

Operating and Financial Review for the period ended 30 June, 2017

1. General

The container shipping industry is dynamic and volatile and has been marked in recent years by instability which is characterized by slower growth of demand and worsening overcapacity. During 2016-2017, the container shipping industry is 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.

After a long period of reduction in freight rates, as from the second half of 2016 freight rates started increasing, and have continued to increase during the first half of 2017.

The Company's performance in the first half of 2017 reflects a significant improvement compared with the parallel period of 2016, and resulted with an operating profit of \$61.0M, compared to an operating loss of \$70.9M, an increase of \$131.9M. In addition, the second quarter of 2017 resulted with an adjusted EBITDA of \$70.1M, the highest in last eight quarters.

To further improve the Company's results of operations and liquidity position, Management continue to optimize the Company's service network including establishment of new partnerships and invest in upgrading customer services to create and maintain efficiencies and cost reductions.

However, changes in key parameters such as further decrease of freight rates 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.

During 2016, the Company reached agreements with some of its creditors to rescheduling of payments - for further details, see Note 1(b)(i) to the Company's financial statements for the year ended December 31, 2016.

2. Financial Position

2.1. Balance Sheet

The Company's total assets as of 30 June, 2017 amounted to \$1,829.1M, compared to \$1,703.6M as of 31 December, 2016.

Assets

The Company's fixed assets as of 30 June, 2017 amounted to \$1,116.6M compared to \$1,119.0M as of 31 December, 2016, a decrease of \$2.4M. The decrease was primarily driven by: (i) depreciation expenses of \$48.7M, and (ii) sale of assets in net carrying amount of \$2.3M, offset by (iii) additions of fixed assets (mainly financial leases of containers) of \$48.6M.

The Company's current assets as of 30 June, 2017 amounted to \$595.7M, compared to \$465.9M as of 31 December, 2016 an increase of \$129.8M. The increase was primarily driven by the following: (i) an increase in short term deposits of \$73.7M, (ii) an increase in inventories of \$21.3M, (iii) an increase in cash and cash equivalents of \$19.3M, and (iv) an increase in trade and other receivables of \$19.1M.

The Current ratio as of 30 June, 2017 was 0.91 compared to 0.88 as of 31 December, 2016.

Liabilities

The Company's long-term loans and other liabilities (including current maturities) as of 30 June, 2017 amounted to \$1,366.5M compared to \$1,321.9M as of 31 December, 2016, an increase of \$44.6M. The increase was primarily driven by: (i) an increase in financial leases of \$44.2M, (ii) an increase related to deferral of payments of leases of \$40.1M, and (iii) an increase related to fair value adjustment amortization of \$5.8M, offset by (iv) repayments of borrowings of \$46.0M.

The Company's current liabilities (excluding current maturities) as of 30 June, 2017 amounted to \$497.9M compared to \$414.7M as of 31 December, 2016, an increase of \$83.2M. The increase was primarily driven by: (i) an increase in short term borrowings of \$68.5M and (ii) an increase in trade and other payables of \$12.8M.

Equity

The Company's deficit in equity attributable to the owners of the Company as of 30 June, 2017 amounted to \$107.7M compared to \$103.8M as of 31 December, 2016, an increase of \$3.9M. The increase was primarily driven by (i) a loss attributable to the owners of the Company for the period ended 30 June, 2017 of \$7.7M offset by (ii) other comprehensive income attributable to the owners of the Company of \$2.9M.

