

**MOBY S.p.A.**  
**SUPPLEMENTAL INFORMATION TO THE UNAUDITED CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

*The following is a discussion and analysis of our results of operations and financial condition as of and for the six-month period ended June 30, 2018 (the “**HI 2018 Unaudited Condensed Consolidated Financial Information**”) compared to our results of operations and financial condition as of and for the six-month period ended June 30, 2017 (the “**HI 2017 Unaudited Condensed Consolidated Financial Information**” and, together with the HI 2018 Unaudited Condensed Consolidated Financial Information, the “**Unaudited Condensed Consolidated Financial Information**”), as derived (unless otherwise specified) from our unaudited financial information on a six month basis, which has been prepared, unless otherwise specified, on a basis that is consistent with the accounting policies used in the preparation of our audited consolidated financial statements, which have been prepared in accordance with IFRS.*

*This information is to be considered supplemental to the HI 2018 Unaudited Condensed Consolidated Financial Information delivered as additional information to the presentation published by us on September 12, 2018.*

*The Unaudited Condensed Consolidated Financial Information has been prepared by us and has not been audited or reviewed by independent auditors. Neither has it been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934 or U.S. GAAP.*

*The Unaudited Condensed Consolidated Financial Information presented is based on available information and certain assumptions that we believe are reasonable. The Unaudited Condensed Consolidated Financial Information is presented for illustrative purposes only and does not purport to project our results of operations for any future period or our financial condition at any future date.*

*Our actual operating results may differ materially from the amounts set out herein due to various factors, including changes in operating results.*

*This discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements.*

*Certain numerical figures contained herein, including financial information and certain operating data, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given. Further, certain percentages of changes to annual results are not significant or meaningful enough to be reflected in percentage format and, therefore, such changes are indicated with “n.s.”.*

## Results of Operations

The following tables present, for the periods indicated, our operating results:

### Comparison of the six-month periods ended June 30, 2018 and 2017

| (€ thousands, except percentages)                         | For the six-month period ended June 30, |               |                 |               |                 |               |
|---|---|---------------|-----------------|---------------|-----------------|---------------|
|   | 2018                                    |               | 2017            |               | 2018 vs 2017    |               |
|   |   | % of Revenues |                 | % of Revenues | Change          | Change %      |
| <b>Revenues</b>   | <b>233,375</b>                          | <b>100.0%</b> | <b>237,152</b>  | <b>100.0%</b> | <b>(3,777)</b>  | <b>-1.6%</b>  |
| Raw materials and services                                | (179,179)                               | -76.8%        | (162,078)       | -68.3%        | (17,101)        | 10.6%         |
| Personnel costs   | (64,751)                                | -27.7%        | (61,502)        | -25.9%        | (3,249)         | 5.3%          |
| Other operating income (expenses), net                    | 1,772                                   | 0.8%          | 11,655          | 4.9%          | (9,883)         | -84.8%        |
| (Accrual)/Reversal of provision, net                      | -                                       | 0.0%          | (476)           | -0.2%         | 476             | -100.0%       |
| Write-downs of trade receivables and other current assets | -                                       | 0.0%          | (9)             | 0.0%          | 9               | -100.0%       |
| Amortization of intangible assets                         | (1,223)                                 | -0.5%         | (1,337)         | -0.6%         | 114             | -8.5%         |
| Depreciation of property, plant and equipment             | (1,503)                                 | -0.6%         | (1,407)         | -0.6%         | (96)            | 6.8%          |
| Depreciation of fleet                                     | (27,831)                                | -11.9%        | (25,544)        | -10.8%        | (2,287)         | 9.0%          |
| <b>Operating profit (loss)</b>                            | <b>(39,340)</b>                         | <b>-16.9%</b> | <b>(3,546)</b>  | <b>-1.5%</b>  | <b>(35,794)</b> | <b>n.s.</b>   |
| Net Financial income/(expenses)                           | (18,428)                                | -7.9%         | (18,826)        | -7.9%         | 398             | -2.1%         |
| <b>Result before taxes</b>                                | <b>(57,768)</b>                         | <b>-24.8%</b> | <b>(22,372)</b> | <b>-9.4%</b>  | <b>(35,396)</b> | <b>158.2%</b> |
| Income tax expense  | (2,440)                                 | -1.0%         | (2,260)         | -1.0%         | (180)           | 8.0%          |
| <b>Net result for the period</b>                          | <b>(60,208)</b>                         | <b>-25.8%</b> | <b>(24,632)</b> | <b>-10.4%</b> | <b>(35,576)</b> | <b>144.4%</b> |
| Attributable to non-controlling interests                 | 124                                     | 0.1%          | (849)           | -0.4%         | 973             | -114.6%       |
| <b>Group profit (loss)</b>                                | <b>(60,332)</b>                         | <b>-25.9%</b> | <b>(23,783)</b> | <b>-10.0%</b> | <b>(36,549)</b> | <b>153.7%</b> |

