# CMA CGM S.A.

## *€525,000,000 7.500% Senior Notes due 2026*

***CMA CGM S.A. ("we," "us," the "Company" or the "Issuer") are offering €525,000,000 aggregate principal amount of our 7.500% Senior Notes due 2026 (the "notes"). Interest on the notes is payable on January 15 and July 15, beginning on July 15, 2021.***

***The notes will mature on January 15, 2026. Prior to January 15, 2023, we may redeem all or part of the notes by paying a "make-whole premium." We may redeem all or part of the notes at any time on or after January 15, 2023 at the redemption prices described under the caption "Description of Notes—Optional Redemption of Notes." In addition, until January 15, 2023, we may redeem up to 40% of the notes with the proceeds of certain equity offerings at the redemption price as described under the caption "Description of Notes—Optional Redemption of Notes." We may also redeem the notes upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control, we may be required to make an offer to repurchase the notes.***

***The notes will be our unsecured senior obligations and will rank pari passu in right of payment to all our existing and future senior indebtedness. The notes will be effectively subordinated in right of payment to all our existing and future secured indebtedness to the extent of the assets securing such indebtedness and structurally subordinated to all of the existing and future indebtedness of all our subsidiaries.***

***We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Professional Segment of the Euro MTF market of the Luxembourg Stock Exchange. These listing particulars ("listing particulars") constitute a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.***

***These listing particulars include information on the terms of the notes, including redemption prices, covenants and transfer restrictions.***

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Investing in the notes involves a high degree of risk. See "*Risk Factors*" beginning on page 29.

**The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). In the United States, the offering is being made only to qualified institutional buyers ("QIBs") in reliance on Rule 144A ("Rule 144A") under the Securities Act. Prospective purchasers that are QIBs are hereby notified that the sellers of the notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside the United States, the offering is being made in reliance on Regulation S ("Regulation S") under the Securities Act. See "*Notice to Investors*" and "*Plan of Distribution*" for additional information about eligible offerees and restrictions on transfers of the notes.**

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**Price: 97.848%, plus accrued interest, if any, from the issue date.**

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We expect that the notes will be delivered in book-entry form through the Euroclear System SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") on or about October 21, 2020.

***Joint Global Coordinators and Bookrunners***

**BNP PARIBAS** | **HSBC**

***Joint Bookrunners***

**Crédit Agricole CIB** | **ING** | **Société Générale**

***Joint Lead Managers***

**CIC Market Solutions** | **UniCredit Bank**

The date of these listing particulars is October 15, 2020.

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We are responsible for the information contained in these listing particulars We have not authorized anyone to provide you with information that is different from the information contained in these listing particulars. These listing particulars may only be used where it is legal to sell the notes. The information in these listing particulars may only be accurate on the date of this document. The offering of the notes is being made on the basis of these listing particulars, and we cannot provide you with assurance regarding the accuracy or completeness of any other source of information. Any decision to purchase the notes must be based on the information contained in these listing particulars.

The Initial Purchasers (as defined herein) make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in these listing particulars. The Issuer, and not the Initial Purchasers, has ultimate authority over the statements contained in these listing particulars, including their content and whether and how to communicate them. Nothing contained in these listing particulars is or should be relied upon as a promise or representation by any of the Initial Purchasers as to the past or the future.

We confirm to the best of our knowledge, information and belief, having made all reasonable inquiries, that the information contained in these listing particulars regarding us and the notes is true and accurate in all material respects, and is not misleading. We additionally confirm, except as provided below, that the opinions and intentions expressed herein are honestly held and that there are no other material facts, the omission of which would make these listing particulars as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly. However, the information set out in these listing particulars describing clearing arrangements, including the section entitled "*Book Entry, Delivery and Form*," is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream, as currently in effect. In addition, these listing particulars contain summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us, or any of the Initial Purchasers or the Paying Agent (as defined herein).

We are providing these listing particulars only to prospective purchasers of the notes. You should read these listing particulars before making a decision whether to purchase any notes. You must not use these listing particulars for any other purpose or disclose any information in these listing particulars to any other person.

These listing particulars do not constitute an offer to sell or an invitation to subscribe for or purchase any of the notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the notes may not be offered or sold, directly or indirectly, and these listing particulars may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable to such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any notes or possess these listing particulars. You must also obtain any consents or approvals that you need in order to purchase, offer or sell any notes or possess or distribute these listing particulars. We and the Initial Purchasers are not responsible for your compliance with any of the foregoing legal requirements. See "*Plan of Distribution*."

None of us, the Initial Purchasers or any of our or the Initial Purchasers' respective representatives are making an offer to sell the notes in any jurisdiction except where such an offer or sale is permitted. We are relying on exemptions from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements set forth under "*Notice to Investors*" in these listing particulars. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

These listing particulars are based on information provided by us and by other sources that we believe are reliable. The Initial Purchasers named in these listing particulars, the Trustee, the Paying Agent, the Registrar and the Transfer Agent (each of them as defined herein) make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in these listing particulars is, or shall be relied upon as, a promise or representation by the Initial Purchasers with respect to the Company or the notes as to the past or the future.

By purchasing the notes, you will be deemed to have acknowledged that you have reviewed these listing particulars and have had an opportunity to request, and have received all additional information that you need from us. No person has been authorized in connection with any offering made by these listing particulars to provide any information or to make any representations other than those contained in these listing particulars. You should carefully evaluate the information provided by us in light of the total mix of information available to you, recognizing that we can provide no assurance as to the reliability of any information not contained in these listing particulars.

The information contained in these listing particulars is presented as of the date hereof. Neither the delivery of these listing particulars at any time after the date of publication nor any subsequent commitment to purchase the notes shall, under any circumstances, imply that there has been no change in the information set forth in these listing particulars or in our business since the date of these listing particulars.

None of us, the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of our or the Initial Purchasers' respective representatives or affiliates are making any representation to you regarding the legality of an investment in the notes by you under any legal, investment or similar laws or regulations. You should not consider any information in these listing particulars to be legal, financial, business, tax or other advice. You should consult your own attorney, business advisor and tax advisor for legal, financial, business and tax and related aspects of an investment in the notes. You are responsible for making your own examination of the Company and our business and your own assessment of the merits and risks of investing in the notes.

Neither the U.S. Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or determined if these listing particulars is truthful or complete. Any representation to the contrary is a criminal offense.

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom (the "UK"), (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (iii) high-net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

In addition, the notes are subject to restrictions on transferability and resale, which are described under the captions "*Plan of Distribution*" and "*Notice to Investors*." By possessing these listing particulars or purchasing any notes, you will be deemed to have represented and agreed to all of the provisions contained in those sections of these listing particulars.

It is expected that delivery of the notes will be made against payment thereof on or about the date of the settlement of this offering, which will be the 4$^{th}$ business day following the date of pricing of the notes (such settlement being referred to as "T+4"). See "*Plan of Distribution—General—Initial Settlement*."

The notes will be issued in the form of one or more global notes, all of which will be deposited with or on behalf of, Euroclear and Clearstream. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by Euroclear and Clearstream or their respective participants. See "*Book-Entry, Delivery and Form*."

We will not, nor will any of our agents, have responsibility for the performance of the obligations of Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

We reserve the right to withdraw this offering of the notes at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the notes sought by it. The Initial Purchasers and certain of their related entities may acquire, for their own accounts, a portion of the notes.

## NOTICE TO U.S. INVESTORS

Each purchaser of notes will be deemed to have made the representations, warranties and acknowledgments that are described in these listing particulars under "*Summary—The Offering—Transfer Restrictions*" and "*Notice to Investors*." The notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States, and may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or such state securities laws. In the United States, the offering of the notes is being made only to "qualified institutional buyers" (or "QIBs") (as defined in Rule 144A under the Securities Act). Prospective purchasers that are qualified institutional buyers are hereby notified that the Initial Purchasers of the notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside the United States, the offering is being made only to non-U.S. persons in offshore transactions (as defined in and in accordance with Regulation S).

In addition, until 40 days after the commencement of the offering, an offer or sale of notes within the United States by a dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act.

Neither the SEC, any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that these listing particulars are accurate or complete. Any representation to the contrary is a criminal offense.

## NOTICE TO CERTAIN EUROPEAN INVESTORS

***European Economic Area***

***Prohibition of Sales to EEA and UK Retail Investors***

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes to any retail investor in the EEA or the UK. For these purposes, a retail investor means a person who is one (or more) of:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 (the "Prospectus Regulation").

The expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

***United Kingdom***

Each Initial Purchaser has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the UK.

***Notice to investors in other jurisdictions***

The distribution of these listing particulars and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. Persons into whose possession these listing particulars (or any part hereof) come are required by us and the Initial Purchasers to inform themselves about, and to observe, any such restrictions.

## STABILIZATION

**IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## AVAILABLE INFORMATION

Each purchaser of notes from the Initial Purchasers will be furnished with a copy of these listing particulars and, to the extent provided to the Initial Purchasers by us, any related amendment or supplement to these listing particulars. So long as any notes are outstanding and are "restricted securities" within the meaning of Rule 144 under the Securities Act, we will, upon request, furnish to any holder or beneficial owner of the notes the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the notes if, at the time of the request, we are neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g 3-2(b) thereunder. Any such request should be directed to the Company's Investor Relations team at ho.investors@cma-cgm.com, attention: Investor Relations team. Telephone: +33 (0)4 88 91 90 21.

Additionally, so long as any of the notes are listed on the Luxembourg Stock Exchange and its rules so require, copies of these listing particulars and other information relating to such issuance of notes will be available in the specified offices of the Issuer at the address listed on the inside of the back cover of these listing particulars. These listing particulars will also be available on the website of the Luxembourg Stock Exchange (www.bourse.lu). See "*General Information*."

## CERTAIN TERMS AND CONVENTIONS

In these listing particulars, "CMA CGM," "we," "us," "our" and "the group" refer to CMA CGM S.A. and its consolidated subsidiaries, unless the context otherwise requires, and the "Company" and "Issuer" refer to CMA CGM S.A.

In these listing particulars, unless indicated otherwise, references to "euros" or "€" are to the euro, the official currency of the Member States of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time, references "U.S. dollars," "U.S.$," "dollars" and "$" are to the United States dollar, the official currency of the United States of America, references to "SGD" "Singapore dollars" or "SG$" are to the Singapore dollar, the official currency of Singapore, and references to "sterling," "pounds sterling" or "£" are to the British pound sterling, the official currency of the United Kingdom.

In addition, unless indicated otherwise, or the context otherwise requires, references in these listing particulars to:

- "3PL" means a third-party logistics provider that offers integration and management of all logistics services of a complex supply chain;
- "4PL" means a fourth-party logistics provider or an integrator that assembles the resources, capabilities and technologies of its own organization and other organizations to design, build and run comprehensive supply chain solutions;
- "2018 CMA CGM Audited Consolidated Financial Statements" means the audited consolidated financial statements for CMA CGM S.A. as of and for the year ended December 31, 2018;
- "2019 CMA CGM Audited Consolidated Financial Statements" means the audited consolidated financial statements for CMA CGM S.A. as of and for the year ended December 31, 2019;
- "2021 Senior Notes" means the €725.0 million 7.750% Senior Notes due 2021 issued by the Company on June 8 and June 12, 2015, and partially redeemed on June 19, 2020;
- "2022 Senior Notes" means the €650.0 million 6.500% Senior Notes due 2022 issued by the Company on July 13, 2017;
- "2025 Senior Notes" means, collectively, the €500.0 million 5.25% Senior Notes due 2025, issued by the Company on October 24, 2017 and the €250.0 million 5.25% Senior Notes due 2025, issued by the Company on November 9, 2017, which form a single class of notes;
- "Additional Yildirim ORA" means the 528,918 12.0% subordinated bonds mandatorily redeemable in B Preferred Shares subscribed to by Yildirim AM for $100.0 million on January 31, 2013, which automatically converted into newly issued preferred shares of the Company upon maturity on December 31, 2015;
- "Adjusted EBITDA" means EBITDA less gains / (losses) on disposal of property and equipment and subsidiaries;
- "Adjusted net debt" means net debt less the amount of bonds and preferred shares redeemable in shares (ORA) that are accounted for as debt under IFRS, less liabilities associated with assets classified as held for sale, plus restricted cash (such as cash allotted as collateral for margin loans);
- "ANL Singapore" means ANL Singapore Pte Ltd;
- "APL" and "APL Co." mean APL Co. Pte Ltd, to be renamed CMA CGM Asia Shipping Private Ltd. as from December 1, 2020;
- "APL 2024 Senior Notes" means the $150.0 million notes issued by American President Companies, Ltd. in January 1994 and due in January 2024;
- "Autotainer" means a dry container suited for the transportation of automobiles;
- "Blank Sailing" means a scheduled sailing that has been canceled by a carrier or a shipping line, which may mean one part is being skipped or the entire string is cancelled;
- "Board of Directors" means the board of directors of the Company;
- "BPI" means Bpifrance Participations (formerly known as the *Fonds Stratégique d'Investissement*);

- "BPI ORA" means the 793,378 12.0% subordinated bonds mandatorily redeemable in shares subscribed to by BPI for $150.0 million on June 28, 2013 and maturing on December 31, 2020;
- "BPI Shareholders' Agreement" means the shareholders' agreement, dated June 28, 2013 among us, Merit and BPI in the presence of Yildirim;
- "bunker" and "bunker fuel" mean the heavy fuel oil we generally use to power our ships;
- "cascade" or "cascaded", in relation to vessels, means the practice of shifting vessels from one trade to another as they are replaced by newer vessels, with larger vessels typically replacing smaller vessels in order to take advantage of economies of scale;
- "calls" means stopping at a port to load and discharge cargo;
- "capacity", unless otherwise specified, means the maximum number of containers as measured in TEU that could theoretically be loaded onto a container ship without taking into account operational constraints (including, but not limited to, the actual weight of any loaded containers); with reference to a fleet, a carrier or the container shipping industry, capacity is the total TEU capacity of all ships in the fleet, the carrier or the industry, as applicable;
- "capital expenditures" means our expenditures in respect of investments in vessels, containers and other intangible and other fixed assets either owned or held under finance leases, acquired directly or through a business combination;
- "carrier", unless otherwise specified, means a company providing container shipping services;
- "CBP" means U.S. Customs and Border Protection;
- "CC Log" or "CMA CGM Logistics" means CMA CGM Logistics, the group's logistics subsidiary, which was transferred to CEVA on May 2, 2019;
- "CEVA" means CEVA Logistics A.G. and its consolidated subsidiaries;
- "charter", with respect to ships, means the lease of a ship for a specified period of time at a fixed price or a price indexed on an interest rate formula; unless specifically referring to a bareboat charter, which covers the capital cost of a ship only, the charter or time charter includes the capital costs as well as running costs (including ship's crew, spare parts, lubricants and insurance);
- "Cheng Lie Navigation", "CNC Line" or "CNC" means Cheng Lie Navigation Co. Ltd;
- "CMA CGM standalone" means, as the context requires, the relevant financial figure excluding the contribution of CEVA (i) from January 4, 2019 to December 31, 2019 as set forth in the 2019 CMA CGM Audited Consolidated Financial Statements or (ii) from January 4, 2019 to June 30, 2019, as set forth in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements;
- "CMP" means China Merchant Ports Holdings Company Limited;
- "cold ironing" means the practice of ships turning off their auxiliary engines and instead sourcing electric power from shore while at berth;
- "Containerships" means Containerships—CMA CGM GmbH and its consolidated subsidiaries;
- "Core EBIT" means EBIT less gains / (losses) on disposal of property and equipment and subsidiaries and adding back other income and expenses as well as impairment reported in share of profit/(loss) of the associates and joint ventures;
- "Core EBIT margin" means Core EBIT divided by revenue;
- "core loops", in the context of shipping operating alliances, means a rotation consisting of vessels from a single alliance member rather than a rotation consisting of vessels contributed by each of the alliance members;
- "COSCO" means China COSCO Shipping;
- "CSG" means China Shipping (Group) Company;
- "demurrage" means the fee we charge for each day that an importer maintains possession of a container beyond the scheduled or agreed date of return;
- "dominant leg" means the leg of the service from net exporting regions to net importing regions, and "non-dominant leg" means the return leg of such services from net importing regions to net exporting regions;

- each of “own”, “to own” or “owned”, with respect to our vessels or containers, means vessels or containers to which we have title or that we have financed through lease arrangements that transfer substantially all the risks and rewards of ownership to us;
- each of “U.S. dollars,” “U.S.$,” “dollars” and “$” means the lawful currency of the United States of America;
- “East-West lines” or “East-West trades” means the four main east-west intercontinental trades for the container shipping industry: Asia-Europe, Transpacific (Asia-North America), Transatlantic (Europe-North America) and Asia-Middle East;
- “EBIT” corresponds to a measure equivalent to an operating profit/loss; it is equal to the sum of the following income statement captions as presented in our consolidated financial statements for the relevant period: “Revenues,” “operating expenses,” “Gains/(losses) on disposal of property and equipment and subsidiaries,” “Depreciation and amortization of non-current assets,” “Other income and (expenses),” “Net present value (NPV) benefits related to assets financed by tax leases” and “Share of income/(loss) from associates and joint ventures”;
- “EBITDA” means the sum of the following income statement captions as presented in our consolidated financial statements for the relevant period: “EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries” and “Gains on disposal of property and equipment and subsidiaries”;
- “EBITDA margin” means EBITDA divided by revenue;
- “EEA” means the European Economic Area;
- “EEDI” means the Energy Efficiency Design Index issued by the IMO;
- “EPA” means the United States Environmental Protection Agency;
- “EQT Infrastructure” means EQT Infrastructure III;
- “European Union” or “EU” means the European economic and political union;
- “feeder line” means a non-intercontinental service that calls at smaller ports, operates with smaller vessels and operates to transport most of its cargo to and from secondary ports to connect with main lines at primary ports (as opposed to short sea lines, which operate to provide an independent shipping service for most of their cargo);
- “freight forwarders” means intermediaries between carriers and direct shippers which consolidate cargo and prepare customs documentation;
- “Garment on Hanger (GOH)” means a method of storing apparel in containers for garments that should not be folded;
- “GDPR” means the EU General Data Protection Regulation (Regulation (EU) 2016/679);
- “GGS” means Global Gateway South, a container terminal located in the Port of Los Angeles in the San Pedro Bay, United States;
- “GSL” means Global Ship Lease, Inc.;
- “IFRS” means International Financial Reporting Standards, as adopted for use in the European Union by the European Commission;
- “IMO” means the International Maritime Organization;
- “IMO 2020” means the IMO’s Low Sulphur Regulation that came into effect on January 1, 2020;
- “Initial Purchasers” means BNP Paribas, HSBC Bank plc, Crédit Agricole Corporate and Investment Bank, ING Bank N.V., London Branch, Société Générale, Credit Industriel et Commercial S.A. and UniCredit Bank AG;
- “Initial Yildirim ORA” means the 2,644,590 12.0% subordinated bonds mandatorily redeemable in B Preferred Shares subscribed to by Yildirim AM for $500.0 million on January 27, 2011, which automatically converted into newly issued preferred shares of the Company upon maturity on December 31, 2015;
- “ISM Code” means the International Management Code for Safe Operation of Ships and for Pollution Prevention created by the IMO;

- “Kingston Container Terminal” or “KCT” means the container terminal in Kingston, Jamaica, with respect to which Kingston Freeport Terminal Limited took a 30-year concession pursuant to a concession agreement with the Port Authority of Jamaica signed April 7, 2015;
- “LNG” means liquefied natural gas;
- “LTV” means loan-to-value, or the ratio of the amount borrowed to the fair market value of an asset, including in the case of vessel financing arrangements, a vessel;
- “MacAndrews” means MacAndrews & Company Limited;
- “main line” means a shipping line that traverses oceans;
- “Malta Freeport” means Malta Freeport Terminals Ltd.;
- “MARPOL” means The International Convention for the Prevention of Pollution from Ships;
- “Member States” means states which are members of the European Union;
- “Mercosul Line” means Mercosul Line Navegação e Logistica Ltda., which is one of the leading players in Brazil’s domestic container shipping market;
- “Merit” means Merit Corporation, a corporation (*société anonyme libanaise*) organized under the laws of Lebanon formerly known as Merit S.A.L., and the principal shareholder of the Company;
- “net debt” means current and non-current financial borrowings, plus borrowings associated with assets classified as held for sale, less cash and cash equivalents, securities and LTV deposits presented within other financial assets;
- “NOL” means Neptune Orient Lines Limited, renamed CMA CGM Asia Pacific Ltd as from October 1, 2020;
- “NOL 2020 Senior Notes” means NOL’s SG$280.0 million 4.65% fixed rate notes due September 9, 2020, issued under NOL’s EMTN Program in September 2010;
- “NOL 2021 Senior Notes” means NOL’s SG$300.0 million 4.40% fixed rate notes due June 22, 2021 , issued under NOL’s EMTN Program in June 2011;
- “NOL Acquisition” means our acquisition of Neptune Orient Lines on June 14, 2016;
- “NOL Liner” means NOL Liner (Pte.) Limited, renamed CMA CGM Asia Pacific Liner Pte. Ltd as from October 1, 2020;
- “North-South lines” or “North-South trades” means the six main north-south intercontinental trades for the container shipping industry: North America-Latin America, Europe-Latin America, Europe-Africa, Asia-Africa, Asia-Latin America and Asia-Australasia;
- “notes” means the notes issued hereunder;
- “Ocean 3 Alliance” means the alliance between us, CSG and UASC covering the Asia-Europe/ Mediterranean and Transpacific trades, signed in September 2014 and which was subsequently terminated;
- “Ocean Alliance” means our global alliance with Cosco Container Lines Co., Ltd, Evergreen Marine Corporation (Taiwan) Ltd. and Orient Overseas Container Line Limited covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-US East Coast and Trans-Atlantic trades, the operations of which started on April 1, 2017;
- “OECD” means the Organization for Economic Co-operation and Development, a group of 35 member states focused on developing the international market economy;
- “OOCL” means Orient Overseas Container Line;
- “OPEC” means Organization of the Petroleum Exporting Countries;
- “ORA” means bonds mandatorily redeemable in shares, or *obligations remboursables en actions*, and refers herein to the Yildirim ORA (which were converted to Yildirim Preferred Shares as of December 31, 2015), the BPI ORA or both, as the context requires;
- “Paris Agreement” means the agreement adopted at the 2015 United Nations Climate Change Conference in Paris;
- “Paying Agent” means Elavon Financial Services DAC;

- "per-carried-TEU" means the relevant financial or operating measure divided by the number of TEUs we transported during the relevant period;
- "PGE" has the meaning ascribed to it in "*Description of Certain Financing Arrangements—Unsecured Financing—€1.05 billion facility partially guaranteed by the French State ("PGE")*";
- "primary port" means ports which are called by main lines;
- "reefer" means refrigerated transport;
- "Registrar" means Elavon Financial Services DAC;
- "SEC" means the U.S. Securities and Exchange Commission;
- "secondary port" means ports which are called by feeder lines and not by main lines;
- "short sea line" means a non-intercontinental service that calls at smaller ports, operates with smaller vessels and operates for purposes of providing an independent service for most of its cargo (as opposed to feeder lines, which operate to transport most of their cargo to and from main lines);
- "slot" means the space required for one TEU on board a ship;
- "slot swap" means an exchange of container capacity between us and another carrier;
- "slow steaming" means the practice of operating a vessel at a significantly reduced speed from its maximum speed, typically aimed at optimizing bunker fuel consumption;
- "stevedoring" means the loading and unloading of cargo from a ship;
- "TEU" means a 20-foot equivalent unit, the standard unit of measurement of volume used in the container shipping industry;
- "Terminal Link" means our joint venture with CMP that holds investments in terminals;
- "Terminal Link Transaction" means the sale of our shareholding (through CMA Terminals) in (up to) ten port terminals for a maximum aggregate consideration of $968.0 to Terminal Link, the first part (sale of eight port terminals) of which closed on March 26, 2020;
- "trades" means regular routes assigned to ships;
- "Transfer Agent" means Elavon Financial Services DAC;
- "Trustee" means U.S. Bank Trustees Limited;
- "UASC" means the United Arab Shipping Company S.A.G.;
- "ULCVs" means ultra-large container vessels;
- "Yildirim" means Yildirim AM and Yildirim Holding;
- "Yildirim AM" means Yildirim Asset Management Holding BV, a private company with limited liability (*besloten vennootschap*) organized under the laws of the Netherlands;
- "Yildirim Holding" means Yildirim Holding, a joint stock company (AS) organized under the laws of Turkey;
- "Yildirim ORA" means the Initial Yildirim ORA, together with the Additional Yildirim ORA;
- "Yildirim Preferred Shares" or "B Preferred Shares" means the preference shares of the Company into which the Yildirim ORA automatically converted on December 31, 2015, which represent approximately 24% of the Company's capital on a fully diluted basis; and
- "Yildirim Shareholders' Agreement" means the shareholders' agreement, dated January 27, 2011 among us, Merit and Yildirim, as amended on April 7, 2011 and June 28, 2011.

## PRESENTATION OF FINANCIAL AND OTHER DATA

### Financial Data

The historical consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019 and as of and for the six-month periods ended June 30, 2019 and 2020 is derived from (i) the free English language translations of our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 (respectively, the "2018 CMA CGM Audited Consolidated Financial Statements" and the "2019 CMA CGM Audited Consolidated Financial Statements," and together the "CMA CGM Audited Consolidated Financial Statements") and (ii) our unaudited interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2020 (the "CMA CGM Unaudited Interim Condensed Consolidated Financial Statements"), and, in each case, the related notes thereto, each of which are included elsewhere in these listing particulars.

The CMA CGM Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 – the standard of IFRS as adopted by the European Union applicable to interim financial statements.

The CMA CGM Audited Consolidated Financial Statements have been audited by Deloitte & Associés and KPMG Audit, a division of KPMG S.A., independent auditors, as stated in their reports dated March 6, 2020 and March 1, 2019, free English translations of which are included in these listing particulars. The CMA CGM Unaudited Interim Condensed Consolidated Financial Statements have been reviewed by ERNST & YOUNG Audit and KPMG Audit, a division of KPMG S.A., independent auditors, as stated in their report dated September 4, 2020 included in these listing particulars.

Changes in accounting policies during periods presented are disclosed in Note 2.2 to the CMA CGM Audited Consolidated Financial Statements, and in Note 2.2 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, included elsewhere in these listing particulars. Other than as described below, none of these changes materially affected our financial performance or positions during the periods presented. As discussed in Note 2.2.1 to the 2019 CMA CGM Audited Consolidated Financial Statements, the adoption of IFRS 16 regarding the accounting for leases has had a significant effect on our financial position. For further discussion, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Recently Issued Accounting Pronouncements—Leases*."

The financial information as of and for the year ended December 31, 2017 included in these listing particulars is presented after adjustments reflecting the effect of the changes in accounting policies effective starting January 1, 2018 related to the adoption of IFRS 9: *Financial instruments* and IFRS 15: *Revenue from contracts with customers.*

Financial information presented herein for the twelve-month period ended June 30, 2020 was calculated by taking the amount recorded for the relevant line item for the six-month period ended June 30, 2020 in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements and adding this to the amount recorded for the relevant line item for the year ended December 31, 2019 in the 2019 CMA CGM Audited Consolidated Financial Statements and then subtracting the amount recorded for the relevant line item for the six-month period ended June 30, 2019 in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the consolidated financial statements or the tabular presentation of other information (subject to rounding) contained in these listing particulars, as applicable, and not using the numerical data in the narrative description thereof.

### Factors Affecting Comparability

*IFRS 16*

The CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union and IAS 34, respectively. Changes in accounting policies during the periods presented are disclosed in Note 2.2 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, the 2019 CMA CGM Audited Consolidated Financial Statements and the 2018 CMA CGM Audited Consolidated Financial Statements.

IFRS 16, regarding accounting for leases, has had a significant impact on the Company's statement of financial position and statement of profit & loss. As from January 1, 2019, we have adopted IFRS 16 using the modified retrospective transition method. As permitted by the standard, comparative information for the previous fiscal years has not been restated. The application of IFRS 16 had a material impact on amounts reported in respect of our non-current assets and financial liabilities, given the magnitude of our operating lease arrangements. IFRS 16 changes the lease recognition method for leases, requiring lessees to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments for all leases, unless the exemption options for short-term leases (12 months or less) or leases of low-value items are applied. The right-of-use is depreciated on a straight-line basis while the lease liability is amortized using the actuarial method over the lease term. Under the former standard, expenses from operating lease contracts were recognized in the income statement on a straight-line basis under chartering expenses, logistics expenses, general and administrative and other operating expenses. Under IFRS 16, expenses from operating lease contracts previously recorded under operating expenses have been split into straight-line amortization expense on the right-of-use assets and the recognition of an interest expense on lease liabilities, except for the vessels' running costs, which remain classified as an operating expense. To facilitate comparison of our results of operations for the years ended December 31, 2019 and 2018, for key line items in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2019 compared with year ended December 31, 2018*" we have included a discussion of our results in each of the respective years excluding the impact of the adoption of IFRS 16.

Except for IFRS 16, no changes in accounting policies materially affected our financial performance or condition during the periods presented.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Recently Issued Accounting Pronouncements,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information; Comparability of Information*" and Note 2.2 to the 2019 CMA CGM Audited Consolidated Financial Statements for further discussion.

*CEVA Acquisition*

On January 4, 2019, we acquired control of CEVA, a leading global player in the logistics sector. The results of operations and assets and liabilities of CEVA were accounted for in the 2019 CMA CGM Audited Consolidated Financial Statements in accordance with the full consolidation method of accounting as from January 4, 2019. To facilitate comparison of our results of operations for the years ended December 31, 2019 and 2018, for key line items in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2019 compared with year ended December 31, 2018*" we have included a discussion of our results in each of the respective years excluding the contribution of CEVA. This information was derived by eliminating the contribution of CEVA from our consolidated financial results from January 4, 2019 to December 31, 2019 and is referred to herein as CMA CGM standalone.

**Use of Non-IFRS Financial Measures**

In these listing particulars, we present our EBITDA and certain ratios and margins based on EBITDA for certain periods. EBITDA represents the sum of the following income statement captions, as presented in the CMA CGM Audited Consolidated Financial Statements included elsewhere in these listing particulars: "EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries" and "Gains on disposal of property and equipment and subsidiaries." EBITDA is not a substitute for EBIT (as defined below) or net cash generated from operating activities as determined in accordance with IFRS. EBITDA is presented as additional information because we believe that it is widely used as a measure to evaluate a company's operating performance and financial requirements. We also use a metric which we call "Adjusted EBITDA," which represents EBITDA less gains/(losses) on disposal of property and equipment and subsidiaries. Neither EBITDA nor Adjusted EBITDA is a substitute for EBIT or net cash generated from operating activities as determined in accordance with IFRS.

We also present our "EBIT" in these listing particulars, EBIT is a measure equivalent to an operating profit/(loss). We also present a measure which we call "Core EBIT" that we believe is a particularly useful indicator of our operating performance. It is calculated as EBIT less gains/(losses) on disposal of property and equipment and subsidiaries and adding back other income and expenses as well as impairment reported in share of profit/(loss) of the associates and joint ventures. Like EBITDA, we believe this measure enables a relevant comparison against our competitors depending on the strategy in terms of fleet ownership, although EBITDA has become more relevant in that respect since the application of IFRS 16: the cost of our ships held under operating leases with a duration of less than one year is still accounted for under our chartering expenses, and therefore affects EBITDA, whereas our owned fleet costs and the cost of our ships held under operating leases with a duration in excess of one year are capitalized and amortized, thus affecting EBIT. We also refer in these listing particulars to our "Core EBIT margin," which represents our Core EBIT divided by our revenue.

We also present our net debt and certain ratios based on net debt for certain periods. Net debt includes current and non-current financial borrowings, plus financial debt associated with assets classified as held for sale, less cash and cash equivalents, securities and LTV deposits presented within other financial assets. Net debt is provided as additional information because we believe it provides useful information regarding our financial position. We also present an "adjusted net debt" measure calculated as our net debt less the amount of bonds and preferred shares redeemable in shares that are accounted for as debt under IFRS, less liabilities associated with assets classified as held for sale, plus unavailable (or restricted) cash. Certain of our financing arrangements require cash deposits as collateral (LTV deposits) when the loan to fair market value ratios of our vessels are below a certain level. The cash deposits are held as collateral for the related financing and, accordingly, we have deducted the deposits for the purpose of determining net debt and adjusted net debt. See the tables in "*Summary—Summary Financial and Operating Information*" for the calculation of net debt and adjusted net debt.

Because EBITDA, Adjusted EBITDA, EBIT, Core EBIT, Core EBIT margin, net debt and adjusted net debt are not calculated identically by all companies, our presentation of these measures may not be comparable to other similarly titled measures of other companies. Moreover, our discretionary use of EBITDA may be limited by working capital, capital expenditure and debt service requirements and by contractual, legal and other restrictions. For a reconciliation of EBITDA, Adjusted EBITDA, Core EBIT, Core EBIT margin, net debt and adjusted net debt to the relevant financial measures defined in accordance with IFRS, see "*Summary—Summary Financial and Operating Information*."

More generally, these non-IFRS financial measures have limitations as analytical tools and should not be considered as alternatives to net profit or any other performance measures derived from or in accordance with IFRS.

### Exchange Rate Information

The table below sets forth for the periods indicated certain information regarding the Bloomberg Composite Rate. The following table shows the period-end, average, high and low Noon Buying Rates for the euro, as certified by the Federal Reserve Bank of New York (the "Noon Buying Rate"), expressed in dollars per one euro, for the periods and dates indicated. These rates may differ from the actual rates used in the preparation of our financial statements and other financial information appearing in these listing particulars.

| Month<br>U.S. dollar/Euro | Period End | Average Rate* | High | Low |
|---|---|---|---|---|
| October 2020 (through October 2, 2020) | 1.1706 | 1.1729 | 1.1752 | 1.1706 |
| September 2020 | 1.1723 | 1.1785 | 1.1949 | 1.1618 |
| August 2020 | 1.1950 | 1.1831 | 1.1950 | 1.1750 |
| July 2020 | 1.1822 | 1.1488 | 1.1822 | 1.1237 |
| June 2020 | 1.1237 | 1.1259 | 1.1378 | 1.1123 |
| May 2020 | 1.1107 | 1.0907 | 1.1107 | 1.0800 |

| Year<br>U.S. dollar/Euro | Period End | Average Rate* | High | Low |
|---|---|---|---|---|
| 2020 (through October 2, 2020) | 1.1752 | 1.1252 | 1.1950 | 1.0682 |
| 2019 | 1.1227 | 1.1194 | 1.1524 | 1.0905 |
| 2018 | 1.1456 | 1.1817 | 1.2488 | 1.1281 |
| 2017 | 1.2022 | 1.1301 | 1.2041 | 1.0416 |
| 2016 | 1.0552 | 1.1072 | 1.1516 | 1.0375 |
| 2015 | 1.0859 | 1.1096 | 1.2015 | 1.0524 |
| 2014 | 1.2101 | 1.3297 | 1.3927 | 1.2101 |

* The average of the Noon Buying Rates on the last business day of each month (or portion thereof) during the relevant period for annual averages; on each business day of the month (or portion thereof) for monthly average.

Fluctuations in the exchange rate between the euro and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

These listing particulars contain translations of euro amounts into U.S. dollars at the exchange rate of $1.00 = €0.89302 (the exchange rate as of June 30, 2020 used by the Company for its unaudited consolidated balance sheet as of such day), unless otherwise indicated, solely for the convenience of the reader. These translations should not be construed as representations that the euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. On October 2, 2020, the Noon Buying Rate in New York City for cable transfers in foreign currencies was $1.1706 per one euro.

**Industry Data**

The information contained in the section "*Industry Overview*," including market and industry statistical data, was provided by Drewry Shipping Consultants Ltd. ("Drewry") and Transport Intelligence ("TI") with respect to the shipping and logistics industries, respectively. Drewry is a consultant firm specializing in shipping and TI is a consultant firm specializing in logistics. We commissioned Drewry and TI to provide the text for this section. In compiling the data for this section, Drewry and TI relied on industry sources, published materials, their own private databanks and direct contacts within the respective industries of shipping and logistics. All those sources were used to calculate the data and market information shown in these listing particulars, except where otherwise noted.

**Other Information in these Listing Particulars**

Certain information provided in these listing particulars has been sourced from third parties. We confirm that such third-party information has been accurately reproduced and that, so far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted which would render the third-party information reproduced herein inaccurate or misleading.

The information set out in relation to sections of these listing particulars describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*," is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information. In addition, these listing particulars contain summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request.

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

These listing particulars include "forward-looking statements" within the meaning of the U.S. federal securities laws, which involve risks and uncertainties, including, without limitation, certain statements regarding management's expectations regarding our business, growth, future financial condition, results of operations and prospects and other statements made in the sections entitled "*Summary*," "*Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." You can identify forward-looking statements because they contain words such as "believe," "expect," "may," "should," "seek," "intend," "plan," "estimate," or "anticipate" or similar expressions that relate to our strategy, plans or intentions. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We have based these forward-looking statements on our current views and assumptions about future events. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. We cannot assure you that future results will be achieved. All forward-looking statements are based upon information available to us on the date of these listing particulars.

Important factors that could cause actual results to differ materially from our expectations ("cautionary statements") are disclosed under "*Risk Factors*" and elsewhere in these listing particulars, including, without limitation, in conjunction with the forward-looking statements included in these listing particulars. All forward-looking information in these listing particulars and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to our business. In addition, in light of these risks, uncertainties and assumptions, the forward-looking events discussed in these listing particulars might not occur. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements included in these listing particulars, including those described in the section entitled "*Risk Factors*."

## SUMMARY

***This summary highlights information contained elsewhere in these listing particulars. This summary is not complete and does not contain all of the information that you should consider before investing in the notes. You should read the entire listing particulars carefully, especially the risks of investing in the notes. See "Risk Factors." For definitions of certain capitalized terms used in the listing particulars, see "Certain Terms and Conventions."***

### Overview

We are a leading worldwide transport and logistics group offering shipping and logistics services. In terms of shipping capacity, we are the fourth largest provider of container shipping services globally, and in logistics services we are the fifth largest player in contract logistics. We generated revenues of $29.3 billion and EBITDA of $4.4 billion in the twelve-month period ended June 30, 2020. We offer our services in over 160 countries through a global network of 755 offices, 750 warehouses and over 200 main lines calling at 420 ports.

In terms of shipping, we transported approximately 21.6 million TEU in the year ended December 31, 2019 on behalf of a globally diversified base of more than 70,000 customers. Our customer base includes a mix of retailers and manufacturers from various industries, such as Samsung, Ikea, GM, BASF, Coca-Cola, Renault and Nestlé. Our shipping business generated revenues of $22.1 billion and EBITDA of $3.3 billion in the twelve-month period ended June 30, 2020.

As of June 30, 2020, our fleet consisted of 500 container ships, of which we chartered 59% and owned or had under finance lease or equivalent arrangements 41%, in each case in terms of capacity. Our fleet had a combined capacity of 2.758 million TEU, an average size of 5,516 TEU and a weighted average age, based on total TEU, of 8.3 years. The market value of our owned vessels, which is assessed every six months by calculating the average of four independent ship brokers' valuations, was $5,811 million as of June 30, 2020.

As of June 30, 2020, we also maintained a 4.0 million TEU fleet of containers (2,452,117 containers), of which over 396,922 TEU consisted of reefer containers representing the second largest fleet of refrigerated containers globally. As of June 30, 2020, the book value of our owned containers was $296.9 million.

Our size and leading market position enable us to take advantage of economies of scale. We have a large and flexible fleet, and we work to manage effectively the allocation and cascading of our operated tonnage across all trade lanes. This enables us to optimize the size of vessels we are using on most of our routes and take advantage of the lower average slot costs incurred by larger vessels. This contributes to significant cost savings and higher profitability.

We are one of the few liners to operate a truly global network and specifically one of the most extensive networks of direct services covering the four major East-West trades: Asia-Europe, Transpacific (Asia-North America), Transatlantic (Europe-North America), and Asia-Middle East but also other trades such as North-South lines (Latin America and Africa). We have also developed a complementary regional network of intra-regional lines in Europe, Asia, Oceania and South America. Our extensive and diversified network allows us to focus both on high-volume markets, such as Asia-Europe, Asia-North America and intra-Asia and niche markets, such as the Caribbean, Baltic Sea and Black Sea.

Our extensive network is further supported by a strategic alliance with other carriers, which allows us to extend the scope and improve the quality of our services while reducing our cost base. We are a founding member (alongside Cosco Shipping, Evergreen Line and Orient Overseas Container Line ("OOCL")) of Ocean Alliance, one of the three major alliances in the container shipping industry. We believe Ocean Alliance, as well as the other main alliances, are positively impacting structural dynamics in the shipping industry, as evidenced by favorable industry trends in the recent period affected by the COVID-19 pandemic. Ocean Alliance started operations on April 1, 2017 and has a ten-year term; it enables members to offer comprehensive and customer-focused service networks covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-US East Coast and Trans-Atlantic trades.

Through our main lines, which are supported by our extensive short sea and feeder lines, and in conjunction with our alliances with other carriers, we have established a diversified market mix, with no single line accounting for more than 3% of our annual volumes transported in 2019. We believe that our broad network and the variety of ports served by our main and short sea lines provide us with a competitive advantage in our key areas of operation and reduce our exposure to declines in demand for container shipping services that are limited to certain regions or certain trades.

In May 2018, we initiated a strategic move towards logistics services through our investment in, and subsequent acquisition of, CEVA Logistics A.G. ("CEVA"). CEVA is one of the leading global asset-light supply chain management companies, with revenues of $7.1 billion and EBITDA of $536.0 million in 2019 and with more than 59,000 employees and temporary workers in over 800 sites spanning 160 countries as of June 30, 2020. CEVA designs, implements and operates end-to-end supply chain solutions for multinational and large and medium-sized companies on a national, regional and global level. This acquisition aims to complement our shipping activity, allowing us to provide our customers with a comprehensive range of solutions and services across the supply chain (including arranging and overseeing transportation of goods by ocean, air and ground (including through end-to-end transportation offerings), ancillary value added services (e.g., custom brokerage or lead logistics (4PL)), and contract logistics services.

