

## **Operating and Financial Review for the year ended 31 December, 2015**

### **1. General**

The container shipping industry continued to suffer during 2015 from the imbalance of supply and demand. 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 built 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 second half of 2015. The last quarter of 2015 was particularly challenging. Container freight rates hit historical lows across major trades, as new vessel capacity was added, while market demand remained unchanged. The impact from the decline in freight rates was partially compensated by the current relatively low prices of bunker and vessels' charter hire, two significant cost buckets of the Company. To cope with this situation the Company, inter alia, continues its efforts to optimize network rationalizations and to reduce operation costs.

### **2. Financial Position**

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

The Company's total assets as of 31 December, 2015 amounted to \$1,912.3M compared to \$2,156.3M as of 31 December, 2014.

##### **Assets**

The Company's fixed assets as of 31 December, 2015 amounted to \$1,100.9M compared to \$1,130.4M as of 31 December, 2014, a decrease of \$29.5M. The decrease was primarily driven by the following: (i) depreciation expenses in an amount of \$86.2M, offset by (ii) additions of fixed assets under financial leases in an amount of \$58.6M.

The Company's current assets as of 31 December, 2015 amounted to \$616.3M compared to \$762.5M as of 31 December, 2014, a decrease of \$146.2M. The decrease was primarily driven by the following: (i) a decrease in assets classified as held for sale in an amount of \$56.7M, (ii) a decrease in trade and other receivables in an amount of \$50.9M and (iii) a decrease in inventories in an amount of \$33.9M.

The current ratio as of 31 December, 2015 was 1.01 compared to 0.97 as of 31 December, 2014.

##### **Liabilities**

The Company's long-term loans and other liabilities (including current maturities) as of 31 December, 2015 amounted to \$1,262.3M compared to \$1,364.7M as of 31 December, 2014, a decrease of \$102.4M. The decrease was primarily driven by the following: (i) repayments of borrowings in an amount of \$179.3M, offset by (ii) an increase in financial leases in an amount of \$58.6M.

The Company's current liabilities (excluding current maturities) as of 31 December, 2015 amounted to \$496.0M compared to \$623.6M as of 31 December, 2014, a decrease of \$127.6M. The decrease was primarily driven by a decrease in trade and other payables in an amount of \$116.6M.

##### **Equity**

The Company's equity attributable to the owners of the Company as of 31 December, 2015 amounted to \$74.8M compared to \$72.3M as of 31 December, 2014, an increase of \$2.5M. The increase was primarily driven by net profit attributable to the owners during the reported year in an amount of \$2.3M.

## 2.2. Income statements

	Year ended 31 December		Three months ended 31 December	
	2015	2014	2015	2014
	Million US\$			
Income from voyages and related services	<b>2,991.1</b>	3,408.8	<b>687.2</b>	813.0
Operating expenses and cost of services	<b>(2,692.6)</b>	(3,165.5)	<b>(646.1)</b>	(763.1)
Depreciation	<b>(82.4)</b>	(112.0)	<b>(20.8)</b>	(20.6)
Gross profit	<b>216.1</b>	131.3	<b>20.3</b>	29.3
Other operating income (expenses), net	<b>29.3</b>	(218.5)	<b>0.8</b>	13.2
General and administrative expenses	<b>(147.4)</b>	(153.0)	<b>(38.9)</b>	(36.9)
Termination benefit expenses		(23.2)		
Results from operating activities	<b>98.0</b>	(263.4)	<b>(17.8)</b>	5.6
Finance income (expenses), net	<b>(102.8)</b>	33.8	<b>(28.7)</b>	(10.2)
Share of profit of associates (net of tax)	<b>9.4</b>	12.5	<b>2.2</b>	3.8
Profit (loss) before income tax	<b>4.6</b>	(217.1)	<b>(44.3)</b>	(0.8)
Income taxes	<b>1.9</b>	19.0	<b>16.0</b>	(5.7)
Profit (loss) for the period	<b>6.5</b>	(198.1)	<b>(28.3)</b>	(6.5)
<u>Attributable to:</u>				
Owners of the Company	<b>2.3</b>	(204.9)	<b>(29.6)</b>	(7.9)
Non-controlling interests	<b>4.2</b>	6.8	<b>1.3</b>	1.4