### Revenue

Our revenues for the period ended June 30, 2018 decreased by €3,777 thousand, or 1.6%, to €233,375 thousand from €237,152 thousand for the period ended June 30, 2017.

The decrease in our revenues for the period ended June 30, 2018 is mainly due to: *i*) the decrease in the revenues from the Ferries business unit, which decreased by €2,461 thousand, or 1.1%, to €219,174 thousand from €221,635 thousand for the period ended June 30, 2017; and *ii*) the decrease in the revenues from the Tugboats business unit, which decreased by €1,908 thousand, or 17.0%, to €9,330 thousand from €11,238 thousand for the period ended June 30, 2017. The change in our Ferries business unit revenues for the period ended June 30, 2018 was mainly due to: *i*) a decrease in revenue from freight transport by €1,459 thousand, or 1.9%, to €73,522 from €74,981 thousand for the period ended June 30, 2017; *ii*) a decrease in revenue from chartering of €1,253 thousand, or 34.8%, to €2,349 thousand from €3,602 thousand for the period ended June 30, 2017; and *iii*) partially offset against this, an increase in revenue from on-board services of €1,015 thousand, or 13.0%, to €8,801 thousand from €7,786 thousand for the period ended June 30, 2017.

### Costs for purchase of raw materials and services

Our costs for the purchase of raw materials and services for the period ended June 30, 2018 increased by €17,101 thousand, or 10.6%, to €179,179 thousand from €162,078 thousand for the period ended June 30, 2017, primarily driven by an increase in fuel costs, which rose from €64,716 thousand for the period ended June 30, 2017 to € 74,276 thousand for the period ended June 30, 2018.

As a percentage of our total revenue, raw materials and services increased from 68.3% for the period ended June 30, 2017, to 76.8% for the period ended June 30, 2018.

### **Personnel costs**

Personnel costs for the period ended June 30, 2018 increased by €3,249 thousand, or 5.3%, to €64,751 thousand from €61,502 thousand for the period ended June 30, 2017, mainly due to an increase maritime personnel costs.

### **Other operating income (expenses)**

Other operating income net of expenses for the period ended June 30, 2018 amounted to €1,772 thousand, representing a decrease of €9,883 thousand, or 84.8% compared to €11,655 thousand for the period ended June 31, 2017, mainly due to the capital gain obtained in 2017 from the sale of m/v Dimonios.

### **Amortization, depreciation and write-downs of fixed assets**

The table below shows a detailed breakdown of depreciation and amortization for the period ended June 30, 2018, as compared to the period ended June 30, 2017:

| Amortization, depreciation and write-downs of fixed assets<br>(€ thousands, except percentages) | For the period ended June 30, |               |                 |               | 2018 vs 2017   |             |
|---|-------------------------------|---------------|-----------------|---------------|----------------|-------------|
|   | 2018                          | % on Revenues | 2017            | % on Revenues |                |             |
| Amortization of intangible assets   | (1,223)                       | -0.5%         | (1,337)         | -0.6%         | 114            | -8.5%       |
| Depreciation of property, plant and equipment   | (1,503)                       | -0.6%         | (1,407)         | -0.6%         | (96)           | 6.8%        |
| Depreciation of fleet   | (27,831)                      | -11.9%        | (25,544)        | -10.8%        | (2,287)        | 9.0%        |
| <b>Total amortization and depreciation</b>  | <b>(30,557)</b>               | <b>-13.1%</b> | <b>(28,288)</b> | <b>-11.9%</b> | <b>(2,269)</b> | <b>8.0%</b> |

Amortization and depreciation for the period ended June 30, 2018 increased by €2,269 thousand, or 8.0%, to €30,557 thousand from €28,288 thousand for the period ended June 30, 2017, mainly due to an increase in the depreciation of our fleet.