We also invest in port terminal facilities where we have significant operations. Through these investments, we gain preferred access to berths and greater control over port activities. We currently have interests in or agreements related to 50 terminals around the world, 47 of which are in operation and three of which are in development or under acquisition, through our wholly owned subsidiary CMA Terminals and our 51% owned joint venture affiliate Terminal Link. In December 2019, we entered into a binding agreement with our joint venture partner China Merchants Port ("CMP") to sell ten terminals held by CMA Terminals to Terminal Link. The transfer of eight of the terminals closed in late March 2020.

Over the past 40 years, we have grown from being a regional Mediterranean carrier with a single ship into a leading provider of global container shipping and logistics services, operating a fully integrated supply chain with a fleet of 500 vessels as of June 30, 2020. We believe that the stability of our efficient, experienced and adaptable management team, combined with our streamlined organization, enables us to make decisions rapidly and efficiently, allowing us to take early advantage of market opportunities and generate higher profitability as compared to our peers. From January 1, 2017 to December 31, 2019, we achieved compound annual growth rates on volumes transported of 11.3%.

**Our Competitive Strengths**

We believe our competitive strengths include:

***We operate in an increasingly resilient and disciplined industry.***

We operate one of the largest global container shipping networks in an industry that has proven resilient in the face of an unprecedented global economic crisis, as well as increasingly disciplined in managing business cycles and supply-demand imbalances. We expect to benefit from supportive long-term growth drivers in our industry, with demand for container shipping expected to resume its long-term growth trajectory in line with robust long-term growth forecasts for global GDP (source: Drewry, September 2020). Notwithstanding the COVID-19 pandemic-driven turbulence in the market in the first half of 2020, the shipping industry in general demonstrated unprecedented resilience in terms of profitability and generally speaking outperformed expectations due to a number of factors, including a strong rebound (following a sharp drop) in the consumption of goods which outpaced the return in demand for services, the growth of e-commerce contributing to inventory expansion and increased demand for shipping services, the slow recovery of air freight driving high demand for express and premium shipping services and the growth of inter- and intra-regional trade. The leading industry experts are forecasting volume growth in all main shipping lanes in 2021 (e.g., a range of 2.5%-13.3% for the four major trade routes (Transatlantic, Asia-Middle East/South-Asia, Asia-Europe and Transpacific), according to Drewry).

The global shipping industry has experienced significant consolidation in recent years, which we believe is contributing to greater stability and, in particular, more disciplined capacity management. The market share of the top five container liner shipping companies, in terms of fleet capacity, increased from 32% in 1998 to 64% as of September 2020 (source: Alphaliner). In addition, the global container shipping industry now features alliances of shipping liners, with the three largest alliances representing an aggregate share of the container shipping market of approximately 85% as of June 30, 2020. We are a founding member of the largest container shipping liner alliance, Ocean Alliance, which operates 40 services on the East-West trades and has an aggregate

34% market share on the four major East-West Routes. We believe our relationship with Ocean Alliance not only improves our service offering and increases our market reach, but also enables us to implement capacity adjustments more efficiently in order to adapt to changes in the shipping business cycle.

The structural industry changes of consolidation and alliances have contributed, we believe, to its ability to respond effectively to cyclical supply-demand changes by implementing measures such as idling and blank sailing, as well as nominal capacity adjustments through the variable use of charters. The historically low level of the industry's order book as compared to the current fleet size also augurs well for continued positive supply to demand balance. The better management of this balance has been reflected by declining freight rate volatility in recent years and, most recently and significantly, by the 43% year-on-year increase in the Shanghai Containerized Freight Index ("**SCFI**") monthly average between August 2019 and August 2020, notwithstanding the COVID-19 pandemic's depressing effect on demand.

***Our position as a global leader in container shipping is underpinned by our extensive network and comprehensive commercial offering.***

We are a global leader in the container shipping industry, operating one of the largest global container shipping networks. We are the fourth largest provider of container shipping services in the world in terms of capacity (total fleet capacity of 2.8 million TEU as of June 30, 2020). Our operating fleet of 500 vessels represented more than 11% of the total capacity of the world fleet of fully cellular containerships as of July 2020 (source: Alphaliner Monthly Monitor, September 2020). We deploy vessels across 273 lines, comprised of 117 deep sea lines and 156 short sea and feeder lines, and call at 420 ports in 160 countries. We have a substantial fleet of ultra-large container vessels ("**ULCVs**"), which will be further strengthened by deliveries of vessels in our current orderbook, including a new class of nine 23,000 TEU LNG-powered containerships, the first of which (the CMA CGM JACQUES SAADE) was delivered on September 22, 2020.

Our shipping network combines the benefits of global breadth and local depth. We operate one of the most extensive global and local networks of direct shipping services covering the four major East-West trade lanes: Asia-Europe, Transpacific (Asia-North America), Transatlantic (Europe-North America), and Asia-Middle East, which accounted for 10.9%, 20.4%, 4.3% and 9.8% of our shipping volumes for the twelve months ended June 30, 2020, respectively. We also service other trade lanes, such as Asia-Red Sea and intra-Asia, and niche markets, such as the Caribbean, Black Sea and Africa. In addition, we have substantially expanded our intra-regional lines organically and through targeted acquisitions in recent years, including those of Mercosul (intra-Brazil) in 2017 and Containerships (intra-Europe) in 2018, increasing significantly our market share on short sea trades. We believe the scale and reach of our network is a key factor in our customers choosing to work with us.

Our global leadership in the container shipping industry is bolstered by our membership in Ocean Alliance, which serves to increase our market reach. Our membership in Ocean Alliance allows us to build on our comprehensive and customer-focused service network by allowing our customers to take advantage of higher sailing frequencies, better transit times and greater coverage in terms of loops, ports of call and port pairs to more efficiently and reliably transport their goods. Ocean Alliance operates 40 services on the East-West trades, which makes it the leading alliance in terms of services and overall coverage. Ocean Alliance operates a highly efficient fleet of 325 vessels, with approximately 38 million TEUs in total annual capacity and the largest market share of any shipping alliance on the Transpacific trade and the second largest on the Asia-Europe trade, both of which showed the most resilience in 2020 in terms of volumes (source: Drewry, September 2020). We are the main contributor in terms of deployed capacity to Ocean Alliance, deploying a fleet of 112 vessels with a 34% capacity share. The term of Ocean Alliance was recently extended through to 2027, which we believe demonstrates the good operating relationship among its members and shared optimism in the potential for further growth.

We have cultivated a number of higher value niche business lines that support our profitability. For example, we have the second-largest fleet of reefer containers in the world, which allows us to address a distinct customer base that needs transportation of perishable goods, pharmaceuticals, frozen food and wines and spirits. Since our acquisition of NOL in 2016, we have maintained a contractual relationship with U.S. authorities and have the certification to carry U.S. governmental cargo with nine of our vessels sailing under the U.S. flag. We recently developed, through our new "CMA CGM+" program, 16 new products and services designed to enhance our customer centricity strategy by protecting cargo and expanding our customers' business; service features such as “Seapriority Go”, a new solution that guarantees priority transportation of goods (which has seen particularly high demand during the COVID-19 pandemic as air freight supply has been more limited), and “Delay In Transit”, which permit the temporary storage of containers in a dedicated hub until they are ready to arrive at the designated final destination. In addition, we continue to identify and cultivate ancillary revenue streams for activities related to our core container shipping business, such as pre- and post-shipping intermodal transportation, charges for detention and demurrage in the case of delays and documentation fees, among others. These revenues are not dependent on vessel freight rates, and thus provide sources of revenue that help to reduce our revenue volatility and exposure to changes in freight rates. We offer a full-service offering to our customers, which includes leadership in niche markets and cross-selling of end-to-end logistics services. Further, our end-to-end global logistics network complements our shipping network and the integration of CEVA provides us with significant cross-selling opportunities across the whole value chain, further distinguishing us from other major container shipping companies that largely rely on third-party logistics suppliers. This comprehensive service portfolio has positioned us to become the provider of choice for complex, integrated, end-to-end supply chain solutions.

We believe our broad market reach, route diversity and flexibility position us as a global leader in our industry. We believe these strengths have enabled us to outpace industry growth in terms of volume. From 2017 to 2019, we achieved a compound annual growth rate, in terms of volumes transported, of 11.4% (including the effect of our acquisitions during the period), as compared to an industry compound annual growth rate of 3.4% (source: Drewry, September 2020). In addition, we have demonstrated resilience through our diversified revenue stream, with no single trade representing more than 15% of our annual volumes transported in 2019, and significant ancillary revenue streams for activities related to our core container shipping business.

***We serve a diversified and loyal customer base, which was further enhanced by our acquisition of CEVA.***

Our diversified and loyal customer base is founded on dedicated commercial services and a strong reputation. We have a global shipping customer base of over 70,000 customers, to whom we are frequently marketing CEVA’s logistics service offering. Our customer portfolio in our shipping business is highly diversified by both geography and industry sector and includes important customer relationships with both direct shippers, such as Samsung, Ikea, GM, BASF, Coca-Cola, Renault and Nestlé, and leading freight forwarders, such as DHL, Kuehne + Nagel, Schenker, Expeditors and Panalpina. In 2019, the volumes transported for our top 20 shipping customers by volume represented 15.7% of total volumes carried (16% in the six months ended June 30, 2020), and no customer accounted for more than 2.5% of total volume.

The combination of our pre-existing shipping clients with CEVA’s logistics clients has further strengthened and diversified our customer base. CEVA has a diverse client base of more than 15,000 customers. CEVA’s top 30 customers accounted for approximately 40% of its revenue for the year ended December 31, 2019, with its single largest customer accounting for less than 4% in the same period. CEVA has a particularly strong presence in the consumer and retail industry, which accounted for approximately 27% of standalone revenues in 2019. CEVA also has a strong presence in the aerospace, automotive and technology sectors, which accounted for 25%, 23% and 17% of standalone revenues in 2019, respectively, and is showing particularly promising growth in e-commerce and pharmaceuticals. CEVA’s top 20 customers in 2012 all remain significant customers in 2020, again highlighting the customer loyalty that exists in our business.

Similarly, our top 20 shipping customers in 2005 all remain significant customers in 2020, which highlights the strong, long-term customer relationships that we have built in the shipping industry. Our operations are supported by an extensive global network of 193 shipping agencies operating through more than 755 offices worldwide. These agencies act as our local sales, marketing and customer service representatives. Our shipping and logistics services enable cross selling, with complementary shipping and value-added logistics service offerings. We believe our reputation for quality and reliability, our ability to offer clients tailor-made and innovative transportation solutions, together with our global reach and leading market position, give us a competitive advantage. This is further recognized by the number of accolades we have received, including the “Shipping Company of the Year Award” at the SeaTrade Maritime Awards Asia 2020 in Singapore.

***Our business model is built around a modern, flexible and valuable asset base of vessels and containers, as well as complementary logistics and infrastructure assets.***

We have a comprehensive, modern and diverse asset base that is highly integrated and complementary, with our terminal and logistics assets providing valuable support services and allowing us to optimize the use of our vessel and container assets. This diversified, but complementary, asset base also increases our revenue diversification, helping to reduce volatility and our reliance on freight rates, and enhances our operational and financial performance.

We operate a large and flexible fleet of modern vessels. As of June 30, 2020, our fleet consisted of 500 container ships with a total capacity of 2.8 million TEUs, of which we owned or operated under financial lease or equivalent arrangements 149 vessels, or 41% of our fleet by capacity, and chartered the remaining 351, or 59% of our of our fleet by capacity. Within our chartered fleet, 233 vessels, or 71.6% of our chartered fleet by capacity, had a remaining charter duration of less than one year, which among other things enables us to react efficiently to changing market conditions and supply-demand dynamics. We also maintain a large and diverse fleet of containers, totalling 4.0 million TEUs as of June 30, 2020, of which we leased 86.4% under operating leases and owned the remainder. The composition of our fleet provides us with a significant degree of flexibility in our operations, allowing us to adapt the size of our vessels in accordance with demand on our various trades, as demonstrated in 2020 where we decreased our overall fleet deployed capacity by 1.7% between December 2019 and April 2020 and then increased our capacity by 3.7% between April 2020 and July 2020. Moreover, the increasing efficiency of our vessel fleet as a result of increasing size (40% of our fleet capacity was comprised of vessels larger than 10,000 TEUs as of June 2020), age (the average age of our vessels was 8.3 years as of June 2020), technological advancements, retrofitting and our operational efficiency efforts have helped us to control our operating costs and improve our profitability. Our well-invested fleet had a market value (owned vessels based on the average of four independent ship brokers' valuation) of $5,811 million as of June 30, 2020.

We are also growing in line with our sustainability strategy and efficiency targets, with existing orders benefitting from the latest technology and powered by environmentally friendly energy sources. For example, in September 2017, we entered into shipbuilding contracts for the delivery of nine 23,000 TEU vessels, which will benefit from new technology and be powered by LNG. The first vessel in the new class of 23,000 TEU LNG-powered containerships, the CMA CGM JACQUES SAADE, delivered on September 22, 2020, is equipped with the latest technology, including a smart system to manage ventilation for the reefer containers carried in the hold. Three further vessels are scheduled to be delivered in 2020 and the remaining five vessels are scheduled for delivery in 2021. These vessels are expected to replace smaller vessels on our Asia-Europe trade, allowing us to take advantage of the per-unit cost savings associated with larger vessels and ensure that we have sufficient capacity to accommodate future growth in demand on this trade. We will then be able to cascade the vessels that they replace to other trades, which will thereby increase the average size of vessels in use and the cost efficiency across our network. We will continue to deploy such vessels in accordance with demand fluctuations. See "*Business—Services—Shipping—Current Order Book—Current Order book*."

Our asset base also includes important strategic and complementary terminal and logistics assets. We have invested in a number of port terminal facilities around the world where we have significant operations. We currently have interests in, or agreements related to, 50 terminals around the world, of which 47 are in operation and three are in development or under acquisition. CEVA operates an asset-light business model with low capital intensity, relying on a comprehensive global network of long-term leased warehouses. This model allows us to scale our operations and adapt quickly to changing conditions in the logistics industry. We are able to carefully manage composition, financing and operational deployment of all our assets. We are able to extract value quickly from our terminal and logistics assets while keeping a part of the ownership (majority or minority) stake to secure operational needs. Leveraging our shipping volumes, we have proven our ability to turn greenfield or underperforming brownfield assets into mature and profitable terminals representing significant potential for cash proceeds in case of potential disposals. We have also shown a consistent ability to refinance our fleet of containers and vessels, illustrating continued market appetite for our prime assets, such as large vessels, niche vessels with high reefer capability and reefer containers.

***Our ability to capitalize on industry trends and drive improvements in our cost base are key structural drivers of improved profitability.***

We have successfully capitalized on industry trends, such as demand for value-added services, to drive revenue growth and diversification, while at the same time continuously improving our cost base in order to drive improved profitability. We believe this approach has helped us to outperform the industry in terms of profitability, as shown by our Core EBIT for the twelve months ended June 30, 2020, which exceeded the industry benchmark.

As the fourth largest container shipping company worldwide, we benefit from significant economies of scale, increased bargaining power when negotiating contracts, rebates and discounts. We have the resources to serve large customers requiring global coverage and the means to meet their specific needs by transferring perishable goods in reefers, for example, and we also have the ability to optimize the use of our assets, all of which positively contribute to our operating margin. We have invested in ULCVs that enable us to serve trade lines, predominantly the major East-West trade lanes, more efficiently than fleets that use smaller vessels. For example, the bunker fuel cost per TEU for a new 20,000 TEU new-generation containership is estimated to be about 25% lower than the equivalent costs for an older 14,000 TEU ship operating on the same route, so our ability to cascade larger vessels helps us to reduce our operating costs per unit. When we replace our ships serving main lines with ULCVs, we expect to cascade replaced ships to secondary trade lines where they will in turn replace smaller tonnage.

We have successfully implemented initiatives to improve our cost base, including both cost savings and margin improvement measures. Since 2016, we have annually implemented a comprehensive plan, that we call "Agility", involving a broad range of cost reduction and efficiency measures across our organization aimed at reducing our per-unit costs, thereby improving our profitability and increasing the resilience of our business in cyclical downturns. We are continuing systematically to implement further cost savings and margin improvement measures. Such measures, combined with both the capacity management initiatives implemented in response to demand reductions in the COVID-19 pandemic context and bunker price decreases, helped us to reduce our overall operating expenses from $13.4 billion for the six months ended June 30, 2019 to $12.0 billion for the six months ended June 30, 2020. Our reduced cost base also contributed significantly to improved profitability, going from a net loss of $153.7 million for the six months ended June 30, 2019 to a $195.2 million net profit for the six months ended June 30, 2020. These successes in controlling costs and improving profitability across our organization, despite the volatile market conditions in 2020, demonstrate the ability of our management to successfully implement an effective cost control strategy. We have demonstrated that substantial structural improvements can lead to improved profitability, as evidenced by decreasing cost per unit (excluding bunker) in recent periods in spite of depressed volumes, from $962 per TEU in the six months ended June 30, 2019 to $922 per TEU in the six months ended June 30, 2020, while revenue per unit (revenue/ TEU) slightly increased over the same period from $1,097 per TEU to $1,116 per TEU. An example of a cargo selection, and hence cost-reduction measure, is our optimization of the mix of headhaul and backhaul in our operations, from headhaul of 66.3% in 2017 to 64.5% in the six months ended June 30, 2020 and from backhaul of 33.7% in 2017 to 35.5% in the six months ended June 30, 2020. CEVA has also put in place its own cost reduction initiatives as part of the IMPACT 2020 turnaround plan, designed to help CEVA to make positive contributions to group profitability in the future.

***Our management benefits from a long experience in aptly navigating market cycles with a distinctive entrepreneurial spirit.***

We benefit from what we believe to be one of the most highly qualified and experienced management teams in the container shipping industry. Mr. Rodolphe Saadé is our Chairman and CEO and is supported by an experienced senior management team. Our five most senior operational executives have on average over 18 years of experience within the industry. They have weathered previous challenging industry troughs as well as turned around loss-making acquired companies such as NOL. In addition to promoting managers from within, we also selectively hire senior managers from outside the Company to provide our management team with new views, ideas and skills. Following the acquisition of CEVA in 2019, we hired an experienced team of logistics executives to help support our plan to fully integrate and turnaround CEVA.

We believe that our ability to react quickly represents an agility that gives us a significant strategic advantage over our competitors. For example, our management team demonstrated an entrepreneurial and flexible decision-making process through its acquisition of CEVA in 2019. Furthermore, our management team has shown dexterity in navigating the Company through the turbulent first half of 2020. The quick decision-making process has enabled us to adapt our capacity to evolving market demand and enhance our profitability.

***We are focused on operational excellence, sustainability and digital innovation.***

We believe our operational excellence, focus on sustainability and digital innovation are key drivers of the success of our business.

Our sustainability investments, together with our investments in digitalisation, are key components of our commitment to operational excellence. These investments have optimized our trade lines, routing and bunker fuel consumption and improved our overall operational efficiency. For example, the use of a central, real-time supervision centre and retrofitting and maintenance initiatives have helped us to reduce our bunker fuel consumption from 413kg per transported TEU in 2017 to 357kg per transported TEU in the six-month period ended June 30, 2020. Our three navigation and port operations centres in Singapore, Marseille (France) and Miami (U.S.) further ensure the safety of our seafarers, fleet and customers' cargo worldwide by leveraging data (such as on currents, waves, weather and vessel positions) from various third parties as well as using in-house data (such as live vessel feeds). The expert teams in each of our operations centres are empowered to assess, anticipate and mitigate any navigation related risks to our vessel operations.

We recognize digitization will continue to play a crucial role in the future of the shipping and logistics industries and we are making important investments to develop a strong digital culture. We have made significant investments in our information technology systems and our data management and analysis systems to ensure optimization of lines, routing and bunker fuel consumption. For example, we have invested in the Marseille-based startup, Traxens, which has developed smart containers to optimize customers' supply chain management through the use of technology and trackers that are fitted to containers to provide a unique level of traceability. Separately, we launched ZEBOX in 2018, a startup incubator and accelerator, which allows us to work alongside startups, corporate partners and academics who are developing vertical technologies, including artificial intelligence, robotics, cybersecurity, blockchain, augmented reality and IoT. The ZEBOX incubator programme is supported by CMA CGM Ventures, which is an investment fund that invests in 10 to 20 startups. Overall, we have built a truly global ecosystem to foster innovation and digitization and monitor innovative projects at all stages of development: from prototype to incubation & acceleration (via ZEBOX), to equity investment (CMA CGM Ventures), to industrial deployment (Traxens) for our industrial benefit. We increasingly seek to emphasise the development of our e-commerce platforms. See "*Business—Information Systems and Logistical Processes*." As a result, we believe we are well positioned to anticipate customer demands, take advantage of our fast-growing e-commerce business and be a driving force for digital innovation in the industry.

In recent years, we have made significant investments in environmentally friendly technology to improve our sustainability. We are at the forefront of the industry as the first to order and deploy very large LNG-powered ships. Our investment in LNG includes our order of nine 23,000 TEU LNG-powered containerships (the first of which, CMA CGM JACQUES SAADE, has just entered our fleet), a long-term charter of ten 15,000 TEU new build vessels powered by LNG or equipped with hybrid scrubbers, substantial retrofitting of existing owned vessels with hybrid scrubbers and the entry into long-term LNG supply agreements with Total for the LNG-propelled vessels entering our fleet. LNG is a clean energy that goes beyond the requirements set by the IMO 2020 regulations by reducing emissions of sulphur oxides and fine particles by 99.99%, nitrogen oxides emissions by up to 85% and carbon dioxide emissions by around 13% (including methane slip). In addition, to further improve the environmental performance of the nine 23,000 TEU vessels, the hull forms have been hydrodynamically optimized. Our customers expect us to follow environmental, social, and corporate governance ("ESG") principles that foster sustainability and our focus on LNG is a response to this expectation.

**Our Strategy**

Our key strategic objectives are as follows:

***Leveraging the size and global presence of our shipping business to develop cross selling and increase CEVA's revenues.***

We intend to leverage the global scale and leading market position of our shipping business, which provides services to over 70,000 customers worldwide, to cross-sell logistics services and drive revenue growth at CEVA. We are one of the few liners to operate a truly global network, with one of the most extensive networks of direct services covering the four major East-West trade lanes. We also hold a market-leading position in the Transpacific trade route, which has not only proven to be resilient in a volatile market, but also represents a significant growth opportunity. We are executing a strategy to use these strengths in our shipping business as a springboard for global growth in our CEVA logistics business.

Our acquisition of CEVA in 2019 was part of our strategy to expand and diversify our commercial offering with complementary value-added services. We are now able to have global supply chain discussions with some of our key customers, which we believe positions us well in comparison to competitors that offer more commoditized standalone shipping services. We seek to leverage the logistics capabilities of CEVA, and its existing diversified customer portfolio, to upsell our expanding shipping service offering.

At the same time, we intend to capitalize on the size and global presence of our shipping business to develop cross-selling opportunities for logistics services to drive CEVA's top-line growth. We aim to grow the share of non-freight related revenues in our total revenue mix by further developing value-added services that often command premia such as pre- and post-shipping intermodal transportation, detention and demurrage in the case of delays and priority handling at origin or destination and guaranteed availability of container equipment. We have also recently developed, through our new "CMA CGM+" program, consisting of 16 products and services designed to enhance our customer centricity strategy by protecting the cargo and expanding the business of our customers, service features such as "Seapriority Go", a new solution that guarantees priority transportation of goods, and "Delay In Transit", which allows the temporary storage of containers in a dedicated hub until they are ready to arrive at the designated final destination. We believe these products and services will facilitate our cross-selling efforts with a view to increasing CEVA's revenues. Conversely, CEVA is enabling us to offer additional valuable services to our existing shipping customers. For example, at the height of the COVID-19 crisis we were able to offer existing shipping clients ad hoc air charters in order to transport masks and other crucial medical supplies. We intend to continue developing our air freight expertise alongside CEVA in a manner complementary to our shipping operations.

***Evolving and adapting alongside our clients' supply chains and sourcing patterns.***

Our flexible business strategy enables us to adapt both to our customers' supply chain and sourcing needs as well as emerging trends in global trade and the geopolitical climate. One such emerging and growing trend is an increase in intra-regional trades in response to growing demand for supply chain diversification and changing consumer behavior toward local consumption. For example, the intra-Asia trade has evolved as manufacturers and importers adopt a "China plus one" supply chain strategy in response to the maturing Chinese manufacturing market (e.g. rising wages) and ongoing trade tensions between the U.S. and China. We have adapted to align our business to these trends by consolidating and rebranding our intra-Asia shortsea service, "CNC", with positive results. We intend to continue to leverage this strong brand to satisfy evolving client demand in this market.

We will continue to carefully evaluate our operations in order to allocate resources towards the services that are most valuable to our clients, which we believe will contribute to improved profitability. For example, in the context of the COVID-19 pandemic which has led, among other things, to reduced air freight capacities , we have reinforced our pre-existing express service, EXX, with another express service to offer our clients direct services with minimal transit time and, subject to the payment of a premium, guaranteed delivery time. Globally, we have pursued significant cargo selection efforts across our lines since late 2019, focusing on the most profitable transported volumes to improve overall profitability. In line with the evolution of customer demand we have also targeted: (i) direct shippers, where a growing number of large clients value the addition of our logistics offering, and (ii) optimizing backhaul, which has grown from 33.7% in 2017 to 35.5% in the six months ended June 30, 2020. Both of these are linked to value-added services and niche businesses for which we increasingly cater. We will continue these efforts to identify the most profitable portions of our business in order to cultivate and grow them.

Furthermore, we will continue to evaluate our e-commerce strategy in order to grow this business to capitalize on the increasing use of e-commerce by our clients and their end-users, in particular since the outbreak of the COVID-19 pandemic. In April 2019, CMA CGM announced the launch of CMA CGM eSolutions, an entirely digital ecosystem comprising an online agency and other e-commerce channels, such as Electronic Data Interchanges (EDI) and Application Programming Interfaces (API). With CMA CGM eSolutions, our clients can access all their shipping needs with a single click. During 2019, our e-Commerce platform, delivered 46% of our total bookings, evidencing both the emerging importance of e-commerce to our industry and our ability to adapt to satisfy the needs of evolving technological trends. We constantly invest in our e-commerce platform and digital transactions with our customers as part of our "Digital Agency Strategy."

More generally, we have embarked on a brand rationalization strategy designed to offer enhanced visibility to our clients. The rationalization strategy has resulted in the creation of: (i) a unique global carrier for intercontinental routes under the CMA CGM brand; (ii) regional specialists for short-sea and/or door-to-door offers (Mercosul, CNC, ANL and Containerships); and (iii) shipping experts for niche markets (e.g., the APL brand will be used solely for U.S. government cargo).

***Continuously implementing efficiency and cost improvement measures to enhance overall profitability.***

We will continue our approach in recent years to focus on systematically reducing costs to increase the profitability of our operations while enhancing our financial strength. We have fostered a permanent culture of cost reduction measures and successfully implemented broad-based plans over the last five years, under the umbrella name of "Agility" that in particular achieved annual run-rate cost savings of approximately $1 billion by the end of the 2016-2019 period. With a view to further reduce our costs, we foster a culture of permanent cost discipline aimed at improving our margins and countering the effects of potential price increases on our operating expenses. These plans involve network optimization, brand rationalization, fuel efficiency, procurement initiatives including contract renegotiations, SSC development and various other cost-reduction initiatives. Moreover, we are deploying a systematic turnaround plan for CEVA ("**IMPACT 2020**") that includes both cost-reduction aspects designed to bring CEVA's profitability level in line with that of its peers by 2023/2024 as well as business development and expansion aspects.

***Leveraging industry dynamics to foster further organic and inorganic growth.***

We plan to continue to grow organically by increasing the frequency of the container shipping services that we offer on existing lines, expanding into new lines and new geographic regions and expanding our business into related markets and services. We will continue to reinforce our logistics activities both through organic growth and selective acquisitions in the logistics sector, including both contract logistics and freight management to keep supporting our clients' international supply chains and continue our diversification. We will also continue to invest in selected strategic assets throughout the end-to-end shipping and logistics chain, such as the largest vessels, dry ports, terminals (for example, during the last five years, our projects in Kingston, Jamaica and Kribi, Cameroon) and various logistics assets as illustrated by our proposed limited investment in TTIA in Algesiras, which plays an integral role as a transhipment hub located at the centre of containerized cargo flow in the strategic Gibraltar area. We believe that continuing to invest strategically in the logistical chain, with investments that may be structured in the form of wholly owned subsidiaries, majority stakes, or strategic minority positions, will help us maintain our cost structure while supporting revenue diversification.

In terms of fleet management, owned versus chartered vessels composition and the timing profile of our chartered-in fleet, we will continue to invest selectively in new vessels as well as take advantage of chartering arrangements to secure new vessels while limiting invested capital. Our new shipbuilding orders will continue to focus on strategic and sustainable assets such as ultra large container vessels ("**ULCVs**") to take advantage of economies of scale and maintain competitive unit costs in the context of industry trends towards increasing volumes and scale or small vessels with unique features and providing a competitive advantage to the fleet such as Guyanamax vessels specifically designed with large hulls to enter coastal waters with limited draught possibility.

In terms of inorganic growth more broadly, we will remain attentive to opportunities that present a strategic fit or a diversification potential, as demonstrated by our acquisitions of Containerships and CEVA in 2017 and 2019, respectively. Our key evaluation criteria for any acquisition proposal, which may include substantial acquisitions as well as "bolt-on" transactions, will include growth potential, financial attractiveness and manageable execution risks, while maintaining a balanced financial policy consistent with our deleveraging roadmap (see "*Description of Certain Financing Arrangements—Key Financial Ratios*"). We are regularly and actively monitoring potential acquisition targets that may fit the criteria noted above. As a result, we could seize opportunities at any time. See "*Risk Factors—Our results and financial condition could be affected by acquisitions and other growth initiatives and by difficulties in managing them*."

***Reinforcing our digital presence to improve our service offering and foster cost reduction.***

We have an ambition to become the industry leader in new digital solutions in order to meet the needs of our customers, who are increasingly seeking more transparency, speed, interaction and visibility. Our level of investment demonstrates our ambition; for example, in the first six months of 2020, we dedicated $23.6 million of expenses to digital investments.

Our partnerships with Infosys, IBM, our ZEBOX incubator and the CMA CGM Ventures investment fund will provide the means to achieve this strategic aim of digital transformation. With a view to improving our performance and efficiency, we are developing a combination of short-term and structural long-term projects; many such projects are with startups affiliated with our ZEBOX incubator program. These startups look beyond the maritime shipping industry and seek to develop cutting edge tools and technology for our customers across various industries. Fundamental solutions are being developed, including machine learning, big data and robotics. We have already launched certain initiatives such as Reeflex (an advanced solution for the transportation of liquids), Aquaviva (line of containers that is designed for the transportation of live aquatic animals by sea), Climactive (technology for the transportation of highly sensitive fruits, vegetables and flowers) and Traxens (smart containers designed to optimize customers' supply chain management by providing, for example, notifications in case of humidity or an abnormal rise in temperature). We are interested in how future technologies may shape the shipping and logistics industries; for example, we are using blockchain to offer secure and paperless bills of lading, which is a crucial document in the shipping industry that will help to make the shipping administrative process far more efficient for our customers. We are also exploring augmented reality as a team training aid and as a predictive maintenance tool to anticipate problems on our ships.

As part of our strategy, we will continue improving our technological infrastructure to support our shipping agencies, individual lines, logistics activities and various head office departments. We hope to leverage the effects of digitization to identify and exploit opportunities to spread best practices across our operations and streamline our operations to reduce overall costs. We will seek to use artificial intelligence and big data to improve operating efficiency, identify and capture opportunities for growth and provide access to valuable information for our customers to provide a differentiated service. We have developed and deployed a global information system that consolidates data from across all our operations using real-time internet-linked technologies and a common software platform, allowing our employees access to the most up-to-date shipping information available. As part of that global information system, in 2019 we launched CMA CGM eSolutions, which is an entirely digital ecosystem comprising an online in-house agency and other e-commerce channels that digitize the customer experience. CMA CGM eSolutions offers ePricing, eBooking, eBill of Lading, eTracking, ePayment and eCharges. This is complemented by the deployment of new IT tools for CEVA, including the ongoing deployment of myCEVA, which will allow customers to manage efficiently their freight from end-to-end with real-time rates and quotes through a quick and simple booking process. See "*Business—Information Systems and Logistical Processes.*"

***Growing "green" / Sustainable growth***

We have a sustainable and environmentally friendly growth plan to support new requirements of various government regulations and of our clients as well as to ensure corporate social responsibility. Besides meeting the new emission requirements set by the IMO 2020 regulations, in effect from January 1, 2020, we have set for ourselves the ambitious goal of reducing our carbon dioxide emissions by 50% by 2030 (compared with our 2008 levels). We are intent on developing one of the most efficient and environmentally friendly fleets in the shipping industry with a balanced consumption of LNG, HSFO (with retrofitting) and LSFO. This is evidenced by, among other things, our $1.4 billion investment in nine 23,000 TEU vessels powered by dual fuel LNG to be delivered this year and next; our entry into a long-term charter agreement for ten new-build 15,000 TEU vessels, half of which will be powered by dual fuel LNG engines and the other half will be fitted with hybrid scrubbers, to be delivered in 2021 and 2022; our order of six LNG vessels of 1,400 TEUs (the remaining two vessels to be delivered in January and April 2021; our order in November 2019 for six dual fuel/LNG 15,000 TEU vessels; and our investment in the most technologically advanced hybrid scrubbers, which meet regulatory standards worldwide and offer the cleanest solution to removing exhaust gases and harmful substances, while giving us the option to use high sulfur fuel oil (generally less expensive than low sulfur fuel oil). When delivered, our LNG-propelled vessels will lower our carbon emission by 14% (net of methane slip impact) and our sulfur emission by 99.99% on a per vessel basis. Finally, in terms of fuel sources, we have commenced testing biofuel in 2020 as a means to further decrease our carbon emissions in the future and are targeting to renew such testing program in 2021. In this respect, we have approached our major customers through a working group in order to analyse different biofuel types and needs as well as identify the main technical constraints with a view to further reducing our carbon footprint. We have also developed solutions and services for our customers to facilitate their efforts to monitor their own carbon footprints and reduce their greenhouse gas emissions, including through the use of carbon calculator software. We have also taken several commitments to improve our ecological footprint such as pledging not to use the Northern sea routes and cleaning up the plastic in our oceans; in partnership with the Ocean Cleanup, we hope to recycle one million plastic bottles by 2021.

We are equally committed to improving our carbon footprint in our logistics business. We hope to reduce current levels of paper consumption by 20% by 2021. Our executive vehicles are exclusively hybrids and electric vehicles. We are also introducing green electricity into CEVA's warehouses.

We are committed to gender and cultural diversity throughout our organization. Our goal is for women to comprise at least 20% (currently 11%) and culturally diverse people to comprise 50% (currently 43%) of our 100 most highly compensated employees by 2025. We aim to offer healthcare to 100% of our employees by 2022 and, depending on the further course of the COVID-19 pandemic, to have at least 10% of our workers on a remote working basis in 2021. We are also focused on developing a sustainable supply chain, with the aim of assessing 10,000 of our suppliers by 2025 (currently at 1,959). Finally, we aim to introduce a code of ethics for all of our employees and develop low emissions alternative routes, which will become operational by 2021.

***Preserving a balanced financial policy, maintaining a strong liquidity position and reinforcing a cash culture.***

Notwithstanding recent trends in the shipping industry (consolidation and alliances in particular and capacity management initiatives more generally) tending to foster lesser volatility of freight rates in the shipping market and intrinsically more stable or predictable earnings of the logistics business, we will continue to focus on improving our balance sheet profile and maintaining a strong liquidity position while also ensuring we have flexibility to invest in strategic assets to improve our long-term profitability and growth perspectives. We will also continue to seek greater centralization of assets within our group, which provides us with the support of a strong balance sheet and facilitates potential leveraging of these assets in financial operations. Our management team has a proven ability to implement an agile and efficient financing strategy, to mobilize and leverage our assets and to maintain flexibility throughout the business cycle, including in the recent turbulent period marked by the COVID-19 pandemic.

In particular, our management team has a sharp focus on cash flow generation with cautious cash management and has instilled a culture of cash preservation and generation across the organization in order to reinvest in our business and fully capitalize on our orderbook. Our positive cash flow generation, driven by improving profitability, supports our robust liquidity position. Our free cash flow for the first six months of 2020 was $473 million, compared with $40 million for the first six months of 2019. This is particularly due to laser focus on maintaining and increasing liquidity. As an example, we have long had and will maintain a policy to have our subsidiaries distribute as much of their net income as possible up to the parent company in order to strengthen our financial position. As another recent example, we are successfully implementing a divestment and liquidity enhancement program to reinforce the group's capital structure and liquidity position by divesting certain of our assets (with the aim of raising $2.1 billion) and refinancing certain of our debt obligations. As part of this program, the group recently closed the sale of a $814.8 million portfolio of terminals to Terminal Link, along with several sale-and-leaseback transactions generating approximately $769.7 million in cash between July 2019 and December 2019. Further, we rolled over to 2023, $535 million of unsecured revolving credit facilities maturing in 2020. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Divestment and Liquidity Enhancement Program*." We will also continue to explore a variety of funding sources to support our liquidity position, including through debt capital markets transactions and leasing transactions, leveraging our strong relationship with our core banks and our securitization program reinforced by the addition of CEVA.

## Recent Developments

### *Current trading and outlook*

Operating conditions continued to improve in the third quarter of 2020. Demand for container shipping continued to recover from the depths of April as goods consumption sharply rebounded, COVID-19 pandemic-related restrictions eased to some extent, air freight remained constrained and e-commerce continued to grow considerably, with an attendant effect of increasing inventories. Container shipping volumes were therefore generally much higher than in the second quarter. Spot freight rates increased over the quarter, particularly on specific trades such as the TransPacific trade on which we have an overweight market share, where operated capacity gradually increased to higher levels than in 2019. Capacity constraints, including limited "belly" air freight capacity due to low passenger traffic, led to high demand for express shipping services. Bunker prices, while rising moderately during the quarter, remained substantially below 2019 levels. We remained focused on cost control during the quarter. The combination of these factors leads us to expect third quarter results of the shipping segment to be significantly better than second quarter results.

The positive demand trends experienced in the third quarter of 2020 are continuing as of the beginning of the fourth quarter and are currently expected to continue throughout the fourth quarter. As a result, we expect our container shipping volumes in the second half of 2020 to exceed those in the second half of 2019 (notwithstanding some volume losses, largely on the spot market, experienced as a result of the recent cyber-attack we suffered, see "—*Cyber-attack*"). Accordingly, we expect our container shipping volumes for 2020 as a whole to reflect only a very low single digit percentage decline from 2019. We currently anticipate a continued rebound in container shipping demand in 2021 based on an environment that is currently forecast to be supportive (e.g., a 5.4% increase in global GDP per IMF World Economic Outlook update (June 2020) and a 5.6% growth in container shipping volume per Alphaliner (September 2020)).

We expect the second half of 2020 to show strong performance in our shipping activities more generally as higher volumes (with capacity fully deployed) are expected to be accompanied by continued high spot freight rates (which are currently higher than last year and earlier this year on all main trade lanes as per CCFI indices), continued low bunker prices and our continued cost discipline. Due to these factors (and including in particular the full-year impact of our cost-saving measures in both shipping and logistics), we currently expect to record group EBITDA in excess of $5 billion in 2020, resulting in positive free cash flow generation to support deleveraging.

***The preliminary operating and financial information underlying our expectations in respect of our third quarter 2020 results has not been audited, reviewed or compiled, nor have any procedures been performed by our independent auditors with respect thereto. Furthermore, our expectations with respect to third quarter, second half and full year 2020 financial performance are based upon a number of assumptions and judgments that are subject to inherent uncertainties and are subject to change, and those changes may be material. These expectations and assumptions include a continuation of current operating conditions and shipping industry trends throughout the fourth quarter of 2020. While we have a certain degree of visibility as to our anticipated operating and financial performance during October and November, there can be no assurance that our expectations and assumptions for fourth quarter performance will not change or otherwise prove inaccurate, including due to factors beyond our control (such as global macro-economic developments, including the ongoing COVID-19 pandemic). In particular, a significant worsening of the COVID-19 pandemic could weigh on container shipping demand and hence on our container shipping volumes, depending on the policies and various support measures enacted by the authorities in the various geographies in response to the virus. In addition, the consequential impacts on our operations and hence our shipping volumes (as well as one-off costs) of the cyber-attack that we experienced could ultimately prove to be more significant than we currently anticipate. There can also be no assurance that we will not be subject to further cyber-attacks, the operational and financial impact of which may not be material. See "Risk Factors" and "Forward-Looking Statements." Accordingly, you should not place undue reliance on the forward-looking operating and financial information set forth above, and no opinion or any other form of assurance is provided with respect thereto.***

***Acquisition of 30% stake in Groupe Dubreuil Aéro ("GDA")***

On September 23, 2020, we signed a memorandum of understanding to acquire a 30% stake in GDA. GDA is an affiliate of Groupe Dubreuil, a privately held diversified French group, which owns the airline carriers Air Caraïbes and French Bee. These airline carriers provide both passenger and freight services, representing 93% and 7% of the airline carriers' total revenue, respectively. The freight services are provided through GDA's subsidiary, Hi Line Cargo, which is responsible for the commercial distribution of freight carried by Air Caraïbes' and French Bee's aircraft. Groupe Dubreuil's other activities, accounting for two-thirds of its 2019 revenues, principally include automobiles and auto spare parts, construction materials, hostels, real estate and energy.

The investment in GDA is designed to strengthen our position and expertise in air freight, which has proven to be complementary to ocean activities, in particular during the COVID-19 pandemic.

Air Caraïbes and French Bee have historically demonstrated greater resilience relative to the airline industry generally as a result of their business model that focuses on French overseas territories. These routes benefit from substantial "affinity" traffic (i.e., expatriates and their friends and families). Given our existing significant presence in French overseas territories, we believe our cooperation with GDA will further support and enhance economic development in Guadeloupe, Martinique, Guyana, Reunion and Polynesia.