### Income

The Company's income from voyages and related services for the year ended 31 December, 2015 was \$2,991.1M compared to \$3,408.8M for the year ended 31 December, 2014, a decrease of \$417.7M (12.3%). The decrease was primarily driven by the following: (i) a decrease in income from containerized cargo in an amount of \$334.7M, (ii) a decrease in income from related services in an amount of \$43.5M and (iii) a decrease in income from demurrage in an amount of \$28.9M.

The carried quantities for the year ended 31 December, 2015 amounted to 2,308 thousand TEUs, compared to 2,360 thousand TEUs for the year ended 31 December, 2014, a decrease of 52 thousand TEUs (2.2%), 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 \$117.0 (9.4%) from about \$1,243 for the year ended 31 December, 2014 to about \$1,126 for the year ended 31 December, 2015.

The Company's income from voyages and related services for the three months ended 31 December, 2015 was \$687.2M compared to \$813.0M for the three months ended 31 December, 2014, a decrease of \$125.8M (15.5%). The decrease was primarily driven by a decrease in income from containerized cargo in an amount of 122.3M\$.

The carried quantities for the three months ended 31 December, 2015 amounted to 590 thousand TEUs, compared to 563 thousand TEUs for the three months ended 31 December, 2014, an increase of 27 thousand TEUs (4.8%). The average revenue per TEU decreased by \$264 (21.1%) from about \$1,252 for the three months ended 31 December, 2014 to about \$988 for the three months ended 31 December, 2015.

### **Operating Expenses**

The Company's operating expenses for the year ended 31 December, 2015 were \$2,692.6M, compared to \$3,165.5M for the year ended 31 December, 2014, a decrease of \$472.9M (14.9%). The decrease was primarily driven by the following: (i) a decrease in bunker expenses in an amount of \$279.4M (40.4%), (ii) a decrease in expenses incidental to cargo handling in an amount of \$91.9M (7.0%), (iii) a decrease in expenses from related services in an amount of \$33.5M (32.0%) and (iv) a decrease in wages and expenses relating to seagoing personnel in an amount of \$13.6M (47.0%).

The Company's operating expenses for the three months ended 31 December, 2015 were \$646.1M, compared to \$763.1M for the three months ended 31 December, 2014, a decrease of \$117.0M (15.3%). The decrease was primarily driven by the following: (i) a decrease in bunker expenses in an amount of \$77.8M (48.5%) and (ii) a decrease in expenses incidental to cargo handling in an amount of \$39.3M (11.7%).

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

The Company's other operating income, net for the year ended 31 December, 2015 were \$29.3M compared to other operating expenses, net in an amount of \$218.5M for the year ended 31 December, 2014, an overall change of \$247.8M. The change was primarily driven by the following: (i) a decrease in impairment expenses in an amount of \$110.4M, mainly resulting from vessels designated for scrap recorded during the year ended 31 December, 2014, (ii) a capital loss, mainly on vessels, as a result of the restructuring in an amount of \$107.8M, recorded during the year ended 31 December, 2014 and (iii) a capital gain on investment in associated company in an amount of \$32.0M recorded during the reported year.

The Company's other operating income, net for the three months ended 31 December, 2015 were \$0.8M compared to \$13.2M for the three months ended 31 December, 2014, a decrease of \$12.4M. The decrease was primarily driven by a reversal of an impairment of investment in an associated company in an amount of \$8.9M during the three months ended 31 December 2014.

### **General and Administrative Expenses**

The Company's general and administrative expenses for the year ended 31 December, 2015 were \$147.4M, compared to \$153.0M for the year ended 31 December, 2014, a decrease of \$5.6M (3.7%). The decrease was primarily driven by a decrease in consulting expenses in an amount of \$5.0M (35.2%).