2.2. Income statements

| | Six months ended 30 June | | Three months ended 30 June | | Year ended 31 December |
|--|-----------------------------|-----------|-------------------------------|---------|---------------------------|
| | 2017 | 2016 | 2017 | 2016 | 2016 |
| | Million US\$ | | | | |
| Income from voyages and related services | 1,400.7 | 1,241.9 | 745.7 | 611.9 | 2,539.3 |
| Operating expenses and cost of services | (1,221.3) | (1,200.9) | (650.0) | (602.5) | (2,394.1) |
| Depreciation | (47.3) | (42.0) | (23.9) | (21.1) | (86.3) |
| Gross profit (loss) | 132.1 | (1.0) | 71.8 | (11.7) | 58.9 |
| Other operating income, net | 2.2 | 1.4 | 1.7 | 0.0 | 31.5 |
| General and administrative expenses | (73.3) | (71.3) | (37.1) | (36.1) | (142.5) |
| Results from operating activities | 61.0 | (70.9) | 36.4 | (47.8) | (52.1) |
| Finance expenses, net | (62.0) | (53.6) | (33.5) | (24.0) | (98.0) |
| Share of profit of associates (net of tax) | 3.7 | 2.4 | 2.2 | 1.3 | 5.0 |
| Profit (loss) before income tax | 2.7 | (122.1) | 5.1 | (70.5) | (145.1) |
| Income taxes | (6.8) | (8.3) | (2.8) | (3.7) | (18.4) |
| Profit (loss) for the period | (4.1) | (130.4) | 2.3 | (74.2) | (163.5) |
| <u>Attributable to:</u> | | | | | |
| Owners of the Company | (7.7) | (132.5) | 0.3 | (74.6) | (168.3) |
| Non-controlling interests | 3.6 | 2.1 | 2.0 | 0.4 | 4.8 |

The Company's operating profit for period ended 30 June, 2017 was \$61.0M compared to an operating loss of \$70.9M for the period ended 30 June, 2016, an improvement of \$131.9M.

The Company's operating profit for three months ended 30 June, 2017 was \$36.4M compared to an operating loss of \$47.8M for the three months ended 30 June, 2016, an improvement of \$84.2M.

Income

The Company's income from voyages and related services for the period ended 30 June, 2017 was \$1,400.7M compared to \$1,241.9M for the period ended 30 June, 2016, an increase of \$158.8M (12.8%). The increase was primarily driven by an increase in income from containerized cargo of \$154.5M, as a result of an increase in carried quantities and freight rates.

The carried quantities for the period ended 30 June, 2017 amounted to 1,257 thousand TEUs (Twenty Foot equivalent Units), compared to 1,194 thousand TEUs for the period ended 30 June, 2016, an increase of 63 thousand TEUs (5.2%). The average revenue per TEU increased by \$78 (8.6%) from about \$903 per TEU for the period ended 30 June, 2016 to about \$981 per TEU for the period ended 30 June, 2017.

The Company's income from voyages and related services for the three months ended 30 June, 2017 was \$745.7M compared to \$611.9M for the three months ended 30 June, 2016, an increase of \$133.8M (21.9%). The increase was primarily driven by an increase in income from containerized cargo of \$128.7M as a result of an increase in freight rates and carried quantities.

The Company carried 659 thousand TEUs (Twenty Foot equivalent Units) during the three months ended 30 June, 2017, compared to 617 thousand TEUs during the three months ended 30 June, 2016, an increase of 42 thousand TEUs (6.7%). The average revenue per TEU increased by \$141 (16.3%) from about \$866 for the three months ended 30 June, 2016 to about \$1,007 for the three months ended 30 June, 2017.

Operating Expenses

The Company's operating expenses for the period ended 30 June, 2017 were \$1,221.3M, compared to \$1,200.9M for the period ended 30 June, 2016, an increase of \$20.4M (1.7%). The increase was primarily driven by the following: (i) an increase in bunker expenses of \$54.4M (44.2%) and (ii) an increase in expenses related to cargo handling of \$11.7M (1.9%) offset by, (iii) a decrease in lease expenses of vessels and containers of \$46.0M (19.8%).

The Company's operating expenses for the three months ended 30 June, 2017 were \$650.0M, compared to \$602.5M for the three months ended 30 June, 2016, an increase of \$47.5M (7.9%).

The increase was primarily driven by the following: (i) an increase in bunker expenses of \$32.4M (52.7%), and (ii) an increase in expenses related to cargo handling of \$20.2M (6.6%).