The 30% stake represents a €70 million investment for us, comprised of a €50 million subscription to a capital increase and a €20 million acquisition of existing shares. The acquisition has been approved by the GDA employee representative bodies, but remains subject to approval by various competition authorities and by the French Ministry of the Economy and Finance. We will be entitled to appoint two representatives onto GDA's Board of Directors as well as one representative onto each of GDA's audit and strategy committees.

***Cyber-attack***

On September 28, 2020, we announced that we had suffered a ransomware-based cyber-attack. The unauthorized access impacted certain of our and our shipping subsidiaries' IT systems. Upon discovery of the unauthorized access, we immediately decided to suspend temporarily access to our core IT system, including LARA, in order to prevent further contamination of the malware. We also promptly notified the French data protection authority (ANSSI) and engaged independent cybersecurity experts, who, together with ANSSI and our own in-house cybersecurity team, are currently investigating the cyber-attack and working to analyze the cyber-attack and rebuild as needed our IT infrastructure. While our investigation and assessment of the unauthorized access continues, as of the date of these listing particulars we suspect a data breach may have occurred but the precise magnitude and nature of such potential breach are yet to be determined.

Our e-commerce platforms were particularly affected by the cyber-attack. Consequently, many online customer services (for example, e-booking, bills of lading and invoice printing) were unavailable from the date we discovered the cyber-attack until October 11, 2020. During this period, we were still able to process orders manually as well as through Direct Electronic Data Interchange, INTTRA and certain other third-party e-booking portals. However, such alternative solutions did not fully compensate for the bookings that we would usually expect to make on our e-commerce platforms, as they had an adverse impact on the efficiency and speed with which we were able to handle customer transactions. We estimate that we lost in total approximately 80,000 TEUs (principally related to backhaul and short sea trades) in bookings for sailings that are due to take place over the coming weeks. The volume impact was attenuated to some extent by the timing—the national holiday of Golden Week in China so fewer bookings due to factory closures—as well as by our rapid response. Further, we estimate that the impact on our EBITDA for the fourth quarter of 2020 resulting from this incident to be between \$50 million to \$80 million. We expect our cyber liability insurance to cover part of the financial loss but it is currently too early to predict the extent and timing of any cyber liability insurance pay-out, although we anticipate that any such pay-out would be unlikely to occur before 2021.

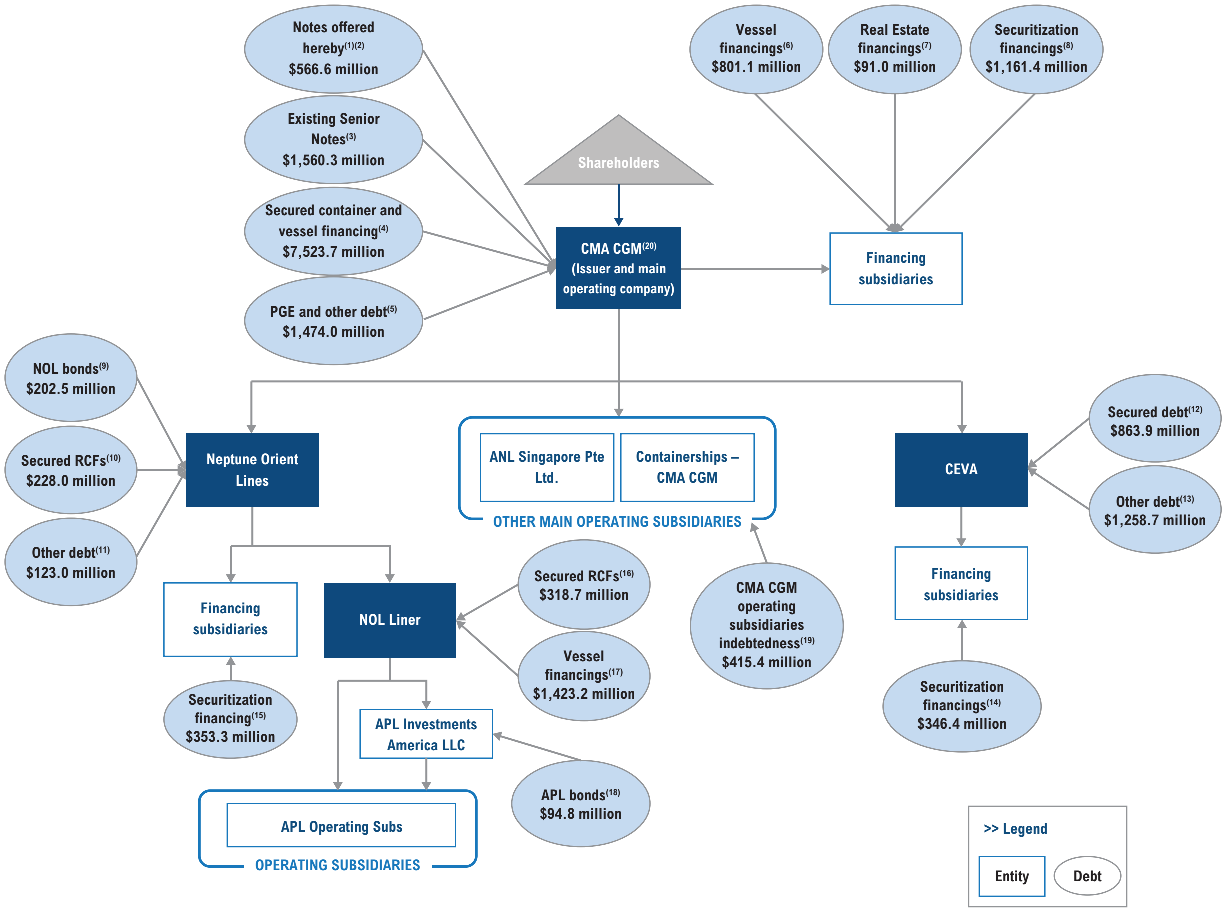
We temporarily disconnected our shipping subsidiaries and back-offices (Shared Service Centers) and our worldwide agency network from our core network to prevent further contamination by the malware. These were reconnected to our core network during the week commencing October 5, 2020. As a result, as of the date of these listing particulars, we are able to process online customer bookings in accordance with our usual practice.

It is not possible at the date of these listing particulars to assess fully the definitive financial impact that this incident may have on our business or the timeline for completion of our full recovery and remediation efforts. Furthermore, while we are currently investigating the cyber-attack and working to analyze the cyber-attack and rebuild as needed our IT infrastructure, there can be no assurance that similar attacks, which may be material, will not occur in the future. See "*Risk Factors—Our success depends to a large extent on IT systems, which have in the past and may in the future become vulnerable to cyber-attacks; these IT systems may not continue to generate operational efficiencies, we may be unsuccessful in implementing sufficiently strong security measures to protect against future cyber-attacks and we may be unable to develop innovative IT solutions to compete with new developments*."

## CORPORATE AND FINANCING STRUCTURE

The following chart shows a simplified summary of our corporate and financing structure on an as adjusted basis as of June 30, 2020, after giving effect to (A) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the redemption in full of the outstanding 2021 Senior Notes (see "*Use of Proceeds*"), (B) the repayment of the outstanding amount under the CEVA €297 million senior bridge facility in July 2020, (C) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020, (D) the termination of, and repayment in full of the outstanding amount due under CEVA's former U.S. and Australian securitization programs in August 2020 and (E) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on June 30, 2020. The indebtedness below is based on the obligations of the principal obligor only and does not reflect the impact of any guarantees. Any indebtedness denominated in euros or Singapore dollars has been converted using the Company's balance sheet exchange rates of $1.00 = €0.89302 and $1.00 = SG$1.39739, respectively, as of June 30, 2020. The indebtedness figures set forth below are based on the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements (as adjusted as mentioned above). As such, the figures may reflect certain accounting adjustments that will cause them to differ from the outstanding nominal amount of such indebtedness, including in particular netting of certain transaction costs in accordance with IFRS, amortization, fair value adjustments as part of the purchase price allocation in connection with the acquisition of NOL. For more information, see "*Principal Shareholders*," "*Description of Certain Financing Arrangements,*" "*Description of Notes*," and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations and Commercial Commitments*."

As of the Issue Date, all of our subsidiaries will be subject to the restrictive covenants of the Indenture. See "*Description of Notes—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*" and "*Description of Notes—Certain Definitions*."




(1) We estimate that the net proceeds from this offering will be approximately $566.6 million (using the Company's consolidated balance sheet exchange rate of $1.00 = €0.89302 as of June 30, 2020), after deducting the Initial Purchasers' fees, original issue discount and the estimated offering expenses payable by us. We expect to use the net proceeds from the offering to redeem the 2021 Senior Notes in full. The 2021 Senior Notes were issued on June 12, 2015 in an aggregate principal amount of €725.0 million, accrue interest at a rate of

7.75% per annum and mature on January 15, 2021. On June 19, 2020, we redeemed €200 million in aggregate principal amount of the 2021 Senior Notes at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest. Full redemption of the 2021 Senior Notes is expected to be effected on October 22, 2020, pursuant to a conditional redemption notice mailed to holders of the 2021 Senior Notes on October 12, 2020. See "*Use of Proceeds.*"

(2) The notes offered hereby will rank pari passu in right of payment with any of the Company's existing and future indebtedness that is not subordinated in right of payment to the notes. The notes offered hereby will be effectively subordinated to any of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes offered hereby will be structurally subordinated to any existing and future indebtedness of the Company's subsidiaries for so long as they do not guarantee the notes. See "*Risk Factors—Risks relating to the Notes, the Offering and Other Financings" and "Description of Notes*."

(3) Represents the aggregate outstanding amount of the 2022 Senior Notes and the 2025 Senior Notes. For more information, see "*Description of Certain Financing Arrangements—Senior Notes—2022 Senior Notes*" and "*Description of Certain Financing Arrangements—Senior Notes—2025 Senior Notes*."

(4) Represents the aggregate outstanding amount as at June 30, 2020 of (i) lease liabilities incurred by the Company for container and vessel financings purposes, of which (x) $2,353.9 million was outstanding under container leases, and (y) $3,603.7 million was outstanding under vessel leases signed by the Company with respect to 139 vessels, (ii) vessels' bank borrowings (including French tax leases treated as financial liabilities under IFRS 9) entered into by the Company to finance the acquisition of the Company's owned vessels for an amount of $1,403.1 million with respect to 39 vessels and (iii) the $180 million facility agreement entered into by the Company to finance the acquisition (and installation) of scrubbers on certain of the Company's vessels, with a carrying value of $163.0 million. For more information, see "*Description of Certain Financing Arrangements—Lease Liabilities—Container Leases,*" "*Description of Certain Financing Arrangements—Lease Liabilities–Vessel Capital Leases–CMA CGM and subsidiaries (excluding NOL),"* "*Description of Certain Financing Arrangements—Lease Liabilities—Vessel Operational Leases"* and "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Vessel Bank Debt Financing—CMA CGM.*"

(5) Mainly represents the aggregate of (i) $1,172.3 million outstanding under the €1.05 billion unsecured facility agreement partially guaranteed by the French state entered into on May 7, 2020, (ii) amounts outstanding under the $500 million unsecured revolving credit facility entered into in September 2017, as last amended in March 2020 (which was undrawn as at June 30, 2020), (iii) $111.9 million outstanding under the $125 million unsecured short-term loan facility agreement entered into on March 22, 2019 for general corporate purposes and investments in sub-Saharan African jurisdictions, (iv) the portion ($8.6 million) of the BPI ORA accounted for as financial debt, (v) $20.4 million of outstanding bank overdrafts and (vi) accrued but unpaid interest thereunder. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—€1.05 billion facility partially guaranteed by the French State ("PGE")*," "*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—Unsecured Revolving Credit Facility (CMA CGM),"* "*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—Unsecured short-term loan facility"* and "*Description of Certain Financing Arrangements—Bonds Redeemable in Shares*."

(6) Represents the aggregate outstanding amount under mortgage loan facilities incurred by our financing subsidiaries (excluding NOL, Containerships–CMA CGM and their subsidiaries). Twenty six vessels are financed through mortgage loan facilities granted by financial institutions to wholly owned special-purpose vehicles incorporated to acquire these vessels. The Company acts as guarantor of the special-purpose vehicles' obligations under these facilities. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Vessel Bank Debt Financing—CMA CGM*."

(7) Real estate financing subsidiaries include SCI Tour d'Arenc, which acts as borrower under a €200.0 million mortgage term loan facility (under which $91.0 million was outstanding as at June 30, 2020) granted by a consortium of banks mainly to finance the construction of our headquarters in Marseille. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Real Estate Financing – Tour d'Arenc*."

(8) Represents the outstanding amount under CMA CGM securitization program, pursuant to which certain receivables of the Company and certain of its subsidiaries are assigned to CMA CGM & ANL Securities B.V., as securitization issuer. For more information, see "*Description of Certain Financing Arrangements—Securitization Programs—CMA CGM Securitization Program*."

(9) Represents the aggregate outstanding amount of NOL's SG$300.0 million medium term notes with a fixed rate of 4.40% issued in June 2011 and due in June 2021. For more information, see "*Description of Certain Financing Arrangements—Senior Notes—NOL 2021 Senior Notes*."

(10) Represents the aggregate outstanding amount under (i) the SG$250 million secured revolving credit facility agreement entered into by NOL, as amended on March 23, 2020 and (ii) the $57.4 million secured revolving credit facility agreement entered into by NOL on August 14, 2018. Obligations under such revolving credit facilities are guaranteed by CMA CGM. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Secured Revolving Credit Facilities (NOL)*."

(11) Mainly represents (i) the outstanding amount of non-vessel related lease liabilities incurred by NOL and (ii) accrued but unpaid interest thereon as at June 30, 2020.

(12) Represents the aggregate outstanding amount of senior secured financings incurred by CEVA, namely (i) $390.9 million outstanding under a $585.0 million revolving credit facility, (ii) $457.5 million outstanding under a $475.0 million term loan B facility, and (iii) $15.5 million outstanding under local credit lines. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Senior Secured Facilities—CEVA*."

(13) Represents (i) the outstanding amount of lease liabilities incurred by CEVA for an aggregate amount of $1,233.4 million, (ii) accrued but unpaid interest thereon as at June 30, 2020 for an aggregate amount of $4.4 million and (iii) $20.9 million of outstanding bank overdrafts.

(14) Represents the aggregate outstanding amount under CEVA's global securitization program, pursuant to which a number of European and U.S. subsidiaries of CEVA, acting as originators, have agreed to sell on a daily basis their receivables to securitization issuers. For more information, see "*Description of Certain Financing Arrangements—Securitization Programs—CEVA Global Securitization Program.*"

(15) Represents the aggregate outstanding amount under the NOL securitization program, pursuant to which certain subsidiaries of NOL, as originators, have agreed to sell, and APL Securities S.à r.l., an ad hoc SPV owned by NOL and acting as securitization issuer, has agreed to purchase, eligible freight receivables. For more information, see "*Description of Certain Financing Arrangements—Securitization Programs—NOL Securitization Program*."

(16) Represents the aggregate outstanding amount under secured revolving credit facilities of NOL Liner that are guaranteed by NOL. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Secured Revolving Credit Facilities (NOL)*."

(17) Represents the aggregate outstanding amount under (i) mortgage facility agreements entered into by NOL Liner for 11 vessels, (ii) financing lease arrangements entered into by NOL Liner with respect to 10 vessels (including four Post Panamax vessels) and (iii) other operational lease arrangements entered into by NOL Liner with respect to 21 vessels. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Vessel Bank Debt Financing—NOL*," "*Description of Certain Financing Arrangements—Lease Liabilities—Vessel Capital Leases–NOL Liner*" and "*Description of Certain Financing Arrangements—Lease Liabilities—Vessel Operational Leases.*"

(18) Represents the aggregate outstanding amount under the $150.0 million 8.0% senior notes due in January 2024 assumed by APL Investments America LLC (a subsidiary of NOL Liner) on July 31, 2017. The liabilities under the APL 2024 Senior Notes are guaranteed by the Company. For more information, see "*Description of Certain Financing Arrangements—Senior Notes—APL 2024 Senior Notes*."

(19) Represents the aggregate outstanding amount of CMA CGM main operating subsidiaries' indebtedness (excluding CEVA, NOL and their subsidiaries), including, among others, (i) $136.2 million outstanding in respect of 6 vessels under mortgage loan facilities incurred by Containerships and CNC Lines, (ii) $7.8 million outstanding in respect of vessel leases, (iii) an amount of $173.6 million outstanding in respect of equipment leasing and (iv) $58.0 million outstanding in respect of a local revolving credit facility.

(20) As of June 30, 2020, the Company, together with its dedicated vessel financing SPVs and the shipping agencies in which it holds at least a majority stake (see "*Business—Services—Shipping—Management and Operations—Shipping Agencies*"), held 55.4% of the group's total assets, excluding investments in the stock of subsidiaries, and for the six-month period ended June 30, 2020 and the twelve-month period ended June 30, 2020, the Company, together with such SPVs and shipping agencies, generated 51.4% and 50.3%, respectively, of the group's revenues and 61.5% and 66.7%, respectively, of the group's Adjusted EBITDA.

Vessel financing SPVs are separate legal entities from, and are wholly owned by, the Company. We believe it is helpful to consider the figures presented above for the Company and the vessel financing SPVs on a combined basis because such SPVs generally hold no assets other than one container vessel (and related insurance coverage) and have no outstanding third-party financial indebtedness other than the secured indebtedness incurred to finance the acquisition, construction or improvement of that vessel. In addition, our vessel financing SPVs typically charter the relevant vessel to the Company and derive revenue solely from such chartering agreements. Such revenue is equal to the amounts of debt service and insurance coverage payments the SPV is required to make, which amounts are paid directly to the lenders or insurance providers by the Company. The Company recognizes any payments it makes on behalf of such SPVs under such charter agreements as an expense, which decreases the Company's Adjusted EBITDA on a stand-alone basis, although under our group policy and the terms of the notes, as further described below, such SPVs will, subject to certain exceptions, distribute their net income directly or indirectly to the Company. As of June 30, 2020, the Company's dedicated vessel financing SPVs held 7.6% of the group's total assets, excluding investments in the stock of subsidiaries, and for the six-month period ended June 30, 2020 and the twelve-month period ended June 30, 2020, such SPVs generated nil of the group's revenues and 6.1% and 6.6%, respectively, of the group's Adjusted EBITDA.

Shipping agencies are separate legal entities from the Company, and are generally wholly owned by the Company. Such shipping agencies have only a limited amount of assets, consistent with our policy to centralize assets in dedicated vessel financing SPVs or at the Company level. Such shipping agencies also have a limited amount of indebtedness ($134.0 million of indebtedness, which in the aggregate represented 0.7% of the group's consolidated indebtedness as of June 30, 2020). As of June 30, 2020, such shipping agencies held 6.5% of the group's total assets, excluding investments in the stock of subsidiaries, and for the six-month period ended June 30, 2020 and the twelve-month period ended June 30, 2020, such shipping agencies generated 1.5% and 1.5%, respectively, of the group's revenues and 5.9% and 6.2%, respectively, of the group's Adjusted EBITDA.

Under the Indenture governing the notes, the maximum amount of unsecured debt that our subsidiaries that are not guarantors (including our vessel financing SPVs) and our shipping agencies are entitled to incur is limited to the greater of $1.0 billion and 3.25% of our consolidated total assets, subject to certain exceptions (see "*Description of Notes—Certain Covenants—Limitation on Debt*").

## THE OFFERING

The following is a brief summary of certain terms of this offering. For additional information regarding the notes, see "*Description of Notes*."

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| Issuer | CMA CGM S.A., a French *société anonyme*. |
| Notes Offered | €525,000,000 aggregate principal amount of 7.500% Senior Notes due 2026 (the "notes"). |
| Issue Price | 97.848%, plus accrued interest if any from the Issue Date. |
| Issue Date | October 21, 2020. |
| Maturity | The notes will mature on January 15, 2026. |
| Interest Rate | The notes will bear interest at a rate of 7.500% per year. |
| Interest Payment Dates | January 15 and July 15, beginning on July 15, 2021. |
| Ranking | The notes will be our unsecured senior obligations and will:<br>• rank senior in right of payment to all our existing and future debt and obligations that are, by their terms, expressly subordinated in right of payment to the notes;<br>• rank equally in right of payment to all our existing and future senior debt and obligations that are not, by their terms, expressly subordinated in right of payment to the notes, including the 2022 Senior Notes and the 2025 Senior Notes;<br>• be effectively subordinated in right of payment to all our existing and future secured indebtedness, to the extent of the value of the assets securing such debt; and<br>• be structurally subordinated to all existing and future debt and obligations of our subsidiaries.<br><br>As of June 30, 2020, on an as adjusted basis after giving effect to (i) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the full redemption of the outstanding 2021 Senior Notes, (ii) the repayment of the outstanding amount under the CEVA €297 million senior bridge facility in July 2020, (iii) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020, (iv) the termination of, and repayment in full of the outstanding amounts due under CEVA's former U.S. and Australian securitization programs in August 2020 and (v) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on June 30, 2020, we would have had \$18,806.1 million of indebtedness (on a consolidated basis), of which \$11,124.6 million would have been our indebtedness (on a standalone basis) and \$7,681.5 million would have been debt of our subsidiaries (based on the obligations of the principal obligor only and not reflecting the impact of any guarantees). On a standalone basis, \$7,523.7 million of our indebtedness would have been secured indebtedness.<br><br>As of June 30, 2020, the Issuer, together with its dedicated vessel financing SPVs and the shipping agencies in which it holds at least a majority stake (see "*Business—Services—Shipping—Management and Operations—Shipping Agencies*"), held 55.4% of the group's |

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| | total assets, excluding investments in the stock of subsidiaries, and for the six-month period ended June 30, 2020 and the twelve-month period ended June 30, 2020, the Issuer, together with such SPVs and shipping agencies, generated 51.4% and 50.3%, respectively, of the group's revenues and 61.5% and 66.7%, respectively, of the group's Adjusted EBITDA.<br><br>As of June 30, 2020, the Issuer's dedicated vessel financing SPVs held 7.6% of the group's total assets, excluding investments in the stock of subsidiaries, and for the six-month period ended June 30, 2020 and the twelve-month period ended June 30, 2020, such SPVs generated nil of the group's revenues and 6.1% and 6.6%, respectively, of the group's Adjusted EBITDA.<br><br>As of June 30, 2020, such shipping agencies held 6.5% of the group's total assets, excluding investments in the stock of subsidiaries, and for the six-month period ended June 30, 2020 and the twelve-month period ended June 30, 2020, such shipping agencies generated 1.5% and 1.5%, respectively, of the group's revenues and 5.9% and 6.2%, respectively, of the group's Adjusted EBITDA.<br><br>For more information, see "*Corporate and Financing Structure.*" |
| Optional Redemption | At any time prior to January 15, 2023, we may redeem all or part of the notes at a redemption price equal to 100% of the principal amount thereof, plus the Applicable Redemption Premium described in these listing particulars and accrued and unpaid interest to the date of redemption. For more information, see "*Description of Notes—Optional Redemption of Notes*."<br><br>In addition, at any time prior to January 15, 2023, we may redeem up to 40% of the aggregate principal amount of the notes with the net cash proceeds from certain equity offerings at a redemption price equal to 107.500% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the redemption date provided that at least 50% of the aggregate principal amount of the notes (including any Additional Notes (as defined herein)) originally issued remain outstanding after the redemption. For more information, see "*Description of Notes—Optional Redemption of Notes.*"<br><br>We may redeem the notes on or after January 15, 2023, in whole or in part, at our option at the redemption prices set forth under the caption "*Description of Notes—Optional Redemption of Notes*," plus accrued and unpaid interest, if any. For more information, see "*Description of Notes—Optional Redemption of Notes*."<br><br>In addition, we may redeem all, but not less than all, of the notes upon not less than 10 or more than 60 days' notice, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, if we have or will become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. For more information, see "*Description of Notes—Optional Redemption of Notes—Redemption upon Changes in Withholding Taxes*." |
| Additional Amounts | Any payments made by the Company with respect to the notes will be made without withholding or deduction for taxes in any jurisdiction |

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| | unless required by law. If any deduction or withholding for taxes of a relevant tax jurisdiction is required by law with respect to a payment under or with respect to the notes, subject to certain exceptions, the Company will pay the additional amounts necessary so that the net amount received after the withholding is not less than the amount they would have received in the absence of such withholding. See "*Description of Notes—Additional Amounts*." |
| Original Issue Discount | The notes will be issued with original issue discount ("OID") for U.S. federal income tax purposes. See "*Certain Tax Considerations—U.S. Federal Income Tax Considerations—Original Issue Discount.*" |
| Change of Control | Upon the occurrence of a "Change of Control," you will have the right, as holders of the notes, to require us to repurchase some or all of your notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of the purchase. For a summary of what constitutes a Change of Control, see "*Description of Notes—Purchase of Notes upon a Change of Control*."<br><br>We may not be able to pay you the required price for notes you present to us at the time of a Change of Control, because we may not have enough funds at that time; or the terms of our senior debt may prevent us from making such payment. |
| Covenants | The Indenture contains covenants for the benefit of the holders of the notes that include, subject to important limitations and exceptions, restrictions on our ability and the ability of our Restricted Subsidiaries to:<br>• incur additional debt;<br>• create liens on assets to secure debt;<br>• make payments, including dividends or other distributions, with respect to shares of the Issuer or the Restricted Subsidiaries;<br>• prepay or redeem subordinated debt or equity;<br>• make investments;<br>• engage in transactions with affiliates;<br>• in the case of a Restricted Subsidiary, guarantee our debt;<br>• designate our subsidiaries as unrestricted subsidiaries;<br>• engage in a business not related to our business or that of the Restricted Subsidiaries; and<br>• consolidate or merge with or into, or sell or otherwise dispose of all or substantially all our assets to, another person.<br><br>Certain covenants will be suspended after the notes obtain investment grade ratings from at least two of Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Financial Services LLC ("Standard & Poor's") and Fitch Ratings Ltd. ("Fitch").<br><br>For more information, see "*Description of Notes*." |
| Transfer Restrictions | We have not registered the notes under the Securities Act or the securities laws of any other jurisdiction and we do not intend to do so. Consequently, you may not offer or sell the notes within the United States except pursuant to an exemption from, or in a transaction not |

| | |
|---|---|
| | subject to, the Securities Act or in other jurisdictions except under an exemption from, or in a transaction not subject to, the applicable securities laws of such other jurisdictions. See "*Plan of Distribution*" and "*Notice to Investors*." |
| Use of Proceeds | We expect the net proceeds from the offering of the notes to be approximately $566.6 million (using the Company's consolidated balance sheet exchange rate of $1.00 = €0.89302 as of June 30, 2020), after deducting the Initial Purchasers' fees, original issue discount and the estimated offering expenses payable by us. We expect to use the net proceeds from the offering of the notes to fully redeem the 2021 Senior Notes. See "*Use of Proceeds*." |
| No Prior Market | The notes will be new securities for which there is currently no market. Accordingly, we cannot assure you as to whether a market for the notes will develop or be maintained or as to the liquidity of any such market. While the Initial Purchasers have informed us that they currently intend to make a market in the notes, they are not obligated to do so and they may discontinue market-making activities in their sole discretion at any time without notice. |
| Trustee | U.S. Bank Trustees Limited. |
| Paying Agent, Transfer Agent and Registrar | Elavon Financial Services DAC. |
| Luxembourg Listing Agent | BNP Paribas Securities Services, Luxembourg Branch.<br><br>BNP Paribas Securities Services, Luxembourg Branch, being part of a financial group providing client services with a worldwide network covering different time zones, may entrust parts of its operational processes to other BNP Paribas Group entities and/or third parties, whilst keeping ultimate accountability and responsibility in Luxembourg. |
| Listing | We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Professional Segment of the Euro MTF market of the Luxembourg Stock Exchange. |
| Governing Law | New York law. |

## ADDITIONAL INFORMATION

Our head office and principal executive offices are located at Boulevard Jaques SAADE 4 Quai d'Arenc, 13002 Marseille Cedex 02, France. Our telephone number is +33 (0) 4 8891 9000. We were registered in Marseille (France) on July 12, 1977.

## SUMMARY FINANCIAL AND OPERATING INFORMATION

**Summary Historical Consolidated Financial Information for CMA CGM**

The following tables present summary consolidated financial and operating information for the Company at the dates and for the periods indicated. The summary historical consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019 is derived from the CMA CGM Audited Consolidated Financial Statements. The summary historical consolidated financial information as of and for the six-month periods ended June 30, 2019 and 2020 is derived from the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements. Free English language translations of the CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements are included elsewhere in these listing particulars.

As from January 1, 2019, we have adopted IFRS 16 using the modified retrospective transition method. See "*Presentation of Financial and Other Data,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Recently Issued Accounting Pronouncements,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information; Comparability of Information*" and Note 2.2 to the 2019 CMA CGM Audited Consolidated Financial Statements. On January 4, 2019, we acquired control of CEVA, a leading global player in the logistics sector. The results of operations and assets and liabilities of CEVA were accounted for in the 2019 CMA CGM Audited Consolidated Financial Statements in accordance with the full consolidation method of accounting as from January 4, 2019.

To facilitate comparison of our results of operations for the years ended December 31, 2019 and 2018, for key line items in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2019 compared with year ended December 31, 2018*" we include a discussion of our results in each of the respective years excluding the impact of the adoption of IFRS 16, as well as excluding the contribution of CEVA.

You should read this summary consolidated financial and operating information along with the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," the CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

| | For the year ended December 31, | | | For the six-month period ended June, | | For the twelve-month period ended June 30, |
|---|---|---|---|---|---|---|
| | 2017[1] | 2018[1] | 2019 | 2019 | 2020 | 2020 |
| | *($ in millions)* | | | | | |
| **Consolidated Income Statement Data** | | | | | | |
| **Revenue** | **21,116.2** | **23,476.2** | **30,254.2** | **15,108.5** | **14,189.9** | **29,335.6** |
| Operating expenses[2] | (19,072.0) | (22,327.4) | (26,495.0) | (13,375.3) | (12,011.3) | (25,131.0) |
| EBITDA before gains on disposal of property and equipment and subsidiaries | 2,044.3 | 1,148.7 | 3,759.2 | 1,733.2 | 2,178.6 | 4,204.6 |
| Gains/(losses) on disposal of property and equipment and subsidiaries | 96.1 | 27.5 | 15.2 | 10.8 | 167.6 | 172.0 |
| Depreciation and amortization of non-current assets | (624.1) | (634.0) | (2,717.9) | (1,336.6) | (1,355.8) | (2,737.1) |
| Other income and expenses | (59.2) | (15.6) | (68.6) | (48.7) | (57.5) | (77.5) |
| Operating exchange gain/losses | 73.1 | 8.2 | 103.9 | 63.0 | 12.8 | 53.7 |
| Net present value (NPV) benefits related to assets financed by tax lease | 38.2 | 46.8 | 49.9 | 19.4 | 18.0 | 48.4 |
| Share of profit/(loss) of associates and joint ventures | 5.5 | (88.2) | 143.1 | 112.7 | (43.2) | (12.8) |
| **EBIT[3]** | **1,573.8** | **493.5** | **1,284.8** | **553.9** | **920.5** | **1,651.4** |
| **Core EBIT[4]** | **1,501.7** | **602.2** | **1,136.7** | **433.8** | **828.7** | **1,531.6** |
| Interest expense on borrowings net of interest income on cash and cash equivalents | (457.1) | (449.4) | (1,362.3) | (661.0) | (669.3) | (1,370.6) |
| Other net financial items[5] | (316.0) | 123.5 | 20.4 | 14.1 | 2.0 | 8.3 |
| Income taxes | (70.0) | (99.4) | (161.5) | (60.7) | (58.0) | (158.8) |
| **Profit/(loss) for the period** | **730.7** | **68.3** | **(218.6)** | **(153.7)** | **195.2** | **130.3** |
| Profit/(loss) for the period for the non-controlling interests | 34.1 | 34.4 | 10.5 | (1.5) | 10.8 | 22.8 |
| **Profit/(loss) for the period for the owners of the parent** | **696.6** | **33.9** | **(229.1)** | **(152.2)** | **184.3** | **107.5** |

(1) The results presented for the years ended December 31, 2017 and December 31, 2018 are presented on a pre-IFRS 16 basis. The results presented for the year ended December 31, 2019 and for the six months ended June 30, 2019 and 2020 are presented on a post-IFRS 16 basis.

(2) See the tables below for a detailed breakdown of our operating expenses for the periods presented.

(3) EBIT represents a measure equivalent to an operating profit/(loss).

(4) Core EBIT represents EBIT less gains/ (losses) on disposals of property and equipment and subsidiaries, less other income and expenses, less Operating exchange gain/losses as well as impairment reported in share of profit/(loss) of the associates and joint ventures. See the table below for a reconciliation of Core EBIT to EBIT.

(5) "Other net financial items" primarily includes changes in fair value and settlement of derivative instruments that do not qualify for hedge accounting, as well as Foreign currency exchange gain/(losses). See Note 4.6 to the CMA CGM Audited Consolidated Financial Statements included elsewhere in these listing particulars.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2017[(1)] | 2018[(1)] | 2019 | 2020 |
| | ($ in millions) | | | |
| **Consolidated Balance Sheet Data** | | | | |
| Goodwill and other intangible assets[(2)] | 2,224.7 | 2,430.2 | 5,417.8 | 5,346.1 |
| Vessels | 8,620.7 | 8,822.2 | 12,805.6 | 12,958.1 |
| Containers | 562.6 | 485.6 | 2,751.9 | 2,528.7 |
| Lands and buildings | 509.8 | 448.0 | 1,824.1 | 1,781.5 |
| Other properties and equipment | 426.5 | 485.4 | 384.2 | 348.5 |
| Other non-current assets[(3)] | 1,676.4 | 1,996.3 | 1,360.8 | 1,204.7 |
| *of which LTV deposits[(4)]* | *33.6* | *23.2* | — | — |
| Inventories | 466.8 | 528.7 | 542.9 | 390.3 |
| Trade and other receivables | 1,996.9 | 2,494.7 | 3,479.7 | 3,264.0 |
| Income tax assets | 33.5 | 45.0 | 63.3 | 54.6 |
| Securities and other financial assets | 142.5 | 144.4 | 193.4 | 191.2 |
| Cash and cash equivalents | 1,383.5 | 1,401.9 | 1,750.8 | 2,488.6 |
| Other current assets[(5)] | 862.8 | 1,021.1 | 1,178.9 | 1,096.0 |
| Assets classified as held-for-sale | — | 18.8 | 977.7 | 92.6 |
| **Total assets** | **18,906.7** | **20,322.4** | **32,730.9** | **31,744.9** |
| **Total equity** | **5,620.4** | **5,525.0** | **5,133.6** | **5,164.5** |
| Non-current borrowings and lease liabilities | 7,235.4 | 8,159.9 | 15,458.6 | 14,664.0 |
| Other non-current liabilities[(6)] | 822.5 | 792.5 | 1,141.1 | 1,143.7 |
| Current borrowings and lease liabilities | 1,183.9 | 1,020.6 | 4,055.5 | 4,655.2 |
| Other current liabilities[(7)] | 4,044.5 | 4,824.3 | 6,523.5 | 6,117.7 |
| Liabilities associated with assets classified as held-for-sale | — | — | 418.6 | — |
| **Total liabilities & equity** | **18,906.7** | **20,322.4** | **32,730.9** | **31,744.9** |

(1) The balance sheet information as of December 31, 2017 and December 31, 2018 is presented on a pre-IFRS 16 basis. The balance sheet information as of December 31, 2019 and June 30, 2019 and 2020 are presented on a post-IFRS 16 basis.

(2) The amount as of December 31, 2017 is largely impacted by the following items resulting from the final purchase price allocation made in relation to the NOL acquisition: $705.9 million of goodwill and $1,513.7 million of intangible assets. See Note 3.1.1 to the 2017 CMA CGM Audited Consolidated Financial Statements. The amount as of December 31, 2018 includes the following items resulting from the provisional purchase price allocation made in relation to the Containerships acquisition: $103.2 million of goodwill and $101.8 million of intangible assets. See Note 3.1.2 to the 2018 CMA CGM Audited Consolidated Financial Statements. The amount as of December 31, 2019 is largely impacted by the following items resulting from the final purchase price allocation made in relation to the CEVA acquisition: $1,688.5 million of goodwill and $1,378.7 million of intangible assets. See Note 3.1.1 to the 2019 CMA CGM Audited Consolidated Financial Statements.

(3) “Other non-current assets” represents deferred tax assets, investments in associates and joint ventures, derivative financial instruments and other financial assets.

(4) LTV deposits are cash deposits required as collateral under certain of our financing arrangements when the loan to fair market value ratios of our vessels are below a certain level.

(5) “Other current assets” represents derivative financial instruments, prepaid expenses and contract assets.

(6) “Other non-current liabilities” represents derivative financial instruments, deferred tax liabilities, provisions and employee benefits obligations and non-current deferred income.

(7) “Other current liabilities” represents derivative financial instruments, current portions of provisions, employee benefits, trade and other payables, current income tax liability, current deferred income and other current liabilities.

| | For the year ended December 31, | | | For the six-month period ended June 30, | | For the twelve-month period ended June 30, |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2020 |
| | | | ($ in millions) | | | |
| **Consolidated Cash Flow Statement Data** | | | | | | |
| **Cash, cash equivalents and bank overdrafts at the beginning of the period** | **1,126.3** | **1,226.0** | **1,314.8** | **1,314.8** | **1,598.0** | **1,246.1** |
| Cash inflow / (outflow) from: | | | | | | |
| Operating activities | 1,587.9 | 1,200.5 | 3,559.9 | 1,525.8 | 1,958.7 | 3,992.9 |
| Investing activities | 14.9 | (963.6) | (1,250.0) | (1,192.4) | 516.1 | 458.5 |
| Financing activities and effect of exchange rate changes on cash and cash equivalents and bank overdrafts | (1,503.2) | (148.0) | (2,026.8) | (402.1) | (1,639.5) | (3,264.2) |
| Net increase (decrease) in cash, cash equivalents and bank overdrafts | 99.6 | 88.9 | 283.1 | (68.7) | 835.3 | 1,187.2 |
| **Cash, cash equivalents and bank overdrafts at the end of the period** | **1,226.0** | **1,314.8** | **1,598.0** | **1,246.1** | **2,433.3** | **2,433.3** |

**Other Consolidated Financial Data**

The following table sets forth other consolidated financial data for the periods indicated.

| | As of and for the year ended December 31, | | | As of and for the six-month period ended June 30, | | As of and for the twelve-month period ended June 30, |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2020 |
| | | | ($ in millions, unless otherwise indicated) | | | |
| EBITDA[(1)] | 2,140.4 | 1,176.3 | 3,774.5 | 1,744.0 | 2,346.2 | 4,376.7 |
| EBITDA margin[(2)] | 10.1% | 5.0% | 12.5% | 11.5% | 16.5% | 14.9% |
| Adjusted EBITDA[(1)] | 2,044.3 | 1,148.7 | 3,759.2 | 1,733.2 | 2,178.6 | 4,204.6 |
| Adjusted EBITDA margin[(2)] | 9.7% | 4.9% | 12.4% | 11.5% | 15.4% | 14.3% |
| Capital Expenditure | 1,606.3 | 1.140.1 | 5,121.5 | 4,201.9 | 1,336.1 | 2,255.8 |
| Core EBIT[(3)] | 1,501.7 | 602.2 | 1,136.7 | 433.8 | 828.7 | 1,531.6 |
| Core EBIT margin[(3)] | 7.1% | 2.6% | 3.8% | 2.9% | 5.8% | 5.2% |
| Interest expense on borrowings net of interest income on cash and cash equivalents | 457.1 | 449.4 | 1,362.3 | 661.0 | 669.3 | 1,370.6 |
| Net debt[(4)] | 6,967.0 | 7,720.0 | 18,165.2 | 18,608.2 | 16,808.2 | 16,808.2 |
| Adjusted net debt[(4)] | 6,924.7 | 7,734.8 | 17,795.4 | 18,633.5 | 17,060.6 | 17,060.6 |
| Leverage ratio (three-year average)[(5)] | n/a | n/a | 5.1x | 5.0x | 4.4x | 4.4x |
| Post-issuance pro forma cash and cash equivalents, securities and LTV deposits[(6)] | | | | | | 1,966.5 |
| Post-issuance pro forma adjusted net debt[(7)] | | | | | | 17,092.0 |
| Post-issuance pro forma net interest expense[(8)] | | | | | | 1,345.4 |
| Post-issuance pro forma net leverage ratio[(9)] | | | | | | 4.1x |

(1) EBITDA, as described in the CMA CGM Audited Consolidated Financial Statements included elsewhere in these listing particulars, is equal to the sum of the following income statement captions: "EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries" and "Gains on disposal of property and equipment and subsidiaries." "Adjusted EBITDA" represents EBITDA less gains / (losses) on disposal of property and equipment and subsidiaries. Neither EBITDA nor Adjusted EBITDA is a substitute for EBIT or net cash generated from operating activities as determined in accordance with IFRS. EBITDA and Adjusted EBITDA are presented as additional information because we believe that they are widely used as measures to evaluate a company's operating performance and financial requirements. Because EBITDA and Adjusted EBITDA are not calculated identically by all companies, our presentation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. Our discretionary use of EBITDA and Adjusted EBITDA may be limited by working capital, capital expenditure and debt service requirements and by contractual, legal and other restrictions. See the tables below for a reconciliation of EBITDA and Adjusted EBITDA to EBIT. As from 2019 onwards, for a better measurement of operating profitability, Management decided to exclude Operating exchange gains / (losses) from EBITDA and to classify them below EBITDA, within EBIT, and excluded from Core EBIT. The comparative periods have been restated accordingly for better comparison.

