

Operating and Financial Review for the three months ended 31 March, 2016

1. General

The container shipping industry is dynamic and volatile and has been marked in recent years by instability as a result of a prolonged global economic crisis, continued deterioration of market environment which is characterized by slower growth of demand and worsening overcapacity combined with increased uncertainty due to the realigning of global alliances. 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 since the second half of 2015. The first quarter of 2016 continued to be very challenging. Container freight rates hit historical lows across major trades, as new vessel capacity was added, while market demand remained weak. This trend continued subsequent to the balance sheet date.

In view of the aforementioned continued deterioration in the business environment, the volatile bunker prices, and in order to improve the company's results of operations and liquidity position, Management continues to optimize the Company's network rationalizations including establishment of new partnerships, invest in upgrading customer services and constantly strive to create and maintain efficiencies and cost reductions.

However, continuation of this trend could negatively affect the entire industry and also affect the Company's business, financial position, assets value, results of operations, cash flows and compliance with certain financial covenants. 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 during the coming year may differ from expectations.

2. Financial Position

2.1. Balance Sheet

The Company's total assets as of 31 March, 2016 amounted to \$1,860.0M, compared to \$1,912.3M as of 31 December, 2015.

Assets

The Company's fixed assets as of 31 March, 2016 amounted to \$1,089.8M compared to \$1,100.9M as of 31 December, 2015, a decrease of \$11.1M. The decrease was primarily driven by: (i) depreciation expenses in an amount of \$21.8M, offset by (ii) acquisitions of fixed assets in an amount of \$11.6M.

The Company's current assets as of 31 March, 2016 amounted to \$641.4M, compared to \$616.3M as of 31 December, 2015 an increase of \$25.1M. The increase was primarily driven by the following: (i) an increase in short term deposits in an amount of \$62.0M, offset by (ii) a decrease in cash and cash equivalents in an amount of \$14.3M, (iii) a decrease in inventories in an amount of \$14.0M and (iv) a decrease in trade and other receivables in an amount of \$9.1M.

The current ratio as of 31 March, 2016 and as of 31 December, 2015 was 1.01.

Liabilities

The Company's long-term loans and other liabilities (including current maturities) as of 31 March, 2016 amounted to \$1,252.4M compared to \$1,262.3M as of 31 December, 2015, a decrease of \$9.9M. The decrease was primarily driven by: (i) repayments of borrowings in an amount of \$23.8M, offset by (ii) an increase in financial leases in an amount of \$9.7M.

The Company's current liabilities (excluding current maturities) as of 31 March, 2016 amounted to \$514.3M compared to \$496.0M as of 31 December, 2015, an increase of \$18.3M. The increase was primarily driven by: (i) an increase in short term borrowings in an amount of \$45.1M, offset by (ii) a decrease in trade and other payables in an amount of \$22.1M.

Equity

The Company's equity attributable to the owners of the Company as of 31 March, 2016 amounted to \$16.8M compared to \$74.8M as of 31 December, 2015, a decrease of \$58.0M. The decrease was primarily driven by a loss attributable to the owners of the Company for the period ended 31 March, 2016 in an amount of \$57.9M.

2.2. Income statements

	Three months ended 31 March		Year ended 31 December
	2016	2015	2015
	Million US\$		
Income from voyages and related services	630.0	792.1	2,991.1
Operating expenses and cost of services	(598.4)	(684.8)	(2,692.6)
Depreciation	(21.0)	(20.1)	(82.4)
Gross profit	10.6	87.2	216.1
Other operating income (expenses), net	1.5	(7.8)	29.3
General and administrative expenses	(35.2)	(39.5)	(147.4)
Results from operating activities	(23.1)	39.9	98.0
Finance expenses, net	(29.6)	(25.5)	(102.8)
Share of profits of associates (net of income tax)	1.1	3.2	9.4
Profit (loss) before income tax	(51.6)	17.6	4.6
Income taxes	(4.7)	(5.9)	1.9
Profit (loss) for the period	(56.3)	11.7	6.5
<u>Attributable to:</u>			
Owners of the Company	(57.9)	10.6	2.3
Non-controlling interests	1.6	1.1	4.2

Income

The Company's income from voyages and related services for the three months ended 31 March, 2016 was \$630.0M compared to \$792.1M for the three months ended 31 March, 2015, a decrease of \$162.1M (20.5%). The decrease was primarily driven by a decrease in income from containerized cargo in an amount of \$156.7M.

The average revenue per TEU decreased by \$308 (24.6%) from about \$1,251 per TEU for the three months ended 31 March, 2015 to about \$943 for the three months ended 31 March, 2016. The Company carried 577 thousand TEUs (Twenty Foot equivalent Units) during the three months ended 31 March, 2016, compared to 560 thousand TEUs during the three months ended 31 March, 2015, an increase of 17 thousand TEUs (3.0%).

Operating Expenses

The Company's operating expenses for the three months ended 31 March, 2016 were \$598.4M, compared to \$684.8M for the three months ended 31 March, 2015, a decrease of \$86.4M (12.6%).

The decrease was primarily driven by the following: (i) a decrease in bunker expenses in an amount of \$46.7M (43.0%), (ii) a decrease in expenses related to cargo handling in an amount of \$16.1M (5.2%), (iii) a decrease in charter expenses in an amount of \$5.8M (4.4%) and (iv) a decrease in port expenses in an amount of \$5.5M (9.0%).

