries and redeliveries of vessels from charterers and passenger income. Other income, net was \$0.2 million in the three months ended December 31, 2018, compared to \$1,000 in the prior year period; the increase was mainly due to the addition of the Poseidon Containers Fleet.

For the year ended December 31, 2018, other income, net was \$0.2 million, compared to \$51,000 for 2017.

Taxation

Taxation for the three months ended December 31, 2018 was a credit of \$4,000 compared to a charge of \$9,000 in the fourth quarter of 2017.

Taxation for the year ended December 31, 2018 was a charge of \$55,000, compared to \$40,000 for 2017.

Earnings Allocated to Preferred Shares

The Series B Preferred Shares carry a coupon of 8.75%, the cost of which for the three months ended December 31, 2018 was \$0.8 million, the same as in the comparative period.

The cost in the year ended December 31, 2018 was \$3.1 million, the same as in the comparative period.

Net (Loss) Available to Common Shareholders and Normalized Net Income

Net loss for the three months ended December 31, 2018 was \$72.5 million after the non-cash impairment charge of \$71.8 million. For the three months ended December 31, 2017, net loss was \$99.8 million, after the costs and charges totaling \$14.4 million associated with the debt refinancing completed in October 2017 and the non-cash impairment charge of \$87.6 million.

Normalized net income for the three months ended December 31, 2018 was \$1.7 million, adjusting for the non-cash impairment charge and costs associated with the Poseidon Transaction, compared to \$2.2 million in the comparative period in 2017, adjusting mainly for the non-cash impairment charge and charges associated with the refinancing.

Net loss was \$60.4 million for the year ended December 31, 2018 after the \$71.8 million non-cash impairment charge. Net loss was \$77.3 million for the year ended December 31, 2017 after the costs and charges totaling \$14.4 million associated with the refinancing completed in October 2017 and the non-cash impairment charge of \$87.6 million.

Normalized net income for the year ended December 31, 2018 was \$13.8 million compared to \$25.2 million for the prior year.

Fleet

The following table provides information about our on-the-water fleet of 38 vessels as at December 31, 2018.

Vessel Name	TEUs	Lightweight (tons)	Year Built	Charterer	Earliest Charter Expiry Date	Latest Charter Expiry Date	Daily Charter Rate \$
CMA CGM Thalassa	11,040	38,577	2008	CMA CGM	4Q25	1Q26	47,200
UASC Al Khor ⁽¹⁾	9,115	31,764	2015	Hapag-Lloyd	1Q19	2Q19	40,000
Anthea Y ⁽¹⁾	9,115	31,890	2015	COSCO	2Q20	3Q20	39,200
Maira XL ⁽¹⁾	9,115	31,820	2015	COSCO	2Q20	3Q20	39,200
GSL Tianjin	8,063 ⁽¹²⁾	34,243	2005	CMA CGM	2Q19	3Q19	11,900 ⁽²⁾
OOCL Qingdao	8,063 ⁽¹²⁾	34,305	2004	OOCL	1Q19	2Q19	14,000
GSL Ningbo	8,063 ⁽¹²⁾	34,243	2004	Maersk	2Q19	4Q20	12,100 ⁽³⁾
Mary ⁽¹⁾	6,927	23,424	2013	CMA CGM	3Q23	4Q23	25,910
Kristina ⁽¹⁾	6,927	23,424	2013	Wan Hai	2Q19	3Q19 ⁽⁴⁾	19,500 ⁽⁴⁾
Katherine ⁽¹⁾	6,927	23,424	2013	MSC	1Q19	1Q19 ⁽⁴⁾	13,500 ⁽⁴⁾
Alexandra ⁽¹⁾	6,927	23,424	2013	ONE	1Q19	2Q19 ⁽⁴⁾	20,750 ⁽⁴⁾
UASC Bubiyan ⁽¹⁾	6,882	23,919	2015	Hapag-Lloyd	1Q19	2Q19 ⁽⁴⁾	20,000 ⁽⁴⁾
UASC Yas ⁽¹⁾⁽¹¹⁾	6,882	23,864	2015	Hapag-Lloyd	1Q19	2Q19 ⁽⁴⁾	20,000 ⁽⁴⁾
CMA CGM Berlioz	6,621	26,776	2001	CMA CGM	2Q21	4Q21	34,000
Agios Dimitrios	6,572	24,746	2011	MSC	3Q19	4Q19 ⁽⁵⁾	12,500 ⁽⁵⁾
Tasman	5,936	25,010	2000	ZIM	1Q19	3Q19 ⁽⁶⁾	16,350 ⁽⁶⁾
Dimitris Y	5,936	25,010	2000	ZIM	2Q19	3Q19	16,750
Ian H	5,936	25,128	2000	ZIM	2Q19	3Q19	17,000
Dolphin II	5,095	20,596	2007	HMM	2Q19	4Q19 ⁽⁷⁾	7,700 ⁽⁷⁾
Orca I	5,095	20,696	2006	ZIM	2Q19	3Q19	11,750
CMA CGM Alcazar	5,089	20,087	2007	CMA CGM	4Q20	2Q21	33,750
CMA CGM Château d'If	5,089	20,100	2007	CMA CGM	4Q20	2Q21	33,750
CMA CGM Jamaica	4,298	17,272	2006	CMA CGM	3Q22	1Q23	25,350

