

**Operating and Financial Review for the three months ended 31 March, 2015**

**1. General**

In recent years carriers' earnings have been volatile, with negative operating margins in 2013 and mixed trends in 2014, being the result of the prolonged crisis in the global economy and the shipping industry in particular.

There are some global developments – the U.S is showing positive growth and China moves towards a more balanced economy, however, the situation is still unstable and factors having a negative effect on the industry still exist; excess supply worldwide is expected to continue together with moderate improvement in US and the Eurozone.

As to the completion of the Company's debt and equity restructuring and a new set of financial covenants agreed, see Note 1(b) to 2014 annual Financial Statements and Note 4(a) to 31 March, 2015 Financial Statements.

**2. Financial Position**

**2.1. Balance Sheet**

The Company's total assets as of 31 March, 2015 amounted to \$2,060.2M, compared to \$2,156.3M as of 31 December, 2014.

**Assets**

The Company's fixed assets as of 31 March, 2015 amounted to \$1,111.5M compared to \$1,130.4M as of 31 December, 2014, a decrease of \$18.9M. The decrease in fixed assets was primarily driven by depreciation expenses in an amount of \$20.9M.

The Company's current assets as of 31 March, 2015 amounted to \$697.7M, compared to \$762.5M as of 31 December, 2014, a decrease of \$64.8M. The decrease was primarily driven by the following: (i) a decrease in inventories in an amount of \$24.2M, (ii) a decrease in trade and other receivables in an amount of \$24.2M and (iii) a decrease in short term deposits in an amount of \$16.2M.

The current ratio as of 31 March, 2015 was 0.98 compared to 0.97 as of 31 December, 2014.

**Liabilities**

The Company's long-term loans and other liabilities (including current maturities) as of 31 March, 2015 amounted to \$1,338.5M compared to \$1,364.7M as of 31 December, 2014, a decrease of \$26.2M. The decrease was primarily driven by repayment of borrowings in an amount of \$29.6M.

The Company's current liabilities (excluding current maturities) as of 31 March, 2015 amounted to \$551.5M compared to \$623.6M as of 31 December, 2014, a decrease of \$72.1M. The decrease was primarily driven by a decrease in trade and other payables in an amount of \$66.0M.

**Equity**

The Company's equity attributable to the owners of the Company as of 31 March, 2015 amounted to \$80.1M compared to equity attributable to the owners of the Company in an amount of \$72.3M as of 31 December, 2014, an increase of \$7.8M. The increase was primarily driven by net profit attributable to the owners of the Company for the period ended 31 March, 2015 in an amount of \$10.6M.

## 2.2. Income statements

	Three months ended 31 March		Year ended 31 December
	2015	2014	2014
	Million US\$		
Income from voyages and related services	792.1	866.5	3,408.8
Operating expenses and cost of services	(684.8)	(802.3)	(3,165.5)
Depreciation	(20.1)	(33.8)	(112.0)
Gross profit	87.2	30.4	131.3
Other operating income (expenses), net	(7.8)	2.3	(218.5)
General and administrative expenses	(39.5)	(41.1)	(153.0)
Termination benefit expenses			(23.2)
Results from operating activities	39.9	(8.4)	(263.4)
Finance income (expenses), net	(25.5)	(49.2)	33.8
Share of profit of associates (net of tax)	3.2	2.3	12.5
Profit (loss) before income tax	17.6	(55.3)	(217.1)
Income taxes	(5.9)	(6.2)	19.0
Profit (loss) for the period	11.7	(61.5)	(198.1)
<u>Attributable to:</u>			
Owners of the Company	10.6	(63.1)	(204.9)
Non-controlling interests	1.1	1.6	6.8

