

Operating and Financial Review for the period ended 30 June, 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 which impacted also the shipping industry.

On the supply side, more than 1million TEUs were added since the beginning of the year to global capacity, 96% of which are vessels of over 10,000 TEUs. Moderate demand growths along with continuous overcapacity impact all major trade routes.

This overcapacity combined with decreasing bunker prices, as well as carriers' ambitions to increase their market share, led spot rates to a significant decrease in most of the trades, mainly during the second quarter of 2015.

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 Notes 4(a) and 4(b) to 30 June, 2015 Financial Statements.

2. Financial Position

2.1. Balance Sheet

The Company's total assets as of 30 June, 2015 amounted to \$2,095.2M, compared to \$2,156.3M as of 31 December, 2014.

Assets

The Company's fixed assets as of 30 June, 2015 amounted to \$1,122.2M compared to \$1,130.4M as of 31 December, 2014, a decrease of \$8.2M. The decrease in fixed assets was primarily driven by the following: (i) depreciation expenses in an amount of \$42.1M, offset by (ii) additions of fixed assets under financial leases in an amount of \$30.3M.

The Company's current assets as of 30 June, 2015 amounted to \$734.5M, compared to \$762.5M as of 31 December, 2014, a decrease of \$28.0M. The decrease was primarily driven by the following: (i) a decrease in trade and other receivables in an amount of \$27.9M, (ii) a decrease in inventories in an amount of \$19.0M, (iii) a decrease in assets classified as held for sale in an amount of \$9.4M, offset by (iv) an increase in cash and cash equivalent in an amount of \$25.4M.

The current ratio as of 30 June, 2015 was 1.00 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 June, 2015 amounted to \$1,338.2M compared to \$1,364.7M as of 31 December, 2014, a decrease of \$26.5M. The decrease was primarily driven by the following: (i) repayment of borrowings in an amount of \$64.6M, offset by (ii) new financial lease agreements in an amount of \$30.3M.

The Company's current liabilities (excluding current maturities) as of 30 June, 2015 amounted to \$576.5M compared to \$623.6M as of 31 December, 2014, a decrease of \$47.1M. The decrease was primarily driven by a decrease in trade and other payables in an amount of \$40.8M.

Equity

The Company's equity attributable to the owners of the Company as of 30 June, 2015 amounted to \$94.2M compared to equity attributable to the owners of the Company in an amount of \$72.3M as of 31 December, 2014, an increase of \$21.9M. The increase was primarily driven by net profit attributable to the owners of the Company for the period ended 30 June, 2015 in an amount of \$20.9M.

2.2. Income statements

	Six months ended 30 June		Three months ended 30 June		Year ended 31 December
	2015	2014	2015	2014	2014
	Million US\$				
Income from voyages and related services	1,555.0	1,741.7	762.9	875.1	3,408.8
Operating expenses and cost of services	(1,350.9)	(1,613.4)	(666.0)	(811.1)	(3,165.5)
Depreciation	(40.4)	(67.9)	(20.4)	(34.1)	(112.0)
Gross profit	163.7	60.4	76.5	29.9	131.3
Other operating income (expenses), net	(6.3)	4.5	1.6	2.3	(218.5)
General and administrative expenses	(75.9)	(82.6)	(36.5)	(41.5)	(153.0)
Termination benefit expenses					(23.2)
Results from operating activities	81.5	(17.7)	41.6	(9.3)	(263.4)
Finance income (expenses), net	(54.2)	(106.8)	(28.7)	(57.6)	33.8
Share of profit of associates (net of tax)	5.7	5.3	2.6	2.9	12.5
Profit (loss) before income tax	33.0	(119.2)	15.5	(64.0)	(217.1)
Income taxes	(9.2)	(9.7)	(3.4)	(3.5)	19.0
Profit (loss) for the period	23.8	(128.9)	12.1	(67.5)	(198.1)
<u>Attributable to:</u>					
Owners of the Company	20.9	(132.4)	10.3	(69.3)	(204.9)
Non-controlling interests	2.9	3.5	1.8	1.8	6.8

Income

The Company's income from voyages and related services for the period ended 30 June, 2015 was \$1,555.0M compared to \$1,741.7M for the period ended 30 June, 2014, a decrease of \$186.7M (10.7%). The decrease was primarily driven by the following: (i) a decrease in income from containerized cargo in an amount of \$121.0M, (ii) a decrease in income of subsidiaries in an amount of \$35.8M and (iii) a decrease in income from demurrage in an amount of \$15.9M.

The carried quantities for the period ended 30 June, 2015 amounted to 1,137 thousand TEUs (Twenty Foot equivalent Units), compared to 1,221 thousand TEUs for the period ended 30 June, 2014, a decrease of 84 thousand TEUs (6.9%), the decrease in the carried TEUs was mainly a result of closing the line from Asia to Northern Europe during the second quarter of 2014. The average revenue per TEU decrease by \$17 (1.4%) from about \$1,217 per TEU for the period ended 30 June, 2014 to about \$1,200 per TEU for the period ended 30 June, 2015.

