

**Operating and Financial Review for the three months ended 31 March, 2017**

**1. General**

The container shipping industry is dynamic and volatile and has been marked in recent years by instability as a result of a prolonged global economic crisis and continued deterioration of market environment which is characterized by slower growth of demand and worsening overcapacity. In the last few years, and mainly during 2016, the container shipping industry is going through a structural change as a result of the extensive activity of mergers and acquisitions that also led to reorganization of the global alliances. In addition, during 2016, the increase in supply of vessels was similar to the increase in demand for containerized shipments, among other things also because of significant increase in the scrapping activity, which was the first year of such balance after many years of oversupply.

After a long period of reduction in freight rates as from the second half of 2016 freight rates started increasing, and have continued to increase during the first quarter of 2017.

The Company's performance in the first quarter of 2017 and the fourth quarter of 2016, reflect an improvement compared with the prior quarters of 2016, and resulted with an operating profit of \$24.6M and \$26.0M, respectively. In addition, the first quarter of 2017 resulted with an adjusted EBITDA of \$57.4M, the highest in last seven quarters.

To further improve the Company's results of operations and liquidity position, Management continue to optimize the Company's service network including establishment of new partnerships and invest in upgrading customer services to create and maintain efficiencies and cost reductions.

However, further decrease of freight rates could negatively affect the entire industry and also affect the Company's business, financial position, results of operations, cash flows and compliance with certain financial covenants. The current instability and volatility in the market make forecasting very challenging, as a result, there is a possibility that the Company's actual performance may differ from expectations.

During the year 2016, the Company reached agreements with some of its creditors to rescheduling of payments - for further details, see Note 1(b)(i) to the Company's financial statements for the year ended December 31, 2016.

**2. Financial Position**

**2.1. Balance Sheet**

The Company's total assets as of 31 March, 2017 amounted to \$1,723.2M compared to \$1,703.6M as of 31 December, 2016.

**Assets**

The Company's fixed assets as of 31 March, 2017 amounted to \$1,096.5M compared to \$1,119.0M as of 31 December, 2016, a decrease of \$22.5M. The decrease was primarily driven by: (i) depreciation expenses of \$24.2M, offset by (ii) additions of fixed assets of \$2.7M.

The Company's current assets as of 31 March, 2017 amounted to \$511.6M compared to \$465.9M as of 31 December, 2016, an increase of \$45.7M. The increase was primarily driven by: (i) an increase in short term deposits of \$35.4M and (ii) an increase in trade and other receivables of \$13.0M.

The current ratio as of 31 March, 2017 was 0.91 compared to 0.88 as of 31 December, 2016.

## Liabilities

The Company's long-term loans and other liabilities (including current maturities) as of 31 March, 2017 amounted to \$1,346.6M compared to \$1,321.9M as of 31 December, 2016, an increase of \$24.7M. The increase was primarily driven by: (i) an increase related to deferral of lease payments of \$31.9M, offset by (ii) repayments of borrowings of \$10.9M.

The Company's current liabilities (excluding current maturities) as of 31 March, 2017 amounted to \$418.0M compared to \$414.7M as of 31 December, 2016, an increase of \$3.3M. The increase was primarily driven by (i) an increase in short term loans of \$35.3M, offset by (ii) a decrease in trade and other payables of \$34.5M.

## Equity

The Company's deficit in equity attributable to the owners of the Company as of 31 March, 2017 amounted to \$110.8M compared to \$103.8M as of 31 December, 2016, an increase of \$7.0M. The increase was primarily driven by a loss attributable to the owners of the Company for the period ended 31 March, 2017 of \$8.0M.

## 2.2. Income statements

	Three months ended 31 March		Year ended 31 December
	2017	2016	2016
	Million US\$		
Income from voyages and related services	655.0	630.0	2,539.3
Operating expenses and cost of services	(571.3)	(598.4)	(2,394.1)
Depreciation	(23.4)	(21.0)	(86.3)
Gross profit	60.3	10.6	58.9
Other operating income (expenses), net	0.5	1.5	31.5
General and administrative expenses	(36.2)	(35.2)	(142.5)
Results from operating activities	24.6	(23.1)	(52.1)
Finance expenses, net	(28.5)	(29.6)	(98.0)
Share of profits of associates (net of income tax)	1.5	1.1	5.0
Profit (loss) before income tax	(2.4)	(51.6)	(145.1)
Income taxes	(4.0)	(4.7)	(18.4)
Profit (loss) for the period	(6.4)	(56.3)	(163.5)
<u>Attributable to:</u>			
Owners of the Company	(8.0)	(57.9)	(168.3)
Non-controlling interests	1.6	1.6	4.8

The Company's operating profit for three months ended 31 March, 2017 was \$24.6M compared to an operating loss of \$23.1M for the three months ended 31 March, 2016, an improvement of \$47.7M.

**Income**

The Company's income from voyages and related services for the three months ended 31 March, 2017 was \$655.0M compared to \$630.0M for the three months ended 31 March, 2016, an increase of \$25.0M (4.0%). The increase was primarily driven by: (i) an increase in income from containerized cargo in an amount of \$32.3M, offset by (ii) a decrease in income from related services in an amount of \$4.1M and (iii) a decrease in income from demurrage of \$2.1M.