### Income

The Company's income from voyages and related services for the three months ended 31 March, 2015 was \$792.1M compared to \$866.5M for the three months ended 31 March, 2014, a decrease of \$74.4M (8.6%). The decrease was primarily driven by the following: (i) a decrease in income from containerized cargo in an amount of \$36.4M, (ii) a decrease in income of subsidiaries in an amount of \$17.1M and (iii) a decrease in income from demurrage in an amount of \$13.2M. The carried quantities for the three months ended 31 March, 2015 amounted to 560 thousand TEUs (Twenty Foot equivalent Units), compared to 606 thousand TEUs for the three months ended 31 March, 2014, a decrease of 46 thousand TEUs (7.6%). The average revenue per TEU increased by \$34 (2.8%) from about \$1,217 per TEU for the three months ended 31 March, 2014 to about \$1,251 per TEU for the three months ended 31 March, 2015.

### Operating Expenses

The Company's operating expenses for the three months ended 31 March, 2015 were \$684.8M, compared to \$802.3M for the three months ended 31 March, 2014, a decrease of \$117.5M (14.6%). The decrease was primarily driven by the following: (i) a decrease in bunker expenses in an amount of \$64.1M (37.1%), (ii) a decrease in expenses incidental to cargo handling in an amount of \$17.5M (5.3%), (iii) a decrease in charter hire of vessels expenses in an amount of \$10.3M (8.5%) and (iv) a decrease in expenses of subsidiaries in an amount of \$8.9M.

**Other Operating Income (Expenses), net**

The Company's other operating expenses, net for the three months ended 31 March, 2015 were \$7.8M compared to other operating income, net in an amount of \$2.3M for the three months ended 31 March, 2014, a change of \$10.1M. The change was primarily driven by the following: (i) an impairment of vessels designated for scrap, in an amount of \$5.4M, as a result of decrease in iron prices and (ii) expenses in an amount of \$4.2M as a result of an early termination of charter agreements of 2 vessels.

**General and Administrative Expenses**

The Company's general and administrative expenses for the three months ended 31 March, 2015 were \$39.5M, compared to \$41.1M for the three months ended 31 March, 2014, a decrease of \$1.6M (3.9%).

**Finance Income (Expenses), net**

The Company's finance expenses, net for the three months ended 31 March, 2015 were \$25.5M compared to \$49.2M for the three months ended 31 March, 2014, a decrease of \$23.7M (48.2%). The decrease was primarily driven by the following: (i) a decrease in interest expenses, net in an amount of \$16.5M and (ii) restructuring expenses in an amount of \$7.6M, recorded in the three months ended 31 March, 2014.

**Income Taxes**

The Company's income tax for the three months ended 31 March, 2015 was \$5.9M compared to \$6.2M for the three months ended 31 March, 2014.

**3. Liquidity and Capital Resources****Main Cash flows data:**

	<b>Three months ended 31 March</b>		<b>Year ended 31 December</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Million US\$</b>		
Cash flows generated from operating activities	53.5	22.5	121.0
Cash flows generated from (used in) investing activities	15.5	(9.7)	(92.2)
Cash flows generated from (used in) financing activities	(57.7)	(10.4)	82.4
Net change in cash during the period	<u>11.3</u>	<u>2.4</u>	<u>111.2</u>
Cash – opening balance	230.4	123.2	123.2
Effect of exchange rate fluctuation on cash held	<u>(2.1)</u>	<u>(1.0)</u>	<u>(4.0)</u>
Cash – closing balance	<u><u>239.6</u></u>	<u><u>124.6</u></u>	<u><u>230.4</u></u>

### 3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the three months ended 31 March, 2015 were \$53.5M compared to \$22.5M for the three months ended 31 March, 2014, an increase of \$30.0M.

### 3.2. Cash flows from Investing Activities

Cash flows generated from investing activities for the three months ended 31 March, 2015 were \$15.5M compared to cash flows used in investing activities in an amount of \$9.7M for the three months ended 31 March, 2014, an increase of \$25.2M. The increase was primarily driven by the following: (i) a change in other investments (mainly short term deposits) in an amount of \$34.7M, offset by (ii) an increase in acquisition of tangible assets, intangible assets and investments in an amount of \$12.5M.