CMA CGM Sambhar	4,045	17,355	2006	CMA CGM	3Q22	1Q23	25,350
CMA CGM America	4,045	17,355	2006	CMA CGM	3Q22	1Q23	25,350
GSL Valerie	2,824	11,971	2005	CMA CGM	2Q19	3Q19	9,000
Athena	2,762	13,538	2003	MSC	1Q19	2Q19	9,000
Maira	2,506	11,453	2000	MSC	1Q19	1Q19 ⁽⁸⁾	9,000 ⁽⁸⁾
Nikolas	2,506	11,370	2000	MSC	1Q19	2Q19	9,000
New Yorker	2,506	11,463	2001	MSC	1Q19	2Q19	9,000
CMA CGM La Tour	2,272	11,742	2001	CMA CGM	3Q19	1Q20	15,300
CMA CGM Manet	2,272	11,742	2001	CMA CGM	3Q19	1Q20	15,300
CMA CGM Matisse	2,262	11,676	1999	CMA CGM	3Q19	1Q20	15,300
CMA CGM Utrillo	2,262	11,676	1999	CMA CGM	3Q19	1Q20	15,300
GSL Keta	2,207	11,731	2003	ANL	2Q19	3Q19	8,450
GSL Julie	2,207	11,731	2002	CMA CGM	1Q19	1Q19 ⁽⁹⁾	7,800 ⁽⁹⁾
Kumasi	2,207	11,731	2002	CMA CGM	4Q19	1Q21 ⁽¹⁰⁾	9,800 ⁽¹⁰⁾
Marie Delmas	2,207	11,731	2002	CMA CGM	4Q19	1Q21 ⁽¹⁰⁾	9,800 ⁽¹⁰⁾

1. Modern design, high reefer capacity, fuel efficient vessels.
2. Rate increased to \$13,000 per day from January 26, 2019.
3. Rate increases to \$12,400 per day from April 21, 2019 and to \$18,000 per day from September 21, 2019.
4. Thereafter, five years to CMA CGM at \$25,910 per day.
5. Thereafter, option for four years at \$20,000 per day, callable by us.
6. Extended after December 31, 2018 at \$11,500 per day to July 17, 2019 plus or minus 30 days.
7. Rate increases to \$11,500 per day from August 15, 2019.
8. Extended after December 31, 2018 at \$8,500 per day to August 17, 2020 plus or minus 30 days.
9. Rate \$7,800 per day and, agreed after December 31, 2018, \$7,200 per day from March 16, 2019 to between August 16, 2019 and October 16, 2019, at charterer's option, with an option in favour of charterer to extend from October 16, 2019 at \$8,500 per day for six months plus or minus 30 days.
10. Option at \$9,800 per day to December 31, 2020 plus or minus 90 days, callable by us.
11. To be renamed as M/V Olivia I effective March 19, 2019.
12. These vessels' capacity is targeted to be upgraded to 8,600 TEU (subject class approval).

