

## **Operating and Financial Review for the three months ended 31 March, 2018**

### **1. General**

The container shipping industry is dynamic and volatile and has been marked in recent years by instability, as a result of continued deterioration of market environment, which is characterized by a decrease in freight rates and an increase in bunker prices. Furthermore, during 2016-2017, the container shipping industry was 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.

Since the second half of 2016 and through the third quarter of 2017, increases were recorded in freight rates as well as in bunker prices. Commencing the fourth quarter of 2017, freight rates have decreased while bunker prices continue to increase.

In view of the aforementioned deterioration in the business environment, mainly during the last two quarters, and in order to improve the company's results of operations and liquidity position, Management continues to optimize the Company's service network including establishment of new partnerships and invest in upgrading customer services, constantly strive to obtain additional sources of liquidity, 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 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.

### **2. Financial Position**

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

The Company's total assets as of 31 March, 2018 amounted to \$1,776.7M compared to \$1,802.3M as of 31 December, 2017.

##### **Assets**

The Company's fixed assets as of 31 March, 2018 amounted to \$1,091.9M compared to \$1,108.6M as of 31 December, 2017, a decrease of \$16.7M. The decrease was primarily driven by: (i) depreciation expenses of \$25.4M, offset by (ii) additions of fixed assets (mainly financial lease of containers) of \$9.8M.

The Company's current assets as of 31 March, 2018 amounted to \$572.0M compared to \$579.6M as of 31 December, 2017, a decrease of \$7.6M. The decrease was primarily driven by a decrease in cash and cash equivalents of \$7.6M.

The current ratio as of 31 March, 2018 was 0.79 compared to 0.84 as of 31 December, 2017.

##### **Liabilities**

The Company's long-term loans and other liabilities (including current maturities) as of 31 March, 2018 amounted to \$1,296.8M compared to \$1,324.6M as of 31 December, 2017, a decrease of \$27.8M. The decrease was primarily driven by: (i) repayments of borrowings in the amount of \$39.9M, offset by (ii) an increase in financial leases in the amount of \$8.0M and (iii) an increase related to fair value amortization of \$3.1M.

The Company's current liabilities (excluding current maturities) as of 31 March, 2018 amounted to \$539.1M compared to \$497.1M as of 31 December, 2017, an increase of \$42.0M. The increase was primarily driven by (i) an increase in trade and other payables of \$36.4M and (ii) an increase in short term borrowings of \$6.1M

### Equity

The Company's deficit in equity attributable to the owners of the Company as of 31 March, 2018 amounted to \$133.0M compared to \$100.0M as of 31 December, 2017, an increase of \$33.0M. The increase was primarily driven by a loss attributable to the owners of the Company for the period ended 31 March, 2018 in the amount of \$35.5M.

## 2.2. Income statements

	Three months ended 31 March		Year ended 31 December
	2018	2017	2017
	Million US\$		
Income from voyages and related services	751.4	655.0	2,978.3
Operating expenses and cost of services	(698.1)	(571.3)	(2,600.1)
Depreciation	(24.7)	(23.4)	(97.2)
<b>Gross profit</b>	<b>28.6</b>	<b>60.3</b>	<b>281.0</b>
Other operating income, net	0.4	0.5	1.6
General and administrative expenses	(36.1)	(36.2)	(147.5)
Results from operating activities	(7.1)	24.6	135.1
Finance expenses, net	(25.3)	(28.5)	(117.1)
Share of profits of associates (net of income tax)	1.9	1.5	7.6
Profit (loss) before income tax	(30.5)	(2.4)	25.6
Income taxes	(3.6)	(4.0)	(14.2)
Profit (loss) for the period	<b>(34.1)</b>	<b>(6.4)</b>	<b>11.4</b>
<u>Attributable to:</u>			
Owners of the Company	(35.5)	(8.0)	6.3
Non-controlling interests	1.4	1.6	5.1

**Income**

The Company's income from voyages and related services for the three months ended 31 March, 2018 was \$751.4M compared to \$655.0M for the three months ended 31 March, 2017, an increase of \$96.4M (14.7%). The increase was primarily driven by: (i) an increase in income from containerized cargo in an amount of \$84.9M and (ii) an increase in income from demurrage of \$7.6M.

The carried quantities for the three months ended 31 March, 2018 amounted to 698 thousand TEUs compared to 598 thousand TEUs for the three months ended 31 March, 2017, an increase of 100 thousand TEUs (16.7%). The average revenue per TEU decreased by \$15 (1.6%) from about \$953 for the three months ended 31 March, 2017 to about \$938 for the three months ended 31 March, 2018.