The Company's income from voyages and related services for the three months ended 30 June, 2015 was \$762.9M compared to \$875.1M for the three months ended 30 June, 2014, a decrease of \$112.2M (12.8%). The decrease was primarily driven by the following: (i) a decrease in income from containerized cargo in an amount of \$84.6M and (ii) a decrease in income of subsidiaries in an amount of \$18.8M.

The carried quantities for the three months ended 30 June, 2015 amounted to 577 thousand TEUs (Twenty Foot equivalent Units), compared to 616 thousand TEUs for the three months ended 30 June, 2014, a decrease of 39 thousand TEUs (6.3%), the decrease in the carried TEUs was 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 \$66 (5.4%) from about \$1,216 per TEU for the three months ended 30 June, 2014 to about \$1,150 per TEU for the three months ended 30 June, 2015.

Operating Expenses

The Company's operating expenses for the period ended 30 June, 2015 were \$1350.9M, compared to \$1,613.4M for the period ended 30 June, 2014, a decrease of \$262.5M (16.3%). The decrease was primarily driven by the following: (i) a decrease in bunker expenses in an amount of \$138.8M (39.4%), (ii) a decrease in expenses incidental to cargo handling in an amount of \$39.5M (6.0%), (iii) a decrease in expenses of subsidiaries in an amount of \$24.8M (37.6%), (iv) a decrease in charter hire of vessels expenses in amount of \$18.2M (7.8%), (v) a decrease in port expenses in an amount of \$13.8M (10.3%), and (vi) a decrease in agent commissions expenses in an amount of \$9.5M (11.9%).

The Company's operating expenses for the three months ended 30 June, 2015 were \$666.0M, compared to \$811.1M for the three months ended 30 June, 2014, a decrease of \$145.1M (17.9%). The decrease was primarily driven by the following: (i) a decrease in bunker expenses in an amount of \$74.7M (41.6%), (ii) a decrease in expenses incidental to cargo handling in an amount of \$22.1M (6.6%), (iii) a decrease in expenses of subsidiaries in amount of \$16.1M (47.4%), (iv) a decrease in port expenses in an amount of \$8.9M (13.1%) and (v) a decrease in charter hire of vessels expenses in amount of \$7.9M (7.1%)

Other Operating Income (Expenses), net

The Company's other operating expenses, net for the period ended 30 June, 2015 were \$6.3M compared to other operating income, net in an amount of \$4.5M for the period ended 30 June, 2014, a change of \$10.8M. The change was primarily driven by an impairment of vessels designated for scrap, in an amount of \$6.6M, as a result of decrease in steel prices.

The Company's other operating expenses, net for the three months ended 30 June, 2015 were \$1.6M compared to \$2.3M for the three months ended 30 June, 2014, a decrease of \$0.7M.

General and Administrative Expenses

The Company's general and administrative expenses for the period ended 30 June, 2015 were \$75.9M, compared to \$82.6M for the period ended 30 June, 2014, a decrease of \$6.7M (8.1%). The decrease was primarily driven by a decrease in actuarial benefits adjustments in an amount of \$5.8M.

The Company's general and administrative expenses for the three months ended 30 June, 2015 were \$36.5M, compared to \$41.5M for the three months ended 30 June, 2014, a decrease of \$5.0M (12.0%). The decrease was primarily driven by a decrease in actuarial benefits adjustments in an amount of \$3.4M.

Finance Income (Expenses), net

The Company's finance expenses, net for the period ended 30 June, 2015 were \$54.2M compared to \$106.8M for the period ended 30 June, 2014, a decrease of \$52.6M (49.3%). The decrease was primarily

driven by the following: (i) a decrease in interest expenses, net mainly as result of the restructuring, in an amount of \$34.0 and (ii) restructuring expenses in an amount of \$21.4M, recorded in the period ended 30 June, 2014.

The Company's finance expenses, net for the three months ended 30 June, 2015 were \$28.7M compared to \$57.6M for the three months ended 30 June, 2014, a decrease of \$28.9M (50.2%). The decrease was primarily driven by the following: (i) a decrease in interest expenses, net mainly as result of the restructuring, in an amount of \$17.5M and (ii) restructuring expenses in an amount of \$13.8M, recorded in the three months ended 30 June, 2014.

Income Taxes

The Company's income tax for the period ended 30 June, 2015 was \$9.2M compared to \$9.7M for the period ended 30 June, 2014, a decrease of \$0.5M.

The Company's income tax for the three months ended 30 June, 2015 was \$3.4M compared to \$3.5M for the three months ended 30 June, 2014, a decrease of \$0.1M.

