

Operating and Financial Review for the period ended 30 September, 2020

1. General

The container shipping industry is dynamic and volatile and has been marked in recent years by instability of market environment, also due to USA-China related trade restrictions. Moreover, the recent Covid-19 pandemic outbreak has significantly impacted global economies, resulting in reduced demand and spending across many sectors, adversely affecting the volumes of trades, while also decreasing bunker prices. Such effects and the required mitigating actions will continue to be monitored and evaluated by Management.

In view of the aforementioned business environment and in order to improve the Company's results of operations and liquidity position, Management continues to optimize its network by entering into new partnerships and cooperation agreements and by constantly upgrading its customer's offerings whilst maintaining efficiencies and focusing on cost reductions.

In addition, with the background of, among others, its recent improved financial results, the Company recently repurchased a portion of its debentures and continues to explore options which may contribute to strengthen its capital structure, including by way of private or public equity and/or debt issuance.

Despite the steps mentioned above, an adverse trend, mainly in volumes of trade, freight rates, bunker prices and/or charter rates (including the implications of the Covid-19 pandemic), could negatively affect the entire industry and also affect the Company's business and its financial position.

2. Financial Position

2.1. Balance Sheet

The Company's total assets as of 30 September, 2020 amounted to \$2,197.2M compared to \$1,926.1M as of 31 December, 2019 an increase of \$271.1M.

Assets

The Company's fixed assets as of 30 September, 2020 amounted to \$1,290.0M compared to \$1,212.8M as of 31 December, 2019, an increase of \$77.2M. The increase was primarily driven by: (i) an increase of \$287.1M in right-of-use assets, offset by (ii) depreciation expenses of \$213.6M.

The Company's current assets as of 30 September, 2020 amounted to \$823.4M compared to \$630.8M as of 31 December, 2019, an increase of \$192.6M. The increase was primarily driven by: (i) an increase of \$167.5M in cash and cash equivalents, and (ii) an increase of \$41.1M in trade and other receivables, offset by (iii) a decrease of \$13.0M in inventories.

The current ratio as of 30 September, 2020 was 0.84 compared to 0.68 as of 31 December, 2019.

Liabilities

The Company's long-term loans, lease and other liabilities (including current maturities) as of 30 September, 2020 amounted to \$1,525.3M compared to \$1,422.9M as of 31 December, 2019, an increase of \$102.4M. The increase was primarily driven by: (i) an increase of \$282.5M in lease liabilities, (ii) an increase of \$11.3M related to discount amortization and (iii) an increase of \$9.1M related to sale and lease-back transactions, offset by (iv) repayments of borrowings of \$203.4M.

The Company's current liabilities (excluding current maturities) as of 30 September, 2020 amounted to \$705.5M compared to \$687.1M as of 31 December, 2019, an increase of \$18.4M, primarily driven by:

(i) an increase of \$39.3M in contract liabilities, (ii) an increase of \$5.5M in short term loans, offset by (iii) a decrease of trade and other payables of \$25.8M.

Equity

The Company's deficit in equity attributable to the owners of the Company as of 30 September, 2020 amounted to \$100.6M compared to \$257.7M as of 31 December, 2019, a decrease of \$157.1M. The decrease was primarily driven by a profit attributable to the owners of the Company for the period ended 30 September, 2020 in the amount of \$152.9M.

2.2. Income statements

	Nine months ended 30 September		Three months ended 30 September		Year ended 31 December
	2020	2019	2020	2019	2019
Million US\$					
Income from voyages and related services	2,630.9	2,472.5	1,012.5	842.0	3,299.8
Operating expenses and cost of services	(2,039.0)	(2,125.2)	(716.8)	(703.7)	(2,810.8)
Depreciation	(204.3)	(161.3)	(68.5)	(62.9)	(226.0)
Gross profit	387.6	186.0	227.2	75.4	263.0
Other operating income, net	7.4	30.3	3.7	7.1	36.9
General and administrative expenses	(114.8)	(111.5)	(42.8)	(37.8)	(151.6)
Share of profit of associates	2.4	3.6	0.7	0.9	4.7
Results from operating activities	282.6	108.4	188.8	45.6	153.0
Finance expenses, net	(113.6)	(112.5)	(40.7)	(37.7)	(154.3)
Income (loss) before income taxes	169.0	(4.1)	148.1	7.9	(1.3)
Income taxes	(11.2)	(10.1)	(3.7)	(2.9)	(11.7)
Income (loss) for the period	157.8	(14.2)	144.4	5.0	(13.0)
<u>Attributable to:</u>					
Owners of the Company	152.9	(17.7)	142.4	3.8	(18.1)
Non-controlling interests	4.9	3.5	2.0	1.2	5.1

Income

The Company's income from voyages and related services for the period ended 30 September, 2020 was \$2,630.9M compared to \$2,472.5M for the period ended 30 September, 2019, an increase of \$158.4M (6.4%). The increase was primarily driven by: (i) an increase of \$141.5 in income from containerized cargo and (ii) an increase of \$24.2M in slots hire income.