The depreciation of our fleet for the period ended June 30, 2018 increased by €2,287 thousand, or 9.0%, to €27,831 thousand from €25,544 thousand for the period ended June 30, 2017, mainly due to an increase in the number of operating vessels, refitting activities, increased cyclical maintenance and investments in our fleet.

### **Financial income and expenses**

Net financial expenses for the period ended June 30, 2018 decreased by €398 thousand, or 2.1%, to €18,428 thousand from €18,826 thousand for the period ended June 30, 2017. Financial expenses are mainly ascribable to interest expenses on long-term borrowings and include waiver fees amounting to €500 thousand.

### **Taxes**

Income tax for the period ended June 30, 2018 increased by €180 thousand to €2,440 thousand from €2,260 thousand for the period ended June 30, 2017.

### **Net result for the period**

As a result of the factors discussed above, for the period ended June 30, 2018, we recorded a loss of €60,208 thousand, representing an increase of €35,576 thousand as compared to a loss of €24,632 thousand for the period ended June 30, 2017.

## **Liquidity and Capital Resources**

### **Liquidity**

Our cash requirements consist mainly of: *i*) operating activities; *ii*) servicing our indebtedness and the indebtedness of our subsidiaries; *iii*) paying taxes; *iv*) capital expenditures; and *v*) funding acquisitions.

### **Cash flows**

A detailed breakdown of cash flows for the six-month period ended June 30, 2018 and June 31, 2017 is shown below:

**For the six-month period ended June 30,**

|  | 2018            | 2017            | Change          |
|--|-----------------|-----------------|-----------------|
|  | (€ thousands)   |                 |                 |
| Net result from the period   | (60,208)        | (24,632)        | (35,576)        |
| Income tax expense   | 2,440           | 2,260           | 180             |
| Net financial (income)/expenses  | 18,428          | 18,826          | (398)           |
| Amortization, depreciations, impairments and (Accrual)/Reversal of provisions, net | 30,557          | 28,773          | 1,784           |
| <b>EBITDA</b>  | <b>(8,783)</b>  | <b>25,227</b>   | <b>(34,010)</b> |
| Change in operating working capital  | (12,789)        | (9,937)         | (2,852)         |
| Change in other assets/liabilities   | 89,424          | 118,297         | (28,873)        |
| Other*   | (885)           | (12,613)        | 11,728          |
| <b>Net cash flow provided by/(used in) operating activities (A)</b>                | <b>66,967</b>   | <b>120,973</b>  | <b>(54,007)</b> |
| Capex - Fleet  | (32,703)        | (85,753)        | 53,050          |
| Capex - Other (Tangible, Intangible and refitting in progress)                     | (3,053)         | (3,071)         | 18              |
| Proceeds from sale of vessels  | -               | 53,108          | (53,108)        |
| Proceeds from Tangible sale  | -               | 300             | (300)           |
| Proceeds from other financial assets   | 65              | 351             | (286)           |
| Acquisition of a subsidiaries, net of cash acquired                                | -               | (4,498)         | 4,498           |
| Investment in Equity   | (30)            | -               | (30)            |
| Minority Equity inflows  | -               | 40              | (40)            |
| <b>Net cash flow provided by/(used in) investment activities (B)</b>               | <b>(35,721)</b> | <b>(39,523)</b> | <b>3,803</b>    |
| <b>Free cash flow (C) = (A + B)</b>  | <b>31,246</b>   | <b>81,450</b>   | <b>(50,204)</b> |
| Proceeds of borrowings net of costs incurred                                       | -               | 4,298           | (4,298)         |
| Repayment of borrowings  | (40,681)        | (10,753)        | (29,928)        |
| Net change in short-term financial liabilities                                     | (2,217)         | (1,945)         | (271)           |
| Dividends paid   | (491)           | -               | (491)           |
| Payment of interest and other financial charges and proceeds of interest income    | (16,524)        | (15,741)        | (783)           |
| <b>Net cash flow provided by/(used in) financing activities (D)</b>                | <b>(59,912)</b> | <b>(24,142)</b> | <b>(35,770)</b> |
| <b>Total Cash Flow (C+D)</b>   | <b>(28,666)</b> | <b>57,308</b>   | <b>(85,975)</b> |

(\*) Net of employee benefits, uses of provisions, income tax paid, other non-monetary items and (gain)/loss on disposal of assets.

