

## **Operating and Financial Review for the period ended 30 September, 2015**

### **1. General**

The container shipping industry continued to suffer during the first nine months of 2015. More than one million TEUs of new capacity was added from the beginning of the year to global capacity where at the same time the increase in demand did not pick up and some major economies are showing lower rates of growth. This combination increased the over-supply that was already in the market during the last few years. This situation, combined with carriers' ambitions to increase and protect their market share led freight rates to fall sharply in most of the trades, mainly during the third quarter of 2015. The impact from the decline in freight rates was partially compensated by the current relatively low price of bunker, one of the most significant cost buckets of the company, which even decreased during the third quarter.

### **2. Financial Position**

#### **2.1. Balance Sheet**

The Company's total assets as of 30 September, 2015 amounted to \$2,033.2M, compared to \$2,156.3M as of 31 December, 2014.

##### **Assets**

The Company's fixed assets as of 30 September, 2015 amounted to \$1,118.8M compared to \$1,130.4M as of 31 December, 2014, a decrease of \$11.6M. The decrease in fixed assets was primarily driven by the following: (i) depreciation expenses in an amount of \$64.4M, offset by (ii) additions of fixed assets under financial leases in an amount of \$54.1M.

The Company's current assets as of 30 September, 2015 amounted to \$715.8M compared to \$762.5M as of 31 December, 2014, a decrease of \$46.7M. The decrease was primarily driven by the following: (i) a decrease in trade and other receivables in an amount of \$38.3M, (ii) a decrease in assets classified as held for sale in an amount of \$37.9M, (iii) a decrease in inventories in an amount of \$25.3M, offset by (iv) an increase in cash and cash equivalent in an amount of \$50.7M.

The current ratio as of 30 September, 2015 was 1.05 compared to 0.97 as of 31 December, 2014.

##### **Liabilities**

The Company's long-term loans and other liabilities (including current maturities) as of 30 September, 2015 amounted to \$1,319.3M compared to \$1,364.7M as of 31 December, 2014, a decrease of \$45.4M. The decrease was primarily driven by the following: (i) repayment of borrowings in an amount of \$111.7M, offset by (ii) increase in financial leases in an amount of \$54.1M.

The Company's current liabilities (excluding current maturities) as of 30 September, 2015 amounted to \$530.5M compared to \$623.6M as of 31 December, 2014, a decrease of \$93.1M. The decrease was primarily driven by a decrease in trade and other payables in an amount of \$81.4M.

##### **Equity**

The Company's equity attributable to the owners of the Company as of 30 September, 2015 amounted to \$103.0M compared to equity attributable to the owners of the Company in an amount of \$72.3M as of 31 December, 2014, an increase of \$30.7M. The increase was primarily driven by net profit attributable to the owners of the Company for the period ended 30 September, 2015 in an amount of \$31.9M.

## 2.2. Income statements

	Nine months ended 30 September		Three months ended 30 September		Year ended 31 December
	2015	2014	2015	2014	2014
	Million US\$				
Income from voyages and related services	<b>2,304.0</b>	2,595.8	<b>749.0</b>	854.1	3,408.8
Operating expenses and cost of services	<b>(2,046.6)</b>	(2,402.4)	<b>(695.8)</b>	(789.0)	(3,165.5)
Depreciation	<b>(61.6)</b>	(91.5)	<b>(21.2)</b>	(23.5)	(112.0)
Gross profit	<b>195.8</b>	101.9	<b>32.0</b>	41.6	131.3
Other operating income (expenses), net	<b>28.6</b>	(231.6)	<b>34.9</b>	(236.1)	(218.5)
General and administrative expenses	<b>(108.5)</b>	(116.1)	<b>(32.5)</b>	(33.6)	(153.0)
Termination benefit expenses		(23.2)		(23.2)	(23.2)
Results from operating activities	<b>115.9</b>	(269.0)	<b>34.4</b>	(251.3)	(263.4)
Finance income (expenses), net	<b>(74.1)</b>	44.0	<b>(19.9)</b>	150.7	33.8
Share of profit of associates (net of tax)	<b>7.2</b>	8.7	<b>1.5</b>	3.5	12.5
Profit (loss) before income tax	<b>49.0</b>	(216.3)	<b>16.0</b>	(97.1)	(217.1)
Income taxes	<b>(14.1)</b>	24.7	<b>(4.9)</b>	34.4	19.0
Profit (loss) for the period	<b>34.9</b>	(191.6)	<b>11.1</b>	(62.7)	(198.1)
<u>Attributable to:</u>					
Owners of the Company	<b>31.9</b>	(197.0)	<b>11.0</b>	(64.6)	(204.9)
Non-controlling interests	<b>3.0</b>	5.4	<b>0.1</b>	1.9	6.8