**Operating Expenses**

The Company's operating expenses for the three months ended 31 March, 2018 were \$698.1M compared to \$571.3M for the three months ended 31 March, 2017, an increase of \$126.8M (22.2%). The increase was primarily driven by: (i) an increase in expenses related to cargo handling of \$41.7M (14.7%), (ii) an increase in bunker expenses of \$38.7M (46.1%), (iii) an increase in lease expenses of vessels and containers of \$22.7M (25.7%) and (iv) an increase in port expenses of \$19.2M (39.0%)

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

The Company's other operating income, net for the three months ended 31 March, 2018 were \$0.4M compared to \$0.5M for the three months ended 31 March, 2017, a decrease of \$0.1M.

**General and Administrative Expenses**

The Company's general and administrative expenses for the three months ended 31 March, 2018 were \$36.1M compared to \$36.2M for the three months ended 31 March, 2017, a decrease of \$0.1M.

**Finance Income (Expenses), net**

The Company's finance expenses, net for the three months ended 31 March, 2018 were \$25.3M compared to \$28.5M for the three months ended 31 March, 2017, a decrease of \$3.2M. The decrease was primarily driven by a decrease of \$2.9M related to foreign currency exchange difference.

**Income Taxes**

The Company's income taxes for the three months ended 31 March, 2018 were \$3.6M compared to \$4.0M for the three months ended 31 March, 2017, a decrease of \$0.4M.

### 3. Liquidity and Capital Resources

#### Main Cash flows data:

	Three months ended 31 March		Year ended 31 December
	2018	2017	2017
	Million US\$		
Cash flows generated from operating activities	57.9	33.8	230.9
Cash flows used in investing activities	(8.3)	(40.0)	(93.5)
Cash flows generated from (used in) financing activities	(58.1)	4.5	(139.8)
Net change in cash during the period	(8.5)	(1.7)	(2.4)
Cash – opening balance	157.9	157.6	157.6
Effect of exchange rate fluctuation on cash held	0.9	0.4	2.7
Cash – closing balance	150.3	156.3	157.9

#### 3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the three months ended 31 March, 2018 were \$57.9M compared to \$33.8M for the three months ended 31 March, 2017, an increase of \$24.1M.

#### 3.2. Cash flows from Investing Activities

Cash flows used in investing activities for the three months ended 31 March, 2018 were \$8.3M compared to \$40.0M for the three months ended 31 March, 2017, a decrease of \$31.7M. The decrease was primarily driven by a change in other investments (mainly short term deposits) in an amount of \$35.0M.

#### 3.3. Cash flows from Financing Activities

Cash flows used in financing activities for the three months ended 31 March, 2018 were \$58.1M compared to cash flows generated from financing activities of \$4.5M for the three months ended 31 March, 2017, an overall change of \$62.6M. The decrease was primarily driven by: (i) an increase in repayment of borrowing of \$29.0M, (ii) a change in short term loans of \$28.9M and (iii) an increase in interest expenses and other financial expenses paid in an amount of \$4.2M.

#### 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:

	Three months ended 31 March 2018			Three months ended 31 March 2017			Year ended 31 December 2017		
	Million US\$			Million US\$			Million US\$		
	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted
Gross profit	<b>28.6</b>	<b>4.9</b>	<b>33.5</b>	60.3	6.0	66.3	281.0	24.1	305.1
EBITDA (*)	<b>20.7</b>	<b>4.9</b>	<b>25.6</b>	51.3	6.1	57.4	245.8	24.3	270.1
Results from operating activities	<b>(7.1)</b>	<b>4.9</b>	<b>(2.2)</b>	24.6	6.1	30.7	135.1	26.6	161.7
Profit (loss) for the period	<b>(34.1)</b>	<b>8.0</b>	<b>(26.1)</b>	(6.4)	9.0	2.6	11.4	38.6	50.0

(\*) Profit (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:

	Three months ended 31 March		Year ended 31 December
	2018	2017	2017
	Million US\$		
Accounting charter hire expenses (1)	4.9	6.0	21.8
Provision for legal claim			2.3
Gross profit	4.9	6.0	24.1
Capital gain (2)		0.1	0.1
Impairment of assets			2.4
Results from operating activities	4.9	6.1	26.6
Finance expenses, net (3)	3.1	2.9	12.0
	<b>8.0</b>	<b>9.0</b>	<b>38.6</b>

(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.

#### **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.

## **5. Regulation**

Following the issued IMO regulations relating to sulfur emissions, which are expected to come into effect in 2020, The Company will be required to incur significant costs in order to comply with such regulations, inter alia, by using fuel oil which is more costly than the type currently used and by modifying the vessels operated by the Company and install Exhaust Gas Cleaning System.