Other Operating Income, net

The Company's other operating income, net for the period ended 30 June, 2017 were \$2.2M compared to \$1.4M for the period ended 30 June, 2016, a change of \$0.8M.

The Company's other operating income, net for the three months ended 30 June, 2017 increased by \$1.7M.

General and Administrative Expenses

The Company's general and administrative expenses for the period ended 30 June, 2017 were \$73.3M, compared to \$71.3M for the period ended 30 June, 2016, an increase of \$2.0M (2.8%).

The Company's general and administrative expenses for the three months ended 30 June, 2017 were \$37.1M compared to \$36.1M for the three months ended 30 June, 2016, an increase of \$1.0M (2.8%).

Finance Expenses, net

The Company's finance expenses, net for the period ended 30 June, 2017 were \$62.0M compared to \$53.6M for the period ended 30 June, 2016, an increase of \$8.4M (15.7%). The increase was primarily driven by (i) an increase of \$8.8M in foreign currency exchange differences, offset by (ii) a decrease of \$1.0M in impairment losses on trade and other receivables.

The Company's finance expenses, net for the three months ended 30 June, 2017 were \$33.5M compared to \$24.0M for the three months ended 30 June, 2016, an increase of \$9.5M (39.6%). The increase was primarily driven by (i) an increase of \$10.5M in foreign currency exchange differences, offset by (ii) a decrease of \$2.0M in impairment losses on trade and other receivables.

Income Taxes

The Company's income taxes for the period ended 30 June, 2017 were \$6.8M compared to \$8.3M for the period ended 30 June, 2016, a decrease of \$1.5M.

The Company's income taxes for the three months ended 30 June, 2017 were \$2.8M compared to \$3.7M for the three months ended 30 June, 2016, a decrease of \$0.9M.

3. Liquidity and Capital Resources

Main Cash flows data:

| | Six months ended 30 June | | Three months ended 30 June | | Year ended 31 December |
|--|--------------------------|--------|----------------------------|--------|------------------------|
| | 2017 | 2016 | 2017 | 2016 | 2016 |
| | Million US\$ | | | | |
| Cash flows generated from operating activities | 122.7 | 3.0 | 88.9 | 17.6 | 33.2 |
| Cash flows generated from (used in) investing activities | (84.7) | 71.1 | (44.7) | 73.2 | 141.5 |
| Cash flows used in financing activities | (20.2) | (70.7) | (24.7) | (72.6) | (228.6) |
| Net change in cash during the period | 17.8 | 3.4 | 19.5 | 18.2 | (53.9) |
| Cash – opening balance | 157.6 | 218.7 | 156.3 | 204.4 | 218.7 |
| Effect of exchange rate fluctuations on cash held | 1.5 | (1.2) | 1.1 | (1.7) | (7.2) |
| Cash – closing balance | 176.9 | 220.9 | 176.9 | 220.9 | 157.6 |

3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the period ended 30 June, 2017 were \$122.7M compared to \$3.0M for the period ended 30 June, 2016, an improvement of \$119.7M.

Cash flows generated from operating activities for the three months ended 30 June, 2017 were \$88.9M compared to \$17.6M for the three months ended 30 June 2016, an improvement of \$71.3M.

3.2. Cash flows from Investing Activities

Cash flows used in investing activities for the period ended 30 June, 2017 were \$84.7M compared to cash flows generated from investing activities of \$71.1M for the period ended 30 June, 2016, an overall change of \$155.8M. The change was primarily driven by (i) a change in other investments (mainly short term deposits) of \$145.7M, and (ii) an increase in acquisition of tangible assets, intangible assets and investments of \$6.5M.

Cash flows used in investing activities for the three months ended 30 June, 2017 were \$44.7M compared to cash flows generated from investing activities of \$73.2M, for the three months ended 30 June, 2016, an overall change of \$117.9M. The change was primarily driven by (i) a change in other investments (mainly short term deposits) of \$108.9M, and (ii) a decrease in proceeds from sale of tangible assets, intangible assets and investments of \$5.4M.