### Income

The Company's income from voyages and related services for the period ended 30 September, 2015 was \$2,304.0M compared to \$2,595.8M for the period ended 30 September, 2014, a decrease of \$291.8M (11.2%). The decrease was primarily driven by the following: (i) a decrease in income from containerized cargo in an amount of \$212.4M, (ii) a decrease in subsidiaries income from related services in an amount of \$38.5M and (iii) a decrease in income from demurrage in an amount of \$23.3M.

The carried quantities for the period ended 30 September, 2015 amounted to 1,719 thousand TEUs, compared to 1,796 thousand TEUs for the period ended 30 September, 2014, a decrease of 77 thousand TEUs (4.3%), mainly a result of closing the line from Asia to Northern Europe during the second quarter of 2014. The average revenue per TEU decreased by \$68 (5.5%) from about \$1,241 per TEU for the period ended 30 September, 2014 to about \$1,173 per TEU for the period ended 30 September, 2015.

The Company's income from voyages and related services for the three months ended 30 September, 2015 was \$749.0M compared to \$854.1M for the three months ended 30 September, 2014, a decrease of \$105.1M (12.3%). The decrease was primarily driven by the following: (i) a decrease in income from containerized cargo in an amount of \$91.3M and (ii) a decrease in income from demurrage in an amount of \$7.4M.

The carried quantities for the three months ended 30 September, 2015 amounted to 581 thousand TEUs, compared to 575 thousand TEUs for the three months ended 30 September, 2014, an increase of 6 thousand TEUs (1.0%).

The average revenue per TEU decreased by \$171 (13.2%) from about \$1,291 per TEU for the three months ended 30 September, 2014 to about \$1,120 per TEU for the three months ended 30 September, 2015.

### **Operating Expenses**

The Company's operating expenses for the period ended 30 September, 2015 were \$2,046.6M, compared to \$2,402.4M for the period ended 30 September, 2014, a decrease of \$355.8M (14.8%). The decrease was primarily driven by the following: (i) a decrease in bunker expenses in an amount of \$201.6M (37.9%), (ii) a decrease in expenses incidental to cargo handling in an amount of \$52.6M (5.3%), (iii) a decrease in subsidiaries expenses from related services in an amount of \$30.1M (36.9%), (iv) a decrease in port expenses in an amount of \$15.4M (7.5%), (v) a decrease in wages and expenses relating to seagoing personnel in an amount of \$12.5M (50.4), (vi) a decrease in agent commissions expenses in an amount of \$11.9M (10.1%) and (vii) a decrease in charter hire of vessels expenses in amount of \$11.6M (3.3%).

The Company's operating expenses for the three months ended 30 September, 2015 were \$695.8M, compared to \$789.0M for the three months ended 30 September, 2014, a decrease of \$93.2M (11.8%). The decrease was primarily driven by the following: (i) a decrease in bunker expenses in an amount of \$62.8M (35.0%), (ii) a decrease in expenses incidental to cargo handling in an amount of \$13.0M (4.0%), and (iii) a decrease in subsidiaries expenses from related services in amount of \$5.2M (33.4%).