The Company's general and administrative expenses for the three months ended 31 December, 2015 were \$38.9M compared to \$36.9M for the three months ended 31 December, 2014, an increase of \$2.0M (5.4%).

### **Finance Income (Expenses), net**

The Company's finance expenses, net for the year ended 31 December, 2015 were \$102.8M compared to finance income, net of \$33.8M for the year ended 31 December, 2014, an overall change of \$136.6M. The change was primarily driven by 2014 restructuring as follows: (i) a net gain as a result of the restructuring in an amount of \$163.0M recorded during the year ended 31 December, 2014 offset by (ii) a decrease in interest expenses, net in an amount of \$32.1M.

The Company's finance expenses, net for the three months ended 31 December, 2015 were \$28.7M compared to \$10.2M for the three months ended 31 December, 2014, an increase of \$18.5M. The increase was primarily driven by the following: (i) a decrease in foreign currency exchange differences income in an amount of \$9.9M and (ii) an increase in interest expenses, net in an amount of \$4.8M.

### Income Taxes

The Company's tax income for the year ended 31 December, 2015 was \$1.9M compared to \$19.0M for the year ended 31 December, 2014, a decrease of \$17.1M. The decrease was primarily driven by: (i) a one off deferred tax income in an amount of \$41.1M recorded during the year ended 31 December, 2014, in connection with the forgiveness of loans from related parties as part of the restructuring, offset by (ii) a reversal of subsidiary's provision related to previous years in an amount of \$22.7M.

The Company's tax income for the three months ended 31 December, 2015 was \$16.0M compared to tax expenses of \$5.7M for the three months ended 31 December, 2014, an overall change of \$21.7M. The change was primarily driven by a reversal of subsidiary's provision related to previous years in an amount of \$22.7M.

### 3. Liquidity and Capital Resources

#### Main Cash flows data:

	Year ended 31 December		Three months ended 31 December	
	2015	2014	2015	2014
	Million US\$			
Cash flows generated from operating activities	<b>173.1</b>	121.0	<b>16.8</b>	42.5
Cash flows generated from (used in) investing activities	<b>103.5</b>	(92.2)	<b>16.0</b>	13.7
Cash flows generated from (used in) financing activities	<b>(282.6)</b>	82.4	<b>(94.7)</b>	(62.3)
Net change in cash during the period	<b>(6.0)</b>	111.2	<b>(61.9)</b>	(6.1)
Cash – opening balance	<b>230.4</b>	123.2	<b>281.2</b>	238.4
Effect of exchange rate fluctuations on cash held	<b>(5.7)</b>	(4.0)	<b>(0.6)</b>	(1.9)
Cash – closing balance	<b>218.7</b>	230.4	<b>218.7</b>	230.4

#### 3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the year ended 31 December, 2015 were \$173.1M compared to \$121.0M for the year ended 31 December, 2014, an increase of \$52.1M.

Cash flows generated from operating activities for the three months ended 31 December, 2015 were \$16.8M compared to \$42.5M for the three months ended 31 December, 2014, a decrease of \$25.7M.

#### 3.2. Cash flows from Investing Activities

Cash flows generated from investing activities for the year ended 31 December, 2015 were \$103.5M compared to cash flows used in investing activities of \$92.2M for the year ended 31 December, 2014, an overall change of \$195.7M. The change was primarily driven by the following: (i) a change in other investments (mainly short term deposits) in an amount of \$129.9M, (ii) an increase in proceeds from sale of tangible and intangible assets and investments in an amount of \$53.1M (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 year 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 \$12.7M.

Cash flows generated from investing activities for the three months ended 31 December, 2015 were \$16.0M compared to \$13.7M for the three months ended 31 December, 2014, an increase of \$2.3M.