Conference Call and Webcast

Global Ship Lease will hold a conference call to discuss the Company's results for the three months ended December 31, 2018 today, Tuesday March 5, 2019 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: 5749817
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 Thursday, March 21, 2019 at (855) 859-2056 or (404) 537-3406. Enter the code 5749817 to access the audio replay. The webcast will also be archived on the Company's website: <http://www.globalshiplease.com>.

Annual Report on Form 20-F

The Company's Annual Report for 2017 is on file 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 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 leading independent owner of containerships with a diversified fleet of mid-sized and smaller containerships. 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. On November 15, 2018, it completed a strategic combination with Poseidon Containers.

Global Ship Lease owns 38 vessels ranging from 2,207 to 11,040 TEU, of which nine are fuel efficient new-design wide beam, with a total capacity of 198,793 TEU and an average age, weighted by TEU capacity, of 11.0 years determined as at December 31, 2018.

The average remaining term of the charters at December 31, 2018 was 2.5 years on a TEU-weighted basis.

Reconciliation of Non-U.S. GAAP Financial Measures

A. Adjusted EBITDA

Adjusted EBITDA represents net loss before interest income and expense including amortization of deferred finance costs, earnings allocated to preferred shares, income taxes, depreciation, amortization of drydocking costs and impairment. 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. Our use of Adjusted EBITDA may vary from the use of similarly titled measures by others in our industry.

ADJUSTED EBITDA - UNAUDITED

(thousands of U.S. dollars)

	Three months ended Dec 31, 2018	Three months ended Dec 31, 2017	Year ended Dec 31, 2018	Year ended Dec 31, 2017
Net (loss) available to common shareholders	(72,503)	(99,824)	(60,426)	(77,328)
Adjust: Depreciation and amortization	10,752	9,394	35,455	37,981
Impairment	71,834	87,624	71,834	87,624
Interest income	(441)	(154)	(1,425)	(489)
Interest expense	16,174	27,027	48,686	59,413
Earnings allocated to preferred shares	765	765	3,062	3,062
Income taxes	(4)	9	55	40
Adjusted EBITDA	26,577	24,841	97,241	110,303

B. Normalized net income

Normalized net income represents net loss adjusted for the premium paid on redemption of notes, together with the related write-off of deferred financing charges and original issue discount, for impairment charges and the staff retention and severance costs associated with the Poseidon Transaction. Normalized net loss is a non-GAAP quantitative measure which we believe will assist investors and analysts who often adjust reported net loss for 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. Our use of Normalized net income may vary from the use of similarly titled measures by others in our industry.

NORMALIZED NET INCOME - UNAUDITED

(thousands of U.S. dollars)

	Three months ended Dec 31, 2018	Three months ended Dec 31, 2017	Year Ended Dec 31, 2018	Year ended Dec 31, 2017
Net (loss) available to common shareholders	(72,503)	(99,824)	(60,426)	(77,328)
Adjust: Impairment charges	71,834	87,624	71,834	87,624
Staff retention and severance costs associated with the Poseidon transaction	1,967	---	1,967	---
Premium paid on redemption of 2022 Notes	400	---	400	---

Premium paid on redemption of 2019 Notes	---	8,657	---	9,047
Accelerated write-off of deferred financing charges related to 2019 Notes	---	4,310	---	4,371
Accelerated write-off of original issue discount related to 2019 notes	---	1,423	---	1,492
Normalized net income		<u>1,698</u>	<u>2,190</u>	<u>13,775</u>
				<u>25,206</u>