(2) EBITDA margin represents EBITDA divided by revenue. Adjusted EBITDA margin represents Adjusted EBITDA divided by revenue.
(3) Core EBIT represents EBIT less gains/ (losses) on disposals of property and equipment and subsidiaries, less Other income and expenses, less Operating exchange gain / (losses) as well as any impairments reported in Share of profit / (loss) of the associates and joint ventures. See the table below for a reconciliation of Core EBIT to EBIT. Core EBIT margin represents Core EBIT divided by revenue.
(4) Net debt represents non-current and current borrowings plus borrowings associated with assets classified as held for sale less cash and cash equivalents, securities and LTV deposits presented within other financial assets. Adjusted net debt represents net debt less the amount of bonds and preferred shares redeemable in shares that are accounted for as debt under IFRS ($8.6 million), less the amount of borrowings associated with assets classified as held for (*nil*), plus unavailable (or restricted) cash ($260.9 million). Certain of our financing arrangements require cash deposits as collateral (LTV deposits) when the loan to fair market value ratios of our vessels are below a certain level. The cash deposits are held as collateral for the related financing and, accordingly, we have deducted the deposits for the purpose of determining net debt and adjusted net debt. See the tables below for the calculation of net debt and adjusted net debt.
(5) Leverage ratio (three-year average) represents adjusted net financial debt over three-year average adjusted EBITDA, which is the ratio test used for purposes of our financial maintenance covenants in certain bank facilities. See "*Description of Certain Financing Arrangements–Introduction–Key financial Ratios–Adjusted Leverage Ratio*."
(6) Post-issuance pro forma cash and cash equivalents, securities and LTV deposits, as adjusted to give effect to (i) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the full redemption of the 2021 Senior Notes, (ii) the repayment of the outstanding amount under the CEVA €297 million senior bridge facility in July 2020, (iii) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020, (iv) the termination of, and repayment in full of the outstanding amount due under CEVA's former U.S. and Australian securitization programs in August 2020 and (v) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on June 30, 2020. In particular, the issuance of the notes offered hereby and the use of the net proceeds therefrom, is expected to decrease our cash and cash equivalents, securities and LTV deposits by $33.6 million, which we will use to pay accrued interest on the 2021 Senior Notes to the date of redemption (assuming a redemption on October 22, 2020) and to pay fees and expenses in connection with the offering. See "*Use of Proceeds*" and "*Capitalization*." U.S. dollar equivalents of euro-denominated amounts are translated at an exchange rate of $1.00 = €0.89302 (the exchange rate as of June 30, 2020 used by the Company for its consolidated balance sheet as of such date).
(7) Post-issuance pro forma adjusted net debt represents adjusted net debt, as adjusted to give effect to (i) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the full redemption of the 2021 Senior Notes, (ii) the repayment of the outstanding amount under the CEVA €297 million senior bridge facility in July 2020, (iii) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020, (iv) the termination of, and repayment in full of the outstanding amount due under CEVA's former U.S. and Australian securitization programs in August 2020 and (v) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on June 30, 2020. U.S. dollar equivalents of euro-denominated amounts are translated at an exchange rate of $1.00 = €0.89302 (the exchange rate as of June 30, 2020 used by the Company for its consolidated balance sheet as of such date). See "*Use of Proceeds*" and "*Capitalization*."
(8) Post-issuance pro forma net interest expense represents interest expense on borrowings net of interest income on cash and cash equivalents, as adjusted to give effect to (i) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the full redemption of the 2021 Senior Notes, (ii) the repayment of the outstanding amount under the CEVA €297 million senior bridge facility in July 2020, (iii) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020, (iv) the termination of, and repayment in full of the outstanding amount due under CEVA's former U.S. and Australian securitization programs in August 2020 and (v) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on July 1, 2019. U.S. dollar equivalents of euro-denominated amounts are translated at an exchange rate of $1.00 = €0.89302 (the exchange rate as of June 30, 2020 used by the Company for its consolidated balance sheet as of such date). See "*Use of Proceeds*" and "*Capitalization*."
(9) Post-issuance pro forma net leverage ratio represents post-issuance pro forma adjusted net debt over Adjusted EBITDA for the twelve month period ended June 30, 2020.

| | For the year ended December 31, | | | For the six-month period ended June 30, | | For the twelve-month period ended June 30, |
|---|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** | **2020** |
| | | | (*$ in millions*) | | | |
| Bunkers and consumables | 2,568.5 | 3,618.0 | 3,450.7 | 1,766.9 | 1,608.8 | 3,292.6 |
| Chartering and slot purchases | 2,064.4 | 2,351.0 | 1,390.3 | 743.8 | 618.7 | 1,265.2 |
| Handling and stevedoring | 5,547.0 | 6,266.4 | 6,385.5 | 3,260.3 | 2,889.4 | 6,014.6 |
| Inland and feeder transportation | 2,918.0 | 3,323.4 | 6,577.4 | 3,224.7 | 2,885.2 | 6,237.9 |
| Port and canal | 1,334.0 | 1,526.6 | 1,457.9 | 734.7 | 678.4 | 1,401.6 |
| Container equipment and repositioning | 1,731.3 | 2,127.7 | 1,427.2 | 744.2 | 556.2 | 1,239.2 |
| Employee benefits | 1,699.7 | 1,879.5 | 4,063.1 | 2,030.1 | 1,950.0 | 3,983.0 |
| General and administrative other than employee benefits | 729.3 | 848.1 | 1,361.0 | 671.5 | 646.3 | 1,335.8 |
| Additions to provisions, net of reversals and impairment of inventories and trade receivables | 37.0 | 32.6 | 51.9 | 34.7 | 21.4 | 38.6 |
| Other operating expenses, net | 442.7 | 354.0 | 330.1 | 164.5 | 157.0 | 322.6 |
| **Operating expenses** | **19,072.0** | **22,327.4** | **26,495.0** | **13,375.3** | **12,011.3** | **25,131.0** |

| | For the year ended December 31, | | | For the six- month period ended June 30, | | For the twelve-month period ended June 30, |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2020 |
| | ($ in millions) | | | | | |
| **EBIT** | **1,573.8** | **493.5** | **1,284.8** | **553.9** | **920.5** | **1,651.4** |
| Plus: Depreciation and amortization of non-current assets | 624.1 | 634.0 | 2,717.9 | 1,336.6 | 1,355.8 | 2,737.1 |
| Plus: Other income and expenses | 59.2 | 15.6 | 68.6 | 48.7 | 57.5 | 77.5 |
| Less: Net present value (NPV) benefits related to assets financed by tax leases | (38.2) | (46.8) | (49.9) | (19.4) | (18.0) | (48.4) |
| Less: Share of profit/(loss) of the associates and joint ventures | (5.5) | 88.2 | (143.1) | (112.7) | 43.2 | 12.8 |
| Less: Operating exchange gain/(losses) | (73.1) | (8.2) | (103.9) | (63.0) | (12.8) | (53.7) |
| **EBITDA** | **2,140.4** | **1,176.3** | **3,774.5** | **1,744.0** | **2,346.2** | **4,376.7** |
| Less: Gains on disposal of property and equipment and subsidiaries | (96.1) | (27.5) | (15.2) | (10.8) | (167.6) | (172.0) |
| **Adjusted EBITDA** | **2,044.3** | **1,148.7** | **3,759.2** | **1,733.2** | **2,178.6** | **4,204.6** |

| | For the year ended December 31, | | | For the six-month period ended June 30, | | For the twelve-month period ended June 30, |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2020 |
| | ($ in millions) | | | | | |
| **EBIT** | **1,573.8** | **493.6** | **1,284.8** | **553.9** | **920.5** | **1,651.4** |
| Less: Gains on disposal of property and equipment and subsidiaries | (96.1) | (27.5) | (15.2) | (10.8) | (167.6) | (172.0) |
| Less: Other income and expenses | 59.2 | 15.6 | 68.6 | 48.7 | 57.5 | 77.5 |
| Less: non-recurring items reported in share of profit/(loss) of the associates and joint ventures | 37.9 | 128.7 | (97.6) | (94.9) | 31.2 | 28.5 |
| Less: Operating exchange gain / (losses) | (73.1) | (8.2) | (103.9) | (63.0) | (12.8) | (53.7) |
| **Core EBIT** | **1,501.7** | **602.2** | **1,136.7** | **433.8** | **828.7** | **1,531.6** |

| | For the year ended December 31, | | | For the six- month period ended June 30, | | For the twelve-month period ended June 30, |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2020 |
| | ($ in millions) | | | | | |
| **Capital Expenditures** | | | | | | |
| Ships | 1,042.7 | 696.6 | 1,166.0 | 521.7 | 888.7 | 1,533.1 |
| Containers | 157.0 | 103.6 | 543.6 | 456.7 | 137.8 | 224.7 |
| Software | 86.0 | 86.5 | 150.6 | 115.4 | 37.5 | 72.7 |
| Other[(1)] | 320.5 | 253.4 | 3,261.3 | 3,108.1 | 272.1 | 425.3 |
| **Total** | **1,606.2** | **1,140.1** | **5,121.5** | **4,201.9** | **1,336.1** | **2,255.8** |

(1) Other includes acquisitions of land, buildings, terminals, cranes, other property and equipment, and other intangible assets (excluding software), both under legal ownership and under right-of-use in accordance with IFRS 16. In 2017, this line item included $102.0 million of other intangible assets, $7.6 million of land and buildings and $210.9 million of other property and equipment. In 2018, this line item included $126.9 million of other intangible assets, $4.8 million of land and buildings and $121.6 million of other property and equipment. In 2019, this line item included $1,319.7 million of other intangible assets primarily related to the intangible assets recognized as part of the purchase price allocation for CEVA, $1,703.4 million of land and buildings primarily linked to CEVA's rights-of-use as of January 4, 2019 and $238.2 million of other property and equipment. In the first six months of 2020, this line item included $0.5 million of other intangible assets, $225.8 million of land and buildings and $45.8 million of other property and equipment.

| | As of December 31, | | | As of June 30, | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | ($ in millions) | | |
| Total borrowings (current and non-current portion) | 8,419.3 | 9,180.5 | 19,514.1 | 20,021.2 | 19,319.2 |
| Plus: Liabilities associated with assets classified as held-for-sale | — | — | 418.6 | — | — |
| Less: Cash and cash equivalents | (1,383.5) | (1,401.9) | (1,750.8) | (1,372.0) | (2,488.6) |
| Less: Securities | (35.2) | (35.3) | (16.7) | (40.9) | (22.3) |
| Less: LTV deposits[(1)] | (33.6) | (23.2) | — | — | — |
| **Net debt** | **6,967.0** | **7,720.1** | **18,165.2** | **18,608.2** | **16,808.2** |
| Less: Portion of bonds and preferred shares redeemable in shares (ORA) accounted for as borrowings | (52.1) | (31.9) | (16.7) | (31.9) | (8.6) |
| Less: Liabilities associated with assets classified as held-for-sale | — | — | (418.6) | — | — |
| Plus: Restricted cash | 9.8 | 46.7 | 65.6 | 57.1 | 260.9 |
| **Adjusted net debt** | **6,924.7** | **7,734.8** | **17,795.4** | **18,633.5** | **17,060.6** |

(1) LTV deposits represent cash deposited in escrow accounts in relation to certain loan-to-value provisions in financing agreements, whereby a cash deposit is required when the ratio of the loan to the fair market value of a vessel (as estimated by independent brokers) is above a certain level. See Note 6.1.3 to the 2019 CMA CGM Audited Consolidated Financial Statements.

### Summary Consolidated Operational Data

The following table sets forth summary consolidated operational data for the periods indicated.

| | As of and for the year ended December 31, | | | As of and for the six-month period ended June 30, | | As of and for the twelve-month period ended June 30, |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2020 |
| | (*TEU, except number of ships and average revenue per TEU*) | | | | | |
| **Operational Data** | | | | | | |
| Volumes transported | 18,949 | 20,714 | 21,556 | 10,680 | 9,709 | 20,585 |
| Total fleet capacity[(1)] | 2,526,473 | 2,704,758 | 2,707,017 | 2,759,953 | 2,758,181 | 2,758,181 |
| Container fleet | 3,935,211 | 4,274,323 | 4,138,058 | 4,239,532 | 4,022,673 | 4,022,673 |
| Number of owned container ships | 136 | 147 | 149 | 143 | 149 | 149 |
| Capacity of owned container ships | 1,023,791 | 1,123,416 | 1,138,290 | 1,114,429 | 1,132,541 | 1,132,541 |
| Number of chartered container ships | 368 | 362 | 356 | 385 | 351 | 351 |
| Capacity of chartered container ships | 1,502,682 | 1,581,342 | 1,568,727 | 1,645,524 | 1,625,640 | 1,625,640 |
| Average revenue per TEU[(2)] | 1,114.4 | 1,133.4 | 1,080.5 | 1,096.8 | 1,116.4 | 1,089.0 |

(1) Controlled capacity, including vessels chartered out to third parties, as of the end of the period indicated.
(2) Average revenue per TEU represents total revenue of our shipping activity divided by total TEU volumes transported.

# RISK FACTORS

*An investment in the notes involves a high degree of risk. In addition to the other information contained in these listing particulars, you should carefully consider the following risk factors before purchasing the notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware, or that we currently believe are immaterial, could also adversely affect our business, results of operations and financial condition. If any of the possible events described below were to occur, our business, results of operations and financial condition could be materially and adversely affected. If that happens, the trading prices of the notes could decline, we may not be able to pay interest or principal on the notes when due and you could lose all or part of your investment.*

*These listing particulars also contain "forward-looking" statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in these listing particulars. See "Forward-Looking Statements."*

## Risks Relating to the Shipping and Logistics Industries

***Our results of operations and financial condition are sensitive to conditions in the container shipping and logistics industries, which historically have been cyclical and affected by imbalances in supply and demand.***

Container shipping and logistics services are affected by prevailing conditions in the world's economies. Fluctuations in the economic climate have a substantial effect on the container shipping industry, which in turn affects our supply chain management business. The container shipping industry has, therefore, historically been highly cyclical, with high volatility in freight rates (a key factor impacting our results of operations), primarily due to fluctuations in the demand for container shipping services and the global supply of capacity.

Demand for container shipping and in turn logistics services is influenced by, among other factors, global and regional economic growth, the geographic relationship between manufacturing and consumption centers (and in particular the shift in recent decades of manufacturing away from the Western hemisphere towards Asia), the demand for consumer goods in North America and Europe, changes in seaborne and other transportation patterns, consumption and sourcing patterns, prices of commodities as negotiated by major importers and exporters, changes in weather patterns, environmental concerns, health risks (including pandemics), political conditions, trade policies, armed conflicts, canal and port closures, changes in fuel and lubricant prices and changes in the regulatory regimes affecting shipping. Trends in world trade are affected by trends in regional and global GDP. The latter have been severely affected by the coronavirus ("COVID-19") pandemic, with regional and global GDP sharply down in the first half of 2020. Similarly, GDP forecasts for the full year 2020 have been revised sharply downward, *e.g.*, the International Monetary Fund ("IMF") recently revised its growth forecast for global GDP in 2020 from 3.3% forecasted in January 2020 to an estimate of negative 4.9% in June 2020 and noted that the recovery is projected to be more gradual than initially forecast. According to the IMF, the global economy is expected to recover in 2021 with GDP growth projected to be at 5.4%, which is still 6.5% lower than the GDP projected in January 2020 prior to the outbreak of the COVID-19 pandemic. World trade volumes have also been adversely affected by the COVID-19 pandemic, with expectations reduced as well. For example, the IMF's June 2020 update to its World Economic Outlook forecasted that there will be a 11.9% decline in global trading volumes in 2020, as compared with 2019. These forecasts are subject to significant uncertainty and actual growth may be lower than forecasted, depending *inter alia,* on potential new outbreaks and whether or not a COVID-19 vaccine can be found and successfully deployed worldwide.

There has historically been somewhat of a correlation between global GDP trends and demand for containerized shipping. From 2000 to 2012, the container shipping industry recorded annual growth in transported volumes ranging between 3.9% and 14.4%, with the exception of 2009, when transport volume declined by 8.5% (source: Drewry, September 2020). The pace of growth in demand for container transport slowed somewhat from 2013 to 2016, with volumes growing between 1.5% and 3.6%, before rebounding to grow 6.4% and 5.8% in 2017 and 2018, respectively (source: Drewry, September 2020). In 2019, the growth rate declined to only 1.6% amid difficult market conditions sparked by tensions in trade between the U.S. and China. World container traffic in the first half of 2020 decreased by 5.7% year-on-year (source: Drewry, September 2020). In addition, as freight rates and other items can vary significantly from line to line, our profitability for any given period can be affected by the geographic mix of the lines from which we generate revenue during that period. Consequently, regional changes in demand can have a disproportionate impact on our results of operations during any given period. Particularly in light of the current operating environment due to the

COVID-19 pandemic, there can be no assurance that further setbacks in economic activity will not occur or that transport volume of the container shipping industry will in the near-to-medium term return to, or remain at or above, levels recorded in previous years.

Matching capacity with demand has historically been a challenge for the container shipping industry as the market has often experienced oversupply. The global supply of capacity in the container shipping industry is determined by the number and size of container ships in the world (including the charter market), the assignment of these ships to trades, their deployment by shippers (for example, "slow steaming" or "blank sailing", both of which reduce the actual capacity deployed on a given line at a particular time), the delivery of new ships, the availability of financing for container ships, the conversion of container ships to other uses, the scrapping of older ships, the availability of containers, the impact of port congestion, the dry docking of container ships for maintenance and retrofitting and, the regulation of maritime transportation practices by governmental or international authorities, including changes in environmental and other regulations that could limit each vessel's estimated useful life. Supply is also affected prospectively by the size of the industry order book, as described below. Moreover, due to the impact of varying local demand conditions combined with liners' capacity management decisions on a trade by trade basis, the supply to demand balance varies from region to region and conditions in a particular region may not be correlated with those in other regions. Finally, the capacity utilization of our container vessels varies depending on the dominant trade flows between different world regions. Vessel capacity utilization is generally higher when transporting cargo from net export regions to net import regions (*i.e.*, the dominant leg). Significant losses result from having to transport empty containers on the non-dominant leg without generating corresponding freight revenues. Furthermore, sharpening imbalances in world trade patterns (*i.e.*, rising trade deficits of net importers *vis-à-vis* net export regions) could exacerbate the imbalances between the dominant and non-dominant legs of our services. There can be no assurance that we will be able to successfully manage and minimize the costs resulting from operating non-dominant leg trades.

The industry experience in 2020 has departed from historical trends in terms of matching capacity with demand. As noted above and discussed in "Industry", although demand has decreased, freight rates have increased to some extent. This is due overall to an adaptation of capacity to lower demand. An initial contributing factor was the scrubber retrofitting of a substantial number of vessels with IMO 2020 coming into effect, which was prolonged due to the COVID-19 pandemic's effect on the shipyards and reduced available capacity. Another and more systemic factor has been the implementation of capacity management measures by the industry such as blank sailings, slow steaming and the practice of "core loops" within alliances that overall have contained or reduced available capacity on specific lines. Freight rate trends in the near-to-mid-term will depend both on demand trends and the extent to which industry players maintain an effective capacity management approach or focus increasingly on market share considerations. The remaining course of the COVID-19 pandemic and governmental responses to it will be a key factor in determining demand trends in the near-term.

***The outbreak, or threatened outbreak, of any severe communicable disease, such as the ongoing COVID-19 pandemic, could have a material adverse effect on our business, financial condition and results of operations.***

The COVID-19 pandemic has severely affected and continues to seriously affect the global economy in 2020. Several nations and territories, including areas where we operate, have imposed strict quarantine measures, social distancing rules, closure of work sites and non-essential services, and even complete lock-downs of certain populations or areas. COVID-19 pandemic-related immigration measures have impacted our operations, for example making it more challenging to staff vessels and replace crews between voyages with adequate crew members due to travel restrictions. There is increased risk that crew members will be unable to board the vessel or be left stranded in a particular country due to suspected or confirmed cases of COVID-19. There is also added risk in respect of dry docks; certain group's vessels may be refused docking due to health concerns if suspected or confirmed cases of COVID-19 were found on board. Moreover, if any of our employees, visitors or employees of other institutions or entities working in the same building or vicinity as members of the group are suspected of contracting a severe communicable disease such as the COVID-19 pandemic, this could require the affected member of the group to quarantine some or all of these employees or disinfect or even temporarily shut down the facilities used for its operations, which could in turn result in delays or additional costs. Although the market impact of the COVID-19 pandemic has thus far been well managed by the shipping industry, there has nevertheless been a significant impact from an administrative and logistical point of view, rendering our operations less efficient. It is difficult to predict the long-term impact of the COVID-19 pandemic, as it will be dependent upon any potential new outbreaks as well as the successful development and deployment of a vaccine. However, a sustained period of immigration, travel restrictions and quarantine measures would pose continued challenges to the administrative operations of our business.

The COVID-19 pandemic has disrupted ship building in China during the first half of 2020, as many Chinese ship-building factories were forced to close to stop the spread of the COVID-19 pandemic. The closure of such Chinese factories has contributed to delays in the delivery of our new vessels. Our receipt of revenues from the operation of the vessels concerned could be delayed as a consequence of the ongoing COVID-19 pandemic.

There can be no assurance that the policies and controls for outbreak prevention and disease recurrence will be successful or that any actual or suspected second wave of the COVID-19 pandemic or other contagious disease affecting the global economy will not occur. Similarly, there can be no assurance that any future outbreak of contagious diseases will not have a material adverse effect on our business, financial condition, and results of operations.

***The container shipping and supply chain management industries are significantly impacted by trade policies which are influenced by many economic, political, and other factors that are beyond our control.***

The container shipping and supply chain management businesses are subject to regulations at supranational, national and regional levels that currently provide a generally open framework for the trade of goods. Trade volumes are influenced by many economic, political, regulatory and other factors that are beyond our control. Unfettered free trade and new free trade agreements foster the maintenance of or an increase in trade activity and thus have a positive impact on the container shipping and supply chain industry. Increased or new trade barriers, either political (protectionist measures), physical (border restrictions or controls), administrative (such as declaration formalities and controls) or fiscal (such as customs tariffs, taxes and limits on the repatriation of earnings) can lead to a higher cost of doing business for our shipping customers, lower trade volumes, relocation of production and/or distribution centers, among other factors, which can negatively affect our business. Weakening of global trade arrangements, slower advancement or application of such agreements, increased complexity due to emergence of more bilateral or regional multilateral agreements as well as protective trade policies could significantly impact the development of global trade and therefore, our shipping business. Moreover, our contract logistics business is directly affected by the volume of international trade and domestic and e-commerce activities in countries in which we operate. Changes in economic, political and regulatory conditions and trade volumes could materially adversely impact our customers, which could in turn impact their demand for our logistics services and the terms on which we provide other services to our customers.

Protectionist developments or the perception that such developments may occur, could have a material adverse effect on global economic conditions and may significantly reduce global trade. As a result, a reduction of global trade could adversely impact companies involved in global transport and logistics operations. A shift towards protectionism would be harmful to the global economy in general, as protectionist measures tend to cause world trade to shrink and countermeasures taken by protectionist policies' target countries increase the chance for all-out trade tensions, leading to a negative and self-perpetuating cycle. This risk is particularly acute in the current geopolitical context as political pressure against free trade in many countries, including the United States, has increased substantially in recent years, sparking restrictive trade measures and trade tensions, including between the United States and other countries (in particular China). Specifically, the trade tensions between the United States and China further escalated in 2019. A phase 1 trade deal was entered into between the United States and China in January 2020, but the likelihood of complete resolution remains uncertain. Although world trade is fungible to some extent over time, as demonstrated, for example, by recently growing exports from Vietnam in light of tensions in trade involving China, there can be no assurance that such protectionist trends will not continue or exacerbate and weigh heavily on global trade flows, thus having a material adverse effect on our business, financial condition and results of operations.

***Adverse developments during seasonal peak periods could have a disproportionate impact on our financial condition and results of operations for a given year.***

Our operating and financial performance is subject to seasonal fluctuations and relies to a significant extent on transported volume and freight rates achieved during the peak periods, which are mainly determined by inventory build-up of retail goods for the Christmas season in the United States and Europe (although the peaks may vary both in terms of scale and timing from one year to another). Thus, the third and beginning of the fourth quarters of each calendar year are generally the strongest periods in terms of overall demand for the container shipping and logistics industries. The effect and timing of seasonality also varies significantly between different cargoes; for example, the peak period for citrus fruit generally occurs at the beginning of the year rather than prior to the Christmas season. Any factors that negatively affect our operations during any one or more of the peak periods could have a disproportionate impact on our financial condition and results of operations for a given year, and the demand for different products can be particularly vulnerable to market conditions during the specific typical peak period for such products. The seasonal nature of our business also limits the comparability of our results from one quarter to the next, and as a result, revenue, income and cash flow can vary significantly from quarter to quarter. Failure to effectively respond to the challenges posed by the seasonal nature of our business could have a material adverse effect on our business, results of operations and financial condition.

***Increases in the price of fuel have in the past and could in the future significantly increase our operating costs and depress our profitability.***

The cost of marine or bunker fuel is one of our major operating costs, representing 13.4% of our total operating expenses in the six-month period ended June 30, 2020 and 13.0% of our total operating expenses in the year ended December 31, 2019. The price of bunker fuel is driven by crude oil prices. Crude oil prices are influenced by a host of economic and geopolitical factors beyond our control, such as political instability, tensions in the Middle East, global terrorism, increases or decreases in global demand for oil and the economic development of emerging markets, China and India in particular, as well as the behavior of major OPEC countries. Crude oil prices have historically exhibited significant volatility over short periods of time. We only hedge ourselves against a small percentage of changes in crude oil prices, and we could be unable to pass future increases in crude oil prices on to our customers. Our business model is less profitable during periods of high crude oil and bunker fuel prices, as our operating expenses increase significantly. As an example, this largely drove a nearly two-thirds decrease in our core EBIT in 2018 despite a substantial increase in revenues (with bunker fuel costs rising from approximately U.S.$2.6 billion (13.5% of total operating expenses) in 2017 to U.S.$3.6 billion (16.2% of total operating expenses) in 2018). Conversely, crude oil prices were historically low in the first half of 2020 due to the COVID-19 pandemic-driven demand reductions and supply-side developments (temporary unraveling of cooperation between OPEC+ members), contributing to the increase in our profitability in the period. Future increases in crude oil and bunker fuel prices could materially and adversely affect our business, results of operations and financial condition. For illustrative purposes and assuming no hedges and no passing on to customers, a U.S.$50 per metric ton ("/ton") average increase in the spot purchase price of bunker fuel would have reduced our operating profit in 2019 and the first half of 2020 by approximately U.S.$387 million and U.S.$175 million, respectively (exclusive of the impact of any hedges). S&P has forecast a significant drop in crude oil prices to an average price of U.S.$30 per barrel ("/bbl") in 2020 from the 2019 average price of U.S.$64/bbl, followed by a rebound to U.S.$50/bbl in 2021.

The effect of crude oil prices on our bunker bill will be less linear and predictable going forward due to the ongoing diversification of our sources of bunker fuel. Since the entry into force of IMO 2020 (see "*Regulatory Matters*") on January 1, 2020, we have been using low sulfur bunker to an increasing extent. Low sulfur bunker is generally more expensive than high sulfur bunker, so the impact on our profitability depends on our ability to pass the higher cost on to customers. While we have largely succeeded to do so to date through fuel surcharges and the negotiation of a bunker fuel adjustment factor in our longer-term contracts (more than three months), including a 100% pass-through of all IMO 2020 related surcharges, there can be no assurance that we will continue to be able to do so in the future. Our ability to do so will depend in particular on the supply and demand dynamics prevailing in the shipping industry and in the fuel oil industry, at any given time, which were generally favorable during the first half of 2020 (*e.g.*, historically low crude oil price and dropping low sulfur bunker price; according to Clarkson Research, the March-April average price of IMO-2020 compliant very low sulfur fuel was around U.S.$240/ton, compared with U.S.$515-U.S.$585 per ton quoted in January 2020). Both to ensure future compliance with the IMO 2020 and as part of our overall strategy to reduce our environmental impact, we are also planning to use LNG to fuel an increasing percentage of our vessels; in particular, we have a substantial number of LNG-powered vessels on order for delivery in the next two to three years (see "*Business—Services—Shipping—Current Order Book*") and have entered into long-term LNG supply agreements with major LNG producers. While the LNG price is currently less volatile than the price of bunker fuel, its volatility may increase and no assurances can be given that we will be able to pass on any increase in the price of LNG to our customers. Such future volatility in the price of LNG could have a significant impact on our profitability, particularly as it is expected to power an increasing number of our vessels in the future. LNG is a brand-new technology that may cause initial technical difficulties, which could have a material adverse effect on our business, results of operations and financial condition.

***Fluctuations in charter rates could adversely affect our financial performance.***

As of June 30, 2020, our fleet consisted of 500 container ships, of which we owned or had under finance lease or equivalent arrangements 149 vessels, or 41% of our fleet by capacity, chartered 351 vessels, or 59% of our fleet by capacity. Of the 351 chartered vessels, as of June 30, 2020, 41 vessels, or 15.2% of our fleet by capacity have a remaining charter duration of more than five years, 60 vessels, or 17.6% of our fleet by capacity, have a remaining charter duration ranging between one and five years and 250 vessels, or 26.1% of our fleet by capacity, have a remaining charter duration of less than one year.

A ship charter is the lease of a ship for a specified period of time at a fixed price, with the shipowner typically also providing the ship's crew, insurance and maintenance. As charter rates (and short-term charter rates in particular) tend to fluctuate significantly in response to market participants' perceptions of supply and demand on the shipping markets, adding additional chartered-in capacity at market rates in times of strong demand, is likely to be significantly more expensive than the cost of capacity on vessels that we own, and the converse is true at times of weak demand. The market is currently experiencing the latter phenomenon, with relatively low demand due to the COVID-19 pandemic and capacity management efforts by shippers combining to depress charter rates. No assurance can be given, however, that rising demand following resolution of the COVID-19 pandemic and other factors (such as less prevalent or effective capacity management by shippers) will not lead to rising charter rates leaving us exposed to higher operating costs given that a substantial portion of our fleet is comprised of chartered vessels, of which nearly two-thirds on a short-term basis. In addition, we may not be able to pass on such increased operating costs to our customers, which would adversely affect our margins and results of operations. As the current industry order book mainly focuses on larger vessels, supply of smaller vessels might be limited and could result in future increases in charter rates for those vessels. Further, large vessels are scarce in the vessel charter market. If we are unable to charter large vessels cost-effectively or at all when we need them, we could be forced to substitute smaller vessels on applicable lines with less competitive running costs, which would negatively affect the profitability of these lines. Any of these factors could have a material adverse effect on our business, results of operations and financial condition.

In addition, and with the notable exception of 2020, short-term charter rates have historically tracked freight rates but usually with a time lag of several months. These time lags occur because, at any given point in time, ship-chartering companies and carriers are bound by the terms of existing charter agreements. Therefore, a ship-chartering company cannot immediately raise its charter rates to reflect an increase in freight rates, but must wait until existing charter agreements expire. Similarly, a carrier is unable to negotiate reduced charter rates immediately in response to falling freight rates. As a result, in the event of any future decreases in freight rates due to a failure on the part of liners to manage deployed capacity, for example, carriers, like us, that hold a significant proportion of their vessels under charter agreements, could face a growing differential between the declining freight rates they are able to charge their customers and the fixed charter rates they are obligated to pay. This differential can be particularly pronounced after a period of high demand for charter vessels, as owners of such vessels are often able to enter into charter agreements of longer duration and higher fixed charter rates. The time lags mean that we could be unable to reduce our charter costs in the future to compensate for declining freight rates for a period of up to several months. We have previously experienced this effect in past periods of rapidly falling freight rates, such as the 2008 to 2009 period, the early-to-mid-2010 to early 2012 period and the end of 2015 to the second half of 2016 period. This notwithstanding, if we are unable to reduce our charter costs in the event that freight rates fail to remain at their current high levels in the future, our business, results of operations and financial condition could be materially and adversely affected.

***We are taking on risk by investing increasing amounts in ultra-large container vessels ("ULCVs") with advanced technology. The considerable time lag between the ordering and delivery of new vessels leads to a heightened sensitivity to intermittent changes in shipping market conditions.***

The size of the new vessel order book is a barometer of supply in containerized shipping going forward. Historically, carriers have responded to periods of high demand for container shipping services and increasing freight rates by investing in new vessels and containers. These investments tend to lead to lower freight rates as newly available vessel and container capacity catches up with, and possibly exceeds, demand for container shipping services. Moreover, in recent years, the pursuit of economies of scale (including lower average slot costs) and increased bunker fuel efficiency has driven a trend towards increasingly large vessels, which has caused an additional increase of capacity and added to the factors that put freight rates under pressure. As of July 2020, the segment of container vessels with a capacity of 18,000 TEU or higher (referred to as ultra-large container vessels ("ULCVs")), which predominantly serve the major East-West trades, comprised 121 vessels with a transport capacity of 2,437 million TEU. The industry order book as of July 2020 included 31 of these vessels with a capacity of 726,000 TEU, of which 8 vessels are expected to be delivered before the end of 2020, 11 more before the end of 2021 and the remainder in 2022 or later (source: Drewry, July 2020). While the containership order book is currently at or near historical lows (8.9% of the total global fleet according to Drewry, July 2020), this could rise quickly to the extent that carriers forecast a market recovery in the medium-term. The increasing capacity of ULCVs and their proportion of the overall fleet could moreover exacerbate any oversupply. Further, as vessels generally have an economic life of about 25 years and must be ordered two to three years in advance, there can be periods of excess or deficit capacity relative to the demand for shipping transport volumes, and new capacity could enter the market after demand has already peaked. As a result, it can often take several years to correct any market imbalance. We are therefore subject to the inherent industry risk that we will either order too much or too little vessel capacity to cater for future demand, as well as the related risk of misallocation of our capital expenditure. That said, if we do not invest sufficiently in additional shipping capacity, we may not be able to satisfy our customers' demand for our services when the market recovers (leading to lost revenues and market share and, potentially, strained customer relations or even a loss of customers) or chartering additional vessels via the charter market at higher charter rates during periods of strong demand. The charter market offers short-term solutions for sudden increases in shipping demand. However, this leads to exposure to inflated charter rates and does not provide a full hedge on changes to the dynamic between the time lag for our order book and the general supply and demand in the market. On the other hand, if we over-invest in additional container shipping capacity that we are not able to fully utilize during weaker market conditions, including the current climate, this would increase our costs relative to the development of our revenues. For example, in December 2018 we finalized the financing of a $1.4 billion order for nine TEU 23,000 containerships powered by liquefied natural gas ("LNG") (see "*Business—Services—Shipping—Current Order Book*"), which are expected to be delivered in 2020 and 2021. While we ordered such new vessels in September 2017 in anticipation of meeting increasing demand and leveraging lower per-unit operating costs, we could not have foreseen the damaging impact on supply and demand caused by the COVID-19 pandemic. Consequently, there is no guarantee that there will be sufficient future demand on the Asia-Europe trade when such ships are delivered to use them at full capacity or ensure that the investments we make in these new vessels will be profitable at any given time or ultimately. In the past, the container shipping industry has been affected by repeated ordering of excess capacity during periods of strong demand, and the effects of such imbalance combined with market conditions have had significant negative effects on the industry in general and certain of our competitors in particular (including, in extreme cases, bankruptcy). Increases or decreases in capacity, or lower than anticipated increases in capacity and in the demand for container shipping coupled with a failure to manage deployed capacity can lead to significantly lower freight rates, reduced shipping transport volume or a combination of the two. Consequently, such events could severely impact our profitability and have a material adverse effect on our business, results of operations and financial condition. Furthermore, during times of weak demand, we may also be unable to use the full capacity of our vessels or to maintain freight rates required to avoid adverse effects on our margins, which may in itself have a material adverse effect on our business, results of operations and financial condition.

***The market value of our vessels could fluctuate significantly, and we could incur losses when we sell vessels following a decline in their market value.***

The fair market value of our vessels increases or decreases depending on a number of factors, including general economic and market conditions affecting the shipping industry, competition from other shipping companies, supply and demand for container ships and the types and sizes of container ships we own, alternative modes of transportation, cost of new-built vessels, governmental or other regulations, prevailing level of charter rates and technological advances.

If the fair market value of our vessels declines below their carrying values and such decline is other than temporary, we could incur losses if we were to sell one or more of our vessels at such time or could breach loan-to-value covenants in our financing arrangements, all of which could have a material and adverse effect on our business, results of operations and financial condition.

***The container shipping and logistics industries are highly competitive and will likely remain so despite ongoing consolidation.***

The container shipping business is highly competitive. Absolute size is an important competitive factor as it allows for economies of scale. Our three main global competitors, Maersk Line, MSC and COSCO (following its acquisition of OOCL in 2018), are larger than we are in terms of revenue, volumes and capacity. We also compete with numerous smaller global and regional shipping companies. Another feature of our industry is alliances among shipping companies, whereby companies share ships and slots and thereby achieve economies of scale and cost reductions. We are both a part of and compete against such alliances. See "*Industry—Industry Consolidation*" and "*Business—Services—Shipping—Cooperation with other shipping companies*." Our competitors, whether individually or in alliances, could be better positioned to achieve, maintain and exploit economies of scale or could invest in technologically more advanced vessels and could thus be able to offer more attractive schedules, services and rates than those we offer.

We compete intensively with other carriers on a line-by-line basis on most of our lines. In particular, we face strong competition on our westbound Asia-Europe lines and on our eastbound Transpacific lines. On a line-by-line basis, we often compete with carriers that are much smaller than we are. Smaller competitors can benefit from different advantages, such as the reliance on cooperation arrangements for sufficient slot availability, thereby avoiding the cost of owning and chartering their own vessels.

Generally, we do not have long-term or exclusive agreements with our shipping customers and many of our customers maintain close relationships with other container carriers. Customers could, depending on overall supply availability on the market, opt for the services of our competitors on all or some trades without facing discernible constraints. Moreover, any of our many competitors could choose to establish lines on the same routes as our established lines and attempt to undercut our freight rates on those routes. There are few, if any, competitive barriers for existing container carriers wishing to enter or expand their presence in a regional market or on a particular line. In addition, other or new market participants could be attracted by the opportunity to acquire vessels at comparatively low-price levels and extend their services to additional routes operating such vessels.

While large segments of the container shipping markets remain fragmented, container shipping has gone through a phase of consolidation in recent years, either through mergers or strategic alliances, particularly during the 2016-2018 period and culminating in COSCO's acquisition of OOCL. See "*Business—Services—Shipping—Competition*" for a description of material transactions. As a result of this consolidation or in the event of further consolidation in the container shipping industry, whether through mergers or strategic alliances, our competitors could achieve greater economies of scale as well as financial and market strength, allowing them to withstand price competition and price volatility more successfully than we can and to undercut our freight rates across, or gain increased access to, one or more of the major markets in which we operate. Furthermore, the ongoing consolidation in the industry may not result in a sustainable level for freight rates as carriers continue competing against each other as well as against freight forwarders.

In sum, the competitive environment in the container shipping industry could limit our ability to maintain or increase our revenue or profitability, in particular through sufficiently high freight rates. This is further exacerbated by the fact that some of the contracts we have with customers are longer-term in nature and, if freight rates should rise or our operating costs increase, we may not be able to make the necessary adjustments to the contractually agreed rates to capitalize on such increased freight rates or address such increased operating costs until the existing contracts expire. These factors could have a material adverse effect on our business, results of operations and financial condition.

The freight forwarding and contract logistics industries in which we operate are also highly competitive, and we expect them to remain so for the foreseeable future. If we do not have sufficient market presence or are unable to differentiate ourselves from our competitors, we may not be able to compete successfully against other logistics companies. We face competition in these businesses from other freight forwarders, integrated carriers, logistics companies and third-party freight brokers, and we may face competition in the future from participants and new entrants outside our traditional competitors, such as the shipping lines, e-commerce platforms, alternative delivery systems, direct-to-consumer shipping and freight exchanges. Increased competition in the freight forwarding and contract logistics industry may result in loss of market share and market position, reduced revenues and margins, any of which could adversely affect our business, results of operations and financial condition. The competition we face may also increase as a result of consolidation within the freight forwarding and contract logistics industries. Some of our actual and potential competitors have significantly greater financial resources than we do, which may make it difficult for us to compete successfully with them. If, as a result of consolidation, increased digitization, alliances or otherwise, our competitors are able to obtain more favorable terms from suppliers, offer more comprehensive services to customers or otherwise take actions that could increase their competitive strengths, our competitive position and therefore our business, results of operations and financial condition could be materially adversely affected.

***There are risks in connection with our alliances and cooperation agreements.***

Market participants in the container shipping industry have recently reshuffled their operating alliances on East-West trades, and the vast majority of our competitors are members of strategic alliances aimed at gaining a competitive edge through cost synergies, joint procurement and joint operations. We are both a part of and compete against such alliances. We also enter into cooperation agreements with other major carriers, which enable us to provide our customers with a range, geographic scope and departure frequencies that would not be possible solely with our own container vessel fleet. Such alliances and cooperation agreements also allow us to increase the size of the vessels we deploy as we benefit from pooled volumes and assets, and therefore lower unit costs and breakeven levels. The terms and conditions of these agreements may not receive regulatory approval, could change or could be terminated altogether. If this were to happen, we would lose the advantages conferred by them which would have a material adverse effect on the flexibility, scope and depth of our service offering, our ability to optimize freight schedules and capacities and our operating expenses. Any of these effects could lead to a potential loss of customers and have an adverse effect on our results of operations. Should such a scenario materialize, we could seek to enter into other cooperation agreements, but we may not be successful in doing so on similar terms or at all.

In particular, in the event that Ocean Alliance (of which we have been a member since April 1, 2017) is weakened by the expulsion, termination or otherwise discontinued membership (or non-participation due to internal problems) of one or more members, or in case we were to be expelled from Ocean Alliance or if the dissolution or a material change to the governing structures of Ocean Alliance were to be decreed under antitrust laws or other laws and regulations, we may lose our access to Ocean Alliance's network. We would thus lose the advantages currently conferred by this network and would face a material adverse impact on the flexibility, scope and depth of our service offering and our ability to optimize schedules and capacities. Should such a scenario materialize, we could seek to form a similarly beneficial alliance with other industry members or to accede to a similar alliance, but we may not be successful in doing so on similar terms or at all. Such a scenario could have a material adverse effect on our business, financial condition and results of operations.