### 3.3. Cash flows from Financing Activities

Cash flows used in financing activities for the year ended 31 December, 2015 were \$282.6M compared to cash flows generated from financing activities of \$82.4M for the year ended 31 December, 2014, an overall change of \$365.0M. The change was primarily driven by the following: (i) an issuance of share capital in an amount of \$200.0M during the year ended 31 December, 2014, (ii) a decrease in receipt of long term loans and capital leases in an amount of \$161.4M, (iii) a net decrease in short term loans in an amount of \$51.7M, offset by (iv) a decrease in interest and other financial expenses paid in an amount of \$71.8M, mainly as a result of the restructuring.

Cash flows used in financing activities for the three months ended 31 December, 2015 were \$94.7M compared to \$62.3M for the three months ended 31 December, 2014, an increase of \$32.4M. The increase was primarily driven by an increase in repayment of borrowings in an amount of \$29.8M.

## 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:

	Year ended 31 December 2015			Year ended 31 December 2014		
	Million US\$					
	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted
Gross profit	<b>216.1</b>	<b>36.7</b>	<b>252.8</b>	131.3	(1.4)	129.9
EBITDA (*)	<b>204.4</b>	<b>12.3</b>	<b>216.7</b>	(18.0)	133.9	115.9
Results from operating activities	<b>98.0</b>	<b>19.7</b>	<b>117.7</b>	(263.4)	251.7	(11.7)
Profit (loss) for the period attributable to the owners of the Company	<b>2.3</b>	<b>11.1</b>	<b>13.4</b>	(204.9)	71.2	(133.7)
	Three months ended 31 December 2015			Three months ended 31 December 2014		
	Million US\$					
	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted
Gross profit	<b>20.3</b>	<b>10.8</b>	<b>31.1</b>	29.3	8.2	37.5
EBITDA (*)	<b>7.1</b>	<b>12.7</b>	<b>19.8</b>	21.3	8.7	30.0
Results from operating activities	<b>(17.8)</b>	<b>12.7</b>	<b>(5.1)</b>	5.6	(0.2)	5.4
Profit (loss) for the period attributable to the owners of the Company	<b>(29.6)</b>	<b>(4.5)</b>	<b>(34.1)</b>	(7.9)	2.6	(5.3)

(\*) 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:

	Year ended 31 December		Three months ended 31 December	
	2015	2014	2015	2014
	<b>Million US\$</b>			
Accounting charter hire expenses (1)	32.2	(1.4)	6.3	8.2
Provision for legal claim	4.5		4.5	
Gross profit	36.7	(1.4)	10.8	8.2
Capital gain (2)	(28.6)	110.7	1.9	0.5
Restructuring expenses		1.4		
Termination benefit expenses		23.2		
Other one off expenses (3)	4.2			
EBITDA	12.3	133.9	12.7	8.7
Impairment of assets (4)	7.4	117.8		(8.9)
Results from operating activities	19.7	251.7	12.7	(0.2)
Finance expenses, net (5)	14.1	46.7	5.5	2.8
Restructuring gain, net (6)		(186.0)		
Income taxes (6)	(22.7)	(41.2)	(22.7)	
Profit for the period attributable to the owners of the Company	11.1	71.2	(4.5)	2.6

- (1) Mainly non cash charter hire accounting adjustments relating to the restructuring. For the year ended 31 December, 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 includes loans' fair value adjustment amortization and restructuring related expenses.
- (6) In 2014 related to the restructuring, (see Note 1(b) to the Company's 2015 annual financial statements). In the three months ended 31 December, 2015, in connection with a subsidiary's provision reversal related to previous years.

#### 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.

#### 5. Material Commitments and Contingencies

See Notes 25 and 26 to the Company's 2015 annual financial statements.

#### 6. Significant Accounting Policies

See Note 3 to the Company's 2015 annual financial statements.

7. In August 2015, the Company concluded an agreement for a receivables-backed facility with a financial institution, in accordance with its obligations under Tranche A agreements - for further details, see Note 12(d) to the Company's 2015 annual financial statements.
8. In October 2015, the Company obtained amendments to its financial covenants, which were further amended following the balance sheet date – for further details, see Note 12(c) to the Company's 2015 annual financial statements.