

Operating and Financial Review for the period ended 30 September, 2017

1. General

The container shipping industry is dynamic and volatile and has been marked in recent years by instability which is characterized by slower growth of demand and worsening overcapacity. During 2016-2017, 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.

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 nine months ended September 30, 2017.

The Company's performance in the nine months ended September 30, 2017 reflects a significant improvement compared with the parallel period of 2016, and resulted with an operating profit of \$114.8M, compared to an operating loss of \$78.1M, an increase of \$192.9M. In addition, the third quarter of 2017 resulted with an adjusted EBITDA of \$89.2M, the highest in last 5 years.

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, changes in key parameters such as decrease of freight rates could negatively affect the entire industry and also affect the Company's business and financial position. 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 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 30 September, 2017 amounted to \$1,827.5M, compared to \$1,703.6M as of 31 December, 2016.

Assets

The Company's fixed assets as of 30 September, 2017 amounted to \$1,125.7M compared to \$1,119.0M as of 31 December, 2016, an increase of \$6.7M. The increase was primarily driven by: (i) additions of fixed assets (mainly financial leases of containers) of \$84.5M, offset by (ii) depreciation expenses of \$74.3M and (iii) sale of assets in net carrying amount of \$3.6M.

The Company's current assets as of 30 September, 2017 amounted to \$590.3M, compared to \$465.9M as of 31 December, 2016 an increase of \$124.4M. The increase was primarily driven by the following: (i) an increase in short term deposits of \$67.3M, (ii) an increase in cash and cash equivalents of \$25.4M, (iii) an increase in trade and other receivables of \$22.0M and (iv) an increase in inventories of \$13.1M.

The Current ratio as of 30 September, 2017 was 0.90 compared to 0.88 as of 31 December, 2016.

Liabilities

The Company's long-term loans and other liabilities (including current maturities) as of 30 September, 2017 amounted to \$1,370.1M compared to \$1,321.9M as of 31 December, 2016, an increase of \$48.2M. The increase was primarily driven by: (i) an increase in financial leases of \$77.7M, (ii) an increase related to deferral of payments of leases of \$41.0M and (iii) an increase related to fair value adjustment amortization of \$8.9M, offset by (iv) repayments of borrowings of \$80.7M.

The Company's current liabilities (excluding current maturities) as of 30 September, 2017 amounted to \$469.0M compared to \$414.7M as of 31 December, 2016, an increase of \$54.3M. The increase was primarily driven by: (i) an increase in short term borrowings of \$78.9M offset by (ii) a decrease in trade and other payables of \$27.5M.

Equity

The Company's deficit in equity attributable to the owners of the Company as of 30 September, 2017 amounted to \$86.5M compared to \$103.8M as of 31 December, 2016, a decrease of \$17.3M. The decrease was primarily driven by a profit attributable to the owners of the Company for the period ended 30 September, 2017 of \$15.5M.

2.2. Income statements

	Nine months ended 30 September		Three months ended 30 September		Year ended 31 December
	2017	2016	2017	2016	2016
	Million US\$				
Income from voyages and related services	2,217.4	1,885.8	816.7	643.9	2,539.3
Operating expenses and cost of services	(1,920.0)	(1,809.8)	(698.7)	(608.9)	(2,394.1)
Depreciation	(72.2)	(63.3)	(24.9)	(21.3)	(86.3)
Gross profit	225.2	12.7	93.1	13.7	58.9
Other operating income, net	0.6	15.7	(1.6)	14.3	31.5
General and administrative expenses	(111.0)	(106.5)	(37.7)	(35.2)	(142.5)
Results from operating activities	114.8	(78.1)	53.8	(7.2)	(52.1)
Finance expenses, net	(88.7)	(79.4)	(26.7)	(25.8)	(98.0)
Share of profit of associates (net of tax)	5.7	3.8	2.0	1.4	5.0
Profit (loss) before income tax	31.8	(153.7)	29.1	(31.6)	(145.1)
Income taxes	(10.7)	(14.4)	(3.9)	(6.0)	(18.4)
Profit (loss) for the period	21.1	(168.1)	25.2	(37.6)	(163.5)
<u>Attributable to:</u>					
Owners of the Company	15.5	(171.2)	23.2	(38.7)	(168.3)
Non-controlling interests	5.6	3.1	2.0	1.1	4.8

The Company's operating profit for period ended 30 September, 2017 was \$114.8M compared to an operating loss of \$78.1M for the period ended 30 September, 2016, an improvement of \$192.9M.

