

Operating and Financial Review for the three months ended 31 March, 2020

1. General

The container shipping industry is dynamic and volatile and has been marked in recent years by instability of market environment, which is characterized by volatility in freight rates and bunker prices, including significant uncertainties in the global trade, mainly due to USA-China related trade restrictions. Moreover, the recent escalation of the Covid-19 pandemic outbreak has significantly impacted global economies, resulting in reduced demand and spending across many sectors, adversely affecting the volumes of trades, while also decreasing bunker prices and charter rates. Such effects and the required mitigating actions will continue to be monitored and evaluated by Management during the 2020 financial year.

In view of the aforementioned business environment and in order to improve the Company's results of operations and liquidity position, Management continues to expand its potential liquidity sources by means of improved payment terms with vendors, enhanced efforts of collection from customers and disposal and / or refinancing of assets. The Company also continues to optimize its network by entering into new partnerships and cooperation agreements and by constantly upgrading its customer's offerings whilst maintaining efficiencies and focusing on cost reductions.

Despite the steps mentioned above, an adverse trend, mainly in volumes of trade, freight rates and / or bunker prices (including the implications of the Covid-19 pandemic), 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.

2. Financial Position

2.1. Balance Sheet

The Company's total assets as of 31 March, 2020 amounted to \$1,956.6M compared to \$1,926.1M as of 31 December, 2019.

Assets

The Company's fixed assets as of 31 March, 2020 amounted to \$1,242.6M compared to \$1,212.8M as of 31 December, 2019, an increase of \$29.8M. The increase was primarily driven by: (i) additions (including lease modifications) of \$100.0M in right-of-use assets, offset by (ii) depreciation expenses of \$70.0M.

The Company's current assets as of 31 March, 2020 amounted to \$630.1M compared to \$630.8M as of 31 December, 2019, a decrease of \$0.7M. The decrease was primarily driven by: (i) a decrease of \$10.5M in trade and other receivables and (ii) a decrease of \$3.6M in inventories, offset by (iii) an increase of \$14.0M in cash and cash equivalents.

The current ratio as of 31 March, 2020 was 0.66, compared to 0.68 as of 31 December, 2019.

Liabilities

The Company's long-term loans, lease and other liabilities (including current maturities) as of 31 March, 2020 amounted to \$1,470.8M compared to \$1,422.9M as of 31 December, 2019, an increase of \$47.9M. The increase was primarily driven by: (i) an increase of \$100.0M related to additions (including modifications) of lease liabilities, (ii) an increase of \$8.4M related to sale and lease-back transactions, offset by (iii) repayments of borrowings of \$63.6M.

The Company's current liabilities (excluding current maturities) as of 31 March, 2020 amounted to \$692.4M compared to \$687.1M as of 31 December, 2019, an increase of \$5.3M, primarily driven by an increase in trade and other payables.

Equity

The Company's deficit in equity attributable to the owners of the Company as of 31 March, 2020 amounted to \$269.5M compared to \$257.7M as of 31 December, 2019, an increase of \$11.8M. The increase was primarily driven by a loss attributable to the owners of the Company for the period ended 31 March, 2020 in the amount of \$13.5M.

2.2. Income statements

	Three months ended 31 March		Year ended 31 December
	2020	2019	2019
	Million US\$		
Income from voyages and related services	823.2	796.2	3,299.8
Operating expenses and cost of services	(698.3)	(703.0)	(2,810.8)
Depreciation	(67.1)	(45.1)	(226.0)
Gross profit	57.8	48.1	263.0
Other operating income, net	2.0	5.5	36.9
General and administrative expenses	(35.4)	(36.7)	(151.6)
Share of profit of associates	0.5	1.7	4.7
Results from operating activities	24.9	18.6	153.0
Finance expenses, net	(33.7)	(39.2)	(154.3)
Loss before income taxes	(8.8)	(20.6)	(1.3)
Income taxes	(3.1)	(3.7)	(11.7)
Loss for the period	(11.9)	(24.3)	(13.0)
<u>Attributable to:</u>			
Owners of the Company	(13.5)	(25.3)	(18.1)
Non-controlling interests	1.6	1.0	5.1

Income

The Company's income from voyages and related services for the three months ended 31 March, 2020 was \$823.2M compared to \$796.2M for the three months ended 31 March, 2019, an increase of \$27.0M (3.4%). The increase was primarily driven by: (i) an increase in income from containerized cargo of \$16.0M and (ii) an increase of \$8.6M in slots income.

The carried quantities for the three months ended 31 March, 2020 amounted to 638 thousand TEUs compared to 668 thousand TEUs for the three months ended 31 March, 2019, a decrease of 30 thousand TEUs (4.5%). The average revenue per TEU increased by \$72 (7.1%) from about \$1,019 for the three months ended 31 March, 2019 to about \$1,091 for the three months ended 31 March, 2020.