***Container ship capacities have increased in recent years, leading to overload and congestion in certain ports.***

In recent years, container ship capacities have increased globally at a faster rate than the rate at which some container ports have increased their capacities. This has led to considerable delays in the processing of container shipments in affected ports, many of which (such as in the United States) cannot accommodate larger ships. As a result of longer load and unload times, increases in container ship capacities could lead to further port congestion, which could have a material adverse effect on container shipping traffic on affected services. Although congestion has been less of an issue during the COVID-19 pandemic, our vessels have still encountered delays (of up to 40 days in some cases) due to port-specific congestion problems in countries such as Nigeria that are beyond our control. The current industry order book is also heavily skewed towards larger vessels; as of July 2020, the industry order book comprised 31 ULCVs, representing 35% of the total order book in terms of TEU capacity (source: Drewry, July 2020). Should the infrastructure and related port facilities not be adapted accordingly, this could exacerbate issues with congestion as these ultra-large vessels are delivered and replace smaller vessels. Decisions on port expansions are made by national or local governments and are outside our control, determination or influence. Such decisions are made on the basis of local policies and concerns. While we seek to continue securing port access by directly investing in port terminals where we have significant operations, we could face political and administrative challenges in doing so, as ports are generally considered strategic assets. Furthermore, major ports could close for a shorter or longer period of time due to maintenance works, natural disasters or other reasons beyond our control. We currently have interests in, or agreements related to 50 terminals around the world (47 of which are in operation and three are in development or under acquisition), which allows us to gain "most favored nation" status and preferred access to berths and affords us greater control over port activities. See "*Business—Services—Terminal Facilities*". Notwithstanding the foregoing, we cannot assure you that our efforts to secure port access by investing in port facilities or otherwise will be successful. Port overload and congestion and otherwise insufficient or delayed access to ports could have a material adverse effect on our business, results of operations and financial condition.

***Political, economic, social, natural and other risks in the markets where we have operations could cause serious disruptions to our business.***

We operate in many countries around the world, including emerging markets such as the Middle East, and are exposed to risks of political unrest, war, terrorism, piracy, natural disasters, widespread transmission of communicable infectious diseases as well as economic and other forms of instability, which may adversely affect local and regional economies. Each of these and other factors may lead to disruption to our or our customers' businesses and seizure of, or damage to, our assets or pure economic loss. These events could also cause the destruction of key equipment and infrastructure (including inland infrastructure such as railroads and highways) and the partial or complete closure of ports and sea passages, such as the Suez or Panama canals or other important bottleneck routes, potentially resulting in higher costs, congestion of ports or sea passages, vessel delays and cancellations on some of our lines.

Additionally, we maintain operations in various markets which could be particularly affected by volatile economic or political environments and we are pursuing growth opportunities in certain newly developed and emerging markets. These investments may expose us to heightened risks of economic and geopolitical uncertainty, or other such events, such as restrictive currency exchange or import controls, disruption of operations as a result of systemic political or economic instability, outbreak of war or expansion of hostilities, and acts of terrorism. There can be no assurances that any of the above developments will not occur and these or any other factors giving rise to a significant deterioration in market conditions or international trade activity could reduce demand for our products and services and have a material adverse effect on our business, financial condition or results of operations.

We are subject to the risk of unilateral governmental or quasi-governmental action and regulation in the countries in which we operate. Such risks include sanctions that prohibit trade in particular areas, restrictive actions such as vessel arrest, limitations on vessel operations or local ownership requirements, compulsory acquisition of our assets with no compensation or with compensation below market value, loss of contractual rights and requisition (*i.e.*, situations in which a government takes control, or becomes the owner, of a ship and effectively becomes the charterer at dictated rates).

***Risks inherent in the operation of ocean-going vessels could affect our business and reputation.***

The operation of ocean-going vessels carries inherent risks. These risks include the possibility of:

- marine disaster;
- environmental accidents, including oil and hazardous substance spills;
- grounding, fire, explosions and collisions;
- accidents resulting from the handling or transport of dangerous or hazardous goods;
- cargo and property losses or damages (including total loss of vessels);
- business interruptions caused by mechanical failure, information technology ("IT") system outages, cyber-attacks, human error, war, sabotage, political action in various countries, or adverse sea or weather conditions;
- work stoppages or other labor problems with staff serving on vessels and at ports, substantially all of whom are unionized or covered by collective bargaining agreements;
- piracy and terrorism;
- search and rescue operations, which could lead to business interruption or interfere with the safety and security of a vessel; and
- delays, restrictions or business interruption due to trading in areas affected by disease outbreaks.

Any of the above occurrences could result in death or injury to persons, loss of property or environmental damages, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to our reputation and customer relationships generally. The involvement of one or more of our vessels in an environmental disaster could also harm our reputation as a safe and reliable containership owners and operator. Any of these circumstances or events could have a material adverse effect on our business, results of operations and financial condition.

***Acts of piracy against ocean-going vessels could adversely affect our business and results of operations.***

Acts of piracy have historically affected ocean-going vessels, including container ships, trading in certain regions of the world, such as South East Asia, the Gulf of Aden, the Indian Ocean off Somalia and the Gulf of Guinea. We operate significant lines in these areas. Since 2008, the frequency of piracy incidents against commercial shipping vessels has increased significantly, particularly in South East Asia and Gulf of Guinea, while it has decreased in the Gulf of Aden and the Indian Ocean since 2012. The Gulf of Guinea has more recently become increasingly dangerous for tankers; during 2019, 91 acts of piracy were identified, including 27 hijackings (source: International Maritime Bureau's Piracy & Armed Robbery Report). If any of our vessels are hijacked by pirates, we could be forced to pay significant ransoms to secure their release. In case of ransom, payments would be performed via our insurers, with whom we have dedicated contracts. Furthermore, because our vessels are sometimes deployed in regions characterized by insurers as "additional premium" zones or Joint War Committee or "war and strikes" listed areas or areas of "perceived enhanced risk," such as the Gulf of Aden, the Southern Red Sea and the Indian Ocean (up to southern Sri Lanka), Somalia, the Arabian Sea, the Gulf of

Oman and the Gulf of Guinea, we pay significantly higher premiums for insurance coverage in these regions. The list of areas of perceived enhanced risk is subject to continual review and amendment. Both passive measures (such as anti-piracy routing, tracking piracy attacks, minimum transit speeds, razor wires and citadels) and active measures (such as armed guards on board most vulnerable vessels (below 4,000 TEUs)) are implemented on board our vessels transiting in areas known for piracy, which may cause us to incur increased expenditures for the heightened security measures to protect our vessels. Moreover, in spite of our efforts to address the risk of piracy, we cannot guarantee that such measures will be effective in preventing one or more of our ships from being attacked or hijacked by pirates, and, in the case of an increase in the frequency of acts of piracy, we may be unable to obtain adequate insurance to fully cover losses from acts of piracy (including payment of any ransom) or similar incidents. For example, two of our chartered ships, *Turquoise* and *Windhoek*, were attacked in 2016 off the coasts of Nigeria and Guinea, respectively. Acts of piracy disrupt trade flows and impose additional costs on our operations, which could thus have a material adverse effect on our business, results of operations and financial condition.

***Labor disturbances could disrupt our business.***

As of June 30, 2020, we employed 111,347 employees globally through our controlled subsidiaries (including 42,883 from CEVA), including 883 in France. Labor in the container shipping industry in most of the jurisdictions in which we operate, and in France in particular, is organized for collective bargaining by maritime trade unions. Future industrial action, or the threat of future industrial action, by labor unions in response to any future efforts by our management to reduce labor costs, restrain wage increases or modify work practices could constrain our ability to carry out any such efforts. Our operations also depend on stevedores and other workers employed by third parties at the ports at which our ships call. Industrial action or labor unrest with respect to outside labor providers could prevent us from carrying out our operations according to our plans or needs. For example, at the end of 2014 and 2015, ports on the west coast of the United States experienced significant delays due to congestion that was largely caused by labor disputes, which caused operational challenges and increased costs for many companies in the shipping industry. Any unrest or labor disturbances in the ports in which we operate could materially and adversely affect our business, results of operations and financial condition.

***In some countries or some skill groups, we could face labor shortages.***

The continued success of our business is dependent on our ability to hire and retain crews for our vessels. At times, it can be difficult to obtain qualified crew members. There is a small pool of qualified professionals available to crew vessels and we are highly dependent on in-house training and promotion. This risk materialized recently as travel restrictions related to the COVID-19 pandemic affected our ability to rotate crews on schedule. To the extent that limitations on the availability of suitable crew affect our ability to expand our business or take on new contracts this could have a material adverse effect on our business, results of operations and financial condition.

The logistics industry is facing recruitment challenges in several geographies, either because of low labor availability, unattractiveness of the job profiles, insufficient competitiveness of terms and conditions or the effect of an ageing workforce. In particular, the trucking industry in the United States and in Europe is facing a growing shortage of drivers and the industry has struggled to attract new drivers. In other regions, rising labor costs and staff turnover is high as employees leave the group or the industry if they find more attractive jobs elsewhere. These developments can be acute and chronic and could adversely affect our business, results of operations and financial condition.

**Risks Relating to our Business and Results**

***We are subject to liquidity pressures due to a challenging operating environment, substantial debt servicing and near-term repayment requirements and various other actual or potential cash outflows (including in respect of CEVA's cash flows and equity needs). In addition, our principal financing facilities contain financial covenants that require us to maintain a minimum level of cash and our credit rating is sensitive to our liquidity position.***

As of June 30, 2020, our cash and cash equivalents was $2.5 billion, of which $261 million was classified as restricted cash (including $195 million deposited in a number of Lebanese banks that, for the time being, must remain within Lebanon and be used within the country). Our total liquidity as at June 30, 2020, was $2.6 billion, of which $424 million was undrawn committed facilities. Our cash position as of June 30, 2020 includes substantial proceeds from recent liquidity enhancement transactions, as described below.

We generated cash flow from operations of $2.0 billion and $3.6 billion in the six months ended June 30, 2020 and the year ended December 31, 2019, respectively. We used $1.6 billion and $2.0 billion of cash for financing activities in the six months ended June 30, 2020 and the year ended December 31, 2019, respectively. Our cash flow from investing activities amounted to $516 million and $(1.3) billion for the six months ended June 30, 2020 and the year ended December 31, 2019, respectively. CEVA, on the other hand, has been consuming group cash since its acquisition in January of 2019; its free cash flow (defined as net cash (used for) / from operating activities, adjusted to reflect the impact of cash flows related to capital expenditures, interest received, dividends received, and repayment of operating lease liabilities) has been negative (on a pre-IFRS 16 basis) and the group made contributions to CEVA's equity of $198 million in 2019 and $485 million in the first six months of 2020 to strengthen CEVA's balance sheet and liquidity position. Finally, we have more than $1.5 billion of outstanding bonds maturing in the next two years including: (i) 2021 Senior Notes, to be fully redeemed from the proceeds of the notes offered hereby, (ii) NOL 2021 Senior Notes, and (iii) 2022 Senior Notes. The NOL 2020 Senior Notes were redeemed in full on September 9, 2020.

The vast majority of our bank financing arrangements include a financial covenant that requires us to maintain a minimum cash balance of $600 million, tested on a quarterly basis. In the event that our long-term corporate credit ratings by both (but not either) Moody's and S&P Global Ratings ("S&P") fall below B1 and B+, respectively, the group minimum cash balance requirement will increase to $800 million. See "*Description of Certain Financing Arrangements—Introduction—Key Financial Ratios—Minimum Group Cash Balance*." Moody's downgraded our corporate rating in September 2019 from B1 to B2 and in July 2020 changed the outlook from stable to negative. In February 2020, S&P affirmed our B+ credit rating but revised our outlook from stable to negative to reflect growing concerns at the time surrounding our future liquidity. S&P stated that the negative outlook reflected its view at the time that there was a one-in-three possibility that our liquidity could become increasingly constrained, resulting in a downgrade within the six months following the change in outlook. On October 2, 2020, S&P changed our outlook from negative to positive. On October 12, 2020, Moody's changed our outlook from negative to positive. Any future downgrade could also impair our ability to obtain additional financing or refinancing on economically acceptable terms, or obtain such financing or refinancing at all, and damage our reputation. Furthermore, a downgrade of our corporate credit rating could preclude us from accessing certain financial markets and products and thereby impair our liquidity. This could have a material adverse effect on our business, results of operations and financial condition.

We have recently taken various measures to improve our balance sheet strength, including the implementation of a divestment and liquidity enhancement program and entry into a €1.05 billion facility agreement, partially (70%) guaranteed by the French state, with a consortium of our relationship banks (the "PGE"). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Divestment and Liquidity Enhancement Program*". Notwithstanding the liquidity boost provided by the PGE and our liquidity enhancement program, the challenging operating environment (exacerbated by the COVID-19 pandemic outbreak and uncertainties as to its future course and impact) as well as CEVA's degraded financial results and position make it difficult to envisage whether these measures will be sufficient to address the group's liquidity challenges over the medium-to-long term. Alternatively, there could be limits on the extent of available liquidity sources at acceptable cost, raising the prospect of debt covenant defaults. See "*Description of Certain Financing Arrangements—Introduction—Key Financial Ratios*."

***We could be unable to continue reducing costs sufficiently to support our profitability.***

For several years, we have been, and remain, focused on improving our financial performance and increasing the resilience of our business to cyclical downturns by lowering our cost base. We have implemented, and continue to implement, a broad range of cost reduction and efficiency measures across our organization, through the rationalization of some of our lines, greater operational efficiency, lower logistics costs, new partnerships with suppliers, and the implementation of innovative on-board technical solutions to reduce our energy consumption and carbon footprint. Our ability to reduce costs is not limitless, however, and our efforts may over time see diminishing returns. Our inability to reduce costs further could have a material adverse effect on our business, results of operations and financial condition.

Since 2016, we have annually implemented a comprehensive plan, that we call "Agility", involving a broad range of cost reduction and efficiency measures across our organization aimed at reducing our per-unit costs, thereby improving our profitability and increasing the resilience of our business in cyclical downturns. Implementation of Agility and its progeny have contributed significantly to maintaining or improving our profitability in recent periods. There can be no assurances, however, that our current or future cost reduction plans will continue to be effective in supporting our long-term profitability. Despite our experience with previous cost reduction programs, our ability to successfully implement our current cost reduction program is subject to numerous risks and uncertainties and business, economic and competitive developments. The actual amount of savings we are able to achieve from the program and/or the timing of those savings may differ significantly from those we are targeting. Failure to achieve the expected savings may have a material adverse effect on our profitability, cash flow and financial condition.

***We may not successfully implement our plan to improve CEVA's profitability and we may continue to fund it.***

Beginning in May 2018, we made a strategic move towards logistics services through an investment in and subsequently acquisition of CEVA. This investment is designed to complement our shipping activity and help us become a more integrated transportation player, providing our customers with a comprehensive range of solutions and services across the supply chain (including arranging and overseeing transportation of goods by ocean, air and ground (including through end-to-end transportation offerings) and ancillary value-added services (such as custom brokerage or lead logistics (4PL)), and contract logistics services). The total consideration we paid in 2018 and 2019 to acquire 100% of CEVA's shares amounted to U.S.$1.7 billion.

CEVA's logistics business has recently been less profitable both than its peers and our shipping business. In addition to the low profitability, CEVA continues to generate low or negative free cash flow, including U.S.$(65) million for the six months ended June 30, 2020, U.S.$324 million and U.S.$(22) million on a post- and pre-IFRS 16 basis, respectively, for the year ended December 31, 2019 and U.S.$(249) million on a pre-IFRS 16 basis for the year ended December 31, 2018. Due in part to CEVA's restrictive net leverage financial covenants, which are tested on a quarterly basis, we contributed cash of U.S.$198 million and U.S.$485 million in 2019 and 2020, respectively, used by CEVA to strengthen its balance sheet and liquidity position. Moreover, CEVA's net income and, hence equity has been affected by large provisions on loss-making contracts, several major customer losses in Freight Management and Contract Logistics and exceptional items reflecting decisions to improve our cost base in underperforming contracts and activities. In total, exceptional costs amounted to U.S.$65 million during 2019. See "*Management's Discussion and Analysis of Financial Condition and Results of—Year ended December 31, 2019 compared with year ended December 31, 2018—Other operating expenses—CEVA standalone EBITDA before specific items and share based compensation.*" It is possible that CEVA's liquidity and balance sheet challenges will continue and that we will have to make further equity contributions as a result. Moreover, in April 2020, Moody's downgraded CEVA's credit rating from B3 to Caa1 and, in July 2020, revised CEVA's outlook from negative to stable. Further downgrades remain possible.

We have been implementing a comprehensive plan (called "IMPACT 2020") to improve CEVA's operational and financial performance and have begun to see results in recent periods. There can be no assurance, however, that we will be able successfully to implement this plan due to various internal and external factors. In the latter respect, CEVA is particularly exposed to the automotive and retail sectors, which have been severely affected by the COVID-19 pandemic. Failure to implement the IMPACT 2020 turnaround plan would lead to a continuation of our Logistics business weighing on group profitability and consuming substantial amounts of cash, which would have a material adverse effect on our business, financial condition and results of operations.

***We operate in a capital-intensive industry and our future sources of financing are not necessarily secured.***

We operate in a capital-intensive industry and thus have substantial capital needs in order to be able to cover our obligations in connection with our organic growth strategy, including acquiring, leasing, chartering and maintaining container vessels and containers. We incurred capital expenditures of $1.5 billion and $506.1 million in the year ended December 31, 2019 and the six-month period ended June 30, 2020, respectively. We have financed these capital expenditures through a combination of cash flow and debt financing and maintain strong relationships with certain banks in relation to obtaining such financing. In particular, with respect to financing vessels, we have in the past engaged in a variety of financing structures, such as finance leases and bareboat long-term charters or vessel mortgages (see "*Description of Certain Financing Arrangements*"). There is no guarantee that we will be able to secure any one or more of the financing options that we have used in the past for any future ship purchases at attractive rates, or at all. See "*Business—Services—Shipping—Current Order book*." There is no guarantee that we will be able to secure such financing on advantageous terms. For these vessels, or for any other capital expenditures, we may be forced to use financing options that are less advantageous, including because they require greater up-front cash expenditures, higher interest rates, different term commitments or different covenants, or we may be forced to reduce our capital expenditures. It is not certain that we will in the future generate enough free cash flow to enable us to cover all our financing needs without resorting to further debt financing, other financing arrangements or creative liquidity enhancement measures of the type we have recently implemented. See "*Management's Discussion and Analysis of Financial Condition and*

*Results of Operations—Overview—Divestment and Liquidity Enhancement Program—Structured Sale of Terminals to Terminal Link*." Moreover, it may not be possible, irrespective of the general level of interest rates, to obtain debt financing or to meet the conditions precedent of committed financing, or it could only be possible to do so with difficulty, with delay or on unfavorable commercial terms.

Any delays in securing financing or securing financing on favorable terms and a resulting inability to pursue our growth strategy or inability to acquire, order, lease and charter container vessels could have a material adverse effect on our business, results of operations and financial condition.

***There can be no assurance that we will not breach the covenants in our financing arrangements.***

We have breached the covenants in our financing arrangements on two occasions in the past. In 2010, we suspended making principal payments under some of our bank debt and asset financing arrangements but continued to make interest payments thereunder and under our then outstanding senior notes. In 2011, we obtained a waiver of certain financial covenants in our bank debt and asset financing arrangements. We subsequently entered into a new agreement with lenders on a modified package of covenants in 2012. These covenants include minimum cash requirements, a maximum gearing ratio and, until December 31, 2015, included restrictions on additional long-term chartering and capital expenditures. The minimum cash requirements and the maximum gearing ratio were amended in December 2015, in anticipation of the NOL Acquisition. The gearing ratio was further amended in May 2017, partly to reflect the market situation in 2016 and partly to provide additional headroom in light of potential market volatility in the container shipping environment. Since the end of 2018, our financing arrangements have been subject to compliance with (i) a leverage ratio, calculated as adjusted net debt to three-year average adjusted EBITDA; and (ii) a minimum liquidity balance. CEVA's senior facilities agreement includes a covenant stipulating adjusted EBITDA to net finance charges of not less than 2.0x, and net debt to adjusted EBITDA (leverage covenant) no higher than 4.0x that steps down to 3.75x for the December 31, 2020 test. See "*Description of Certain Financing Arrangements—Introduction—Key Financial Ratios*." We have not breached a financial covenant since 2012. There can be no assurance, however, that we or CEVA will not breach our current covenants. If we were to breach our covenants and all or some of the lenders were unwilling or unable to renegotiate the terms of the financings, this could result in an acceleration of some or all of them, which could have a material adverse effect on our business, results of operations and financial condition.

***Our results and financial condition could be affected by acquisitions and other growth initiatives and by difficulties in managing them.***

We plan to continue to grow our shipping and logistics businesses in various ways as detailed in "*Business—Our Strategy—Leveraging industry dynamics to foster further organic and inorganic growth*" and discussed further below. A recent example is our expansion into the logistics sector through our acquisition of CEVA, and a central component of our growth strategy going forward is further expansion in this sector. We plan to achieve this growth both internally as well as through selective strategic acquisitions, which may vary in size, may be significant in scope in relation to our current operations and could occur at any time (including in the near term, as we are regularly and actively monitoring opportunities that meet our acquisition criteria). See "*Business—Our Strategy—Leveraging industry dynamics to foster further organic and inorganic growth*." Acquisitions entail numerous risks, including failure to successfully integrate operations, personnel, services or products, failure to successfully integrate financial and control systems and management of the acquired companies, potential loss of customers or key employees of acquired companies, diversion of management's attention from other business concerns, assumption of unknown material liabilities and failure to achieve financial or operating objections. Depending on how they are structured and financed, acquisitions could also increase our leverage and hence adversely affect our financial condition, at least in the near-term post-acquisition.

If our operations continue to grow, we could need to increase the number of our employees and the scope of our operational and financial systems to handle the increased complexity and expanded geographic area of our operations. We may not be able to retain and attract qualified management and employees or ensure that our current operational and financial systems and controls will be adequate if we grow.

Further, if we continue to increase the size of our fleet in order to expand into new lines and geographic regions, we could encounter difficulties in obtaining new vessels, which could delay our plans. There can be no assurance that we will be able to obtain vessels on a timely basis to take advantage of opportunities we identify in the market.

A significant portion of our recent internal and external growth has come from our operations in Asia, and, in particular, China. As manufacturing operations continue to move from OECD countries to this region, there has been a significant growth in demand for the shipment of manufactured products from this area to North America, Europe and Japan. We have been expanding our operations to capture this growth in demand by establishing our own agencies and adding new lines in this region. We cannot, however, assure you that the trend will continue in the future, or, if it does, that we will be able to capitalize on growth opportunities in the region.

As part of our growth strategy, we have also undertaken, and intend to continue to undertake, new initiatives such as bolstered intermodal service solutions, as well as expanding the range of services we provide for our customers in the ports where we unload cargo through CEVA, by providing more value-added services, such as logistics and inter-modal container transportation services. These initiatives involve investment risk, as well as new management challenges. We cannot assure you that we will be able to meet these management challenges successfully going forward. Further, a growing number of our competitors have also started to offer these value-added services, as customers increasingly prefer to ship with full logistics solution providers. If our efforts to build these services through our acquisition of CEVA are not successful or our services are not able to compete effectively, we could lose our customers to our competitors.

We also invest in terminal facilities in ports where we have significant liner operations. We typically seek to invest through joint venture arrangements with partners that have experience in operating port facilities, such as Terminal Link, and that contribute the necessary equipment. These investments involve risks in successfully integrating such joint ventures into our business. We cannot assure you that we, or our partners in these joint ventures, will be able to successfully meet these challenges going forward.

If we fail to manage our growth effectively, this could have a material adverse effect on our business, results of operations and financial condition.

***Our success depends to a large extent on IT systems, which have in the recent past and may in the future become vulnerable to cyber-attacks; these IT systems may not continue to generate operational efficiencies, we may be unsuccessful in implementing sufficiently strong security measures to protect against future cyber-attacks and we may be unable to develop innovative IT solutions to compete with new developments.***

Our ability to quickly and correctly obtain, process and transmit data related to transport volumes, freight rates, transport costs, container locations and vessel schedules is critical to the effective management of our container capacity, our vessel fleet and the handling of empty containers in order to manage and minimize imbalance costs and the provision of high-end customer service. In this context, we rely to a large extent on our IT systems, which are equally important to the operation of CEVA's freight management and contract logistics business. We expect to continue to commit significant financial resources, time, management expertise, technological know-how and other resources to the maintenance and further modification and enhancement of our IT systems (see "*Business—Information Systems and Logistical Processes*"). However, there is no guarantee that our IT systems in their present format or any improvements and new developments thereto will yield the desired results and there can be no certainty that costs incurred in this respect will pay off in the form of improved operational efficiency. If we are not successful in achieving additional operational efficiencies through maintaining, improving and continuing to develop our IT systems, our operational efficiency and cost structure relative to our competitors could deteriorate. For example, in recent years, we have introduced a variety of improved systems at our consolidated fleet center that have contributed to operating efficiency gains. Our real-time monitoring of fleet operational data has allowed us to reduce bunker costs by optimizing the speed and routing decisions of our vessels. In addition, our big data analysis with respect to routing has allowed us to optimize sailing schedules and routes to account for currents, weather and other factors and has improved our network efficiency. Our ability to maintain and build on these efficiency gains is dependent on the availability and effectiveness of this highly advanced system, and any disruptions of the system could have a significant adverse effect on our operations. Furthermore, an important means of communication with both our clients and our vendors is e-commerce, via Web platforms or Electronic Data Interchange ("EDI"). If these systems were to malfunction or be disrupted, it could cause us to lose customers or sales and could disrupt our operations.

In addition, our competitors could at any time develop similar or better systems than ours for a variety of purposes, including controlling and monitoring operations, optimizing routes, streamlining operations and improving quality of services and client interactions. If we are unable to continue to innovate new technology solutions to ensure that our operational IT systems remain as effective or more effective than those of our competitors, it could neutralize or reverse any competitive advantage that we may currently benefit from in optimizing our operations. Further, we could suffer from complications in respect of the deployment of new information systems, such as the upgrade to CEVA's Freight Management system with a recognized third-party provider, which is estimated to take three to four years to implement (see "*Business—Information Systems and Logistical Processes*"). As a result, our operational efficiency and cost structure relative to our competitors could deteriorate. See "*—The container shipping and logistics industries are highly competitive and will likely remain so despite ongoing consolidation*."

Moreover, increases in volume coupled with technological developments may lead to large customers becoming competitors, such as Amazon's move into shipping services. We might not be agile or resourceful enough to adapt to technological developments of such competitors or might not invest in solutions that will prevail in the future. These technological developments could have a material adverse effect on our business, results of operations and financial condition.

We have to date contracted with one or more providers of IT services to maintain our IT systems. In October 2013, we signed an agreement with SAP for the development of a new IT system that would replace our existing systems. The implementation of this new system was carried out in phases, commencing in 2018 and it recently completed in July 2020. Implementation of the new system has entailed substantial capital expenditure and may not lead to the anticipated efficiency gains and cost reductions. No assurance can be given as to the absence of disruptions in our IT systems as part of our transition toward the new systems developed by SAP or more generally, nor as to the actual timetable for CEVA's transition to a new freight management system. In addition, as we become increasingly digitized, more devices and control systems are connected online. This results in a larger interface across our IT systems, which leaves us more susceptible to data breaches as a result of cyber-security attacks. Any breakdown or disruption to our IT systems could materially impact our relationships with customers, our reputation and our operating costs and margins. We also entered into a seven-year services partnership with Infosys and IBM to improve our technology systems and develop next-generation IT solutions in September 2017. See "*Business—Information Systems and Logistical Processes*." There can be no assurance that this partnership will achieve its aims, or that our investments in connection with the partnership will be recouped or generate profitable returns.

Furthermore, although our IT systems and the relevant backup systems have an identical set-up and are located in separate data center locations, there can be no assurance that both data centers and their systems will not be simultaneously damaged or destroyed in the event of a major disaster. Both the main IT systems as well as relevant backup systems could be vulnerable to damages or interruptions in operation due to fire, power loss, telecommunications systems failures, physical break-ins, hacker break-ins, cyber security attacks, a significant breakdown in internal controls, privacy breaches, fraudulent activities by employees, failure of security and terrorism measures or backup systems, or other events beyond our control.

On September 28, 2020, we announced that we had suffered a ransomware-based cyber-attack. The unauthorized access impacted certain of our and our shipping subsidiaries' IT systems. Upon discovery of the unauthorized access, we immediately decided to suspend temporarily access to our core IT system, including LARA, in order to prevent further contamination of the malware. We also promptly notified the French data protection authority (ANSSI) and engaged independent cybersecurity experts, who, together with ANSSI and our own in-house cybersecurity team, are currently investigating the cyber-attack and working to analyze the cyber-attack and rebuild as needed our IT infrastructure. While our investigation and assessment of the unauthorized access continues, as of the date of these listing particulars we suspect a data breach may have occurred but the precise magnitude and nature of such potential breach are yet to be determined.

Our e-commerce platforms were particularly affected by the cyber-attack. Consequently, many online customer services (for example, e-booking, bills of lading and invoice printing) were unavailable from the date of the cyber-attack until October 11, 2020. During this period, we were still able to process orders manually as well as through Direct Electronic Data Interchange, INTTRA and certain other third-party e-booking portals. However, such alternative solutions did not fully compensate for the bookings that we would usually expect to make on our e-commerce platforms, as they had an adverse impact on the efficiency and speed with which we were able to handle customer transactions. It is not possible at the date of these listing particulars to assess fully the definitive impact this incident may have on our business, results of operations or financial condition, or the timeline for completion of our full recovery and remediation efforts. However, we estimate that we lost in total approximately 80,000 TEUs (principally related to backhaul and short sea trades) in bookings for sailings that are due to take place over the coming weeks. Further, we estimate that the impact on our EBITDA for the fourth quarter of 2020 resulting from this incident to be between $50 million to $80 million. As a result of this incident, we may also suffer from reputational damage. The full extent of additional costs associated with the cyber-attack, including remediation efforts and any legal or regulatory actions that may be taken against us is as yet unknown. We cannot therefore provide any reassurance at this stage that the cyber-attack will not have a material adverse effect on our business, results of operations and financial condition or that our remediation efforts will be successful.

While we believe that we have taken appropriate security measures to protect our data and IT systems, including in advance of the recent cyber-attack, and while we aim to improve further our administrative and technical controls and to implement enhanced preventive actions to protect our IT systems and reduce the risk of cyber incidents with the support of an increased cyber security budget, there can be no assurance that our efforts will be successful in preventing more breakdowns or breaches in our systems that could have an adverse effect on our business, results of operations and financial condition.

Since June 1, 2015, we have had in place cyber liability insurance that provides both third-party liability and first-party insurance coverage. However, our insurance may not be sufficient to protect against all loss and may not cover all costs associated with the consequences of personal and confidential and proprietary information being compromised. As a result, a cyber-insurance policy notwithstanding, in the event of a material cyber security breach, our results of operations could be materially and adversely affected. In respect of the cyber-attack that occurred in September 2020, it is currently too early to predict the extent and timing of any cyber liability insurance payout, although we anticipate that any such payment would be unlikely to occur before 2021.

Administrative and technical controls and other preventive actions we take to reduce the risk of cyber incidents and protect our information technology may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems. In the event of unauthorized access, computer viruses, malware or other malicious code or cyber-attack, system failures, disruptions and other events, such as unanticipated problems with our disaster recovery systems, could have a material adverse impact on our ability to conduct business and on our results of operations and financial position, particularly if those problems affect our computer-based data processing, transmission, storage and retrieval systems and destroy valuable data.

Our IT systems are often directly integrated with our customers' systems (for example, the Matrix™ WMS IT platform for the Contract Logistics business is often integrated with our customers' systems). The rise of digitization has coincided with an increase in the number of cyber-security incidents, including deliberate attacks and unintentional events. As a result, we (and any affiliated entity through acquisition or joint venture) may be subject to further cybersecurity attacks, either targeted against us or our customers, which may result in cyber criminals gaining unauthorized access to our IT systems for purposes of misappropriating assets or sensitive information, corrupting data or causing disruptions to our operations and services. The techniques used by cyber criminals to obtain unauthorized access change frequently, may be difficult to detect and often are not recognized until a security breach. In addition, privacy breaches could occur inadvertently or intentionally by our employees (past or present). The occurrence of any of these events could result in service interruptions, operational difficulties, loss of revenues or market share, liability to customers or others, diversion of resources, injury to our reputation and increased service and maintenance costs. Any of this could result in a loss of customers or a reduction in demand for our services, which could have a material adverse effect on our business, results of operations and financial condition.

***We present certain forward-looking financial and operating information in these listing particulars, which is based on certain assumptions and expectations that may prove inaccurate or change. Actual results may differ materially.***

In these listing particulars, we present certain forward-looking statements of anticipated operating and financial performance for the second half and full year 2020. The assumptions upon which these statements of expectation are based are inherently subject to significant uncertainties and actual results may differ, perhaps materially, from those anticipated. We prepared our statements of expectation on the basis of assumptions that we believe to be reasonable, including management's observations of current operating conditions and shipping industry trends since June 30, 2020, as well as management's expectations for these positive conditions and trends to continue throughout the fourth quarter of 2020. We do not intend to provide any revised or updated statements of expectation or analysis of the differences between such statements and actual operating results. The statements of expectation are not necessarily indicative of future performance and we cannot provide you any assurances that such expectations will be realized. Therefore, no representation is made or intended, nor should any be inferred, with respect to the likely existence of any particular future set of facts or circumstances.

***We face risks associated with our investments in joint ventures and associates.***

We have investments in various joint ventures and associates, as described in Note 7.3 to the 2019 CMA CGM Audited Consolidated Financial Statements and Note 7.1 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements. Certain of these joint ventures and associates are controlled and managed by joint venture or controlling partners despite our relationships with these partners are driven by common contracts with protective clauses depending on the level of our ownership. These partners may not operate such joint ventures and associates in a manner that complies with our standards, which could lead to higher costs, greater risk of operational disruptions or reputational risks. Such joint venture and controlling partners may also have interests that differ from ours, and in such a case there can be no guarantee that partners will operate such joint ventures or associates in a manner that is advantageous to our business. For example, in connection with our decision to sell a portfolio of stakes in ten port terminals to Terminal Link, we have guaranteed a certain level of dividends payable to CMP over eight years. We own 51% of the shares in Terminal Link and the remaining 49% of shares are owned by CMP. See "*Business—Services—Terminal Facilities—Terminal Link.*" The estimated fair value of the guarantee was $89.2 million as of June 30, 2020; the guaranteed dividend applies irrespective of Terminal Link's business performance and capacity to pay. Further, in connection with this portfolio sale, we also provide a payment guarantee pursuant to the CMP Loan. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Divestment and Liquidity Enhancement Program—Structured Sale of Terminals to Terminal Link*." Commercial challenges can equally arise with respect to assets in which we retain a minority interest after disposal.

We have a joint venture in China called ANJI-CEVA Company Limited ("ANJI-CEVA"). This joint venture contributed $21 million to CEVA's Adjusted EBITDA (on a pre-IFRS 16 basis) in 2019 and CEVA received cash dividends of $13 million from the ANJI-CEVA joint venture in 2019 in respect of the 2018 fiscal year. CEVA renegotiated the terms of the ANJI-CEVA joint venture in 2017 and extended its term until May 20, 2032. Under the amended terms, CEVA's cash distribution payments received from the ANJI-CEVA joint venture are no longer fixed at 50% of net profits and instead are subject to adjustment depending on certain business contributions made by CEVA to the joint venture. Moreover, if certain revenue targets are not achieved by December 31, 2020 (which is likely to be the case), CEVA's joint venture partner will have the right to conduct a strategic review of the joint venture and to discuss an amendment of economic and other terms in a manner that could be materially adverse to CEVA, including by making lower dividend payments to CEVA. If the amount of dividends CEVA receives from the ANJI-CEVA joint venture under the new methodology is significantly reduced or if CEVA are required to amend the terms of the ANJI-CEVA joint venture after 2020 or if we renew our other joint ventures on less favorable terms, our business, results of operations, and financial condition could be adversely affected.

In addition, certain of these joint ventures and associates may experience difficult operating conditions and/or incur losses. Difficult operating conditions for joint ventures and associates in which we have invested may expose us to impairments in the book value of our investment or its complete loss, requirements for additional investments or calls on guarantees. For example, for the six months ended June 3, 2020, we recorded a loss of $43 million in respect of our investments in associates and joint ventures, which includes a $29 million impairment charge in respect of our investment in Global Ship Lease, resulting from the decline in its share price. See Note 7.1 to the CMA CGM Unaudited Interim Consolidated Financial Statements for the carrying value of our principal investments in associates and joint ventures. We may recognize impairment charges on our investments in associates and joint ventures in the future for a variety of reasons, including adverse market conditions, revaluation of assets, operational issues and financial distress. If we are required to make additional investments, provide or make payments in respect of guarantees or recognize impairments in connection with such investments, this could have material adverse effect on our financial condition and results of operations.

***Delays in deliveries of our new-built vessels, or our decision to cancel, or our inability to otherwise complete the acquisitions of any new-built vessels we could decide to acquire in the future, could harm our business, financial condition or results of operations.***

Our vessels on order could be cancelled or not completed, or their delivery could be delayed, which would accordingly delay or eliminate our expected receipt of revenues from the operation of such vessels. The shipbuilder or third-party seller could fail to deliver the new-built vessels or any other vessels we acquire or order, or we could cancel a purchase or a contract for new-built vessels because the shipbuilder has not met its obligations or due to changing market conditions and our subsequent inability to finance the purchase of the vessel. Our receipt of new-built vessels could be delayed, cancelled or otherwise not completed because of, among other things, quality or engineering problems or failure to deliver the vessel in accordance with the vessel specifications, changes in governmental regulations or maritime self-regulatory organization standards, work stoppages or other labor disturbances at the shipyard, bankruptcy or other financial or liquidity problems of the shipbuilder, a backlog of orders at the shipyard, political or economic disturbances in the country or region where the vessel is being built, weather interference or catastrophic events, shortages of or delays in the receipt of necessary construction materials, such as steel, and our inability to finance the purchase of the vessel. In particular, any delay or failure to deliver (which is possible given the innovative technology being used) the nine

23,000 TEU LNG-powered vessels that are scheduled to be delivered during 2020 and 2021 would delay the implementation of or otherwise harm our sustainable development strategy and adversely affect our reputation in this respect.

Our decision to cancel a new-built vessels order, due to commercial or financial reasons, exposes us to the risk of commercial dispute or litigation. For example, the cancellation of orders made during the 2009 market downturn led to losses in respect of prior payments and to ongoing disputes with shipyards and ship owners. Due to continued uncertainty surrounding the COVID-19 pandemic, we may see more cancellations or postponements in the context of the current operating environment.

In addition, the ordering of new-built vessels is associated with the risk of default of the shipyard in question and of the shipyard's inability to perform the contracted works and services, in particular due to insolvency. In such cases, despite appropriate precautions (for example, the use of advance payment guarantees and insurance policies covering the amounts prepaid in the event of non-performance), the possibility of a partial or complete loss of the amounts of any prepayments cannot be excluded. As a general matter, a loss of prepayments could also occur in connection with the purchase of used vessels if the seller loses its commercial ability to perform the agreements and falls insolvent. If a loss of prepayment were to occur, this could have a material adverse effect on our business, results of operations and financial condition.

We could also incur financial losses when acquiring used or new vessels when our contract parties are not in a position to deliver the vessels at all, or are only able to deliver them after a period of delay. Furthermore, vessels delivered to us may not be fit for service or could be fit for service only to a limited degree due to defects or after significant, costly repair work. The realization of any such risk could have a material adverse effect on our business, results of operations and financial condition.

***Fluctuations in currency exchange rates and interest rates could have an adverse effect on our results of operations and the hedging derivative instruments we employ involve risks and may not be successful.***

We are exposed to several types of foreign currency exchange risk. We face transaction risk, because the currency mix of our revenue is different from that of our operating expenses. While most of our revenues are generated in U.S. dollars, we incur a higher proportion of our expenses in euros than the proportion of our revenues that is generated in euros. Our available cash balances are also subject to devaluations and fluctuations in currency exchange rates. We are also exposed to risks related to the translation of assets and liabilities denominated in currencies other than U.S. dollars (our functional currency) as a substantial portion of our financing is denominated in euros. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Currency Fluctuations.*" While we may decide to hedge part of our foreign currency exchange exposure, our current policy is to pass on to our customers currency surcharges in times of volatility in foreign exchange rates, but there can be no assurance that we will be able to continue to do so. Should we be unable to pass on the cost of our foreign currency exchange exposure to our customers, this could have a material adverse effect on our business, results of operations and financial condition.

We are also exposed to fluctuations in interest rates, as part of our financial indebtedness is issued at variable rates. As of June 30, 2020, taking into account the interest rate hedges, indebtedness bearing interest at variable rates represented 34% of our total indebtedness. We hedge this risk through interest rate swaps agreements and expect to continue to do so. As of June 30, 2020 we had hedged 12% of our interest rate exposure using swap contracts and other "over-the-counter" derivative instruments. When we use these instruments, we are subject to credit risk, as the counterparties to our hedging transactions could default on an obligation. In addition, we potentially forgo the benefits of otherwise positive variable interest rate movements. There can be no assurance that we will continue to be able to enter into such agreements on commercially reasonable terms, or that our hedging strategy will be successful in the future. Moreover, as certain of our financial derivative instruments are accounted for at fair value, with changes in the fair value being recognized in the profit or loss statement, our statement of income could be significantly exposed to changes in the fair value of these instruments. Furthermore, certain of our derivatives are subject to a margin call mechanism that could adversely affect our liquidity. Should we be unable to mitigate our interest rate risk through our hedging positions, this could have a material adverse effect on our business, results of operations and financial condition.

We are also exposed to the effect of changes in fuel costs. As of June 30, 2020 we had not hedged any of our fuel cost exposure using swap contracts and other "over-the-counter" derivative instruments, but we did enter into certain physical forward purchases to hedge a portion of this exposure. As of June 30, 2020, these physical forward purchases amounted to 16.2% of our expected full year 2020 bunker fuel consumption. Thus, adverse changes in bunker prices could adversely affect our business, results of operations and financial condition (see "*—Risks Relating to the Shipping and Logistics Industries—Increases in the price of fuel have in the past and could in the future significantly increase our operating costs and depress our profitability*"). If we were to enter into derivative instruments in the future with respect to bunker fuel or any other type of fuel, we would be subject to the risks described above with respect thereto which, if they materialized, could have a material and adverse effect on our business, results of operations and financial condition.