The carried quantities for the period ended 30 September, 2020 amounted to 2,042 thousand TEUs compared to 2,124 thousand TEUs for the period ended 30 September, 2019, a decrease of 82 thousand TEUs (3.9%). The average revenue per TEU increased by \$109 (10.8%) from about \$1,007 for the period ended 30 September, 2019 to about \$1,116 for the period ended 30 September, 2020.

The Company's income from voyages and related services for the three months ended 30 September, 2020 was \$1,012.5M compared to \$842.0M for the three months ended 30 September, 2019, an increase of \$170.5M (20.3%), primarily driven by an increase in income from containerized cargo of \$163.7M.

The Company carried 762 thousand TEUs during the three months ended 30 September, 2020, compared to 725 thousand TEUs during the three months ended 30 September, 2019, an increase of 37 thousand TEUs (5.1%). The average revenue per TEU increased by \$167 (16.6%) from about \$1,009 for the three months ended 30 September, 2019 to about \$1,176 for the three months ended 30 September, 2020.

Operating expenses

The Company's operating expenses for the period ended 30 September, 2020 were \$2,039.0M compared to \$2,125.2M for the period ended 30 September, 2019, a decrease of \$86.2M (4.1%). The decrease was primarily driven by: (i) a decrease in expenses related to cargo handling of \$39.2M (3.7%), (ii) a decrease in bunker expenses of \$29.7M (10.1%) and (iii) a decrease in vessels leases expenses and slots purchases of \$26.2M (6.8%).

The Company's operating expenses for the three months ended 30 September, 2020 were \$716.8M compared to \$703.7M for the three months ended 30 September, 2019, an increase of \$13.1M (1.9%). The increase was primarily driven by: (i) an increase in cargo handling expenses of \$20.1M (5.5%), offset by (ii) a decrease in vessels lease expenses and slots purchases of \$12.1M (9.6%).

Depreciation

The Company's operating depreciation expenses for the period ended 30 September, 2020 were \$204.3M compared to \$161.3M for the period ended 30 September, 2019, an increase of \$43.0M (26.7%), primarily driven by an increase in right-of-use assets.

The Company's operating depreciation expenses for the three months ended 30 September, 2020 were \$68.5M compared to \$62.9M for the three months ended 30 September, 2019, an increase of \$5.6M (8.9%), primarily driven by an increase in right-of-use assets.

Other operating income, net

The Company's other operating income, net for the period ended 30 September, 2020 was \$7.4M compared to \$30.3M for the period ended 30 September, 2019, a decrease of \$22.9M, primarily driven by a decrease in capital gains related to real estate assets and containers.

The Company's other operating income, net for the three months ended 30 September, 2020 was \$3.7M compared to \$7.1M for the three months ended 30 September, 2019, a decrease of \$3.4M, primarily driven by a decrease in capital gains related to real estate assets.

General and administrative Expenses

The Company's general and administrative expenses for the period ended 30 September, 2020 were \$114.8M compared to \$111.5M for the period ended 30 September, 2019, an increase of \$3.3M (3.0%), primarily driven by an increase in salaries and related expenses (mostly incentives).

The Company's general and administrative expenses for the three months ended 30 September, 2020 were \$42.8M compared to \$37.8M for the three months ended 30 September, 2019, an increase of \$5.0M (13.2%), primarily driven by an increase in salaries and related expenses (mostly incentives).

Finance expenses, net

The Company's finance expenses, net for the period ended 30 September, 2020 were \$113.6M compared to \$112.5M for the period ended 30 September, 2019, an increase of \$1.1M (1.0%).

The Company's finance expenses, net for the three months ended 30 September, 2020 were \$40.7M compared to \$37.7M for the three months ended 30 September, 2019, an increase of \$3.0M (8.0%). The increase was primarily driven by an increase related to foreign currency exchange differences.

Income taxes

The Company's income taxes for the period ended 30 September, 2020 were \$11.2M compared to \$10.1M for the period ended 30 September, 2019, an increase of \$1.1M.

The Company's income taxes for the three months ended 30 September, 2020 were \$3.7M compared to \$2.9M for the three months ended 30 September, 2019, an increase of \$0.8M.

3. Liquidity and Capital Resources

Main Cash flows data:

	Nine months ended 30 September		Three months ended 30 September		Year ended 31 December
	2020	2019	2020	2019	2019
	Million US\$				
Cash flows generated from operating activities	466.4	281.3	245.1	157.5	370.6
Cash flows generated from (used in) investing activities	(13.0)	44.7	(5.3)	5.5	38.0
Cash flows used in financing activities	(286.1)	(326.2)	(94.1)	(141.8)	(411.4)
Net change in cash during the period	167.3	(0.2)	145.7	21.2	(2.8)
Cash – opening balance	182.8	186.3	202.8	164.8	186.3
Effect of exchange rate fluctuations on cash held	0.2	(1.5)	1.8	(1.4)	(0.7)
Cash – closing balance	350.3	184.6	350.3	184.6	182.8

3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the period ended 30 September, 2020 were \$466.4M compared to \$281.3M for the period ended 30 September, 2019, an increase of \$185.1M.