3. Liquidity and Capital Resources

Main Cash flows data:

	Six months ended 30 June		Three months ended 30 June		Year ended 31 December
	2015	2014	2015	2014	2014
	Million US\$				
Cash flows generated from operating activities	139.5	41.4	86.0	18.8	121.0
Cash flows used in investing activities	(1.7)	(24.4)	(17.2)	(14.7)	(92.2)
Cash flows generated from (used in) financing activities	(110.3)	(28.5)	(52.6)	(18.1)	82.4
Net change in cash during the period	27.5	(11.5)	16.2	(14.0)	111.2
Cash – opening balance	230.4	123.2	239.6	124.6	123.2
Effect of exchange rate fluctuations on cash held	(2.0)	(0.8)	0.1	0.3	(4.0)
Cash – closing balance	255.9	110.9	255.9	110.9	230.4

3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the period ended 30 June, 2015 were \$139.5M compared to \$41.4M for the period ended 30 June, 2014, an increase of \$98.1M.

Cash flows generated from operating activities for the three months ended 30 June, 2015 were \$86.0M compared to \$18.8M for the three months ended 30 June, 2014, an increase of \$67.2M.

3.2. Cash flows from Investing Activities

Cash flows used in investing activities for the period ended 30 June, 2015 were \$1.7M compared to \$24.4M for the period ended 30 June, 2014, a decrease of \$22.7M. The decrease was primarily driven by the following: (i) a change in other investments (mainly short term deposits) in an amount of \$33.8M,

offset by (ii) an increase in acquisition of tangible assets, intangible assets and investments in an amount of \$15.4M.

Cash flows used in investing activities for the three months ended 30 June, 2015 were \$17.2M compared to \$14.7M for the three months ended 30 June, 2014, an increase of \$2.5M. The increase was primarily driven by an increase in acquisition of tangible assets, intangible assets and investments in an amount of \$2.9M.

3.3. Cash flows from Financing Activities

Cash flows used in financing activities for the period ended 30 June, 2015 were \$110.3M compared to \$28.5M for the period ended 30 June, 2014, an increase of \$81.8M. The increase was primarily driven by the following: (i) a decrease in receipt of long term loans and capital leases in an amount of \$81.7M, (ii) a change in short term loans in an amount of \$31.2M, offset by (iii) a decrease in interest and other financial expenses paid in an amount of \$34.4M, mainly as a result of the restructuring.

Cash flows used in financing activities for the three months ended 30 June, 2015 were \$52.6M compared to \$18.1M for the three months ended 30 June, 2014, an increase of \$34.5M. The increase was primarily driven by the following: (i) a decrease in receipt of long term loans and capital leases in an amount of \$21.0M, (ii) an increase in repayment of borrowings in an amount of \$17.0M (iii) a change in short term loans in an amount of \$10.3M, offset by (iv) a decrease in other financial expenses paid in an amount of \$11.6M, mainly as a result of the restructuring.

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:

	Six months ended 30 June 2015			Six months ended 30 June 2014			Year ended 31 December 2014		
	GAAP	Non-GAAP Adjustment	Non-GAAP	GAAP	Non-GAAP Adjustment	Non-GAAP	GAAP	Non-GAAP Adjustment	Non-GAAP
Gross profit	163.7	18.4	182.1	60.4	(13.3)	47.1	131.3	(1.4)	129.9
Results from operating activities	81.5	29.1	110.6	(17.7)	(13.3)	(31.0)	(263.4)	251.7	(11.7)
Profit (loss) for the period attributable to the owners of the Company	20.9	34.7	55.6	(132.4)	26.2	(106.2)	(204.9)	71.2	(133.7)

	Three months ended 30 June 2015			Three months ended 30 June 2014		
	Million US\$					
	GAAP	Non-GAAP Adjustment	Non-GAAP	GAAP	Non-GAAP Adjustment	Non-GAAP
Gross profit	76.5	7.4	83.9	29.9	(5.7)	24.2
Results from operating activities	41.6	8.2	49.8	(9.3)	(5.7)	(15.0)
Profit (loss) for the period attributable to the owners of the Company	10.3	11.1	21.4	(69.3)	17.3	(52.0)

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:

	Six months ended 30 June		Three months ended 30 June		Year ended 31 December
	2015	2014	2015	2014	2014
	Million US\$				
Accounting charter hire expenses (1)	18.4	(13.3)	7.4	(5.7)	(1.4)
Gross profit	18.4	(13.3)	7.4	(5.7)	(1.4)
Capital gain (2)	(0.1)		(0.4)		110.7
Impairment of assets (3)	6.6		1.2		117.8
Restructuring expenses					1.4
Termination benefit expenses					23.2
Other one off expenses (6)	4.2				
Results from operating activities	29.1	(13.3)	8.2	(5.7)	251.7
Finance expenses, net (4)	5.6	39.5	2.9	23.0	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	34.7	26.2	11.1	17.3	71.2

- (1) Mainly non cash charter hire accounting adjustments relating to 2009 and 2014 restructuring. For the six months ended 30 June, 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) Mainly in relation to vessels designated for scrap/sale.
- (4) Mainly include loans' fair value adjustment amortization and restructuring related expenses.
- (5) Relating 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.