We are also exposed to the effect of changes in fuel costs. As of June 30, 2020, we had not hedged any of our fuel cost exposure using swap contracts and other "over-the-counter" derivative instruments, but we did enter into certain physical forward purchases to secure procurement in certain areas, as well as smoothen bunker price variation. As of June 30, 2020, these physical forward purchases amounted to 16.2% of our expected full year 2020 bunker fuel consumption. Thus, adverse changes in bunker prices could adversely affect our business, results of operations and financial condition if we are not in a position to recover such increases from our clients, either via spot price increases or bunker adjustment factors in our contracts (see "*Risks Relating to the Shipping and Logistics Industries—Increases in the price of fuel have in the past and could in the future significantly increase our operating costs and depress our profitability*"). If we were to enter into derivative instruments in the future with respect to bunker fuel or any other type of fuel, we would be subject to the risk of inadequate hedge which could result in a financial loss that could have a material and adverse effect on our business, results of operations and financial condition.

***Adverse developments could result in impairment of goodwill or other identifiable intangible assets.***

As of June 30, 2020, the amounts of goodwill and other identifiable intangible assets recorded in our consolidated statement of financial position were $2.8 billion and $2.5 billion, respectively, a significant portion of which relates to the CEVA acquisition. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—CEVA*." In accordance with IFRS, the carrying amounts of goodwill and other identifiable assets are tested for impairment annually, or when objective evidence indicates that the recoverable value of the cash generating unit to which the goodwill or other intangible assets relate may be below its carrying amount. The recoverable amounts are determined on the basis of value in use calculations, which depend on a number of key assumptions based on our business plan. A deterioration in the performance of the underlying business could lead to changes in those assumptions that result in impairment charges. For example, it is possible that we could take a significant impairment (non cash) charge in respect of our investment in CEVA if our turnaround strategy does not succeed. We paid a total consideration of $1.7 billion in return for acquiring 100% of CEVA's shares. $1.7 billion of goodwill was allocated to the CEVA acquisition, mainly based on the value of future customer relationships, additional synergies and assembled workforce. However, CEVA has encountered subsequent operating and financial difficulties, with a number of write-downs on loss making contracts and several major customer losses in the Freight Management and Contract Logistics divisions. CEVA's poor operating performance and negative free operating cash flow has led us to strengthen its balance sheet through equity injections in recent periods. While impairment does not affect reported cash flows, the non-cash impairment charge in the income statement could have a material adverse effect on our results of operations and financial condition.

***We may not be fully protected from certain liabilities under our insurance coverage or indemnities covering liabilities and our insurance premiums could increase in the event of global pandemics, war, terrorist attacks or other occurrences.***

The operation of large ocean-going vessels and the use of the heavy equipment necessary to load and prepare those vessels for transit involve inherent risks, including those of catastrophic loss, spills, personal injury and loss of life, maritime disaster, mechanical failure, fire, collision, stranding and loss of, or damage to, cargo as well as damage to or loss of vessels. In addition to losses caused by human error and accidents, we could also be subject to losses resulting from, among other things, war, terrorist activities, global pandemics (including the ongoing COVID-19 pandemic), piracy, political instability, business interruption, strikes and weather events (including earthquakes, flooding and storms). Furthermore, potential risks from nuclear contamination cannot be insured by primary or re-insurers. If large numbers of containers or several of our vessels were contaminated, this could force us to replace such assets at our own costs and on short notice, prevent us from providing our services as scheduled and lead to costs for medical treatment of crew members who came in contact with contaminated materials. Any of these events could result in our experiencing direct losses and liabilities, loss of income, increased costs, reputational damage and litigation against or by third parties. Our insurance policies could be insufficient to cover the cost of damages suffered from any of these events and we could be unable to renew such insurance on commercially reasonable terms. Additionally, our insurers could refuse to pay particular claims if we were to fail to take certain actions, such as maintaining certification of our vessels with applicable regulations. We also could be responsible for liquidated damages if we do not comply with certain provisions of some of our contracts, which are not covered by our insurance policies.

Similarly, as a result of acquisitions, we could face liabilities for lawsuits, losses or damages arising from the activities of our acquired entities prior to acquisition. We typically seek to obtain indemnities for the possible liabilities of the entities we acquire, but we cannot assure you that we will continue to obtain indemnities, or that these indemnities will be sufficient to cover all losses we could face or will be fully enforceable. For example, in the case of the recent acquisitions of NOL and CEVA, there was no such indemnity because they were listed entities.

We do not inspect all our freight comprehensively to guarantee the safety and security of workers and the products being shipped. Hence, we cannot guarantee the security of our containers and related equipment from breaches in security, including due to wrongly declared contents and acts of terrorism, and we cannot be certain that we will be fully insured for the losses we could suffer from such incidents. More stringent security, environmental or other regulations could also come into force, expanding the liability we face under our operations, and insurance for such additional liabilities may not be available at commercially reasonable rates, if at all. If our insurance is insufficient to cover these large claims and liabilities, our assets could be subject to attachment, seizure or other judicial processes, which could have a material adverse effect on our business, results of operations and financial condition.

***Reliance on third-party suppliers (in particular for road and air transportation) may negatively impact our ability to serve our supply chain management customers.***

Except for shipping, we do not generally maintain our own transportation networks for the purposes of our logistics business. Instead, we rely on third-party transportation service providers for most of our contract logistics transport services and substantially all of our air and ground transport services. Our ability to serve some of our customers depends on the availability of air, road and rail transportation cargo space, including space on passenger and cargo airlines, ground carriers and rail operators that service the transportation lanes our customers use. Moreover, our ability to serve some of our customers depends on the availability of a limited number of air freight carriers and adequate third-party land transportation services, including truck drivers, which may be unavailable or insufficient to meet our needs. We cannot assure you that we will be able to obtain access to preferred third-party networks at attractive rates or that these networks will have adequate available capacity to meet our needs. The discontinuation of commercial relationships with our major suppliers, the bankruptcy of a major supplier, significant changes in the scheduling, pricing, payment terms and service policies of our suppliers, or general shortage in available transport capacity or material interruptions in services or stoppage in transportation, whether caused by bad weather conditions, strike, work stoppage, lock-out, slowdown, complete lock-downs due to contagious diseases such as the COVID-19 pandemic or otherwise may adversely affect our business, results of operations and financial condition.

***We could be unable to retain existing customers, most of whom do not have contracts, and could be unable to attract new customers.***

We do not have contracts with most of our container shipping customers and we therefore cannot be certain that our customers will continue to use our services in the future. We face substantial competition from a number of experienced companies, including state-sponsored entities. Some of these competitors have greater financial resources than we do and can therefore operate larger fleets and may be able to offer lower freight rates. Any increased competition may cause greater price competition for freight, as well as for the acquisition of vessels and chartered vessels. Further, since the freight rate is generally considered to be one of the principal factors in a shipper's decision to book a container, the rates offered by our competitors can place downward pressure on rates throughout the freight rate market. As a result of these factors, we may be unable to maintain or expand our relationships with existing customers or to obtain new customers on a profitable basis. Once our existing customer contracts expire, there is no assurance that our customers will renew the contracts on similar terms or that we will be able to attract equivalent new customers. Any negative impact would be magnified if we lost any significant customers, of which our largest ten customers by revenue together accounted for approximately 11.4% and 11.4% of our revenue in the year ended December 31, 2019 and in the six months ended June 30, 2020, respectively. If we lose a significant customer, we might not be able to reduce our fixed costs accordingly. Such developments would have a material adverse effect on our business, results of operations and financial condition.

Any severe damage to our reputation, or if we lose the right to use or fail to protect our brand, trademarks or other intellectual property rights may, limit our ability to operate and grow. We market our services primarily under a variety of brand names, such as "CMA SHIPS", "CMA TERMINALS", "TERMINAL LINK" and "CEVA LOGISTICS" and related trademarks. Our owned or licensed trademarks may be misused by third parties and we may have to incur expenses in protecting these trademarks. Any unauthorized use of our brands, our owned or licensed trademarks or other intellectual property rights could harm our competitive advantage. In the event that we lose the right to use or fail to protect our brands, our owned or licensed trademarks or other intellectual property rights, our business, results of operations, financial condition and prospects could be materially and adversely affected.

In addition, our operations rely to a certain extent on our good reputation. Our reputation may be damaged, for instance, due to misconduct of employees and any respective negative publicity. Furthermore, our reputation could be damaged by misbehavior of, and wrong allegations by, third parties. Negative publicity could, in particular, lead to a reduction of new business or the loss of existing business relationships, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

***Changes in our customers' preferred modes of transportation or in their supply chain management and configuration may materially adversely affect our supply chain management business and reduce demand for our services.***

There are a variety of modes in which freight can be transported, including by air, sea, road and railroad. We have differing market positions and exposure to various modes of freight, which have differing margin levels and net working capital requirements. While not all of these modes are interchangeable, depending on the origin and destination of freight, our customers have substantial flexibility to choose the mode that best suits their needs in terms of type of freight, cost, speed, certainty of arrival time and other factors. Trends in preferred modes may shift over time as their characteristics change or our customers' priorities change or because of regulatory requirements (*e.g.*, prohibition to transport Li-ion batteries in passenger aircrafts). In addition, in optimizing their logistics spend, customers might restructure their supply chains, including by near-shoring or other alteration in the flow of goods. For example, during periods of economic contraction and inventory de-stocking, certain customers may find that speed and certainty of arrival time is less important than when inventory levels were tight. If this is the case, such customers may choose ocean freight as a lower-cost but slower alternative to air freight. While in recent years, we experienced a shift in our air freight volumes to ocean freight, particularly in Asia, new business models, in particular related to e-commerce have led to significant increases in demand for air freight that may, especially in some periods, only be met at much higher transportation cost, because of insufficient available capacity on certain routes. These trends may negatively impact our margins and net working capital requirements. While these trends may to some extent be cyclical in nature, there can be no assurance that the trend may not continue, and we may not be able to prepare for or predict future shifts in demand for particular transportation services, which may have a materially adverse effect on our business, results of operations and financial condition.

Our growth strategy within the logistics industry is partially based on the assumption that outsourcing of supply chain management services will continue. We believe that we are generally able to provide such services more efficiently than they otherwise could be provided "in-house", primarily as a result of our expertise, technology and lower and more flexible employee cost structure. Nevertheless, our customers may see risks in relying on third-party service providers or they may begin to define these activities as within their own core competencies and decide to perform supply chain operations themselves. If our customers are able to improve the cost structure of their in-house supply chain activities, including in particular their labor-related costs, we may not be able to provide our customers with an attractive alternative for their supply chain needs. If our customers in-source significant aspects of their supply chain operations, or if potential new customers decide to continue to perform their own supply chain activities, our business, results of operations and financial condition may be materially adversely affected.

***We have certain customers and operate in certain industries that represent a considerable portion of our logistics management revenues.***

Although we have a relatively diversified logistics management customer base, with our top 30 customers contributing approximately 40% of our revenues for the year ended December 31, 2019 and our largest customer representing less than 4% of such revenues, we do have some customers that represent a considerable portion of our supply chain management revenues. If a major supply chain management customer decides to terminate or not renew existing contracts or arrangements, reduce the services we provide to them, seek to renegotiate the terms of our contracts in ways that are adverse to us or become bankrupt, insolvent or otherwise unable or unwilling to pay for our services, this could have a material adverse effect on our supply chain management business, results of operations and financial condition.

In addition, our logistics services focus on specific industry sectors, and we are therefore directly impacted by market developments and economic conditions in these sectors. The consumer & retail sector accounted for 27% of our revenues in 2019, industrial & aerospace 25%, automotive 23%, technology 17%, healthcare 5%, and energy 2%. Trends in these industries that can affect their supply chains (e.g., near-shoring) or regulatory constraints in these industries as well as future downturns in any of these sectors, or any other sector that we serve. including temporary shutdowns, plant closings, bankruptcies and consolidations, could materially harm our business, results of operations and financial condition.

***The structuring of our contractual relationships, as well as our long-term, sometimes multi-year contract logistics contracts may prevent us from passing along increases in our operating costs or from recovering fixed costs and expose us to significant losses and/or write-offs, which could adversely affect the profitability of our contract logistics sub-segment.***

We enter into long-term, sometimes multi-year contracts with many of our customers, particularly in contract logistics, but also in freight management. We also enter into contracts with third parties who provide services or property to us in connection with our provision of services under our supplier contracts. These supplier contracts may provide for fixed pricing and other terms which we negotiate based on our assumptions regarding our customers' products, required scope of services and expected volumes, the operational efficiencies and productivity improvements we expect to achieve and other estimates. In this context, we seek to pass on our fixed costs to our customers by surcharges, but this may not be feasible in all situations. In contract logistics specifically, we make assumptions and estimates about the costs of starting-up operations for a new customer, location or service. These assumptions and estimates may prove to be inaccurate as a result of various factors, including insufficient information provided by the customer, changes to economic conditions, reductions in volume, change of scope, costs beyond our control, or early termination of customers' activities with us and other developments, and as a result, our operating margins under these customer contracts may be materially adversely affected under contracts where we bear these risks. Any of this could depress the expected profitability of the contracts in question.

Furthermore, our supply chain management business, results of operations and financial condition may be materially adversely affected by macroeconomic risks such as inflation, wage increases and currency exchange rates, due to a limited sharing of such risks in certain of our contracts. In freight management specifically, we make capacity commitments and lease assets in anticipation of contracts, which may be underutilized if we do not anticipate our customers' needs adequately. Although we seek to structure our arrangements with third parties on a back-to-back basis with the related customer arrangements—for example, by entering into lease agreements with durations and termination rights that are coterminous with the duration of the customer contracts that the leased property is used to service—or otherwise seek to require our customers to assume these costs and commitments if they prematurely terminate their contracts with us, certain arrangements require us to contract leases for longer periods than our related customer contracts, or to make investments in property, plant, and equipment and expand our personnel and management, and there may be instances where we are not able to offset or transfer such costs to our customers. For example, some of our customer contracts contain termination clauses for change of control and many of our standard fixed cost contracts are terminable by our customers with limited advance notice periods, and as a result we may have non-recoverable fixed costs and excess capacity.

Our contract logistics business is also subject to the more general risk of underperforming contracts and we are exposed to significant losses and/or provisions as a result of the long-term nature and related commitments of the large contracts that we enter into with a limited number of customers. For example, for the year ended December 31, 2018, two underperforming Italian logistics contracts and the bankruptcy of a local Italian partner for temporary staff resulted in additional unplanned costs of $42 million. CEVA's EBITDA for the year ended December 31, 2019 was also negatively impacted by an additional provision of $7 million to cover potential losses on logistics contracts in Italy. A portion of these provision was subsequently reversed after an agreement was reached with one of the two customers in 2020. It is possible that our contract logistics in Italy and other jurisdictions may cause further disruptions in the future, which could adversely affect our business, results of operations and financial condition.

***We may incur contractual liabilities as a result of performance commitments to our logistics customers, many of whom may expose us to credit risk.***

We might not be able to provide services to our customers or execute business strategies as originally anticipated or in the most effective or efficient manners. Most of our customer contracts contain contractual key performance provisions that we are required to meet in our performance under these contracts. A failure to meet these contractual performance provisions, including failure to meet peak demand and other specified terms that vary from contract to contract, could result in the incurrence of significant liabilities and could have a material adverse effect on our business, results of operations and financial condition. For example, where we provide inbound automotive logistics, we may be liable for performance failures that lead to loss of revenue or profit and consequential damages, which may not be capped or are difficult to quantify, notably for business interruption or line stoppage. Additionally, we provide supply chain solutions to certain of our customers and may commit to achieve a pre-determined reduction of customers' logistics spend by redesigning and optimizing their supply chains. In the event we do not meet agreed savings targets, the contracts might not be profitable or even lead to material payments to customers.

We are exposed to credit risk, which is influenced mainly by the individual characteristics of each customer. Our credit policy determines that each new customer is analyzed individually for creditworthiness before terms and conditions are offered to the customer. The review includes external ratings where available and in some cases bank references. Purchase limits are established for each customer and these limits are reviewed periodically. We establish an allowance for impairment in respect of trade and other receivables. Our credit reviews and the subsequent assignment of payment credit limit terms might be incorrect or not adequately reflect the credit risk related to a customer. Furthermore, the discontinuation of commercial relationships with our customers or the bankruptcy of customers may adversely affect our business, results of operations, financial condition and prospects.

***We are controlled by the Saadé family, and their interests or the interests of our Board of Directors could conflict with yours.***

The members of the late Jacques Saadé's immediate family directly and indirectly own approximately 70% of our outstanding share capital (on a fully diluted basis, taking into account the dilution from the conversion of the BPI ORA into ordinary shares, which is expected to occur on December 31, 2020), and, except for the veto rights described below, they have complete control over our management and strategic direction, as well as other decisions that affect our results of operations and financial condition. If the interests of the Saadé family conflict with your interests, you could be disadvantaged. Additionally, the Saadé family could exercise control over our pursuit of acquisitions, divestitures, financings or other transactions.

In addition, in connection with the Yildirim and BPI subscription to ORA, Yildirim and BPI were granted board seats and veto rights over certain transactions; these veto rights have since lapsed for Yildirim. Further to full conversion of their ORA on December 31, 2015, Yildirim holds approximately 24% (on a fully-diluted basis) of our shares. Assuming full conversion of its ORA, BPI is expected to hold approximately 6% (on a fully-diluted basis) of our shares as of December 31, 2020. See "*Principal Shareholders*." Under certain shareholders' agreements, BPI is currently in a position to prevent certain transactions and more generally to exercise influence over our strategy and business. Yildirim's and BPI's interests could conflict with the interests of the Saadé family or your interests.

***The loss of the services of key members of our management, including Rodolphe Saadé, as well as difficulties in recruiting and retaining qualified personnel, could adversely affect our business.***

We rely on, and expect to continue to rely on, Rodolphe Saadé, as well as other key executive officers and employees, to successfully carry out our business strategy and operations. Our ability to compete successfully and to implement our business strategy depends in part on the effectiveness of our senior management team. We are also dependent on qualified personnel in order to execute our day-to-day business operations, including highly skilled employees such as nautical and engineer officers. These highly skilled employees are scarce, and the employment market for such personnel is very competitive. The loss of the services of any of these individuals for any significant period of time or our inability to attract and retain qualified personnel could have a material adverse effect on our business, results of operations and financial condition.

## Legal, Regulatory and Taxation Risks

***We could face substantial liability if we fail to comply with existing laws and regulations, including in respect of the environment, and we could be adversely affected by changes in those laws and regulations.***

As a container carrier, we are subject to a wide variety of international, national and local laws, regulations and agreements, including environmental, health, safety, security and other maritime requirements relating to shipping operations. See "*Regulatory Matters.*" Such laws, regulations and agreements could change materially, including without, or with limited, notice. In particular, additional requirements to obtain permits or authorizations could come into force which could impose significant new burdens upon our business, require us to change our business strategy significantly and impact our cost structure. Although we have specific procedures designed to ensure compliance with applicable environmental laws and regulations, we cannot guarantee that we can ensure full compliance at all times. We could face substantial liability for civil or criminal penalties, fines, damages (including reputational damage) and litigation if we fail to comply with such laws, regulations and agreements.

Reduction of sulfur and nitrogen oxide air emissions from ships, ballast water management, shore power connection at berth, energy efficiency standards, spills and discharges of oil and other hazardous substances, ship dismantling and recycling, and carbon tax and emission trading schemes and other standards to address greenhouse gas emissions are various examples of increasingly stringent environmental requirements for shipping, with significant uncertainty in terms of technical/operational requirements and availability of solutions, as well as legal planning and enforcement issues, and there may be conflicting requirements at the local, regional and international levels. Furthermore, any of these requirements or those described in "*Regulatory Matters*," or any new regulatory developments, are requiring and could in the future continue to require us either to make significant investments to modify existing vessels in order to comply with regulations or operate such vessels in a way that incurs greater costs. Such developments may also cause the prices of new vessels that we order to be higher than historical prices because of the improvements required to ensure compliance.

The International Maritime Organization ("IMO") is evaluating mandatory measures to reduce greenhouse gas emissions from international shipping under its pollution prevention treaty ("MARPOL"), which may include market-based instruments or a carbon tax. The European Union has indicated that, while it has a preference for a global approach led by the IMO, given that there is yet to be agreement on global market-based measures or other instruments, it intends to progressively integrate maritime emissions into the EU's policy for reducing its domestic greenhouse gas emissions (. In April 2015, the EU-Commission adopted its regulation on the monitoring, reporting and verification of carbon dioxide emissions from maritime transporters that requires, *inter alia*, submission of a monitoring plan for each ship, monitoring of carbon dioxide emissions for each ship on a per-voyage and an annual basis. See "*Regulatory Matters.*" In 2018, the IMO adopted an initial strategy on the reduction of greenhouse gas emissions from ships (the "GHG Strategy"). The GHG Strategy envisages that, consistent with the Paris Agreement (as defined below) temperature goals, total annual GHG emissions from international shipping should be reduced by at least 50% by 2050, compared to equivalent emissions in 2008. Further, the IMO has adopted energy efficiency measures, which are set out in the Energy Efficiency Design Index ("EEDI"), which is included as Annex VI to MARPOL. Under the "phase 3" requirements of the EEDI, a containership of 200,000 deadweight tonnage and above must have an EEDI reduction rate of 45% from 2022. The changing regulatory landscape is also reflected in the demands of our customers, many of whom request specific information on the measures we have implemented to reduce our carbon emissions. Failure to meet customers' environmental expectations could result in a potential loss of market share if it is perceived that our competitors' social and environmental performance is more sustainable.

In the United States, the Environmental Protection Agency ("EPA") has issued a finding that greenhouse gases threaten the public health and safety, although no regulations for emissions from maritime vessels have been proposed. At the international level, in 2016 a new international framework governing greenhouse gas emissions adopted at the 2015 United Nations Climate Change Conference in Paris (the "Paris Agreement") and entered into force on November 4, 2016. The Paris Agreement sets a goal of holding the increase in global average temperature to well below 2 degrees Celsius and pursuing efforts to limit the increase to 1.5 degrees Celsius, to be achieved by aiming to reach a global peaking of GHG emissions as soon as possible. To meet these objectives, the participating countries, acting individually or jointly, are to develop and implement successive "nationally determined contributions." Any passage of climate control legislation or other regulatory initiatives that restrict emissions of greenhouse gases from the maritime sector could require us to make significant additional financial expenditures, such as to install new emission controls, acquire allowances or pay taxes related to greenhouse gas emissions, or administer and manage a greenhouse gas emission program, which we cannot predict with certainty at this time.

In addition, certain U.S. states have requirements, known as "cold ironing," for ships to source electric power while at berth. In the California ports of Los Angeles, Long Beach, Oakland, San Francisco, San Diego and Hueneme, for example, shore-based power is mandatory for minimum 80% of vessel calls and an 80% reduction of power is requested for any ocean going vessel fleet. Such measures involve additional costs for shipping lines for retrofitting vessels, electrical power from the municipal grid, labor and administration, which we may not be able to carry or meet. A failure to conform to the new cold ironing regulations could also prevent us from docking at certain ports in the United States and elsewhere. The 80% threshold in respect of both vessel calls and power reduction is expected to be increased to 100% by 2023.

In recent years, various jurisdictions have implemented or considered implementing more stringent regulations related to the sulfur content of marine fuels and sulfur outputs from maritime vessels and the requirements are scheduled to become progressively more stringent. In particular, the IMO implemented a global sulfur cap of 0.5% on marine fuels as from January 1, 2020, as compared to the previous cap of 3.5%. See "*Regulatory Matters*." To comply with these regulations, container shipping companies need to consider a variety of options, including increasing the use of low sulfur fuels and/or marine diesel oil ("MDO") or investing in improvements to internal ship systems, such as scrubbers (in the case of continued use of normal grade bunker fuel). The sulfur scrubbers installed on ships in order to reduce sulfur emissions exist in three forms: (i) closed-loop scrubbers (exhaust gases are washed and harmful substances collected in a tank which is emptied in port for appropriate further treatment), (ii) open-loop scrubbers (exhaust gases are washed and the washing water, together with the harmful substances that it contains, are discharged into the sea) and (iii) hybrid scrubbers (which can be set for either open-loop or closed-loop operation). In certain jurisdictions, such as Singapore, open loops are prohibited because they are considered not to meet the requisite environmental standard, as the harmful substances are discharged into the sea. We have invested in the more expensive hybrid scrubbers to retrofit our owned vessels and equip new-builds that are not LNG-powered but to the extent our chartered vessels are equipped with closed-loop scrubbers ,(which is the case for some of them), our operations could be adversely affected by the restrictions implemented in Singapore and that might be implemented more broadly elsewhere.

Gasoil and other low sulfur products accounted for approximately 13% of our total bunker oil consumption in the year ended December 31, 2019 and 89% in the first half of 2020. The expanding regulatory requirements that have imposed a reduction of sulfur content for all type of fuels used worldwide may lead to a significant rise in demand for such fuels, both by us and by other shipping companies, and thereby result in price increases. In addition, low sulfur fuels are currently less readily available than other options (such as MDO) and the increased demand, along with production and supply chain challenges for bunker suppliers, could lead to shortages at certain ports and even operational delays or disruptions in the event sufficient quantities are not available. MDO, while more widely available than low sulfur fuels, is also more expensive and increased demand due to more stringent environmental legislation could cause further price increases. We are continuing to evaluate, in close coordination with bunker suppliers, different methods for improving access to sufficient and cost-effective supplies of such fuels, but there can be no guarantee that such supplies can be obtained without significant increases in our operating costs. To the extent that we are required to use more high-priced low sulfur fuels and/or MDO, our transport expenses could increase substantially and it could have a material adverse effect on our profitability if we are not able to recover the difference in input prices through freight rate adjustments (see "*Risks Relating to Our Business and Industries—Increases in the price of fuel have in the past and could in the future significantly increase our operating costs and depress our profitability*"). Alternatively, improvements to onboard systems, such as installing scrubbers, could help to reduce or eliminate our reliance on low sulfur fuels and MDO to comply with these regulations, but such improvements are requiring and may continue to require us to make significant up-front investments and there can be no guarantee that investing in such improvements will ultimately be cost effective or that the solutions we invest in would be sufficient to meet the requirements of any future regulations.

Under environmental laws and regulations, we could also face substantial liability for penalties, fines, damages and remediation costs associated with lost cargo, oil and other hazardous substance spills or other discharges or technical failures involving our shipping operations, including engine failure that leads to the grounding of one of our vessels along a reef, for example. Such accidents could also expose us to significant reputational damage. Changes in enforcement policies for existing requirements and additional laws and regulations adopted in the future could limit our ability to do business or further increase our operating costs. In addition, in the future and as alluded to above in respect of the use of dual fuel / LNG engines on our future giant vessels, we could have to alter existing equipment, add new equipment to, or change operating procedures for, our vessels to comply with any changes in governmental regulations, safety or other equipment standards or to meet our customers' changing needs in this respect. Finally, even if we comply with relevant environmental, health, safety, security and other regulations, the ordinary course of our business involves certain inherent risks to the health, safety and security of our employees and others, and we could incur substantial liability in the event of accidents, environmental contamination, exposure to hazardous substances or other events resulting in their injury or death, even if such an event is not a result of any fault on our part.

Any of the foregoing factors or events could have a material adverse effect on our business, results of operations and financial condition.

***Failure to comply with competition laws to which we are subject could lead to the imposition of fines and constraints on our business practices.***

Unless covered by special exemptions, the shipping industry is subject to general competition laws. These general competition laws are designed to preserve free and open competition in the marketplace in order to enhance competitiveness and economic efficiency. They generally prohibit agreements or concerted actions among competitors if they adversely affect competition, in particular if they lead to the formation of cartels or anticompetitive foreclosure. The abuse of a dominant position also constitutes a violation of the law. The European Union prohibits agreements or arrangements between carriers that restrict competition, including conferences providing common tariffs since 2008. Shipping companies' consortia are legally permissible provided they are limited to operational cooperation and remain subject to effective price competition (*i.e*., that commercial strategies of the consortia partners remain independent).

We are currently the subject of investigations by antitrust authorities in several jurisdictions. Ongoing investigations include by the Chinese competition authorities regarding setting of Terminal Handling Charges (proceedings currently paused); the South African authorities in connection with alleged price collusion on South Africa lines; the Korean authorities regarding alleged cartel activities with respect to the operation of scheduled shipping services on the Southeast Asia line (limited to in-and outbound Korean trade lines); and the Philippines authorities regarding allegations of collusion in the determination of local maritime transportation surcharges. See "*Business—Legal Proceedings and Government Investigations*."

In addition, we note that our freight forwarding activities (conducted by CEVA) are a potential source of antitrust risk (although there are currently no investigations or proceedings underway). The freight forwarding business is typically subject to close scrutiny by competition authorities and there were a number of proceedings sanctioning collusive practices over the last decade.

Shipping and logistics companies could face fines, ordered remedies and damages claims if they fail to comply with applicable antitrust regulatory regimes. In the event that we are found not to be in compliance with the regulatory regime and sanctions which are imposed on us, this could have a material adverse effect on our business, results of operations and financial condition. Our reputation could also be damaged if allegations of illegal, anti-competitive behavior are made against us.

***The smuggling of drugs, weapons or other contraband or unlawful cargo onto our vessels could lead to governmental claims against us or operational restrictions affecting our business.***

We expect that our vessels will call in areas where smugglers may attempt to hide drugs, weapons and other contraband on vessels, with or without the knowledge of crew members. In the past, we have discovered misdeclared cargo, including such contraband, and cooperated with governmental or regulatory authorities, as appropriate. For example, between 2009 and 2011, shipments of weapons were discovered in containers on our vessels. These incidents created adverse publicity and triggered demands by U.S. politicians for an investigation of our operations. More recently, contraband cigarettes were found by Belgian customs authorities in containers shipped on our vessels to Antwerp, Belgium in 2017 and 2018. Belgian customs authorities may seek to hold us liable for illegal imports pursuant to the EU Customs Code subjecting us to the risk of reputational damage as well as significant criminal fines. (See "*Business—Legal Proceedings and Government Investigations—Other disputes and potential claims—Turkish Cigarettes.*"*)* With respect to drug contraband, smugglers are using the so called "rip on rip off" method, which consists of hiding a limited quantity of drugs in legitimate goods. This scheme requires a high level of local complicity and corruption, and we are working in close cooperation with the relevant authorities to tackle this issue. The figures for 2019 confirm the developing trend of an increased number of drug seizures and volumes. For instance, a vessel owned by another container shipping liner was stopped in Philadelphia in June 2019 with 16 tons of cocaine found on board; the vessel was subsequently seized for one month and later released against a U.S.$50 million bail. To the extent our vessels are found with contraband, whether with or without the knowledge of any of our crew members, we could face governmental or other regulatory claims or operational restrictions, which could have a material adverse effect on our business, results of operations and financial condition. Our reputation could also be damaged if allegations of illegal behavior are made against us.

***Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions.***

Our international operations could expose us to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations, including without limitation the United Nations, the United Kingdom, the European Union and their Member States. In particular, the U.S. Office of Foreign Assets Control ("OFAC") has issued regulations requiring that companies (including ours) refrain from doing business, or allowing our clients to do business through us, within U.S. jurisdiction in certain countries or with certain organizations or individuals on lists maintained by the U.S. government, including restrictions on payments in U.S. dollars involving such countries, organizations and individuals. Under economic and trading sanctions laws, governments could seek to impose modifications to business practices, and modifications to compliance programs, which could increase compliance costs, and could subject us to fines, penalties and other sanctions if we are not able to effectively prevent future violations. We may provide maritime transportation of containerized cargo to and from Cuba and Syria in compliance with all relevant regulations applicable to the group, although this represents a very limited part of our global activity (contributing less than 0.2% to the group's total revenue during the year ended December 31, 2019). We also operate a terminal at the port of Lattakia, Syria. We have no direct service to or from North Korea but regularly provide maritime transportation of containerized cargo to North Korea via Dalian, China, exclusively, under the auspices of the United Nations World Food Programme. We have no current operations involving Iran as the result of ceasing all activities in Iran in 2018. While we have implemented compliance programs to avoid any violations of trade and economic sanctions and other restrictions, given the scope and nature of our international operations and the constant evolution of international sanctions, we may not be able to effectively prevent future violations of such sanctions and restrictions. We have discovered violations of sanctions by us or our affiliates in the past, which may impact the enforcement posture of U.S. authorities in the event of future violations. Any such future violations could have a material adverse effect on our business, reputation, results of operations and financial condition.

We actively monitor developments in the United Nations, the United States, the European Union, the United Kingdom and other jurisdictions or organizations that maintain sanctions programs, including developments in their implementation and enforcement. For example, U.S. authorities are currently focused on U.S. sanctions compliance in the maritime industry. In May 2020, OFAC released guidance on countering illicit shipping and sanctions evasion that calls for companies in the shipping industry to increase due diligence and monitoring of vessels. The United States has recently strengthened sanctions against Syria, in particular with the entry into force of the U.S. "Caesar Syria Civilian Protection Act", leading us to reinforce our policies and procedures for transactions related to Syria.

Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could prevent our vessels from calling on ports in sanctioned countries or could limit their cargoes and also limit transactions with certain organizations/entities and individuals. Our business may be affected if shippers, consignees, or intermediaries involved in cargo transactions are or become, or are or become affiliated with, persons, entities, or territories that are the subject of sanctions imposed by the United Nations, the United States, the European Union, the United Kingdom, and/or other governmental or international bodies. We further note that countries that are the target of economic sanctions, such as Russia, Venezuela, and China, are imposing retaliatory sanctions with increasing frequency. If we determine that applicable sanctions require us to terminate existing or future contracts, or if such sanctions affect overall cargo and trade volumes, our business, financial condition, results of operations and cash flows may be adversely affected, or we may suffer reputational harm.

If any worsening or increase of the risks described above materializes, this could have a material adverse effect on our business, results of operations and financial condition.

***We are exposed to risks in relation to compliance with anti-corruption laws and regulations***

Our business entails numerous interactions with government authorities, including port authorities, pilots, health, safety, and environment authorities, labor and tax authorities and customs and immigration authorities. Furthermore, our vessels call at ports throughout the world, including in some countries where corruption is endemic. We also develop greenfield and brownfield port projects, which require government concessions or authorizations. In certain regions of the world, the shipping business is known to be a high-risk business for corruption and various categories of government officials have been known to demand relatively small payments (*e.g.*, cigarettes, alcohol, modest amounts of cash) to allow ships to enter a port, pass through a canal or obtain customs or other regulatory approvals. Although we carry out e-learning and in person training sessions to complement our policy prohibiting our employees from offering or promising directly or indirectly anything of value, including "facilitation" payments to any party, including a government official or private party with the intention or appearance of improperly influencing its government or business decision or accelerating an administrative process, we cannot guarantee that such payments will not be made. Any such payments may be deemed to have violated anti-corruption laws, exposing us to potential civil and criminal penalties, costs associated with internal investigations and remediation, as well as reputational damage that could have a material adverse effect on our business, results of operations and financial condition.

***More thorough monitoring and inspection procedures aimed at preventing terrorist attacks could have a material adverse effect on our business, results of operations and financial condition.***

The international container shipping and supply chain management industries are subject to various security and customs monitoring and inspection procedures in countries of origin and destination, as well as at transhipment ports. Such procedures can result in the confiscation of containers or their contents, delays in the loading, offloading, handling or delivery of containers and the levying of customs duties, fines or other penalties against exporters, importers and, in some cases, carriers.

In addition, more thorough monitoring and inspection procedures aimed at preventing terrorist attacks could increase our costs and cause disruption to our business. In several countries we face significant security requirements, such as, for instance, the "Advance Manifest Rule" in the United States, which mandates expanded disclosure regarding a ship's cargo at least 24 hours prior to loading at the foreign port of loading. We have adopted tariff rules apportioning liability to customers that fail to provide timely information and impose surcharges on cargo traveling to or through the United States to reflect the increased cost of compliance under this regulation. The current U.S. regulation could be expanded, and similar or more intrusive and costly monitoring and inspection rules could be put in place by the United States or other countries in which we operate. For example, increased security measures imposed at bridges, tunnels, border crossings and other points on key routes may cause delays, require us to re-route shipments and increase the non-driving time of operations, which could have an adverse effect on our results of operations. As another example, currently the contents of our shipments are not required to be verified independently by us if they are delivered to us sealed; however, we may nevertheless be subject to inquiries or investigations if shipments contain illegal goods, which could interfere with our operations and increase our operating costs. In any such case, we could experience disruptions to our business and could be unable to impose further surcharges or otherwise recover from our customers the increased costs incurred due to such measures, which could materially and adversely affect our business, results of operations and financial condition.

We also are subject to various requirements issued in response to the perceived risks to ships from terrorism, the International Ship and Port Facility Security Code issued by the IMO ("ISPS Code") that entails ship modifications, staff training, auditing of vessels and preparation of ship security plans regulations issued by the U.S. Coast Guard requiring shipping companies to adopt vessel security plans and to establish port security plans, and similar EU obligations for shipping companies. See "*Regulatory Matters*." All our ships and all the ships we operate on long-term charters and operating leases are fully compliant. The vessels we operate on short-term charters comply with the regulations to which they are subject. Because we also transport cargo on vessels that we do not operate ourselves (through cooperation agreements) and through ports over which we exercise little or no control, we could be exposed to increased costs and business disruptions under these requirements if another container shipping company, or port operator, or any other entity covered by the regulations with which we conduct business, fails to comply.

In addition, we participate in certification programs intended to enhance security along supply chains. In the U.S., we participate in the "C-TPAT" (U.S. Customs-Trade Partnership against Terrorism) initiative, a voluntary agreement between U.S. Customs and the industry requires us to document and validate our supply chain security procedures in relation to existing U.S. Customs and Border Protection ("CBP") C-TPAT criteria or guidelines as applicable, with CBP issuing a certificate of compliance. In the EU, we hold an Authorized Economic Operator ("AEO") Certificate "Customs Simplifications/ Security and Safety" ("AEO-F") that entitles us to benefits in the course of customs clearance. See "*Regulatory Matters.*" Should we fail to maintain either of these certificates, it could mean a higher administrative burden through heightened security screenings and the loss of customers who are increasingly requesting such certificate from their carriers. This could have a material adverse effect on our business, results of operations and financial condition.

***Our actual or perceived failure to adequately protect personal or customer data could harm our business.***

A variety of local, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal or customer data and other information, including the EU General Data Protection Regulation (Regulation (EU) 2016/679 ("GDPR")). The privacy and data protection-related laws and regulations are evolving, with new or amended laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. Compliance with these laws and regulations can be costly and disruptive to the operation of our business.

The GDPR strengthens individuals' rights and imposes stricter requirements on companies processing personal data. For example, the GDPR might lead to an increase in requests from data subjects based on their enhanced rights such as the right to be forgotten, the right to rectify inaccurate data and the right to object to processing in certain circumstances and restriction of processing rights. The GDPR also requires that we implement certain processing principles such as data minimization across the organization so that only the appropriate amount of data required for any particular purpose is processed, that we delete any unnecessary datasets, and that we anonymize data wherever possible. Transfers of personal data outside of the European Economic Area (*i.e.,* the EU, Iceland, Lichtenstein and Norway), including to the United States, are also strictly regulated, as demonstrated by the judgment of the Court of Justice of the European Union of July 16, 2020 in *Data Protection Commissioner v. Facebook Ireland and Maximillian Schrems*. The GDPR also provides for significantly increased sanctions and penalties (including fines of up to 4% of global annual turnover for the preceding financial year or €20 million (whichever is higher) for the most serious infringements), which requires heightened escalation and notification processes with associated response plans should a serious breach occur. Compliance with the GDPR is an ongoing commitment and despite our efforts, data protection authorities may determine that our practices fail to comply with some GDPR requirements.

The GDPR coupled with the other national and international data protection laws and regulations to which we are subject, including new laws in Brazil and California, could adversely impact our business by increasing our operational and compliance costs and, under certain circumstances, require changes in the way we conduct our business, which, in each case, could adversely impact us. Further, there is a risk that the binding corporate rules are not being implemented correctly through our compliance program and Data Privacy Officer network or that, despite the e-learning and data privacy training received, individuals within the business will not be fully compliant with the new procedures. Additionally, if third parties we work with, such as customers, banking and financial institutions, suppliers or developers, violate applicable laws or our policies, such violations may also put the information in our database or the data flow at risk and could in turn have a material adverse effect on our business. The compliance obligations and penalties to which our third- party vendors could be liable under the GDPR are likely to result in an increase in the cost of the data processing services that we enter into with them. If there is any failure or perceived failure by us to comply with such obligations or our binding corporate rules or any compromise of security that results in the unauthorized processing, release, or transfer of information, we could face significant governmental enforcement, administrative and monetary sanctions, litigation, class actions as well as reputational damage. As a consequence, this could cause our members and customers to lose trust in us, which may have a material adverse effect on our business, results of operations and financial condition.

***Compliance with the requirements imposed on our vessels by classification societies could be very costly.***

Every vessel must be certified as "in class" by a classification society that has been approved by the vessel's flag state. Classification societies certify that a vessel complies with the rules of the classification society, international conventions and the applicable laws and regulations of the flag state.

All our vessels currently have the required certifications. In order to maintain certification, however, our vessels must undergo annual, intermediate and class-renewal surveys every five years or every seven and a half years for our newest ships. Maintaining class certification could require us to incur substantial costs. If any of our vessels fails to maintain the required class certification, we would not be able to deploy that vessel, we could be in violation of covenants in certain of our financing agreements (such as vessel mortgages and related security documents) and costs to obtain insurance for our vessels would increase. This could have a material adverse effect on our business, results of operations and financial condition.