The carried quantities for the three months ended 31 March, 2017 amounted to 598 thousand TEUs compared to 577 thousand TEUs for the three months ended 31 March, 2016, an increase of 21 thousand TEUs (3.6%). The average revenue per TEU increased by \$10 (1.1%) from about \$943 for the three months ended 31 March, 2016 to about \$953 for the three months ended 31 March, 2017.

**Operating Expenses**

The Company's operating expenses for the three months ended 31 March, 2017 were \$571.3M compared to \$598.4M for the three months ended 31 March, 2016, a decrease of \$27.1M (4.5%). The decrease was primarily driven by: (i) a decrease in lease expenses of vessels and containers of \$36.3M (29.1%), (ii) a decrease in expenses related to cargo handling of \$8.6M (2.9%), (iii) a decrease in port expenses of \$6.3M (11.3%), offset by (iv) an increase in bunker expenses of \$22.1M (35.7%).

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

The Company's other operating income, net for the three months ended 31 March, 2017 were \$0.5M compared to other operating income, net of \$1.5M for the three months ended 31 March, 2016, a decrease of \$1.0M.

**General and Administrative Expenses**

The Company's general and administrative expenses for the three months ended 31 March, 2017 were \$36.2M compared to \$35.2M for the three months ended 31 March, 2016, an increase of \$1.0M (2.8%).

**Finance Income (Expenses), net**

The Company's finance expenses, net for the three months ended 31 March, 2017 were \$28.6M compared to \$29.6M for the three months ended 31 March, 2016, a decrease of \$1.0M.

**Income Taxes**

The Company's tax expense for the three months ended 31 March, 2017 was \$4.0M compared to \$4.7M for the three months ended 31 March, 2016, a decrease of \$0.7M.

### 3. Liquidity and Capital Resources

#### Main Cash flows data:

	Three months ended 31 March		Year ended 31 December
	2017	2016	2016
	Million US\$		
Cash flows generated from (used in) operating activities	33.8	(14.6)	33.2
Cash flows generated from (used in) investing activities	(40.0)	(2.1)	141.5
Cash flows generated from (used in) financing activities	4.5	1.9	(228.6)
Net change in cash during the period	(1.7)	(14.8)	(53.9)
Cash – opening balance	157.6	218.7	218.7
Effect of exchange rate fluctuation on cash held	0.4	0.5	(7.2)
Cash – closing balance	156.3	204.4	157.6

#### 3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the three months ended 31 March, 2017 were \$33.8M compared to cash flows used in operating activities of \$14.6M for the three months ended 31 March, 2016, an improvement of \$48.4M.

#### 3.2. Cash flows from Investing Activities

Cash flows used in investing activities for the three months ended 31 March, 2017 were \$40.0M compared to \$2.1M for the three months ended 31 March, 2016, an increase of \$37.9M. The increase was primarily driven by a change in other investments (mainly short term deposits) in an amount of \$36.8M.

#### 3.3. Cash flows from Financing Activities

Cash flows generated from financing activities for the three months ended 31 March, 2017 were \$4.5M compared to \$1.9M for the three months ended 31 March, 2016, an increase of \$2.6M. The increase was primarily driven by: (i) a decrease in repayment of borrowing of \$12.9M, offset by (ii) a change in short term loans of \$10.1M.

#### 4. Supplemental Non-IFRS Measurements

The tables below present supplemental data, which we believe facilitates a better understanding of the factors affecting our business. The Non-IFRS measurements (“Adjusted”) presented below are used by Management and our Board of Directors to evaluate the Company’s operational performance.

In arriving at the Adjusted 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 IFRS measures, the adjustments and the corresponding Adjusted results:

	Three months ended 31 March 2017			Three months ended 31 March 2016			Year ended 31 December 2016		
	Million US\$			Million US\$			Million US\$		
	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted
Gross profit	<b>60.3</b>	<b>6.0</b>	<b>66.3</b>	10.6	6.7	17.3	58.9	25.9	84.8
EBITDA (*)	<b>51.3</b>	<b>6.1</b>	<b>57.4</b>	1.5	6.7	8.2	49.9	(3.2)	46.7
Results from operating activities	<b>24.6</b>	<b>6.1</b>	<b>30.7</b>	(23.1)	6.7	(16.4)	(52.1)	(2.2)	(54.3)
Profit (loss) for the period	<b>(6.4)</b>	<b>9.0</b>	<b>2.6</b>	(56.3)	9.5	(46.8)	(163.5)	13.6	(149.9)

(\*) Net income (loss) excluding financial expenses (income), net, income taxes, share of profit of associates and depreciation and amortization.

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

	Three months ended 31 March		Year ended 31 December
	2017	2016	2016
	Million US\$		
Accounting charter hire expenses (1)	6.0	6.7	25.4
Provision for legal claim			0.5
Gross profit	6.0	6.7	25.9
Capital gain (loss) (2)	0.1		(29.1)
EBITDA	6.1	6.7	(3.2)
Impairment of assets (3)			1.0
Results from operating activities	6.1	6.7	(2.2)
Finance expenses, net (4)	2.9	2.8	15.8
	9.0	9.5	13.6

(1) Mainly non cash charter hire accounting adjustments relating to the restructuring.

(2) Excluding those generated in the ordinary course of business.

(3) Related to vessels and equipment designated for scrap/sale.

(4) Mainly includes loans' fair value adjustment amortization and restructuring related expenses.

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

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