Cash flows generated from operating activities for the three months ended 30 September, 2020 were \$245.1M compared to \$157.5M for the three months ended 30 September, 2019, an increase of \$87.6M.

3.2. Cash flows from Investing Activities

Cash flows used in investing activities for the period ended 30 September, 2020 were \$13.0M compared to cash flows generated from investing activities of \$44.7M for the period ended 30 September, 2019, an overall change of \$57.7M. The change was primarily driven by: (i) a decrease of \$39.1M in proceeds from sale of assets (mainly related to vessels classified as held for sale and real estate assets), (ii) a decrease of \$11.2M related to change in other investments (mainly short term deposits) and (iii) an increase of \$7.4M in acquisitions of tangible assets, intangible assets and investments.

Cash flows used in investing activities for the three months ended 30 September, 2020 were \$5.3M compared to cash flows generated from investing activities of \$5.5M for the three months ended 30 September, 2019, an overall change of \$10.8M. The change was primarily driven by: (i) an increase of \$8.2M in acquisitions of tangible assets, intangible assets and investments and (ii) a decrease of \$6.8M in proceeds from sale of assets (mainly related to vessels classified as held for sale and real estate assets), offset by (iii) an increase of \$4.1M related to change in other investments (mainly short term deposits).

3.3. Cash flows from financing activities

Cash flows used in financing activities for the period ended 30 September, 2020 were \$286.1M compared to \$326.2M for the period ended 30 September, 2019, a decrease of \$40.1M. The decrease was primarily driven by a decrease of \$38.1M in repayment of borrowings and lease liabilities

Cash flows used in financing activities for the three months ended 30 September, 2020 were \$94.1M compared to \$141.8M for the three months ended 30 September, 2019, a decrease of \$47.7M. The decrease was primarily driven by: (i) a decrease of \$41.2M in repayment of borrowings and lease liabilities, (ii) a decrease of \$3.1M related to change in short term loans and (iii) a decrease of \$3.0M in interest paid.

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, due to 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:

	Nine months ended 30 September 2020			Nine months ended 30 September 2019			Year ended 31 December 2019		
	Million US\$								
	IFRS	Adjustment	Adjusted	IFRS	Adjustment	Adjusted	IFRS	Adjustment	Adjusted
Gross profit	387.6	6.3	393.9	186.0	6.5	192.5	263.0	8.9	271.9
EBITDA ⁽¹⁾	503.4	1.1	504.5	⁽²⁾ 283.8	(13.3)	270.5	⁽²⁾ 398.5	(12.6)	385.9
Results from operating activities	282.6	6.8	289.4	108.4	(6.9)	101.5	153.0	(4.1)	148.9
Profit (loss) for the period	157.8	18.1	175.9	(14.2)	3.4	(10.8)	(13.0)	9.8	(3.2)

	Three months ended 30 September 2020			Three months ended 30 September 2019		
	Million US\$					
	IFRS	Adjustment	Adjusted	IFRS	Adjustment	Adjusted
Gross profit	227.2	1.8	229.0	75.4	0.7	76.1
EBITDA ⁽¹⁾	263.0	(0.9)	262.1	⁽²⁾ 113.8	(7.0)	106.8
Results from operating activities	188.8	0.6	189.4	45.6	(4.8)	40.8
Profit (loss) for the period	144.4	4.6	149.0	5.0	(1.3)	3.7

⁽¹⁾ Profit (loss) excluding financial expenses (income), net, income taxes, depreciation and amortization.

⁽²⁾ The Company revised its presentation of EBITDA to include impairment losses (recoveries), for all presented periods.

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

	Nine months ended		Three months ended		Year ended
	30 September		30 September		31 December
	2020	2019	2020	2019	2019
	Million US\$				
Accounting charter hire expenses (1)	0.5	1.7	0.1	0.2	1.9
Provision for legal claims		(1.6)		(1.6)	(1.6)
Amortization of Deferred Charter hire expenses (1)	5.8	6.4	1.7	2.1	8.6
Gross profit	6.3	6.5	1.8	0.7	8.9
Capital gains (2)		(14.6)	(0.1)	(6.7)	(14.2)
Impairment of assets	0.5	1.2	(1.1)	1.2	1.2
Results from operating activities	6.8	(6.9)	0.6	(4.8)	(4.1)
Finance expenses, net (3)	11.3	10.3	4.0	3.5	13.9
Profit (loss) for the period	18.1	3.4	4.6	(1.3)	9.8

- (1) Mainly non-cash charter hire expenses relating to the 2014 restructuring.
(2) Excluding those generated in the ordinary course of business.
(3) Mainly includes amortization of loans' fair value adjustment.

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 better understand how management assesses the Company's performance.