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, 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 future growth of the container shipping industry, including the rates of annual demand and supply growth;
- the financial condition of our charterers, particularly CMA CGM, our principal charterer and main source of operating revenue, and their ability to pay charterhire in accordance with the charters;
- Global Ship Lease's financial condition and liquidity, including its level of indebtedness or ability to 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 facilities;
- 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;
- risks relating to the acquisition of Poseidon Containers and Global Ship Lease's ability to realize the anticipated benefits of the acquisition;
- future acquisitions, business strategy and expected capital spending;
- operating expenses, availability of crew, number of off-hire days, drydocking and survey requirements 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;
- 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 its 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 or other vessel employment arrangements;
- 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 taxation;
- 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 U.S. Securities and Exchange Commission (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)

	Three months ended		Year ended	
	December 31,	December 31,	December 31,	December 31,
	2018	2017	2018	2017
OPERATING REVENUES				
Time charter revenue	16,667	7,078	30,890	35,334
Time charter revenue - related party	33,354	30,849	126,207	123,944
	50,021	37,927	157,097	159,278
OPERATING EXPENSES:				
Vessel operating expenses	17,170	10,959	47,584	41,098
Vessel operating expenses - related parties	938	400	1,689	1,599
Time charter and voyage expenses	739	276	1,352	962
Time charter and voyage expenses - related party	222	—	222	—
Depreciation and amortization	10,752	9,394	35,455	37,981
Impairment of vessels	71,834	87,624	71,834	87,624
General and administrative expenses	4,571	1,452	9,221	5,367
Operating loss	(56,205)	(72,178)	(10,260)	(15,353)
NON OPERATING INCOME/(EXPENSE)				
Interest income	441	154	1,425	489
Interest and other financial expenses	(16,174)	(27,027)	(48,686)	(59,413)
Other income, net	196	1	212	51
Total non operating expense	(15,537)	(26,872)	(47,049)	(58,873)
Loss before income taxes	(71,742)	(99,050)	(57,309)	(74,226)
Income taxes	4	(9)	(55)	(40)
Net Loss	(71,738)	(99,059)	(57,364)	(74,266)
Earnings allocated to Series B Preferred shares	(765)	(765)	(3,062)	(3,062)
Net Loss available to Common Shareholders	(72,503)	(99,824)	(60,426)	(77,328)
Earnings/(Loss) per Share				
Weighted average number of Class A common shares outstanding				
Basic and diluted (including RSU's without service conditions)	60,907,958	47,976,722	52,115,118	47,975,889
Net Loss per Class A common share				
Basic and diluted (including RSU's without service conditions)	(0.64)	(2.08)	(0.93)	(1.61)
Weighted average number of Class B common shares outstanding				
Basic and diluted	7,405,956	7,405,956	7,405,956	7,405,956
Net Loss per Class B common share				
Basic and diluted	nil	nil	nil	nil

Global Ship Lease, Inc.