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

The Company's other operating income, net for the period ended 30 September, 2015 were \$28.6M compared to other operating expenses, net in an amount of \$231.6M for the period ended 30 September, 2014, a change of \$260.2M. The change was primarily driven by the following: (i) an impairment of vessels designated for scrap in an amount of \$126.7M, recorded during the period ended 30 September, 2014, (ii) a capital loss, mainly on vessels as a result of the restructuring in an amount of \$107.7M, recorded during the period ended 30 September, 2014, compared to (iii) a capital gain on investment in associated company in an amount of \$32.0M recorded during the reported period and (iv) an impairment of vessels designated for scrap in an amount of \$7.4M, as a result of decrease in steel prices recorded during the reported period.

The Company's other operating income, net for the three months ended 30 September, 2015 were \$34.9M compared to other operating expenses, net of \$236.1M for the three months ended 30 September, 2014, a change of \$271.0M. The change was primarily driven by the following: (i) an impairment of vessels designated for scrap in an amount of \$126.7M, recorded during the three months ended 30 September, 2014, (ii) a capital loss, mainly on vessels as a result of the restructuring in an amount of \$107.7M recorded during the three months September, 2014 compared to (iii) a capital gain on investment in associated company in an amount of \$32.0M recorded during the three months ended 30 September, 2015.

### **General and Administrative Expenses**

The Company's general and administrative expenses for the period ended 30 September, 2015 were \$108.5M, compared to \$116.1M for the period ended 30 September, 2014, a decrease of \$7.6M (6.5%). The decrease was primarily driven by a decrease in actuarial benefit adjustments in an amount of \$5.3M.

The Company's general and administrative expenses for the three months ended 30 September, 2015 were \$32.5M, compared to \$33.6M for the three months ended 30 September, 2014, a decrease of \$1.1M (3.3%).

**Finance Income (Expenses), net**

The Company's finance expenses, net for the period ended 30 September, 2015 were \$74.1M compared to finance income, net of \$44.0M for the period ended 30 September, 2014, a change of \$118.1M. The change was primarily driven by the following: (i) a gain as a result of the restructuring in an amount of \$186.0M recorded during the period ended 30 September, 2014 offset by (ii) a decrease in interest expenses, net, mainly as result of the restructuring, in an amount of \$36.9M and (iii) restructuring expenses in an amount of \$23.0M, recorded during the period ended 30 September, 2014.

The Company's finance expenses, net for the three months ended 30 September, 2015 were \$19.9M compared to finance income, net of \$150.7M for the three months ended 30 September, 2014, a change of \$170.6M. The change was primarily driven by the following: (i) a gain as a result of the restructuring in an amount of \$186.0M recorded during the three months ended 30 September, 2014, offset by (ii) the change in foreign currency exchange differences in an amount of \$7.6M.

**Income Taxes**

The Company's tax expenses for the period ended 30 September, 2015 were \$14.1M compared to income of \$24.7M for the period ended 30 September, 2014, an overall change of \$38.8M. The change was primarily driven by to a one off deferred tax income in an amount of \$41.1M during the period ended on 30 September, 2014, due to forgiveness of loans from related parties under the restructuring.

The Company's tax expenses for the three months ended 30 September, 2015 were \$4.9M compared to income of \$34.4M for the three months ended 30 September, 2014, an overall change of \$39.3M. The change was primarily driven by a one off deferred tax income in an amount of \$41.1M during the three months ended on 30 September, 2014, due to forgiveness of loans from related parties under the restructuring.