***Our vessels could be subject to checks and controls by port authorities or maritime arrests, which could lead to an interruption of our business or require us to make remedy payments.***

While in ports, vessels can be subject to checks and controls by port authorities. If the authorities determine that a vessel fails to comply with certain criteria (such as local regulations or standards), they may decide to retain the vessel until any non-compliance issues have been remedied or mitigated. This may cause us to experience delays and may potentially result in fines.

In addition, crew members, suppliers of goods and services to a vessel, shippers of cargo, vessel financing participants and other parties could be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. In some jurisdictions, the sister vessel of the vessel for which services have been provided may also be arrested. The arrest or attachment of one or more of our vessels could interrupt our business or require us to pay large sums of money to have the arrest lifted, which could have a material adverse effect on our business, results of operations and financial condition.

***We may fail to comply with tax laws and changes in international and individual country tax legislation could impact our ability to deduct certain charges, utilize tax losses carried forward and/or our effective income tax rate in general, and results of tax audits could materially adversely impact our results of operations, cash flows and profitability.***

Because we conduct our business in a large number of countries, it is subject to a multitude of tax rules relating to income taxes, VAT, sales taxes, payroll taxes, and other taxes. Although we believe that we comply in all material respects with the tax laws applicable to our operations, there is no guarantee that tax authorities in a country in which we do business will not raise claims against us for failure to comply with applicable tax laws. This risk exists, in particular, with regard to our business model and other related risks such as transfer prices or the fact that we have employees deployed worldwide, as the competent authorities of different countries may have different views on the applicable conditions and respective treatment. Such claims could have a negative impact on our business, results of operations and financial condition. Furthermore, tax audits could result in additional taxes, higher charges, interest and penalties.

As a global company, we generate taxable income in different countries throughout the world, with different effective income tax rates. Our future effective income tax rate will be impacted by a number of factors, including the geographic composition of our worldwide taxable income, our ability to allocate debt and expenses effectively and our ability to utilize tax losses carried forward. If tax authorities in the jurisdictions in which we operate were to change applicable tax laws, including as a result of new or altered international tax treaties or following joint international initiatives taken by the OECD, the G20 or the European Commission, prohibit certain charges or successfully challenge the manner in which our income taxes are currently recognized or calculated or the transfer pricing polices employed by us, our effective income tax rate could increase, which would adversely impact our cash flow and profitability. Furthermore, in many of these jurisdictions, the tax laws are very complex and are open to different interpretations and application. We are regularly under audit by tax authorities within a number of jurisdictions. Although we believe that our tax estimates are reasonable, the final determination of tax audits could be materially different from our tax provisions and accruals and negatively impact our financial results.

U.S. tax reform legislation, known colloquially as the "Tax Cuts and Jobs Act", among other things, made significant changes to the rules applicable to the taxation of corporations subject to tax in the United States, such as changing the corporate tax rate to a flat 21% rate, modifying the rules regarding limitations on certain deductions for executive compensation, introducing a capital investment deduction in certain circumstances, placing certain limitations on the interest deduction, modifying the rules regarding the usability of certain net operating losses, implementing a minimum tax on the "global intangible low-taxed income" of a "United States shareholder" of a "controlled foreign corporation", modifying certain rules applicable to United States shareholders of controlled foreign corporations, imposing a deemed repatriation tax on certain earnings and adding certain anti-base erosion rules. The effects of the Tax Cuts and Jobs Act or new guidance or modifications related to the Tax Cuts and Jobs Act could increase the U.S. tax burden of the U.S. corporations within the group. It is possible that new tax legislation in other jurisdictions may also have an adverse impact on our business, results of operations and financial condition.

***If we are unable to continue participating in the Tonnage Tax Regime, our tax expense could increase significantly and our financial condition, including after-tax profits, could suffer.***

We currently benefit from a low effective tax rate due to our participation in the so-called tonnage tax regime in France and similar tax regimes in Singapore, the United States and Germany (the "Tonnage Tax Regime"). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Explanation of Key IFRS Income Statement Line Items—Operating Expenses—Other Expenses—Income Tax*".

Tax authorities may interpret Tonnage Tax Regime rules differently than we do and could therefore deny all or part of the tax benefits which we have claimed. In addition, any change in or discontinuation of the Tonnage Tax Regime, or any inability on our part to continue to participate in the Tonnage Tax Regime, totally or partially, could increase our tax expense, particularly in years where we are more profitable. In each case, this could have a material adverse effect on our business, results of operations and financial condition.

***Tax rules limiting the deductibility of interest expense, rules affecting tax losses carried forward and withholding taxes may increase our effective tax rate and cash taxes paid, especially in periods with losses or small net income.***

We have lent significant funds to our subsidiaries and these subsidiaries record interest expense on such intercompany financing. While interest expense is generally deductible for tax purposes, certain countries in which we have operations may disallow the deduction of interest expense for tax purposes either in full or in part. To the extent that those interest expenses (which generally are deductible) are not deductible in a particular instance, we may incur a reduction of our future loss carryforwards or increase the current taxable basis.

In addition, certain non-refundable withholding taxes, interest deduction carryforwards and tax loss carryforwards may no longer be available to us as a direct or indirect result of a past or future change in our (legal) ownership structure. Furthermore, we may be exposed to certain adverse tax consequences as a result of applicable double taxation treaties across the jurisdictions in which we operate. These factors could have a material adverse effect on our cash flows, as well as our business, results of operations, financial condition and prospects.

***Our operations are subject to the risks of litigation.***

We are involved on an ongoing basis in litigation arising in the ordinary course of business or otherwise. See "*Business—Legal Proceedings and Government Investigations*" for a summary of the principal pending matters. Litigation may include claims related to commercial, labor, employment, antitrust, securities, tax or environmental matters or other government actions. Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate or exceed the cost of damages sought. These actions may also expose us to adverse publicity, which could adversely affect our brand and reputation. Litigation trends and expenses, as well as the outcome of any litigation proceedings, cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could have a material adverse effect on our business, results of operations and financial condition.

## Risks Relating to the Notes, the Offering and Other Financings

***Our substantial indebtedness could harm our financial condition, constrain our growth and prevent us from fulfilling our obligations under the notes.***

We have, and after the issuance of the notes offered hereby will continue to have, substantial indebtedness. See "*Description of Certain Financing Arrangements*."

As of June 30, 2020, on an as adjusted basis to give effect to (A) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the redemption in full of the outstanding 2021 Senior Notes (see "*Use of Proceeds*"), (B) the repayment of the outstanding amount under the CEVA €297 million senior bridge facility in July 2020, (C) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020, (D) the termination of, and repayment in full of the outstanding amount due under CEVA's former U.S. and Australian securitization programs in August 2020 and (E) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on June 30, 2020:

- our total consolidated indebtedness would have been \$18,806.1 million, of which approximately \$7,523.7 million would have been secured indebtedness of the Issuer and \$7,681.5 million would have been secured and unsecured indebtedness of our subsidiaries;
- our total shareholders' equity as calculated for the purpose of determination of our total capitalization would have been \$5,138.7 million; and
- our total consolidated indebtedness would have represented 78.5% of our total capitalization.

We expect to be able to refinance or repay the principal amount outstanding under the notes and other debt when such debt matures. We could, however, be unable to refinance such debt on terms satisfactory to us or at all.

Our ability to fund working capital, capital expenditures, new programs, acquisitions and other expenses will depend on our future operating performance and ability to generate sufficient cash. Our indebtedness could have important consequences to you as a holder of the notes. For example, it could, among other things:

- make it more difficult for us to satisfy our obligations under the notes;
- limit our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional capital;
- place us at a competitive disadvantage compared to our competitors with less debt or greater access to capital resources;
- limit our flexibility in planning for, or responding to, changing conditions in our business and industry;
- increase our vulnerability to, and reduce our flexibility to respond to, economic downturns and adverse developments in our business;
- negatively impact credit terms with our creditors;
- restrict us from, or delay us in, exploiting certain business opportunities or making certain capital expenditures; and
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund internal growth through capital expenditures and for other general corporate purposes.

Any of the above listed factors could have a material adverse effect on our business, results of operations and financial condition, including on our ability to satisfy our debt obligations with respect to the notes.

***We may not be able to generate sufficient cash to service our indebtedness, including as a result of factors outside our control, and could be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

We have substantial leverage and significant debt service obligations. Our ability to make payments on or to refinance our debt obligations will depend on our future operating performance and ability to generate sufficient cash. This depends, to a large extent, on global demand for container shipping services, available ship and container capacity, prevailing freight rates, bunker fuel and LNG prices. These factors, in turn, are dependent on general economic and financial conditions, as well as competitive, market, regulatory, political and other factors, all of which are largely beyond our control. Our substantial leverage could also make it more difficult for us to satisfy our obligations with respect to the notes and could expose us to interest rate increases to the extent our variable rate debt is not hedged.

Our business may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debts, including the notes. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we could be forced to:

- reduce our business activities or delay capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that any of these actions would yield sufficient funds to satisfy our obligations under our indebtedness. The terms of existing or future debt instruments and the Indenture governing the notes could further restrict us from adopting some of these alternatives.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time, as well as on many factors outside of our control, including then-prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and could require us to comply with more onerous covenants, which could further restrict our business operations. Furthermore, we may be unable to find alternative financing, and even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including under the Notes. In that event, borrowings under other debt agreements or instruments that contain cross default or cross acceleration provisions may become payable on demand, and we may not have sufficient funds to repay all our debts, including the Notes. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a downgrade of our corporate credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness, we could face substantial liquidity problems and could be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the terms of the Indenture governing the Notes, restrict our ability to transfer or sell assets and the use of proceeds from any such disposition. We may not be able to consummate certain dispositions or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations, and thus have a material adverse effect on our business, results of operations and financial condition.

***Despite our current level of indebtedness and restrictive covenants, we could still be able to incur substantially more debt and make certain restricted payments in the future, which could make it difficult for us to service our debt, including the notes.***

We could incur substantial additional debt in the future. Any debt that we incur at our subsidiary level would be structurally senior to the notes. Other debt could be secured or could mature prior to the notes.

Although the terms of our financing arrangements, including the Indenture governing the notes, contain or will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. Under the Indenture governing the notes, in addition to specified permitted indebtedness (including, without limitation, incurred amounts of productive asset financings limited only to all or a portion of the value of the assets financed), we are able to incur additional indebtedness so long as our fixed charge cover ratio is at least 2.00 to 1.00 and we anticipate also having significant additional borrowing capacity pursuant to various baskets as of the Issue Date. Borrowings under debt instruments (including debt instruments raised by our subsidiaries) that contain cross acceleration or cross default provisions, including the notes, could as a result also be accelerated and become due and payable. We could be unable to pay the notes in full and these debts in such circumstances. The incurrence of additional debt would increase the risks related to our level of indebtedness described in these listing particulars.

Moreover, although the terms of our financing arrangements, including the Indenture governing the notes, contain or will contain restrictions on our ability to make restricted payments, including the declaration and payment of dividends, these restrictions are subject to a number of significant qualifications and exceptions. For example, the "builder" capacity to make restricted payments is based on 50% of our cumulative consolidated adjusted net income (as such term is defined in the Indenture) since January 1, 2014 (subject to certain adjustment and exceptions). See "*Description of Notes—Certain Covenants—Limitation on Restricted Payments*." Any dividends or other restricted payments will reduce our cash available to service our debt, which could increase the risks described above.

***The terms of our indebtedness contain certain covenants that require us to meet certain financial tests and that we have to take into consideration when operating our business. If we default under these covenants, we may not be able to meet our payment obligations.***

The instruments governing our indebtedness contain covenants which impose significant restrictions on the way we can operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;
- make certain payments, including dividends or other distributions;
- make certain investments or acquisitions, including in joint ventures;
- prepay, purchase or redeem subordinated debt or capital stock;

- engage in certain transactions with affiliates;
- create unrestricted subsidiaries;
- enter into arrangements that restrict payments of dividends, repayments of debt, granting of loans or advances or making of any other distributions by our subsidiaries to us;
- sell assets, including stock of restricted subsidiaries, consolidate or merge with or into other companies;
- permit our restricted subsidiaries to guarantee payment of debt;
- enter into unrelated businesses; and
- create or incur certain liens.

Our existing indebtedness also includes other covenants as set forth in "*Description of Certain Financing Arrangements*." These covenants could limit our ability to finance our future operations and capital needs, as well as our ability to pursue acquisitions and other business activities that could be in our interest. Further, loan-to-value ratio requirements provided for in some of our asset financings may prompt us, following a decline of the value of the relevant security, to use available cash resources to (partially) prepay such financing or post additional collateral as security thereof. Our ability to comply with these covenants and restrictions could be affected by events beyond our control. These include prevailing economic, financial, political, sanitary and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the terms of certain of our financing arrangements and trigger cross-defaults between our financing arrangements. If the debt under the notes or any other material financing arrangement that we have entered into, or may enter into, were to be accelerated, our assets could be insufficient to repay in full the notes and our other debt. Under these circumstances, we cannot give assurance that a refinancing would be possible or that any additional financing could be obtained on acceptable terms or at all and we may be forced to explore other alternatives, which could include a potential reorganization or restructuring.

***The notes will be unsecured obligations and will be effectively subordinated to our secured indebtedness.***

We are issuing the notes as senior unsecured obligations. The notes will be effectively subordinated in right of payment to all our existing and future secured indebtedness, to the extent of the value of the assets securing such debt. As of June 30, 2020, on an as adjusted basis after giving effect to (A) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the redemption in full of the outstanding 2021 Senior Notes (see "*Use of Proceeds*"), (B) the repayment of the outstanding amount under the CEVA €297 million senior bridge facility in July 2020, (C) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020, (D) the termination of, and repayment in full of the outstanding amount due under CEVA's former U.S. and Australian securitization programs in August 2020 and (E) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on June 30, 2020, we had $7,523.7 million of secured indebtedness on a standalone basis, with security principally consisting of mortgages granted over our vessels, containers and assignments over related insurance and requisition compensation, as well as mortgages over our headquarters. The terms of the Indenture governing the notes permit us to incur significant additional secured indebtedness in the future, subject to certain limitations. Accordingly, in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding affecting the Issuer, your rights to receive payment will be effectively subordinated to those of secured creditors up to the value of the collateral securing such indebtedness. Holders of the notes will participate in our remaining assets ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all our other general creditors, based on the respective amounts owed to each holder or creditor. In addition, if the secured lenders were to declare a default with respect to their loans and enforce their rights with respect to their collateral, there can be no assurance that our remaining assets would be sufficient to satisfy our other obligations, including our obligations with respect to the notes. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of the notes could receive less, ratably, than holders of secured indebtedness.

***Your right to receive payments under the notes will be structurally subordinated to claims of existing and future creditors of our subsidiaries.***

The notes will not be guaranteed by any of our subsidiaries on the Issue Date. Unless a subsidiary becomes a guarantor, it does not have any obligation to pay amounts due on the notes or to make funds available for that purpose. Accordingly, the notes will be structurally subordinated to existing and future obligations of our subsidiaries for so long as they do not guarantee the notes. Our subsidiaries could incur debt in order to finance their operations. Generally, claims of creditors of a subsidiary (including trade creditors) will have priority with respect to the assets and earnings of such subsidiary over the claims of our creditors. As of June 30, 2020, our subsidiaries held a significant portion of the group's assets and had $8,176.9 million of indebtedness outstanding, including $7,543.2 million of secured indebtedness and $633.6 million of unsecured indebtedness. Our subsidiaries also generate a significant portion of the group's revenues and Adjusted EBITDA. See "*Corporate and Financing Structure*" for information about the revenues and Adjusted EBITDA generated by our subsidiaries for the six-month period ended June 30, 2020 and the twelve- month period ended June 30, 2020, respectively. Any right we may have to receive assets of any of our subsidiaries upon the liquidation or reorganization of any such subsidiary (and the consequent right of holders of the notes to participate in the distribution of, or realize proceeds from, those assets) will be structurally subordinated to the claims of the creditors of such subsidiary.

***We may not be able to raise the funds necessary to finance a change of control offer required by the indentures governing the 2022 Senior Notes, the 2025 Senior Notes and the notes and, if this occurs, we would be in default under these indentures.***

Under the terms of the Indenture governing the notes and the indentures governing the 2022 Senior Notes and the 2025 Senior Notes, we are required to offer to repurchase all outstanding 2022 Senior Notes and all outstanding 2025 Senior Notes at 101.0% of the principal amount, plus accrued and unpaid interest, upon the occurrence of a change of control. We expect that we would require third-party financing to make an offer to purchase the notes, the 2022 Senior Notes and the 2025 Senior Notes upon a change of control. We cannot assure you that we would be able to obtain such financing on commercially reasonable terms, or at all. Our failure to repurchase any or all of the notes, the 2022 Senior Notes or the 2025 Senior Notes, as applicable, would be an event of default under the Indenture governing the notes and the indentures governing the 2022 Senior Notes and the 2025 Senior Notes, respectively, and would cause a cross default under our financing arrangements.

Except as described under "*Description of Notes*," the Indenture governing the notes does not contain provisions that would require us to offer to repurchase or redeem the notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction. The change of control provisions contained in the Indenture governing the notes may not protect you in the event of highly leveraged transactions and other important corporate events, including reorganizations, restructurings or mergers that may adversely affect you, because these transactions may not involve a change in voting power or beneficial interest of the magnitude required to trigger the change of control provisions. For a complete description of the events that would constitute a "change of control," you should read the section entitled "*Description of Notes—Purchase of Notes upon a Change of Control*."

***Investors could have difficulty bringing actions or enforcing judgments for U.S. securities law liabilities.***

We are a French company and all of the members of our Board of Directors and key management are resident outside of the United States. In addition, the majority of our subsidiaries, the majority of our assets and the source of the majority of our cash flow are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons, us or any of our subsidiaries, or to enforce, in U.S. courts or in courts outside the United States, judgments obtained against these persons, us or any of our subsidiaries. In addition, judgments of U.S. courts, including those predicated on the civil liability provisions of the federal securities laws of the United States, may not be enforceable in French courts. It may also not be possible for you to effect service of process within the United States upon our officers and directors, us or any of our subsidiaries to enforce judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. Actions in the United States under the U.S. federal securities laws could also be affected under certain circumstances by French law of July 16, 1980, which could preclude or restrict the obtaining of evidence in France or from French persons in connection with these actions.

However, it may be possible for the holders of the notes to effect service of process within France upon those persons or us, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with. The United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*) that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (*i.e.*, *non ex parte*) proceedings if such U.S. judgment is enforceable in the United States and if the French civil court is satisfied that certain conditions have been met.

***Insolvency laws in France could impede your ability to enforce your rights under the notes.***

The Issuer is incorporated under the laws of France. Accordingly, any insolvency proceedings with respect to us or our French subsidiaries would likely proceed under the laws of France. French insolvency proceedings affecting creditors include: (i) court-assisted pre-insolvency proceedings (*mandat ad hoc* proceedings (*procédure de mandat ad hoc*) or conciliation proceedings (*procédure de conciliation*)), (ii) court-controlled pre-insolvency proceedings (safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*) ("SFA proceedings") and (iii) reorganization or liquidation proceedings (*redressement ou liquidation judiciaire*)). Certain provisions of insolvency laws in France are less favorable to creditors than bankruptcy laws in the United States. In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the notes.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the notes. It does not address temporary amendments that were brought to French insolvency by Executive Decree No. 2020-341 on March 27, 2020 and Executive Decree No. 2020-596 on May 20, 2020 to take into account the effect of the COVID-19 pandemic. Those amendments include in particular an extension of various deadlines provided for by French insolvency law.

***Grace periods***

In addition to pre-insolvency and insolvency laws discussed below, you could, like any other creditor, be subject to Article 1343-5 of the French Civil Code (*Code civil*). Pursuant to the provisions of this article, French courts may, in any civil proceeding involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations. French courts may also decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published semi-annually by decree) or that payments made shall first be allocated to repayment of principal. A court order made under Article1343-5 of the French Civil Code (*Code civil*) will suspend any pending enforcement measures, and any contractual default interest or other penalty for late payment will not accrue or be due during the period ordered by the court.

With respect to grace periods under Article 1343-5 of the French Civil Code (*Code civil*), pursuant to Article L. 611-10-1 of the French Commercial Code (*Code de commerce*), the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement, impose grace periods on creditors having participated in the conciliation proceedings (other than the tax and social security administrations) for their claims that were not dealt with in the conciliation agreement.

***Insolvency test***

Under French law, a debtor is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its due debts with its available assets taking into account available credit lines, existing debt rescheduling agreements and moratoria.

***Court-assisted pre-insolvency proceedings***

Pre-insolvency proceedings (*i.e.*, *mandat ad hoc* and conciliation proceedings) may only be initiated by the debtor itself, in its sole discretion, provided that it experiences or anticipates any kind of difficulties (in particular legal, economic or financial) while still being able to pay its debts as they fall due out of its available assets (*i.e.*, the company is not cash flow insolvent (*en état de cessation des paiements*)) in case of *mandat ad hoc* or conciliation, or, in case of conciliation proceedings only, while being cash flow insolvent for less than 45 days.

*Mandat ad hoc* and conciliation proceedings are informal amicable proceedings carried out under the supervision of the President of the competent commercial court, which do not involve any stay of enforcement against the debtor. The President of the commercial court will appoint a trustee (as the case may be, a *mandataire ad hoc* or a *conciliateur*) and will determine such person's assignment, which usually is to assist the debtor to negotiate on a purely consensual and voluntary basis with all or some of its creditors and/or trade partners with a view to restructuring or rescheduling its indebtedness in order to end its difficulties. The debtor may propose, in the filing for the commencement of the proceedings, the appointment of a particular person as trustee. Agreements reached through such proceedings are not binding on third parties, and the *mandataire ad hoc* or the *conciliateur*, although reporting to the court, has: (i) no legal coercive power over creditors; and (ii) no authority to compel the parties to accept an agreement. Two types of contractual provisions are deemed null and void in connection with *mandat ad hoc* or conciliation proceedings: (i) any provision that modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the commencement of *mandat ad hoc* or conciliation proceedings or of a request submitted to this end and (ii) any provision forcing the debtor to bear the fees of the professional advisors whom the creditor shall have retained in connection with these proceedings for the portion exceeding three quarters of the fees of the professional advisors.

*Mandat ad hoc proceedings*

Such proceedings are confidential (save for their disclosure to statutory auditors if any) and the process is voluntary. Those creditors not willing to take part cannot be bound by the agreement. Creditors are not barred from taking legal action against the debtor to recover their claims but the debtor retains the right to petition the judge having jurisdiction for a grace period, as set forth above. The agreement reached, under the supervision of the *mandataire ad hoc*, between the debtor and all or some of its creditors (if any) will be reviewed by the President of the court but, unlike in conciliation proceedings, French law does not provide for any specific consequences of such review. There is no time limit for the duration of *mandat ad hoc* proceedings except that *mandat ad hoc* proceedings cannot continue once the debtor has been cash flow insolvent for 45 days.

*Conciliation proceedings*

Conciliation proceedings are also confidential (save for their disclosure to statutory auditors if any) and may last up to five months. During the proceedings, creditors may continue to individually claim payment of their claims but the debtor has the right to petition before the judge having commenced conciliation proceedings for debt rescheduling for a maximum of two years pursuant to Article 1343-5 of the French Civil Code (*Code civil*). (see "—*Grace periods*" above).

If an agreement is reached, under the supervision of the *conciliateur*, between the debtor and all or some of its creditors in the context of conciliation proceedings, such agreement may be either: (i) upon all parties' request, acknowledged (*constaté*) by the President of the court, or; (ii) upon the debtor's request (and provided that certain conditions are satisfied), approved (*homologué*) by the court. The performance of the agreement stops or forbids any action and pending individual proceedings by the creditors party to the agreement against the debtor to obtain the payment of such claims.

In case of recognition (*constatation*) or approval (*homologation*) of the conciliation agreement, the court can, at the request of the debtor, appoint the conciliator to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution.

The recognition (*constatation*) of the agreement by the President of the court gives immediately the agreement the legal force of a final judgment, which means that it constitutes a judicial title (*titre exécutoire*) that can be immediately enforced by the parties without further recourse to a judge, but the conciliation proceedings remain confidential.

The approval (*homologation*) of the agreement by the court will make the conciliation proceedings public and has the following specific consequences, in addition to the agreement constituting a judicial title (*titre exécutoire*):

- creditors who, in the course of conciliation proceedings or as part of the conciliation agreement, provide new money, goods or services in order to ensure the continuation of the business of the debtor (other than shareholders who provide new equity) will enjoy priority status over all pre-petition and post-petition claims (other than certain pre-petition employment claims and procedural costs) in the event of subsequent safeguard proceedings (including accelerated financial safeguard or SFA proceedings), judicial reorganization proceedings or judicial liquidation proceedings; in the event of the adoption of a safeguard plan in the context of safeguard proceedings or of a reorganization plan in the context of judicial reorganization proceedings, in either case commenced subsequently to the approval of a conciliation agreement, claims benefiting from the above priority of payment may not, without the creditor's consent, be subject to a debt reduction or to a payment deferral to a date later than the date on which the plan is adopted (whether such a debt reduction or payment deferral may be imposed by the Bondholders' General Meeting (as defined below) to bondholders having provided new money is the subject of debate); and

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date on which the debtor became cash-flow insolvent (*date de cessation des paiements*) cannot be determined by the court as having occurred earlier than the date of the approval (*homologation*) of the agreement, except in the event of fraud.

Whether the conciliation agreement is acknowledged or approved, while it is in force:

- interest accruing on the claims that are the subject of the agreement may not be compounded;
- the debtor retains the right to petition the court that commenced the conciliation proceedings for a grace period pursuant to Article 1343-5 of the French Civil Code (*Code civil*) (see "—*Grace periods*" above), in relation to claims of creditors (other than public creditors) party to the conciliation proceedings that are not already subject to the conciliation agreement, in which case the decision would be taken after having heard the conciliator (provided that the terms of his or her appointment included monitoring the implementation of the agreement); and
- a third party which had previously granted credit support (a guarantee or security interest) with respect to the debtor's obligations may benefit from the provisions of the conciliation agreement.

In case of breach of the conciliation agreement, whether such agreement has been acknowledged or approved, the court (or the President of the court if the conciliation agreement has been acknowledged) will, at the request of any party thereto, rescind the agreement. The Company retains the right to petition for debt rescheduling pursuant to article 1343-5 of the French Civil Code (*Code civil*) as described above.

***"Pre-pack" sales***

At the request of the debtor and after the participating creditors have been consulted on the matter, *mandat ad hoc* and conciliation proceedings may also be used to organize the partial or total sale of the debtor which could be implemented, as applicable, in the context of subsequent safeguard, judicial reorganization or liquidation proceedings; any offers received in this context by the *mandataire ad hoc* or conciliator may be directly submitted to the court in the context of reorganization or liquidation proceedings after consultation of the public prosecutor.

***Court-controlled pre-insolvency and insolvency proceedings***

The following French pre-insolvency and insolvency proceedings may be initiated by or against a company in France:

(i) safeguard proceedings (*procédure de sauvegarde*), if such company, while not being cash flow insolvent (*en état de cessation des paiements*), is facing difficulties which it cannot overcome;

(ii) accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) (applicable to large companies), if such company: (A) is facing difficulties which it cannot overcome; (B) has already negotiated, in the context of conciliation proceedings, a draft safeguard plan ensuring the continuation of its business as a going concern which is supported by a sufficient number of its creditors so that its adoption by the creditors' committees by a two-thirds majority (see below) will be realistic within a maximum period of three months from the opening of the accelerated safeguard proceedings; and (C) was not cash-flow insolvent for more than 45 days when it requested the opening of conciliation proceedings.

(iii) SFA proceedings, under the same conditions as those provided for accelerated safeguard proceedings above, except that in SFA proceedings the draft safeguard plan is only required to be supported by two-thirds of its financial creditors and the maximum period in which such draft safeguard plan may be adopted is one month (renewable once) from the opening of the proceedings; or

(iv) judicial reorganization (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings if such company is cash flow insolvent (*en état de cessation des paiements*).

***Safeguard proceedings***

A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, provided that it is not insolvent (*en état de cessation des paiements*). Creditors of the debtor do not attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is usually appointed to investigate the business of the debtor during an observation period, which may last up to 18 months, and to help the debtor elaborate a draft safeguard plan (*projet de plan de sauvegarde*) that it will propose to its creditors.

Creditors do not have effective control over the proceedings, which remain mainly in the hands of the debtor, assisted by the court-appointed administrator who will, in accordance with the terms of the judgment, either supervise the debtor's management ("*mission de surveillance*") or assist it ("*mission d'assistance*") and, in either case, assist the debtor in preparing a safeguard plan for the company, all under the supervision of the court.

However, in the case of large companies having creditors' committees, creditors will have the opportunity to propose alternative draft safeguard plans (see below).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the plan (debt deferrals or write-offs) prior to the plan being approved by the court.

The rules governing consultation vary according to the size of the business.

*Standard consultation:*

for debtors (a) whose accounts are not certified by statutory auditors or prepared by an independent accountant or (b) who have less than 150 employees and less than €20 million in revenue, creditors are consulted individually or collectively on the debt deferrals and write-offs proposed by the debtor.

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved do not need to be consulted.

The court that approves the safeguard plan (*plan de sauvegarde*) can impose uniform debt deferrals (*délais uniformes de paiement*) for a maximum period of 10 years on non-consenting creditors (subject to the specific regime of claims benefiting from the new money priority—see "—*Conciliation Proceedings*" above), but the court cannot impose debt write-offs or debt-for-equity swaps.

The first payment must be made within a year of the judgment adopting the plan and, from the third year onwards, the amount of each annual installment must be of at least 5% of the amount of each claim. Specific rules apply when the initial maturity of the claim is later than the date of the first anniversary of the adoption of the plan.

*Committee-based consultation:*

In the case of large companies (with more than 150 employees or revenue greater than €20 million), or with the consent of the court in the case of debtors that do not exceed the aforementioned thresholds, two creditors' committees have to be established by the court-appointed administrator on the basis of the debts that arose prior to the initial judgment:

- one for credit institutions or assimilated institutions and entities having granted credit or advances in favor of the debtor; and
- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers, and other suppliers invited to participate in such committee by the court-appointed administrator.

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes), a general meeting of all holders of such debt securities will be established irrespective of whether or not there are different issuances and of the governing law of those *obligations* (the "Bondholders' General Meeting").

The proposed plan:

- must take into account subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may provide for debt rescheduling, debt deferrals and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

The two creditors' committees must vote on the safeguard plan within 20 to 30 days of its submission by the debtor (this time period can be reduced or extended by the supervising judge, at the request of the debtor or the court-appointed administrator, but not below 15 days). Approval of the plan by each committee requires the affirmative vote of members representing at least two-thirds of the total amount of the claims held by members of such committee expressing a vote.

Each creditor member of a creditors' committee and each bondholder must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to the exercise of its vote or relating to the full or total payment of its claim by a third party, as well as of any subordination agreement. The administrator shall then submit to the creditor/bondholder a proposal for the computation of its voting rights in the creditors' committee/Bondholders' General Meeting. In the event of a disagreement, the creditor/bondholder or the administrator may request that the matter be decided by the president of the commercial court in summary proceedings.

The amounts of the claims secured by a trust (*fiducie*) constituted as a guarantee granted by the debtor are not taken into account. In addition, creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not take part in the vote.

Creditors which are members of the credit institutions' committee or the suppliers' committee may prepare an alternative safeguard plan that will also be put to the vote of the committees and of the Bondholders' General Meeting. Approval of these alternative plans is subject to the same two-thirds majority vote in each committee and in the Bondholders' General Meeting. Bondholders are not permitted to present their own alternative plan.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the Bondholders' General Meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the Bondholders' General Meeting and determination of a rescheduling of the claim of creditors that are not members of the committees or bondholders as discussed hereafter, the plan has to be approved (*arrêté*) by the court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected and that relevant shareholder consent, if any is required, has been obtained. Once approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

With respect to creditors who are not members of the committees, the standard consultation rules described above apply.

In the event that the committees and the Bondholders' General Meeting did not vote on the debtor's proposed plan within the first six months of the observation period, this six-month period may be extended by the court at the request of the court-appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process. Absent such extension, the court can still adopt a safeguard plan in the time remaining until the end of the observation period. In such a case, the standard consultation rules apply to the consultation of creditors. In particular, the court can only impose a debt rescheduling over a maximum period of 10 years (see "*Standard consultation*" above).

If the court empowers the court-appointed administrator to convene a shareholders' meeting in order to take corporate resolutions with respect to the modification of the debtor's by-laws (including modifications of its share capital) required by a safeguard plan, the court may order that, under certain conditions, the shareholders' decisions be adopted by a majority vote of the shareholders attending or represented, as long as such shareholders own at least half of the shares with voting rights.

If no plan is adopted by the committees, the court may, at the request of the debtor, the administrator, the creditors representative (*mandataire judiciaire)* or the public prosecutor, convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is obviously impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

*Specific case—Creditors that are public institutions:*

Public creditors (tax administrations and social security bodies) may agree to grant debt write-offs under conditions that are similar to those that would be granted under normal market conditions by a private economic operator placed in a similar position. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors are consulted under specific conditions, within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

If safeguard (or judicial reorganization) proceedings are commenced against the Issuer, the holders of the notes will not be members of the credit institutions' committee but will vote on any proposed draft safeguard plan as members of the Bondholders' General Meeting.

The holders of the notes could, as members of the Bondholders' General Meeting, veto a draft safeguard plan if they constitute a blocking minority (*i.e.*, their claims represent more than one-third of the claims of those creditors casting a vote in the Bondholders' General Meeting).

The French Parliament adopted a law under which the government may modify the law to replace the committee-based consultation by a consultation by class of creditors, and to introduce cross-class cram down (*i.e.*, the ability for the court to adopt a reorganization plan despite the opposition of one or several classes of creditors), in line with the Directive (EU) 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt and amending Directive (EU) 2017/1132 and dated 20 June 2019. The draft law is expected to be adopted in the near-term.

***Accelerated safeguard and accelerated financial safeguard proceedings***

A debtor in *conciliation* proceedings may request commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or SFA proceedings (*procédure de sauvegarde financière accélérée*).

The accelerated safeguard proceedings and SFA proceedings are very similar to safeguard proceedings and have been designed to "fast-track" difficulties of large companies:

- who publish consolidated accounts; or
- who publish accounts certified by an auditor or established by an independent accountant and have (i) more than 20 employees or (ii) revenue exceeding €3 million or (iii) whose total balance sheet exceeds €1.5 million.

The SFA proceedings apply only to "financial creditors" (*i.e.*, creditors that belong to the credit institutions committee and bondholders), the payment of whose debt is suspended until adoption of a plan through the SFA proceedings. As to financial creditors, the debtor will be prohibited from paying any amounts (including interests) relating to debts incurred (a) prior to the commencement of the proceedings or (b) after their commencement if not incurred for the purposes of the proceedings or the observation period or the debtor's business activities during the observation period (post-commencement non-privileged debts) that fall due during the observation period. Such amounts may be paid only after the judgment of the Commercial Court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by SFA proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

As with traditional safeguard proceedings, the plan adopted in the context of accelerated safeguard proceedings and SFA proceedings may notably provide for debt rescheduling, debt write-offs and debt-for-equity swaps.

To be eligible to accelerated safeguard proceedings and SFA proceedings, the debtor must fulfill three conditions:

- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of accelerated safeguard proceedings or SFA proceedings;
- as is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern supported by enough of its creditors to render likely its adoption by a two-thirds majority of its creditors making up the creditors' committees and of its bondholders within a maximum of three months following the commencement of the proceedings in the case of accelerated safeguard proceedings, and of one month following the commencement of the proceedings in the case of SFA proceedings (that can be extended by a maximum of an additional month).

If a plan is not adopted by the creditors and approved by the court within such deadlines, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committees process.

The list of claims of creditors party to the *conciliation* proceeding shall be drawn up by the debtor and certified by the statutory auditor and shall be deemed to constitute the filing of such claims for the purpose of the accelerated safeguard proceedings or, as applicable, SFA proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

***Judicial reorganization or liquidation proceedings***

Judicial reorganization (*redressement judiciaire*) or liquidation proceedings (*liquidation judiciaire*) may be initiated against or by a debtor only if it is insolvent (*en cessation des paiements*) and, with respect to liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for insolvency proceedings (or for conciliation proceedings, as discussed above) within 45 days of becoming insolvent. If it does not, *de jure* managers (including directors) and, as the case may be, *de facto* managers may be exposed to civil liability.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate.

In the event of judicial reorganization proceedings, an administrator is usually appointed by the court (*administrateur judiciaire*) to assist the management and to investigate the business of the debtor during the observation period and make proposals for the reorganization of the debtor, which proposals may include a reorganization plan and / or the sale of all or part of the debtor's business to a third party. The court may also decide that the administrator will take over the management and control of the debtor.

Creditors' committees and the Bondholders' General Meeting are created in judicial reorganization proceedings and vote under the same conditions as in safeguard proceedings (see above).

In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L.626-3 of the French Commercial Code (*Code de commerce*), the administrator may appoint an agent (*mandataire*) to convene a shareholders' meeting and to vote on behalf of the shareholders which refuse to vote in favor of such a resolution if the draft restructuring plan provides for a modification of the share capital to the benefit of a third-party undertaking to comply with the reorganization plan.

In addition, Law No. 2015-990 dated August 6, 2015 (known as "*loi Macron*") has introduced a new provision (Article L. 631-19-2 of the French Commercial Code (*Code de commerce*)) applicable to reorganization proceedings opened on or after August 7, 2015 in the cases where (i) a debtor (a) employs more than 150 employees or (b) controls one or more companies employing together 150 employees, (ii) the disappearance of such debtor is likely to cause serious disturbance to the national or local economy and to local employment, (iii) a share capital modification appears—after review of total or partial disposal plan solutions—the only credible solution to avoid such a disturbance and to allow the debtor's business activities to continue and (iv) at least 3 months have elapsed from the court decision commencing the proceedings. In summary, if, in such event, a reorganization plan provides for a modification of the share capital in favor of one or more person(s) who undertake to execute the plan (*e.g.*, the new majority shareholders) and the existing shareholders refuse to vote such share capital modification, the court may, under certain procedural and substantial conditions and upon request of the court appointed administrator or the public prosecutor, either (a) appoint an agent (*mandataire de justice*) to vote in favor of the share capital increase in place of the dissenting shareholders or (b) order, in favor of the person(s) who have undertaken to execute the plan, the transfer of all or part of the shares owned by the dissenting shareholders who own (directly or indirectly and including as a result of an agreement with other shareholders) a majority of voting rights or hold a blocking minority in the company. Any approval clause is deemed null and void. The minority shareholders have the right to withdraw from the company and request that their shares be purchased by the transferees. In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by a court-designated expert designated by the court in summary proceedings. In either (a) or (b) above, the reorganization plan shall be subject to the undertaking of the subscribers or the transferees to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

If the proposed reorganization plans are manifestly not likely to ensure that the company will recover or if no reorganization plan is proposed, the court, upon the request of the administrator, can order the total or partial sale of the business under a sale plan (*plan de cession*).

At any time during the observation period, the court can order the liquidation of the debtor if its recovery has become obviously impossible.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, who is generally the former creditors' representative (*mandataire judiciaire*). There is no observation period in judicial liquidation proceedings and no maximum time period is provided by law to limit the duration of the judicial liquidation process. As a result of the judgment ordering judicial liquidation, the management of the debtor is removed, and the liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities in accordance with the creditors' ranking).

The outcome of such proceedings, which is decided by the court without a vote of the creditors, may be a sale of the business (*plan de cession*) or a sale of the individual assets of the debtor. If a plan for the sale of the business is considered, the court will usually authorize a temporary continuation of the business for a maximum of three months (renewable once), and appoint an administrator (*administrateur judiciaire*) to manage the debtor and organize such sale.

When either (i) no due liabilities remain, or (ii) the liquidator has sufficient funds to pay off all the creditors (*extinction du passif*), or (iii) continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*), the court terminates the proceedings.

The court may also terminate the proceedings when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets. The court may also appoint a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

***Void or voidable transactions upon insolvency proceedings***

The insolvency date (*date de cessation des paiements*) is deemed to be the date of the court decision opening the judicial reorganization or judicial liquidation proceedings unless determined otherwise by the court which may determine that the date when the debtor became insolvent occurred up to 18 months prior to the court decision opening the proceedings. Except in the case of fraud, the date of insolvency may not be set at a date earlier than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see above). The date when the debtor became insolvent is important because it marks the beginning of the "hardening period" (*période suspecte*), being the period between the date of insolvency and the court decision commencing the proceedings. Certain transactions entered into by the debtor during the hardening period are, by law, void or voidable.

Void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include notably transfers of assets for no, or nominal, consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business, security granted for debts previously incurred, and provisional measures, unless the right of attachment or seizure predates the date of cash flow insolvency, share options granted or sold during the hardening period, the transfer of any assets or rights to a trust estate (*patrimoine fiduciaire*) (unless such transfer is made as a security for debt incurred at the same time), and any amendment to a trust arrangement relating to assets or rights already transferred to a trust estate (*patrimoine fiduciaire*) as security for debts previously incurred. A declaration of non-seizability (*déclaration d'insaisissabilité*) that occurred during the hardening period also qualifies as such a "void transaction."

Voidable transactions include (i) transactions for consideration (*actes à titre onéreux*), (ii) payments made on due debts or (iii) certain attachment measures (notices of attachments to third parties (*avis à tiers détenteur*), seizures (*saisie-attribution*), and oppositions), in each case, if such actions are taken after the debtor was insolvent and the party dealing with the debtor knew that the debtor was insolvent. Transactions relating to the transfer of assets for no consideration are also voidable when carried out during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to the opening of safeguard, accelerated safeguard or SFA proceedings.

***Status of creditors during safeguard, accelerated safeguard, SFA proceedings, judicial reorganization or judicial liquidation proceedings.***

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of insolvency proceedings must file a proof of claim (*déclaration de créances*) with the creditors' representative within two months of the publication of the court decision in the *Bulletin Officiel des annonces civiles et commerciales*; this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are, except with respect to very limited exceptions, precluded from receiving distributions made in connection with the insolvency proceedings. Employees are not subject to such limitations and are preferential creditors under French law. By exception, the proof of claim filing process for the creditors that participated in the conciliation proceedings is simplified in accelerated safeguard and SFA proceedings. The debtor draws a list of the claims of its creditors having participated in the conciliation proceedings, which is certified by its statutory auditors (failing which, its accountant). Although such creditors may file proofs of claims as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth in the list prepared by the debtor (within the above two- or four-months' time limit). Those creditors who did not take part in the conciliation proceedings (but who would belong to the committee or the Bondholders' General Meeting) would have to file their proofs of claims within the aforementioned deadlines.