The Company's operating profit for three months ended 30 September, 2017 was \$53.8M compared to an operating loss of \$7.2M for the three months ended 30 September, 2016, an improvement of \$61.0M.

Income

The Company's income from voyages and related services for the period ended 30 September, 2017 was \$2,217.4M compared to \$1,885.8M for the period ended 30 September, 2016, an increase of \$331.6M (17.6%). The increase was primarily driven by an increase in income from containerized cargo of \$330.5M, as a result of an increase in carried quantities and freight rates.

The carried quantities for the period ended 30 September, 2017 amounted to 1,945 thousand TEUs (Twenty Foot equivalent Units), compared to 1,816 thousand TEUs for the period ended 30 September, 2016, an increase of 129 thousand TEUs (7.1%). The average revenue per TEU increased by \$110 (12.2%) from about \$898 per TEU for the period ended 30 September, 2016 to about \$1,008 per TEU for the period ended 30 September, 2017.

The Company's income from voyages and related services for the three months ended 30 September, 2017 was \$816.7M compared to \$643.9M for the three months ended 30 September, 2016, an increase of \$172.8M (26.8%). The increase was primarily driven by an increase in income from containerized cargo of \$175.9M as a result of an increase in freight rates and carried quantities.

The Company carried 688 thousand TEUs (Twenty Foot equivalent Units) during the three months ended 30 September, 2017, compared to 622 thousand TEUs during the three months ended 30 September, 2016, an increase of 66 thousand TEUs (10.6%). The average revenue per TEU increased by \$171 (19.2%) from about \$887 for the three months ended 30 September, 2016 to about \$1,058 for the three months ended 30 September, 2017.

Operating Expenses

The Company's operating expenses for the period ended 30 September, 2017 were \$1,920.0M, compared to \$1,809.8M for the period ended 30 September, 2016, an increase of \$110.2M (6.1%). The increase was primarily driven by the following: (i) an increase in bunker expenses of \$80.6M (40.8%), (ii) an increase in expenses related to cargo handling of \$57.2M (6.4%) and (iii) an increase in port expenses of \$9.7M (5.5%), offset by (iv) a decrease in lease expenses of vessels and containers of \$44.1M (13.0%).

The Company's operating expenses for the three months ended 30 September, 2017 were \$698.7M, compared to \$608.9M for the three months ended 30 September, 2016, an increase of \$89.7M (14.7%). The increase was primarily driven by the following: (i) an increase expenses related to cargo handling of \$45.5M (15.4%), (ii) an increase in bunker expenses of \$26.1M (35.2%) and (iii) an increase in port expenses of \$18.7M (30.8%).

Other Operating Income, net

The Company's other operating income, net for the period ended 30 September, 2017 were \$0.6M compared to \$15.7M for the period ended 30 September, 2016, a change of \$15.1M. The change was primarily driven by a decrease in capital gains of \$13.4M.

The Company's other operating expenses, net for the three months ended 30 September were \$1.6M compared to \$14.3M net income for the period ended 30 September, 2016, a change of \$15.9M. The change was primarily driven by a decrease in capital gains of \$13.6M.

General and Administrative Expenses

The Company's general and administrative expenses for the period ended 30 September, 2017 were \$111.0M, compared to \$106.5M for the period ended 30 September, 2016, an increase of \$4.5M (4.2%). The change was primarily related to foreign currency exchange differences.

The Company's general and administrative expenses for the three months ended 30 September, 2017 were \$37.7M compared to \$35.2M for the three months ended 30 September, 2016, an increase of \$2.5M (7.1%). The change was primarily related to foreign currency exchange differences.

Finance Expenses, net

The Company's finance expenses, net for the period ended 30 September, 2017 were \$88.7M compared to \$79.4M for the period ended 30 September, 2016, an increase of \$9.3M (11.8%). The increase was primarily driven by an increase of \$9.6M in foreign currency exchange differences.

The Company's finance expenses, net for the three months ended 30 September, 2017 were \$26.7M compared to \$25.8M for the three months ended 30 September, 2016, an increase of \$0.9M (3.5%).

Income Taxes

The Company's income taxes for the period ended 30 September, 2017 were \$10.7M compared to \$14.4M for the period ended 30 September, 2016, a decrease of \$3.7M.

The Company's income taxes for the three months ended 30 September, 2017 were \$3.9M compared to \$6.0M for the three months ended 30 September, 2016, a decrease of \$2.1M.