### 3. Liquidity and Capital Resources

#### Main Cash flows data:

	Nine months ended 30 September		Three months ended 30 September		Year ended 31 December
	2015	2014	2015	2014	2014
	Million US\$				
Cash flows generated from operating activities	156.4	78.5	16.9	37.2	121.0
Cash flows generated from (used in) investing activities	87.5	(105.9)	89.2	(81.5)	(92.2)
Cash flows generated from (used in) financing activities	(187.9)	144.6	(77.6)	173.1	82.4
Net change in cash during the period	56.0	117.2	28.5	128.8	111.2
Cash – opening balance	230.4	123.2	255.9	110.9	123.2
Effect of exchange rate fluctuations on cash held	(5.2)	(2.0)	(3.2)	(1.3)	(4.0)
Cash – closing balance	281.2	238.4	281.2	238.4	230.4

#### 3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the period ended 30 September, 2015 were \$156.4M compared to \$78.5M for the period ended 30 September, 2014, an increase of \$77.9M.

Cash flows generated from operating activities for the three months ended 30 September, 2015 were \$16.9M compared to \$37.2M for the three months ended 30 September, 2014, a decrease of \$20.3M.

#### 3.2. Cash flows from Investing Activities

Cash flows generated from investing activities for the period ended 30 September, 2015 were \$87.5M compared to cash flows used in investing activities of \$105.9M for the period ended 30 September, 2014, an increase of \$193.4M. The increase was primarily driven by the following: (i) a change in other investments (mainly short term deposits) in an amount of \$127.8M, (ii) an increase in proceeds from sale of tangible and intangible assets, investments and subsidiaries in an amount of \$54.0M (out of which \$32.9M are a result of the sale of the Company's holdings in an associated company), (iii) a repayment during the reported period of long-term loan granted to associates in an amount of \$27.2M, offset by (iv) an increase in acquisition of tangible assets, intangible assets and investments in an amount of \$14.2M.

Cash flows generated from investing activities for the three months ended 30 September, 2015 were \$89.2M compared to cash flows used in investing activities of \$81.5M for the three months ended 30 September, 2014, an increase of \$170.7M. The increase was primarily driven by the following: (i) a change in other investments (mainly short term deposits) in an amount of \$93.9M, (ii) an increase in proceeds from sale of tangible and intangible assets, investments and subsidiaries in an amount of \$48.4M (out of which \$32.9M are a result of the sale of the Company's holdings in an associated company) and (iii) a repayment of long-term loan granted to associates in an amount of \$27.2M during the three months ended 30 September, 2015.

### 3.3. Cash flows from Financing Activities

Cash flows used in financing activities for the period ended 30 September, 2015 were \$187.9M compared to cash flows generated from financing activities \$144.6M for the period ended 30 September, 2014, a decrease of \$332.5M. The decrease was primarily driven by the following: (i) an issuance of share capital in an amount of \$200.0M during the period ended 30 September, 2014, (ii) a decrease in receipt of long term loans and capital leases in an amount of \$161.4M, (iii) a change in short term loans in an amount of \$54.4M, offset by (iv) a decrease in interest and other financial expenses paid in an amount of \$76.0M, mainly as a result of the restructuring.

Cash flows used in financing activities for the three months ended 30 September, 2015 were \$77.6M compared to cash flows generated from financing activities \$173.1M for the three months ended 30 September, 2014, a decrease of \$250.7M. The decrease was primarily driven by the following: (i) an issuance of share capital in an amount of \$200.0M during the three months ended 30 September, 2014, (ii) a decrease in receipt of long term loans and capital leases in an amount of \$79.7M, (iii) a change in short term loans in an amount of \$22.2M, offset by (iv) a decrease in interest and other financial expenses paid in an amount of \$41.6M, mainly as a result of the restructuring, and (v) an increase in repayment of borrowings in an amount of \$9.9M.