Operating Expenses

The Company's operating expenses for the three months ended 31 March, 2020 were \$698.3M compared to \$703.0M for the three months ended 31 March, 2019, a decrease of \$4.7M (0.7%). The decrease was primarily driven by: (i) a decrease in expenses related to cargo handling of \$21.6M (6.2%) and (ii) a decrease in port expenses of \$4.7M (8.9%), offset by (iii) an increase in bunker expenses of \$11.5M (11.2%) and (iv) an increase of \$10.7M (8.6%) in slot purchases and vessel lease expenses.

Depreciation

The Company's operating depreciation expenses for the three months ended 31 March, 2020 were \$67.1M compared to \$45.1M for the three months ended 31 March, 2019, an increase of \$22.0M (48.8%), primarily driven by additional right-of-use assets.

Other Operating Income (Expenses), net

The Company's other operating income, net for the three months ended 31 March, 2020 was \$2.0M compared to \$5.5M for the three months ended 31 March, 2019, a decrease of \$3.5M, primarily driven by a decrease in capital gains.

General and Administrative Expenses

The Company's general and administrative expenses for the three months ended 31 March, 2020 were \$35.4M compared to \$36.7M for the three months ended 31 March, 2019, a decrease of \$1.3M (3.5%).

Finance Income (Expenses), net

The Company's finance expenses, net for the three months ended 31 March, 2020 were \$33.7M compared to \$39.2M for the three months ended 31 March, 2019, a decrease of \$5.5M (14.0%). The decrease was primarily driven by: (i) a decrease of \$9.6M related to foreign currency exchange difference, offset by (ii) an increase of \$2.7M related to impairment losses on trade and other receivables.

Income Taxes

The Company's income taxes for the three months ended 31 March, 2020 were \$3.1M compared to \$3.7M for the three months ended 31 March, 2019, a decrease of \$0.6M.

3. Liquidity and Capital Resources

Main Cash flows data:

	Three months ended 31 March		Year ended 31 December
	2020	2019	2019
	Million US\$		
Cash flows generated from operating activities	101.6	59.7	370.6
Cash flows generated from (used in) investing activities	(3.5)	49.7	38.0
Cash flows used in financing activities	(82.1)	(119.2)	(411.4)
Net change in cash during the period	16.0	(9.8)	(2.8)
Cash – opening balance	182.8	186.3	186.3
Effect of exchange rate fluctuation on cash held	(2.1)	0.5	(0.7)
Cash – closing balance	196.7	177.0	182.8

3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the three months ended 31 March, 2020 were \$101.6M compared to \$59.7M for the three months ended 31 March, 2019, an increase of \$41.9M.

3.2. Cash flows from Investing Activities

Cash flows used in investing activities for the three months ended 31 March, 2020 were \$3.5M compared to cash flows generated from investing activities of \$49.7M for the three months ended 31 March, 2019, an overall change of \$53.2M. The change was primarily driven by: (i) a change in other investments (mainly short term deposits) of \$43.6M and (ii) a decrease of \$10.3M in proceeds from sale of assets (mainly related to vessels classified as held for sale and real estate assets).

3.3. Cash flows from Financing Activities

Cash flows used in financing activities for the three months ended 31 March, 2020 were \$82.1M compared to \$119.2M for the three months ended 31 March, 2019, a decrease of \$37.1M. The decrease was primarily driven by: (i) a decrease of \$42.7M related to change in short term loans and (ii) a decrease of \$8.4M related to sale and lease-back transactions, offset by (iii) an increase of \$13.6M in repayment of borrowings and lease liabilities and (iv) an increase of \$4.6M in interest payments.

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, due to 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 2020			Three months ended 31 March 2019			Year ended 31 December 2019		
	Million US\$			Million US\$			Million US\$		
	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted	IFRS	Adjustments	Adjusted
Gross profit	57.8	2.3	60.1	48.1	3.4	51.5	263.0	8.9	271.9
EBITDA (*)	97.0	0.2	97.2	68.0	1.3	69.3	399.7	(13.8)	385.9
Results from operating activities	24.9	2.3	27.2	18.6	3.4	22.0	153.0	(4.1)	148.9
Profit (loss) for the period	(11.9)	5.9	(6.0)	(24.3)	6.8	(17.5)	(13.0)	9.8	(3.2)

(*) Profit (loss) excluding financial expenses (income), net, income taxes, 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
	2020	2019	2019
	Million US\$		
Accounting charter hire expenses (1)	0.2	1.3	1.9
Provision for legal claim			(1.6)
Amortization of Deferred Charter hire expenses (1)	2.1	2.1	8.6
Gross profit	2.3	3.4	8.9
Capital gain (2)			(14.2)
Impairment of assets			1.2
Results from operating activities	2.3	3.4	(4.1)
Finance expenses, net (3)	3.6	3.4	13.9
	5.9	6.8	9.8

(1) Mainly non-cash charter hire accounting adjustments relating to the 2014 restructuring.

(2) Excluding those generated in the ordinary course of business.

(3) Mainly includes amortization of loans' fair value adjustment.

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 better understand how management assesses the Company's performance.