Total cash flow recorded during the period ended June 30, 2018 equalled negative €28,666 thousand, a decrease of €85,975 compared to €57,308 thousand for the period ended June 30, 2017. The decrease in total cash flow is mainly due to *i*) a decrease in our free cash flow of €50,204 thousand and *ii*) an increase in our net cash flow used in financing activities of €35,770 thousand.

Our free cash flow was positive €31,246 thousand for the period ended June 30, 2018, a decrease of €50,204 thousand compared to positive €81,450 thousand for the period ended June 30, 2017. The decrease is primarily due to a decrease in net cash flow provided by operating activities of €54,007 thousand, which is in turn due to: *i*) a decrease in EBITDA of €34,010 thousand; *ii*) a decrease of €2,852 thousand in the contribution from change in operating working capital, which was affected by an increase in trade receivables mainly related to the seasonal nature of Moby Group's activities; *iii*) a decrease of €28,873 thousand in the contribution from change in other assets/liabilities; and *iv*) an increase of €11,728 thousand in the contribution from other.

The decrease in net cash flow provided by operating activities is partially offset by a decrease of €3,803 thousand in net cash flow used in investment activities, which is mainly due to: *i*) a decrease of €53,050 thousand in investments in fleet, mainly related to the acquisition of the m/v Dimonios; *ii*) a decrease of €53,108 thousand in proceeds received, mainly related to Dimonios' sales occurred in 2017; and *iii*) a decrease of € 4,498 thousand in investments for a subsidiary acquisition made in 2017.

The increase of €35,770 thousand in net cash flow used in financing activities is mainly due to: *i*) an increase of €29,928 thousand in repayments of borrowing, primarily related to the repayments of €40,000 thousand on the second instalment of the Senior Facility Agreement and *ii*) a decrease of €4,298 thousand in proceeds of borrowings, net of costs incurred.

### **Gross and net financial debt**

In this section, we define net financial debt as our gross financial indebtedness, less cash at banks and financial assets. Amounts presented in accordance with our definition of net financial debt may not be comparable to similar measures disclosed by other companies, as not all companies calculate net financial debt in the same manner.

As of June 30, 2018, our total gross financial indebtedness was €692.1 million, mainly consisting of: *i*) €300.9 million in senior secured notes due 2023; *ii*) €204.9 million in senior secured loans, including a revolving credit facility; and *iii*) €180.0 million unsecured deferred consideration for the acquisition of Tirrenia-CIN assets from Tirrenia di Navigazione S.p.A. in A.S..

Our net financial indebtedness amounted to €483.9 million, representing the total gross financial debt reduced by cash, cash equivalents and other financial assets amounting to €208.2 million.

### **Key Line Items**

The following describes those line items presented in our unaudited consolidated income statement and other measures that we consider key to understanding our results of operations:

#### ***Revenue***

We record revenue when we deliver the relevant goods and services. Total revenue is mainly comprised of revenue from: *i*) Ferries, *ii*) Tugboats and *iii*) Port operations. Total Ferries income is made up of a) income from passenger and vehicle transport, b) income from subsidies, c) income from freight transport, d) income from on-board services and e) income from chartering. Total Tugboats income is made up of: 1) income from port services and 2) income from towing at sea, salvage and anti-pollution services. Port operations income is made up of revenue generated from the management of the port of Olbia and the provision of miscellaneous services at the port of Livorno.

#### ***Costs***

Our costs mainly comprise the purchase of raw materials and consumables, including change in inventories, costs for services and personnel costs.

#### **Raw Materials and services**

##### *Costs for the purchase of raw materials and consumables*

Costs for the purchase of raw materials and consumables mainly include the purchase of fuels and lubricants.

##### *Change in inventories*

Change in inventories mainly includes changes in fuels and lubricants on board the working fleet, as well as materials and mechanical spare parts.

##### *Costs for services*

Costs for services mainly include port costs, agency fees, advertising, maintenance, fleet insurances, rental and operating leases and general expenses.

#### **Personnel costs**

Personnel costs include the wages and salaries of our workforce, social security charges, employee severance payments and other similar personnel-related costs.

#### **Other operating income (expenses), net**

Other operating income (expenses) includes capital gain (or loss) on assets sold and other operating income and expenses not included in other profit or loss items.