Interim Unaudited Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

	As of	
	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	82,059	73,266
Restricted cash	2,186	—
Accounts receivable, net	1,927	72
Inventories	5,769	742
Prepaid expenses and other current assets	6,214	1,376
Due from related parties	817	1,932
Total current assets	98,972	77,388
NON-CURRENT ASSETS		
Vessels in operation	1,112,766	586,520
Other fixed assets	5	10
Intangible assets - charter agreements	5,400	700
Intangible assets - other	—	7
Deferred charges, net	9,569	11,259
Other non-current assets	948	—
Restricted cash, net of current portion	5,827	—
Total non-current assets	1,134,515	598,496
TOTAL ASSETS	1,233,487	675,884
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	9,586	1,486
Accrued liabilities	15,407	8,788
Current portion of long-term debt	64,088	40,000
Deferred revenue	3,118	2,178
Due to related parties	3,317	2,813
Total current liabilities	95,516	55,265
LONG-TERM LIABILITIES		
Long-term debt, net of current portion and deferred financing costs	813,130	358,515
Intangible liability - charter agreements	8,470	10,482
Deferred tax liability	9	17
Total non-current liabilities	821,609	369,014
TOTAL LIABILITIES	917,125	424,279
Commitments and Contingencies	—	—
STOCKHOLDERS' EQUITY		
Class A common stock-authorized 214,000,000 shares with a \$0.01 par value 72,137,965 shares issued and outstanding (2017 – 47,609,734 shares)	721	476
Class B common stock-authorized 20,000,000 shares with a \$0.01 par value 7,405,956 issued and outstanding (2017 – 7,405,956 shares)	74	74
Series B Preferred shares-authorized 16,100 shares with a \$0.01 par value 14,000 shares issued and outstanding (2017 – 14,000 shares)	—	—

Series C Preferred shares - authorized 250,000 shares with a \$0.01 par value 250,000 shares issued and outstanding (2017 - nil)	3	—
Additional paid in capital	511,683	386,748
Accumulated deficit	(196,119)	(135,693)
Total stockholders' equity	316,362	251,605
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	1,233,487	675,884

Global Ship Lease, Inc.

Interim Unaudited Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Cash flows from operating activities:				
Net loss	(71,738)	(99,059)	(57,364)	(74,266)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	10,752	9,394	35,455	37,981
Vessel impairment	71,834	87,624	71,834	87,624
Amortization of deferred financing costs	1,498	5,159	4,629	7,772
Amortization of original issue discount/premium on repurchase of notes	605	1,640	1,207	2,523
Amortization of intangible liability/assets-charter agreements	24	(451)	(1,305)	(1,807)
Share based compensation	(86)	272	50	272
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable and other assets	7,361	1,464	5,019	(441)
Decrease (increase) in inventories	331	(113)	(2,250)	(188)
(Decrease) increase in accounts payable and other liabilities	(15,252)	5,465	(9,117)	(3,030)
(Increase) decrease in related parties' balances	(22)	465	(625)	1,138
Increase (decrease) in deferred revenue	972	(670)	214	238
Unrealized foreign exchange (gain) loss	(9)	(4)	(5)	2
Net cash provided by operating activities	6,270	11,186	47,742	57,818
Cash flows from investing activities:				
Cash paid for vessels	—	—	(11,436)	—
Net proceeds from sale of vessels	14,504	—	14,504	—
Cash paid for vessel improvements	(89)	(155)	(239)	(255)
Cash paid for other assets	—	—	—	(8)
Cash paid for drydockings	(532)	—	(2,636)	(4,632)
Cash acquired in Poseidon Transaction, net of capitalized expenses	24,037	—	24,037	—
Net cash provided by/(used in) investing activities	37,920	(155)	24,230	(4,895)
Cash flows from financing activities:				
Proceeds from issuance of secured notes	—	356,400	—	356,400
Repurchase of secured notes	(20,400)	(346,287)	(20,400)	(365,788)
Proceeds from drawdown of credit facilities	—	54,800	8,125	54,800
Repayment of credit facilities	(27,771)	(54,800)	(37,771)	(63,575)

Deferred financing costs paid	(246)	(12,675)	(2,058)	(12,675)
Series B Preferred Shares-dividends paid	(765)	(765)	(3,062)	(3,062)
Net cash used in financing activities	(49,182)	(3,327)	(55,166)	(33,900)
Net (decrease) increase in cash and cash equivalents and restricted cash	(4,992)	7,704	16,806	19,023
Cash and cash equivalents and restricted cash at beginning of the period	95,064	65,562	73,266	54,243
Cash and cash equivalents and restricted cash at end of the period	90,072	73,266	90,072	73,266

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GLOBAL SHIP LEASE

Source: Global Ship Lease, Inc.