### 3.3. Cash flows from Financing Activities

Cash flows used in financing activities for the three months ended 31 March, 2015 were \$57.7M compared to \$10.4M for the three months ended 31 March, 2014, an increase of \$47.3M. The increase was primarily driven by the following: (i) a decrease in receipt of long term loans and capital leases in an amount of \$60.7M, (ii) a change in short term loans in an amount of \$20.9M, offset by (iii) a decrease in repayment of borrowings in an amount of \$14.9M and (iv) a decrease in interest paid in an amount of \$14.8M.

## 4. Supplemental Non-GAAP Income Data

The tables below present supplemental data, which we believe facilitates a better understanding of the factors affecting our business. The Non-GAAP results presented below are used by Management and our Board of Directors to evaluate the Company's operational performance.

In arriving at the Non-GAAP results, we have factored out items, that either have a non-recurring impact on the income statement or which, in the judgment of our Management, are items that, as a result of their nature or size, could, when not singled out, potentially lead to extrapolate future performance from an improper base.

The following table presents the GAAP measures, the Non-GAAP adjustments and the corresponding Non-GAAP results:

	Three months ended 31 March 2015			Three months ended 31 March 2014			Year ended 31 December 2014		
	Million US\$			Million US\$			Million US\$		
	GAAP	Non-GAAP Adjustment	Non-GAAP	GAAP	Non-GAAP Adjustment	Non-GAAP	GAAP	Non-GAAP Adjustment	Non-GAAP
Gross profit	87.2	11.0	98.2	30.4	(7.6)	22.8	131.3	(1.4)	129.9
Results from operating activities	39.9	20.9	60.8	(8.4)	(7.6)	(16.0)	(263.4)	251.7	(11.7)
Profit (loss) for the period attributable to the owners of the Company	10.6	23.6	34.2	(63.1)	8.8	(54.3)	(204.9)	71.2	(133.7)

The below table presents the related Non-GAAP adjustments for the applicable periods, which have the following positive (negative) impact on the Company's Non-GAAP results:

	Three months ended		Year ended
	31 March		31 December
	2015	2014	2014
	Million US\$		
Accounting charter hire expenses (1)	11	(7.6)	(1.4)
Gross profit	11	(7.6)	(1.4)
Capital gain (2)	0.3		110.7
Impairment of assets (3)	5.4		117.8
Restructuring expenses			1.4
Termination benefit expenses			23.2
Other one off expenses (6)	4.2		
Results from operating activities	20.9	(7.6)	251.7
Finance expenses, net (4)	2.7	16.4	46.7
Restructuring gain, net (5)			(186.0)
Deferred tax income (5)			(41.2)
Profit for the period attributable to the owners of the Company	23.6	8.8	71.2

- (1) Mainly non cash charter hire accounting adjustments in relate to 2009 and 2014 restructuring. For the three months ended 31 March 2015, includes an amount of \$3.4M in relate to an early termination of charter agreements of 2 vessels.
- (2) Excluding those generated in the ordinary course of business.
- (3) Mainly in relate to vessels designated for scrap.
- (4) Mainly include loans' fair value adjustment amortization and restructuring related expenses.
- (5) In relate to 2014 restructuring, see Note 1(b) to the Company's 2014 annual financial statements.
- (6) As a result of an early termination of charter agreements of 2 vessels.

#### **Use of Non-GAAP Measures:**

These data are Non-GAAP financial measures and should not be considered replacements for GAAP results. We provide such Non-GAAP data because management believes that such data provide useful information to readers. However, readers are cautioned that, unlike financial measures prepared in accordance with GAAP, Non-GAAP measures may not be comparable with the calculation of similar measures for other companies. These Non-GAAP financial measures are presented solely to permit readers to more fully understand how management assesses the Company's performance.