### 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:

	Nine months ended 30 September 2015			Nine months ended 30 September 2014			Year ended 31 December 2014		
	Million US\$								
	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted
Gross profit	<b>195.8</b>	<b>25.9</b>	<b>221.7</b>	101.9	(9.5)	92.4	131.3	(1.4)	129.9
EBITDA (*)	<b>197.2</b>	<b>(0.4)</b>	<b>196.8</b>	(39.3)	125.3	86.0	(18.0)	133.9	115.9
Results from operating activities	<b>115.9</b>	<b>7.0</b>	<b>122.9</b>	(269.0)	252.0	(17.0)	(263.4)	251.7	(11.7)
Profit (loss) for the period attributable to the owners of the Company	<b>31.9</b>	<b>15.6</b>	<b>47.5</b>	(197.0)	67.7	(129.3)	(204.9)	71.2	(133.7)
	Three months ended 30 September 2015			Three months ended 30 September 2014					
	Million US\$								
	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted			
Gross profit	<b>32.0</b>	<b>7.5</b>	<b>39.5</b>	41.6	3.7	45.3			
EBITDA (*)	<b>60.7</b>	<b>(22.9)</b>	<b>37.8</b>	(97.2)	138.5	41.3			
Results from operating activities	<b>34.4</b>	<b>(22.1)</b>	<b>12.3</b>	(251.3)	265.2	13.9			
Profit (loss) for the period attributable to the owners of the Company	<b>11.0</b>	<b>(19.1)</b>	<b>(8.1)</b>	(64.6)	42.4	(22.2)			

(\*) 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:

	<u>Nine months ended</u>		<u>Three months ended</u>		<u>Year ended</u>
	<u>30 September</u>		<u>30 September</u>		<u>31 December</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	<u>Million US\$</u>				
Accounting charter hire expenses (1)	<u>25.9</u>	<u>(9.5)</u>	<u>7.5</u>	<u>3.7</u>	<u>(1.4)</u>
Gross profit	<u>25.9</u>	<u>(9.5)</u>	<u>7.5</u>	<u>3.7</u>	<u>(1.4)</u>
Capital gain (2)	<u>(30.5)</u>	<u>110.2</u>	<u>(30.4)</u>	<u>110.2</u>	<u>110.7</u>
Restructuring expenses		<u>1.4</u>		<u>1.4</u>	<u>1.4</u>
Termination benefit expenses		<u>23.2</u>		<u>23.2</u>	<u>23.2</u>
Other one off expenses (3)	<u>4.2</u>				
EBITDA	<u>(0.4)</u>	<u>125.3</u>	<u>(22.9)</u>	<u>138.5</u>	<u>133.9</u>
Impairment of assets (4)	<u>7.4</u>	<u>126.7</u>	<u>0.8</u>	<u>126.7</u>	<u>117.8</u>
Results from operating activities	<u>7.0</u>	<u>252.0</u>	<u>(22.1)</u>	<u>265.2</u>	<u>251.7</u>
Finance expenses, net (5)	<u>8.6</u>	<u>42.9</u>	<u>3.0</u>	<u>4.4</u>	<u>46.7</u>
Restructuring gain, net (6)		<u>(186.0)</u>		<u>(186.0)</u>	<u>(186.0)</u>
Deferred tax income (6)		<u>(41.2)</u>		<u>(41.2)</u>	<u>(41.2)</u>
Profit for the period attributable to the owners of the Company	<u>15.6</u>	<u>67.7</u>	<u>(19.1)</u>	<u>42.4</u>	<u>71.2</u>

- (1) Mainly non cash charter hire accounting adjustments relating to 2009 and 2014 restructuring. For the nine months ended 30 September, 2015, includes an amount of \$3.4M relating to an early termination of charter agreements of 2 vessels.
- (2) Excluding those generated in the ordinary course of business.
- (3) As a result of an early termination of charter agreements of 2 vessels.
- (4) Mainly in relation to vessels designated for scrap/sale.
- (5) Mainly include loans' fair value adjustment amortization and restructuring related expenses.
- (6) Relating to 2014 restructuring, see Note 1(b) to the Company's 2014 annual financial statements.

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

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.