3. Liquidity and Capital Resources

Main Cash flows data:

	Nine months ended 30 September		Three months ended 30 September		Year ended 31 December
	2017	2016	2017	2016	2016
	Million US\$				
Cash flows generated from operating activities	169.2	15.7	46.4	12.7	33.2
Cash flows generated from (used in) investing activities	(81.6)	109.5	3.1	38.4	141.5
Cash flows used in financing activities	(64.5)	(181.8)	(44.2)	(111.0)	(228.6)
Net change in cash during the period	23.1	(56.6)	5.3	(59.9)	(53.9)
Cash – opening balance	157.6	218.7	176.9	220.9	218.7
Effect of exchange rate fluctuations on cash held	2.3	(2.3)	0.8	(1.2)	(7.2)
Cash – closing balance	183.0	159.8	183.0	159.8	157.6

3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the period ended 30 September, 2017 were \$169.2M compared to \$15.7M for the period ended 30 September, 2016, an improvement of \$153.5M.

Cash flows generated from operating activities for the three months ended 30 September, 2017 were \$46.4M compared to \$12.7M for the three months ended 30 September 2016, an improvement of \$33.7M.

3.2. Cash flows from Investing Activities

Cash flows used in investing activities for the period ended 30 September, 2017 were \$81.6M compared to cash flows generated from investing activities of \$109.5M for the period ended 30 September, 2016, an overall change of \$191.1M. The change was primarily driven by (i) a change in other investments (mainly short term deposits) of \$164.7 and (ii) a decrease in proceeds from sales of tangible assets, intangible assets and investments of \$18.2M.

Cash flows generated from investing activities for the three months ended 30 September, 2017 were \$3.1M compared to \$38.4M, for the three months ended 30 September, 2016, a decrease of \$35.3M. The decrease was primarily driven by (i) a change in other investments (mainly short term deposits) of \$19.0M and (ii) a decrease in proceeds from sale of tangible assets, intangible assets and investments of \$14.5M.

3.3. Cash flows from Financing Activities

Cash flows used in financing activities for the period ended 30 September, 2017 were \$64.5M compared to \$181.7M for the period ended 30 September, 2016, a decrease of \$117.2M. The decrease was primarily driven by the following: (i) a change in short term loans of \$127.8M, offset by (ii) an increase in repayment of borrowings of \$5.9M and (iii) an increase in interest and other financial expenses paid of \$5.0M.

Cash flows used in financing activities for the three months ended 30 September, 2017 were \$44.2M compared to \$111.0M for the three months ended 30 September, 2016, a decrease of \$66.8M. The decrease was primarily driven by (i) a change in short term loans of \$80.9M, offset by (ii) an increase in repayment of borrowings of \$13.2M.

4. Supplemental Non-IFRS Income Data

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 2017			Nine months ended 30 September 2016			Year ended 31 December 2016		
	GAAP	Non-GAAP Adjustment	Non-GAAP	GAAP	Non-GAAP Adjustment	Non-GAAP	GAAP	Non-GAAP Adjustment	Non-GAAP
	Million US\$								
Gross profit (loss)	225.2	18.9	244.1	12.7	19.2	31.9	58.9	25.9	84.8
EBITDA (*)	197.7	19.0	216.7	(2.9)	5.7	2.8	49.9	(3.2)	46.7
Results from operating activities	114.8	21.4	136.2	(78.1)	6.8	(71.3)	(52.1)	(2.2)	(54.3)
Profit (loss) for the period	21.1	30.2	51.3	(168.1)	16.8	(151.3)	(163.5)	13.6	(149.9)

	Three months ended 30 September 2017			Three months ended 30 September 2016		
	GAAP	Non-GAAP Adjustment	Non-GAAP	GAAP	Non-GAAP Adjustment	Non-GAAP
	Million US\$					
Gross profit (loss)	93.1	5.6	98.7	13.7	6.3	20.0
EBITDA (*)	83.6	5.6	89.2	17.7	(7.2)	10.5
Results from operating activities	53.8	8.0	61.8	(7.2)	(7.2)	(14.4)
Profit (loss) for the period	25.2	11.0	36.2	(37.6)	(2.8)	(40.4)

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

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
	<u>Million US\$</u>				
Accounting charter hire expenses (1)	17.4	19.2	5.6	6.3	25.4
Provision for legal claims	1.5				0.5
Gross profit	18.9	19.2	5.6	6.3	25.9
Capital gain (2)	0.1	(13.5)		(13.5)	(29.2)
Impairment of assets	2.4	1.1	2.4		1.1
Results from operating activities	21.4	6.8	8.0	(7.2)	(2.2)
Finance expenses, net (3)	8.8	10.0	3.0	4.4	15.8
Profit (loss) for the period	30.2	16.8	11.0	(2.8)	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) 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.