Other Operating Income (Expenses), net

The Company's other operating income, net for the three months ended 31 March, 2016 was \$1.5M compared to other operating expenses, net of \$7.8M for the three months ended 31 March, 2015, an overall change of \$9.3M. The change was primarily driven by: (i) as a result of a decrease in iron prices during the three months ended 31 March, 2015 the Company recorded in the first quarter of 2015 an impairment of vessels that were designated for scrap, in an amount of \$5.4M and (ii) expenses in an amount of \$4.2M as a result of an early termination of charter agreements of two vessels, that were recorded during the three months ended 31 March, 2015.

General and Administrative Expenses

The Company's general and administrative expenses for the three months ended 31 March, 2016 were \$35.2M, compared to \$39.5M for the three months ended 31 March, 2015, a decrease of \$4.3M (10.9%). The decrease was primarily driven by: (i) expenses related to compensation plan in an amount of \$2.6M, recorded during the three months ended 31 March, 2015 and (ii) a decrease in consulting and legal fees expenses in an amount of \$1.8M.

Finance Expenses, net

The Company's finance expenses, net for the three months ended 31 March, 2016 were \$29.6M compared to \$25.5M for the three months ended 31 March, 2015, an increase of \$4.1M (16.1%). The increase was primarily driven by foreign currency exchange differences expenses, net in an amount of \$3.3M.

Income Taxes

The Company's income taxes for the three months ended 31 March, 2016 were \$4.7M compared to \$5.9M for the three months ended 31 March, 2015, a decrease of \$1.2M (20.3%).

3. Liquidity and Capital Resources

Main Cash flows data:

	Three months ended 31 March		Year ended 31 December
	2016	2015	2015
	Million US\$		
Cash flows generated from (used in) operating activities	(14.6)	53.5	173.1
Cash flows generated from (used in) investing activities	(2.1)	15.5	103.5
Cash flows generated from (used in) financing activities	1.9	(57.7)	(282.6)
Net change in cash during the period	(14.8)	11.3	(6.0)
Cash – opening balance	218.7	230.4	230.4
Effect of exchange rate fluctuation on cash held	0.5	(2.1)	(5.7)
Cash – closing balance	204.4	239.6	218.7

3.1. Cash flows from Operating Activities

Cash flows used in operating activities for the three months ended 31 March, 2016 were \$14.6M compared to cash flows generated from operating activities of \$53.5M for the three months ended 31 March, 2015, an overall change of \$68.1M.

3.2. Cash flows from Investing Activities

Cash flows used in investing activities for the three months ended 31 March, 2016 were \$2.1M compared to cash flows generated from investing activities of \$15.5M, for the three months ended 31 March, 2015, an overall change of \$17.6M. The change was primarily driven by the following: (i) a change in other investments (mainly bank deposits) in an amount of \$15.5M, (ii) a decrease in proceeds from sale of tangible assets, intangible assets and investments in an amount of \$14.9M, offset by (iii) a decrease in acquisition of tangible assets, intangible assets and investments in an amount of \$12.8M.

3.3. Cash flows from Financing Activities

Cash flows generated from financing activities for the three months ended 31 March, 2016 were \$1.9M compared to cash flows used in financing activities of \$57.7M for the three months ended 31 March, 2015, an overall change of \$59.6M. The change was primarily driven by a change in short term loans in an amount of \$50.1M.

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:

	Three months ended 31 March 2016			Three months ended 31 March 2015			Year ended 31 December 2015		
	Million US\$			Million US\$			Million US\$		
	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted
Gross profit	10.6	6.7	17.3	87.2	11.0	98.2	216.1	36.7	252.8
EBITDA (*)	1.5	6.7	8.2	69.3	15.5	84.8	204.4	12.3	216.7
Results from operating activities	(23.1)	6.7	(16.4)	39.9	20.9	60.8	98.0	19.7	117.7
Profit (loss) for the period attributable to the owners of the Company	(57.9)	9.5	(48.4)	10.6	23.6	34.2	2.3	11.1	13.4

(*) 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 Non-IFRS adjustments for the applicable periods, which have the following positive (negative) impact on the Company's Non-IFRS results:

	Three months ended		Year ended
	31 March		31 December
	2016	2015	2015
	Million US\$		
Accounting charter hire expenses (1)	6.7	11.0	32.2
Provision for legal claim			4.5
Gross profit	6.7	11.0	36.7
Capital gain (loss) (2)		0.3	(28.6)
Other one off expenses (3)		4.2	4.2
EBITDA	6.7	15.5	12.3
Impairment of assets (4)		5.4	7.4
Results from operating activities	6.7	20.9	19.7
Finance expenses, net (5)	2.8	2.7	14.1
Income taxes (6)			(22.7)
	9.5	23.6	11.1

- (1) Mainly non cash charter hire accounting adjustments relating to the restructuring. For the three months ended 31 March, 2015, includes an amount of \$3.4M relating to an early termination of charter agreements of two vessels.
- (2) Excluding those generated in the ordinary course of business.
- (3) For the three months ended 31 March, 2015, as a result of an early termination of charter agreements of two vessels.
- (4) For the year ended 31 December, 2015, mainly in relation to vessels designated for scrap/sale.
- (5) Mainly includes loans' fair value adjustment amortization and restructuring related expenses.
- (6) For the year ended 31 December, 2015, in connection with a subsidiary's provision reversal related to previous years.

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.