3.3. Cash flows from Financing Activities

Cash flows used in financing activities for the period ended 30 June, 2017 were \$20.2M compared to \$70.7M for the period ended 30 June, 2016, a decrease of \$50.5M. The decrease was primarily driven by the following: (i) a change in short term loans of \$46.9M, (ii) a decrease in repayment of borrowings of \$7.2M, offset by (iii) an increase in interest and other financial expenses paid of \$4.1M.

Cash flows used in financing activities for the three months ended 30 June, 2017 were \$24.7M compared to \$72.6M for the three months ended 30 June, 2016, a decrease of \$47.9M. The decrease was primarily driven by (i) a change in short term loans of \$57.0M, offset by (ii) an increase in repayment of borrowings of \$5.7M and (iii) an increase in interest paid and other financial expenses of \$3.5M.

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:

| | Six months ended 30 June 2017 | | | Six months ended 30 June 2016 | | | Year ended 31 December 2016 | | |
|-----------------------------------|--|--------------------------------|-----------------|--|--------------------------------|-----------------|--|--------------------------------|-----------------|
| | Million US\$ | | | | | | | | |
| | GAAP | Non-GAAP Adjustment | Non-GAAP | GAAP | Non-GAAP Adjustment | Non-GAAP | GAAP | Non-GAAP Adjustment | Non-GAAP |
| Gross profit (loss) | 132.1 | 13.3 | 145.4 | (1.0) | 12.9 | 11.9 | 58.9 | 25.9 | 84.8 |
| EBITDA (*) | 114.1 | 13.4 | 127.5 | (20.6) | 12.9 | (7.7) | 49.9 | (3.2) | 46.7 |
| Results from operating activities | 61.0 | 13.4 | 74.4 | (70.9) | 14.0 | (56.9) | (52.1) | (2.2) | (54.3) |
| Profit (loss) for the period | (4.1) | 19.2 | 15.1 | (130.4) | 19.6 | (110.8) | (163.5) | 13.6 | (149.9) |

| | Three months ended 30 June 2017 | | | Three months ended 30 June 2016 | | |
|-----------------------------------|--|--------------------------------|-----------------|--|--------------------------------|-----------------|
| | Million US\$ | | | | | |
| | GAAP | Non-GAAP Adjustment | Non-GAAP | GAAP | Non-GAAP Adjustment | Non-GAAP |
| Gross profit (loss) | 71.8 | 7.3 | 79.1 | (11.6) | 6.2 | (5.4) |
| EBITDA (*) | 62.8 | 7.3 | 70.1 | (22.1) | 6.2 | (15.9) |
| Results from operating activities | 36.4 | 7.3 | 43.7 | (47.8) | 7.3 | (40.5) |
| Profit (loss) for the period | 2.3 | 10.2 | 12.5 | (74.1) | 10.1 | (64.0) |

(*) Net income (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:

| | Six months ended 30 June | | Three months ended 30 June | | Year ended 31 December |
|--------------------------------------|-------------------------------------|-------------|---------------------------------------|-------------|-----------------------------------|
| | 2017 | 2016 | 2017 | 2016 | 2016 |
| | Million US\$ | | | | |
| Accounting charter hire expenses (1) | 11.8 | 12.9 | 5.8 | 6.3 | 25.4 |
| Provision for legal claims | 1.5 | | 1.5 | | 0.5 |
| Gross profit | 13.3 | 12.9 | 7.3 | 6.3 | 25.9 |
| Capital gain (2) | 0.1 | | | | (29.2) |
| Impairment of assets (3) | | 1.1 | | 1.1 | 1.1 |
| Results from operating activities | 13.4 | 14.0 | 7.3 | 7.4 | (2.2) |
| Finance expenses, net (4) | 5.8 | 5.6 | 2.9 | 2.7 | 15.8 |
| Profit for the period | 19.2 | 19.6 | 10.2 | 10.1 | 13.6 |

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

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

(3) Related to vessels and equipment designated for scrap/sale.

(4) Mainly includes loans' fair value adjustment amortization and restructuring related expenses.

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.