- From the date of the court decision commencing the insolvency proceedings,
- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year; interest resulting from the latter can no longer be compounded;
- the debtor is prohibited from paying debts which arose prior to this date, subject to specified exceptions which essentially cover the set-off of related debts and payments authorized by the supervising judge to recover assets that are necessary for the continued operation of the business;
- the debtor is prohibited from paying debts arising after the commencement of the proceedings and which relate to expenses that are not necessary for the purposes of the proceedings or the observation period or the debtor's business activities during the observation period (post-commencement non-privileged debts);
- creditors are prevented from initiating or continuing any individual legal action against the debtor with respect to any pre-petition claim or post-petition non-privileged claim if the objective of such legal action is:
    - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due); or
    - to terminate or cancel a contract for non-payment of amounts owed by the debtor;
- creditors are prohibited to initiate or to continue any action against the debtor's assets, including enforcing security interests except (i) in judicial liquidation proceedings, by way of judicial foreclosure

(*attribution judiciaire*) of the pledged assets or (ii) where such asset—whether tangible or intangible, movable or immovable—is located in another Member State, in which case the rights *in rem* of creditors thereon, provided no secondary proceedings are open in such Member State, would not be affected by the insolvency proceedings, in accordance with the terms of article 8 of European Parliament and Council (EU) n°2015/848 Regulation on insolvency proceedings (recast) dated May 20, 2015.

In the context of SFA proceedings, the above rules would only apply to the creditors that are subject to the SFA proceedings (*i.e.*, credit institutions and assimilated financial institutions and bondholders which are eligible to vote on the draft safeguard plan). They would not apply to other creditors, such as suppliers, whose claims, including those that arose prior to commencement of the proceedings, should be paid in the ordinary course of business.

During safeguard, accelerated safeguard, SFA and judicial reorganization proceedings, contractual provisions such as those contained in the indentures that would accelerate the payment of the debtor's obligations upon the occurrence of certain insolvency events are not enforceable under French law. The opening of liquidation proceedings does, however, automatically accelerate the maturity of all of the debtor's obligations, unless the court allows the business to continue for a period of no more than three months (renewable once) if it considers that a sale of part or all of the business is possible. In this case, the debtor's obligations are deemed mature on the day the court approves the sale of the business or terminates this temporary continuation of the business.

As from the court decision commencing the proceedings, accrued interest can no longer be compounded.

The administrator may also request the termination (except for employment contracts) or, provided that the debtor fully performs its post-petition contractual obligations, continuation of on-going contracts (*contrats en cours*). However, as from the court decision commencing the proceedings, in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrat en cours*) will be required.

If the court adopts a safeguard plan or a reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period (which cannot exceed the duration of the plan) during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

As soon as insolvency proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

If the court adopts a plan for the sale of the business (*plan de cession*), the court can set a time period during which the assets that it deems necessary for the continuation of the business of the debtor may not be sold without its consent. The proceeds of the sale will be allocated for the repayment of the creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of selling the assets of the company and settling the relevant debts in accordance with their ranking.

French insolvency law assigns priority to the payment of certain preferential creditors, including employees, post-petition legal costs (essentially fees of the officials appointed by the court), creditors who, as part of an approved conciliation agreement, would have provided new money or goods or services, certain pre-petition secured creditors in the event of liquidation proceedings only, post-petition creditors, and the French Treasury, over other pre-petition secured creditors and pre-petition unsecured creditors.

***Creditors' liability***

Pursuant to article L. 650-1 of the French Commercial Code (*Code de commerce*), where insolvency proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor if the granting of such facilities was wrongful, in the case of (i) fraud; (ii) wrongful interference with the management of the debtor; or (iii) the security or guarantees obtained for the facilities are disproportionate to such facilities. In addition, any security or guarantees obtained for the facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

*Fraudulent conveyance*

French law contains specific, "*action paulienne*" provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third party's obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant debtor by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or reorganization plan (*commissaire à l'exécution du plan*) insolvency proceedings of the relevant debtor, or by any of the creditors of the relevant debtor outside the insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if: (i) the debtor performed such act without an obligation to do so; (ii) the relevant creditor or (in the case of the debtor's insolvency proceedings) any creditor was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (*à titre gratuit*), no such knowledge of the counterparty is necessary). If a court found that the issuance of the notes involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the notes could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the notes may not enjoy the benefit of the notes and the value of any consideration that holders of the notes received with respect to the notes could also be subject to recovery from the holders of the notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the notes might be held liable for any damages incurred by prejudiced creditors of the Issuer as a result of the fraudulent conveyance.

***A trading market for the notes may not develop, in which case you may not be able to resell the notes.***

There is no established trading market for the notes and a liquid trading market may not develop for the notes. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Professional Segment of the Euro MTF market. We cannot guarantee that the application we made to the Official List of the Luxembourg Stock Exchange for the notes to be listed and admitted to trading on the Professional Segment of the Euro MTF market of the Luxembourg Stock Exchange will be approved as of the Issue Date or at any time thereafter, and settlement of the notes is not conditioned upon obtaining or maintaining this admission to trading. The liquidity of any market for the notes will depend upon the number of holders of the notes, our performance, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. While the Initial Purchasers have informed us that they currently intend to make a market in the notes, they have no obligation to do so and could discontinue market-making activities in their sole discretion at any time without notice.

***The trading price of the notes could be volatile.***

Historically, the markets for non-investment grade debt securities such as the notes have been subject to disruptions that have caused substantial price volatility. The market, if any, for the notes could be subject to similar disruptions and volatility, and these disruptions could have an adverse effect on the holders of the notes. In addition, subsequent to their initial issuance, the notes could trade at a discount from the initial offering price of the notes depending on the prevailing interest rates, the market for similar notes, our performance and other factors, many of which are beyond our control.

***Changes in respect of the public debt ratings of the notes could materially and adversely affect the availability and the cost and terms and conditions of our debt.***

The notes will be, and any of our future debt instruments could be, publicly rated. These public debt ratings affect our ability to raise debt. Any future downgrading of the rating of the notes or any other debt instruments we could have at such time could affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the notes.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant.

***If the notes are rated investment grade by at least two of S&P's, Moody's and Fitch, certain covenants contained in the Indenture governing the notes will be suspended, and you will lose the protection of these covenants unless or until the notes subsequently fall back below investment grade.***

The Indenture governing the notes contains certain covenants that will be suspended for so long as the notes are rated investment grade by at least two of S & P's, Moody's and Fitch. These covenants include:

- Limitation on Debt;
- Limitation on Restricted Payments;
- Limitation on Transactions with Affiliates;
- Limitation on Sale of Certain Assets;
- Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries;
- Certain provisions on Designation of Unrestricted and Restricted Subsidiaries;
- Limitation on Lines of Business; and
- Certain provisions on Consolidation, Merger and Sale of Assets.

As a result, we will be able to incur additional indebtedness and consummate transactions that could impair our ability to satisfy our obligations with respect to the notes. In addition, we will not have to make certain offers to repurchase the notes. These covenants will only be restored if the credit ratings later assigned to the notes later fall below investment grade. See "*Description of Notes—Suspension of Covenants Following Achievement of Investment Grade Rating*." Any actions taken during the period of suspension will remain in effect despite such a restoration of the covenants.

***The notes will be held in book-entry form and therefore you must rely on the procedures of Euroclear and Clearstream to exercise any rights and remedies.***

The notes will be issued in fully registered form. The notes will be deposited, on the closing date, with or on behalf of a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Ownership of beneficial interests in the global notes (the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Owners of beneficial interests in the global notes will not be entitled to receive definitive notes in registered form, except under the limited circumstances described in "*Book-Entry, Delivery and Form—Issuance of Definitive Registered Notes*." So long as the notes are held in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of global notes. The common depositary for Euroclear and/or Clearstream or its nominee will be considered the sole holders of global notes.

Payments of any amounts owing in respect of the global notes (including principal, premium, interest and additional amounts, if any) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and Clearstream. The common depositary or its nominee will in turn distribute such payments to participants in accordance with its procedures. After payment to the common depositary or its nominee for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the holders of Book-Entry Interests. Accordingly, if you hold a Book-Entry Interest, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you hold your interest, to exercise any rights and obligations of a holder of notes under the Indenture governing the notes.

Unlike the holders of the notes themselves, holders of Book-Entry Interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the notes. Instead, if you hold a Book-Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture governing the notes, unless and until definitive registered notes are issued in respect of all Book-Entry Interests, if you hold a Book-Entry Interest, you will be restricted to acting through Euroclear or Clearstream. The procedures to be implemented through Euroclear or Clearstream may not be adequate to ensure the timely exercise of rights under the notes.

***You could face foreign exchange risks or adverse tax consequences by investing in the notes.***

The notes will be denominated and payable in euros. If you measure your investment returns by reference to a currency other than the currency in which your notes are denominated, an investment in the notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the notes below their stated coupon rates and could result in a loss to you when the return on the notes is translated into the currency by reference to which you measure the return on your investments. Investment in the notes could also have important tax consequences as a result of any foreign currency exchange gains or losses. See "*Certain Tax Considerations.*"

***Purchasers and sellers of the notes may be subject to taxation.***

Potential purchasers and sellers of the notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for the tax treatment of financial instruments such as the notes. Potential investors cannot rely upon the tax summary contained in these listing particulars but should ask for their own tax advisor's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the notes. Only such advisor is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of these listing particulars.

***Changes in tax laws or challenges to our tax position could adversely affect our results and financial condition.***

As an international group operating in multiple jurisdictions, we are subject to complex tax laws in each of the jurisdictions in which we operate. Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. Since tax laws and regulations in the various jurisdictions in which our companies are located or operate or may be located or operate may not always provide clear-cut or definitive guidelines, the tax regime applied to our operations, intra-group transactions or reorganizations (past or future) is or may sometimes be based on our interpretations of French or foreign tax laws and regulations. We cannot guarantee that such interpretations will not be questioned by the relevant tax authorities. Furthermore, tax laws and regulations may change, and there may be changes in their interpretation and application by the relevant authorities, especially in the context of international and European initiatives (*e.g.*, OECD, G-20, EU, including the initiatives of the European Commission and the OECD base erosion and profit shifting initiative). More generally, any failure to comply with the tax laws or regulations of the countries in which our companies are located or operate may result in reassessments, late payment interests, fines and penalties. The occurrence of any of the foregoing factors may result in an increase in our tax burden and have a material adverse effect on our business, results and / or financial condition.

***The notes are being issued with original issue discount for U.S. federal income tax purposes.***

The notes are being issued with OID for U.S. federal income tax purposes in an amount equal to the excess of their stated redemption price at maturity over their issue price. Accordingly, U.S. holders generally will be subject to special tax accounting rules, including being required to include OID in gross income, as ordinary income, as it accrues under a "constant-yield method," before the receipt of cash attributable to such income, and regardless of such U.S. holder's regular method of accounting for U.S. federal income tax purposes. OID generally will be accrued in euro and translated into dollars at the average exchange rate in effect during the interest accrual period (or portion thereof within your taxable year). U.S holders generally will recognize foreign currency gain or loss to the extent the amount accrued differs from the U.S. dollar value of the euro amounts when received. See "*Certain Tax Considerations—U.S. Federal Income Tax Considerations—Original Issue Discount*" in these listing particulars for the consequences associated with subscribing for, purchasing, holding and disposing of the notes.

***Transactions in the notes could be subject to the European financial transaction tax, if adopted.***

On February 14, 2013, the European Commission published a proposal for a Directive (the "Commission's Proposal") for a common financial transaction tax (the "FTT") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain (the "Participating Member States") and which, if enacted, could apply under certain circumstances, to transactions involving the notes. The issuance and subscription of notes should be exempt. Estonia has officially announced its withdrawal from the negotiations.

The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the notes would be subject to higher costs, and the liquidity of the market for the notes may be diminished.

Following the lack of consensus in the negotiations on the European Commission's Proposal, the Participating Member States (excluding Estonia which withdrew) have agreed to continue negotiations on a new proposal based on the French model of the tax which would only concern listed shares of EU companies whose market capitalization exceeds €1 billion as of December 1 of the year preceding the taxation year. According to this new proposal, the applicable tax rate would be at least 0.2%. Primary market transactions should be exempt. However, this new proposal could be subject to changes before any implementation, the timing of which remains uncertain.

Other Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw (in addition to Estonia which already withdrew).

Prospective holders of the notes are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the notes.

***Transfer of the notes will be restricted, which could adversely affect the value of the notes.***

The notes have not been and will not be registered under the Securities Act or any U.S. securities laws and we have not undertaken to effect any exchange offer for the notes in the future. You may not offer the notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The notes and the Indenture will contain provisions that will restrict the notes from being offered, sold or otherwise transferred except pursuant to the exemption available pursuant to Rule 144A or other exceptions under the Securities Act, or in transactions not subject to the registration requirements of the Securities Act pursuant to Regulation S. Furthermore, we have not registered the notes under any other country's securities laws. These restrictions may limit your ability to resell the notes. It is your obligation to ensure that your offers and sales of the notes within the United States and other countries comply with applicable securities laws. See "*Notice to Investors*" and "*Plan of Distribution*."

## DESCRIPTION OF THE ISSUER

### The Issuer

The Issuer is a corporation (*société anonyme*) organized under the laws of France with its principal executive registered offices at Boulevard Jacques Saadé, 4 Quai d'Arenc, 13002 Marseilles, France. The Issuer was registered on July 12, 1977 with the Trade and Companies Registry (*Registre du Commerce et des Sociétés*) of Marseille under number 562 024 422.

Pursuant to Article 3 of the Issuer's bylaws, the Issuer's corporate purpose is to carry out any activities relating to any maritime transport, construction, purchasing, sales, repair, fitting out, vessel chartering, handling, warehouse operations, purchasing and sales of goods, port and rail services, marine resources exploitation and any tourist and hotel activities. The Issuer may also carry out maritime postal services, invest, by any means, in any transactions relating to its corporate purpose, whether by incorporating new companies, subscribing to or purchasing shares or securities, merging or otherwise, and carry out any transport activities of any kind and any commercial, industrial, real estate, movable and financial activities relating to, directly or indirectly, its corporate purpose, which may promote its extension or development.

### Our Main Subsidiaries

#### *CEVA Logistics A.G.*

CEVA is a stock corporation organized under the laws of Switzerland with a share capital of CHF 525,565,797 and registered at Suurstoffi 39, 6343 Rotkreuz, Switzerland. CEVA is a holding company of a group which provides logistics services. The Issuer directly owns 99.94% of CEVA. The remaining 0.05% is held by the Issuer's wholly owned subsidiary, CMA CGM Participations and the balance 0.01% by CEVA as treasury shares. For the year ended December 31, 2019, CEVA recorded on a standalone basis $166 million of loss out of ordinary activities. As of December 31, 2019, the reserves of CEVA amounted to $717 million and the net outstanding amount owed by CEVA to the Issuer was $274 million.

#### *Neptune Orient Lines Limited (being renamed CMA CGM Asia Pacific Ltd)*

NOL, renamed CMA CGM Asia Pacific Ltd. as from October 1, 2020, is a public company limited by shares organized under the laws of Singapore with a share capital of SG$6,378.6 million and its principal executive registered office is located at 9, North Buona Vista Drive, #14-01, The Metropolis (Tower 1), Singapore 138588, Singapore. NOL's principal activities are those of investment holding, as well as participation in ventures related to such activities and the principal activities of its subsidiaries. For the year ended December 31, 2019, NOL recorded $13.5 million of loss arising out of ordinary activities. As of December 31, 2019, the reserves of NOL amounted to $2,001.5 million and the net outstanding amount owed to NOL by the Issuer was $572.8 million. As of July 22, 2020, following a capital increase of NOL, NOL's reserves amounted to $2,011.6 million and the net outstanding amount owed to NOL by the Issuer was $900.6 million.

#### *NOL Liner (Pte.) Ltd. (being renamed CMA CGM Asia Pacific Liner Pte. Ltd.)*

NOL Liner, renamed CMA CGM Asia Pacific Liner Pte. Ltd. as from October 1, 2020, is a private company limited by shares organized under the laws of Singapore with a share capital of $5,377.7 million and its principal executive registered office is located at 9, North Buona Vista Drive, #14-01, The Metropolis (Tower 1), Singapore 138588, Singapore. NOL Liner owns and charters vessels operated by its related entities and subsidiaries. NOL Liner is a wholly owned subsidiary of NOL. For the year ended December 31, 2019, NOL Liner recorded $116.4 million of loss arising out of ordinary activities. As of December 31, 2019, the reserves of NOL Liner amounted to $618.8 million and the net outstanding amount owed to NOL Liner by the Issuer was $1,106.9 million. As of July 22, 2020, following a capital increase of NOL Liner, NOL Liner's reserves amounted to $674.6 million and the net outstanding amount owed to NOL Liner by the Issuer was $926.4 million.

#### *APL Co. Pte Ltd (being renamed CMA CGM Asia Shipping Private Ltd.)*

APL Co, to be renamed CMA CGM Asia Shipping Private Ltd. as from December 1, 2020, is a private company limited by shares organized under the laws of Singapore with a share capital of SG$2,932.7 million and its principal executive registered office is located at 9, North Buona Vista Drive, #14-01, The Metropolis (Tower 1), Singapore 138588, Singapore. APL Co. provides container shipping services, especially on the intra-Asia short-sea market. APL Co. is a wholly owned subsidiary of NOL Liner. For the year ended December 31, 2019, $351.1 million of loss arising out of ordinary activities was recorded by APL Co. As of December 31, 2019, the negative reserves of APL Co amounted to $5,164.9 million and the net outstanding amount owed by APL Co. to the Issuer was $901.2 million.

## USE OF PROCEEDS

The aggregate net proceeds from the offering of the notes will be $575.2 million (using the Company's consolidated balance sheet exchange rate of $1.00 = €0.89302 as of June 30, 2020), reflecting an issuance price of 97.848%. We expect to use the net proceeds from the offering, together with available cash on hand, to redeem the 2021 Senior Notes in full at 100% of the outstanding principal amount thereof, plus accrued interest thereon to the date of redemption, and to pay fees and expenses in connection with the offering.

| **Sources of Funds** | | **Uses of Funds** | |
|---|---|---|---|
| *($ million)*[1] | | *($ million)*[1] | |
| Notes offered hereby | 575.2 | Redemption of the 2021 Senior Notes[3] | 587.9 |
| Cash on hand[2] | 33.6 | Accrued interest[4] | 12.3 |
| | | Estimated fees and expenses[5] | 8.6 |
| **Total sources** | 608.8 | **Total uses** | 608.8 |

(1) U.S. dollar equivalents of euro-denominated amounts are translated at an exchange rate of $1.00 = €0.89302 (the exchange rate used in our consolidated balance sheet as of June 30, 2020).

(2) Represents the available cash on hand that we expect to use to pay accrued interest on the 2021 Senior Notes through the redemption date and pay Initial Purchasers' fees and other fees and expenses due in connection with the offering of the notes.

(3) The 2021 Senior Notes were issued in an aggregate principal amount of €725.0 million on June 8 and June 12, 2015, and were partially redeemed in an aggregate principal amount of €200.0 million, at a redemption price of 100% of the principal amount thereof plus accrued interest, on June 19, 2020. We intend to deposit the corresponding amount with the Trustee on the Closing Date. The redemption of the 2021 Senior Notes is expected to be effected on October 22, 2020, pursuant to a conditional redemption notice mailed to holders of the 2021 Senior Notes on October 12, 2020.

(4) Accrued interest with respect to the 2021 Senior Notes to the date of redemption (assuming redemption on October 22, 2020). The 2021 Senior Notes accrue interest at a rate of 7.750% per annum.

(5) Represents our estimate of fees and expenses in connection with or otherwise related to the offering of the notes, including Initial Purchasers' fees, accounting and legal fees and other transaction costs. Actual fees and expenses may differ from these estimates.

## CAPITALIZATION

The following table sets forth our cash, cash equivalents, securities and LTV deposits and consolidated capitalization as of June 30, 2020 on an actual basis, on an "as adjusted" basis (giving effect to (A) the repayment of the outstanding amount under the CEVA €297 million senior bridge facility in July 2020, (B) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020, (C) the termination of, and repayment in full of the outstanding amount due under CEVA's former U.S. and Australian securitization programs in August 2020 and (D) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on June 30, 2020) and on an "as further adjusted" basis giving further effect to (E) the issuance of the notes offered hereby and the use of the net proceeds therefrom for the full redemption of the 2021 Senior Notes (see "*Use of Proceeds*"), as if such events had occurred on June 30, 2020). The indebtedness figures set forth below are based on the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements (adjusted as mentioned above). As such, the figures reflect certain accounting adjustments that will cause them to differ from the outstanding nominal amount of such indebtedness, including in particular netting of certain transaction costs in accordance with IFRS, amortization, fair value adjustments as part of the purchase price allocation in connection with the acquisition of NOL. You should read this table in conjunction with the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, together with the related notes thereto, included elsewhere in these listing particulars, as well as "*Summary Financial and Operating Information,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements,*" and "*Use of Proceeds*." U.S. dollar equivalents of euro-denominated and Singapore-dollar-denominated amounts have been converted using the Company's balance sheet exchange rates of $1.00 = €0.89302 and $1.00 = SG$1.39739, respectively, as of June 30, 2020.

| | As of June 30, 2020 | | |
|---|---|---|---|
| | **Actual** | **As adjusted** | **As further adjusted** |
| | | *(in $ millions)* | |
| **Cash, cash equivalents, securities and LTV deposits** | **2,511.0**(1) | **2,000.1**(2) | **1,966.5**(3) |
| Senior Notes | | | |
| CMA CGM Senior Notes | | | |
| 2021 Senior Notes | 584.4 | 584.4 | — (4) |
| 2022 Senior Notes | 722.8 | 722.8 | 722.8 |
| 2025 Senior Notes | 837.5 | 837.5 | 837.5 |
| Notes offered hereby | — | — | 566.6(5) |
| NOL Senior Notes | | | |
| NOL 2020 Senior Notes | 197.7 | — (6) | — |
| NOL 2021 Senior Notes | 202.5 | 202.5 | 202.5 |
| APL 2024 Senior Notes | 94.8 | 94.8 | 94.8 |
| Bank debt | | | |
| CMA sub-group (excluding NOL and CEVA) | 3,823.0(7) | 3,823.0 | 3,823.0 |
| NOL sub-group | 1,021.7(8) | 1,021.7 | 1,021.7 |
| CEVA sub-group | 1,194.1(9) | 863.9(10) | 863.9 |
| Bank overdrafts | 55.3 | 55.3 | 55.3 |
| Securitization programs | | | |
| CMA CGM Securitization Program | 1,161.4(11) | 1,161.4 | 1,161.4 |
| NOL Securitization Program | 353.3 (12) | 353.3 | 353.3 |
| CEVA Securitization Programs | 313.9 (13) | 346.4 (14) | 346.4 |
| Other financial debt | 321.6(15) | 321.6 | 321.6 |
| Bonds redeemable in shares | 8.6 (16) | 8.6 | 8.6 |
| ***Total financial debt excluding lease liabilities*** | ***10,892.4*** | ***10,397.1*** | ***10,379.3*** |
| Lease liabilities under IFRS 16 | | | |
| CMA sub-group (excluding NOL and CEVA) | 6,138.9(17) | 6,138.9 | 6,138.9 |
| NOL sub-group | 1,054.5(18) | 1,054.5 | 1,054.5 |
| CEVA sub-group | 1,233.4(19) | 1,233.4 | 1,233.4 |
| **Total financial debt including lease liabilities** | **19,319.2** | **18,823.9** | **18,806.1** |
| Equity attributable to owners of the parent company | 5,109.8(20) | 5,099.9 | 5,084.1 |
| Non-controlling interests | 54.6 | 54.6 | 54.6 |
| **Total equity** | **5,164.5**(20) | **5,154.5** | **5,138.7** |
| **Total capitalization** | **24,483.7** | **23,978.4** | **23,944.8** |

(1) Composed of $2,488.6 million of cash and cash equivalents (of which $260.9 million was restricted cash and $369.3 million was cash equivalents), $22.3 million of securities and $0.0 million of LTV deposits.

(2) As adjusted to give effect to (i) $210.1 million in cash expenditures in connection with repayment in full of the NOL 2020 Senior Notes (including accrued interests, purchase price allocation effect and associated swap settlement); (ii) $333.3 million in cash expenditures in connection with the repayment of the CEVA bridge facility; (iii) $178.8 million in cash expenditures in connection with the termination and repayment in full of CEVA's former U.S. and Australian securitization programs and (iv) $211.4 million of proceeds from the sale of CEVA's U.S. trade receivables under CEVA global securitization program following accession of CEVA's U.S. subsidiaries to the global securitization program in September 2020.

(3) As further adjusted to give effect to (i) $566.6 million in expected net proceeds from the issuance of the notes offered hereby, representing gross proceeds less original issue discount and estimated fees and expenses and (ii) $587.9 million in expected cash expenditures in connection with the redemption in full of the 2021 Senior Notes at 100% of the outstanding principal amount thereof plus $12.3 million of accrued interest to the date of redemption (assuming redemption on October 22, 2020).

(4) We expect to use the net proceeds of the notes offered hereby to redeem the 2021 Senior Notes in full. See "*Use of Proceeds*."

(5) Reflects the net proceeds of the issuance of the notes offered hereby at an issuance price of 97.848%, less estimated fees and expenses of $8.6 million.

(6) Reflects the repayment in full of the NOL 2020 Senior Notes on September 9, 2020.

(7) Represents the aggregate amount outstanding under the CMA sub-group's bank borrowings (*i.e.*, excluding bank borrowings from NOL, CEVA and their subsidiaries). This includes mainly (i) $1,403.1 million outstanding in respect of 39 vessels under mortgage loan facilities (including French tax leases treated as financial liabilities under IFRS 9) incurred by the Company, (ii) $801.1 million outstanding in respect of 26 vessels under mortgage loan facilities incurred by wholly owned special-purpose vehicles incorporated to acquire these vessels (the Company acts as guarantor of the special-purpose vehicles' obligations under these facilities), (iii) $136.2 million outstanding in respect of 6 vessels under mortgage loan facilities incurred by operating subsidiaries, (iv) $1,172.3 million outstanding in respect of the €1.05 billion facility agreement partially guaranteed by the French state, (v) $163.0 million outstanding in respect of a facility agreement to finance the acquisition (and installation) of scrubbers on certain of our vessels, (vi) $5 million corresponding to debt issuance costs not yet amortized in respect of the up to $500 million unsecured revolving credit facility renewed in March 2020, and (vii) $91.0 million outstanding in respect of financing of CMA CGM's headquarters in Marseille through SCI Tour d'Arenc, which acts as borrower under a mortgage-backed term loan facility granted by a consortium of banks.

(8) Represents the aggregate amount outstanding under the NOL sub-group's bank borrowings. This includes mainly (i) $474.9 million outstanding in respect of 11 vessels under mortgage facility agreements entered into by NOL Liner as acceding borrower (obligations under these facilities, including repayment obligations, are guaranteed by NOL), and (ii) $546.7 million outstanding in respect of secured revolving credit facilities granted to NOL and NOL Liner by financial institutions for general corporate purposes (repayment obligations under these facilities are guaranteed by CMA CGM and NOL, respectively).

(9) Represents the aggregate amount outstanding under the CEVA sub-group's bank borrowings. This includes mainly (i) $390.9 million outstanding under a $585.0 million revolving credit facility of August 2018, (ii) $457.5 million outstanding under a $475.0 term loan B facility of February 2019, and (iii) $330.2 million outstanding under a €297 million bridge facility of July 2019—which has been repaid in full in July 2020.

(10) Reflects the repayment in full in July 2020 of the $330.2 million outstanding under a €297 million bridge facility of July 2019.

(11) Represents outstanding amount under the CMA CGM securitization program, pursuant to which certain receivables of the Company and certain of its subsidiaries are assigned to CMA CGM & ANL Securities B.V., as securitization issuer.

(12) Represents outstanding amount under the NOL securitization program, pursuant to which certain subsidiaries of NOL, as originators, have agreed to sell, and APL Securities S.à r.l., an ad hoc SPV owned by NOL and acting as securitization issuer, has agreed to purchase, eligible freight receivables.

(13) Represents the aggregate outstanding amount under CEVA's global securitization program, CEVA's U.S. securitization program and CEVA's Australian securitization program pursuant to which a number of European, U.S. and Australian subsidiaries of CEVA, acting as originators, have agreed to sell on a daily basis their receivables to securitization issuers.

(14) Reflects (i) termination of, and repayment in full of the outstanding amounts due under CEVA's Australian and U.S. securitization programs in August 2020 and (ii) drawdowns for $211.4 million under CEVA's global securitization program in September 2020 following accession of certain of CEVA's U.S. subsidiaries to the program as sellers.

(15) Includes $111.9 million outstanding in respect of a $125 million unsecured short-term loan facility agreement entered into on March 22, 2019 for general corporate purposes and investments in sub-Saharan African jurisdictions.

(16) Represents $8.6 million outstanding in respect of the BPI ORA that are accounted for as financial debt in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

(17) Represents the aggregate amount outstanding (including accrued but unpaid interest as of June 30, 2020) under the CMA sub-group's lease liabilities (*i.e.*, excluding lease liabilities from NOL, CEVA and their subsidiaries) with respect to vessels, containers and IT. This includes mainly (i) an aggregate of $3,611.5 million outstanding in respect of 147 vessels, (ii) an aggregate of $2,353.9 million outstanding in respect of container leases, and (iii) an aggregate of $173.6 million outstanding in respect of other operational leases.

(18) Represents the aggregate amount outstanding under the NOL sub-group's lease liabilities. This includes (i) an aggregate of $220.1 million outstanding in respect of 10 vessels (including four Post Panamax vessels) that NOL Liner has financed through financing lease agreements, (ii) an aggregate amount of $728.2 million outstanding under operational lease agreements entered into by NOL Liner with respect to 21 vessels and (iii) an aggregate of $106.2 million outstanding in respect of financing lease agreements with respect to equipment.

(19) Represents the aggregate amount outstanding under the CEVA sub-group's lease liabilities with respect to real estate leases.

(20) Includes $56.5 million outstanding in respect of the BPI ORA that are accounted for as equity in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

## SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables present selected consolidated financial information of the Company, at the dates and for the periods indicated. The selected consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019 is derived from the CMA CGM Audited Consolidated Financial Statements. The selected consolidated financial information as of and for the six-month periods ended June 30, 2019 and 2020 is derived from the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements. Free English language translations of the CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements are included elsewhere in these listing particulars.

As from January 1, 2019, we have adopted IFRS 16 using the modified retrospective transition method. See "*Presentation of Financial and Other Data,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Recently Issued Accounting Pronouncements,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information; Comparability of Information*" and Note 2.2 to the 2019 CMA CGM Audited Consolidated Financial Statements. On January 4, 2019, we acquired control of CEVA, a leading global player in the logistics sector. The results of operations and assets and liabilities of CEVA were accounted for in the 2019 CMA CGM Audited Consolidated Financial Statements in accordance with the full consolidation method of accounting as from January 4, 2019.

To facilitate comparison of our results of operations for the years ended December 31, 2019 and 2018, for key line items in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2019 compared with year ended December 31, 2018*" we include a discussion of our results in each of the respective years excluding the impact of the adoption of IFRS 16, as well as excluding the contribution of CEVA.

You should read the selected financial information along with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," the CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

| | For the year ended December 31, | | | For the six-month period ended June, | |
|---|---|---|---|---|---|
| | **2017[1]** | **2018[1]** | **2019** | **2019** | **2020** |
| | | | *($ in millions)* | | |
| **Consolidated Income Statement Data** | | | | | |
| **Revenue** | **21,116.2** | **23,476.2** | **30,254.2** | **15,108.5** | **14,189.9** |
| Operating expenses | (19,072.0) | (22,327.4) | (26,495.0) | (13,375.3) | (12,011.3) |
| EBITDA before gains on disposal of property and equipment and subsidiaries | 2,044.3 | 1,148.7 | 3,759.2 | 1,733.2 | 2,178.6 |
| Gains/(losses) on disposal of property and equipment and subsidiaries | 96.1 | 27.5 | 15.2 | 10.8 | 167.6 |
| Depreciation and amortization of non-current assets | (624.1) | (634.0) | (2,717.9) | (1,336.6) | (1,355.8) |
| Other income and expenses | (59.2) | (15.6) | (68.6) | (48.7) | (57.5) |
| Operating exchange gain/losses | 73.1 | 8.2 | 103.9 | 63.0 | 12.8 |
| Net present value (NPV) benefits related to assets financed by tax lease | 38.2 | 46.8 | 49.9 | 19.4 | 18.0 |
| Share of profit/(loss) of associates and joint ventures | 5.5 | (88.2) | 143.1 | 112.7 | (43.2) |
| **EBIT[2]** | **1,573.8** | **493.5** | **1,284.8** | **553.9** | **920.5** |
| Interest expense on borrowings net of interest income on cash and cash equivalents | (457.1) | (449.4) | (1,362.3) | (661.0) | (669.3) |
| Other net financial items[3] | (316.0) | 123.5 | 20.4 | 14.1 | 2.0 |
| Income taxes | (70.0) | (99.4) | (161.5) | (60.7) | (58.0) |
| **Profit/(loss) for the period** | **730.7** | **68.3** | **(218.6)** | **(153.7)** | **195.2** |

(1) The results presented for the years ended December 31, 2017 and December 31, 2018 are presented on a pre-IFRS 16 basis. The results presented for the year ended December 31, 2019 and for the six months ended June 30, 2019 and 2020 are presented on a post-IFRS 16 basis.

(2) EBIT represents a measure equivalent to an operating profit/(loss).

(3) "Other net financial items" primarily includes changes in fair value and settlement of derivative instruments that do not qualify for hedge accounting, as well as Foreign currency exchange gain / (losses). See Note 4.6 to the CMA CGM Audited Consolidated Financial Statements included elsewhere in these listing particulars.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2017[(1)] | 2018[(1)] | 2019 | 2020 |
| | ($ in millions) | | | |
| **Consolidated Balance Sheet Data** | | | | |
| Goodwill and other intangible assets[(2)] | 2,224.7 | 2,430.2 | 5,417.8 | 5,346.1 |
| Vessels | 8,620.7 | 8,822.2 | 12,805.6 | 12,958.1 |
| Containers | 562.6 | 485.6 | 2,751.9 | 2,528.7 |
| Lands and buildings | 509.8 | 448.0 | 1,824.1 | 1,781.5 |
| Other properties and equipment | 426.5 | 485.4 | 384.2 | 348.5 |
| Other non-current assets[(3)] | 1,676.4 | 1,996.3 | 1,360.8 | 1,204.7 |
| Inventories | 466.8 | 528.7 | 542.9 | 390.3 |
| Trade and other receivables | 1,996.9 | 2,494.7 | 3,479.7 | 3,264.0 |
| Income tax assets | 33.5 | 45.0 | 63.3 | 54.6 |
| Securities and other financial assets | 142.5 | 144.4 | 193.4 | 191.2 |
| Cash and cash equivalents | 1,383.5 | 1,401.9 | 1,750.8 | 2,488.6 |
| Other current assets[(4)] | 862.8 | 1,021.1 | 1,178.9 | 1,096.0 |
| Assets classified as held-for-sale | — | 18.8 | 977.7 | 92.6 |
| **Total assets** | **18,906.7** | **20,322.4** | **32,730.9** | **31,744.9** |
| **Total equity** | **5,620.4** | **5,525.0** | **5,133.6** | **5,164.5** |
| Non-current borrowings and lease liabilities | 7,235.4 | 8,159.9 | 15,458.6 | 14,664.0 |
| Other non-current liabilities[(5)] | 822.5 | 792.5 | 1,141.1 | 1,143.7 |
| Current borrowings and lease liabilities | 1,183.9 | 1,020.6 | 4,055.5 | 4,655.2 |
| Other current liabilities[(6)] | 4,044.5 | 4,824.3 | 6,523.5 | 6,117.7 |
| Liabilities associated with assets classified as held-for-sale | — | — | 418.6 | — |
| **Total liabilities & equity** | **18,906.7** | **20,322.4** | **32,730.9** | **31,744.9** |

(1) The balance sheet information as of December 31, 2017 and December 31, 2018 is presented on a pre-IFRS 16 basis. The balance sheet information as of December 31, 2019 and June 30, 2019 and 2020 are presented on a post-IFRS 16 basis.
(2) The amount as of December 31, 2017 is largely impacted by the following items resulting from the final purchase price allocation made in relation to the NOL acquisition: $705.9 million of goodwill and $1,513.7 million of intangible assets. See Note 3.1.1 to the 2017 CMA CGM Audited Consolidated Financial Statements. The amount as of December 31, 2018 includes the following items resulting from the provisional purchase price allocation made in relation to the Containerships acquisition: $103.2 million of goodwill and $101.8 million of intangible assets. See Note 3.1.2 to the 2018 CMA CGM Audited Consolidated Financial Statements. The amount as of December 31, 2019 is largely impacted by the following items resulting from the final purchase price allocation made in relation to the CEVA acquisition: $1,688.5 million of goodwill and $1,378.7 million of intangible assets. See Note 3.1.1 to the 2019 CMA CGM Audited Consolidated Financial Statements.
(3) "Other non-current assets" represents deferred tax assets, investments in associates and joint ventures, derivative financial instruments and other financial assets.
(4) "Other current assets" represents derivative financial instruments, prepaid expenses and contract assets.
(5) "Other non-current liabilities" represents derivative financial instruments, deferred tax liabilities, provisions and employee benefits obligations and non-current deferred income.
(6) "Other current liabilities" represents derivative financial instruments, current portions of provisions, employee benefits, trade and other payables, current income tax liability, current deferred income and other current liabilities.

| | For the year ended December 31, | | | For the six-month period ended June 30, | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | ($ in millions) | | | | |
| **Consolidated Cash Flow Statement Data** | | | | | |
| **Cash, cash equivalents and bank overdrafts at the beginning of the period** | **1,126.3** | **1,226.0** | **1,314.8** | **1,314.8** | **1,598.0** |
| Cash inflow / (outflow) from: | | | | | |
| Operating activities | 1,587.9 | 1,200.5 | 3,559.9 | 1,525.8 | 1,958.7 |
| Investing activities | 14.9 | (963.6) | (1,250.0) | (1,192.4) | 516.1 |
| Financing activities and effect of exchange rate changes on cash and cash equivalents and bank overdrafts | (1,503.2) | (148.0) | (2,026.8) | (402.1) | (1,639.5) |
| Net increase (decrease) in cash, cash equivalents and bank overdrafts | 99.6 | 88.9 | 283.1 | (68.7) | 835.3 |
| **Cash, cash equivalents and bank overdrafts at the end of the period** | **1,226.0** | **1,314.8** | **1,598.0** | **1,246.1** | **2,433.3** |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read together with the free English language translations of the CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, and in each case the related notes thereto, each of which are included elsewhere in these listing particulars.*

*The CMA CGM Unaudited Interim Condensed Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim period. Unaudited interim results are not necessarily indicative of the results that may be expected for any other period or for the full year.*

*Certain information contained in the following discussion and analysis and elsewhere in these listing particulars includes forward-looking statements that involve risks and uncertainties. See* "Information Regarding Forward-Looking Statements" *and* "Risk Factors" *for a discussion of the important factors that could cause actual results to differ materially from the results described or implied by the forward-looking statements contained in these listing particulars.*

### Overview

We are a leading worldwide transport and logistics group offering shipping and logistics services. In terms of shipping capacity, we are the fourth largest provider of container shipping services globally, and in logistics services we are the fifth largest player in contract logistics. We generated revenues of $30.3 billion and EBITDA of $3.8 billion in the year ended December 31, 2019. We offer our services in over 160 countries through a global network of 755 offices, 750 warehouses and over 200 main lines calling at 420 ports.

We are one of the few liners to operate a truly global network and specifically one of the most extensive networks of direct services covering the four major East-West trades: Asia-Europe, Transpacific (Asia-North America), Transatlantic (Europe-North America), and Asia-Middle East but also other trades such as North-South lines (Latin America and Africa). We have also developed a complementary regional network of intra-regional lines in Europe, Asia, Oceania and South America. Our extensive and diversified network allows us to focus both on high-volume markets, such as Asia-Europe, Asia-North America and intra-Asia and niche markets, such as the Caribbean, Baltic Sea and Black Sea.

As of June 30, 2020, our fleet consisted of 500 container ships, of which we chartered 59% and owned or had under finance lease or equivalent arrangements 41%, in each case in terms of capacity. Our fleet had a combined capacity of 2.758 million TEU, an average size of 5,516 TEU and a weighted average age, based on total TEU, of 8.3 years. The market value of our owned vessels, which is assessed every six months by calculating the average of four independent ship brokers' valuations, was $5,811 million as of June 30, 2020.

As of June 30, 2020, we also maintained a 4.0 million TEU fleet of containers (2,452,117 containers), of which over 396,922 TEU consisted of reefer containers representing the second largest fleet of refrigerated containers globally. As of June 30, 2020, the book value of our owned containers was $296.9 million.

In May 2018, we initiated a strategic move towards logistics services through our investment in, and subsequent acquisition of, CEVA. CEVA is one of the leading global asset-light supply chain management companies, with revenues of $7.1 billion and EBITDA of $536.0 million in 2019 and with more than 59,000 employees and temporary workers in over 800 sites spanning 160 countries as of June 30, 2020. CEVA designs, implements and operates end-to-end supply chain solutions for multinational and large and medium-sized companies on a national, regional and global level. This acquisition aims to complement our shipping activity, allowing us to provide our customers with a comprehensive range of solutions and services across the supply chain (including arranging and overseeing transportation of goods by ocean, air and ground (including through end-to-end transportation offerings), ancillary value added services (e.g., custom brokerage or lead logistics (4PL)), and contract logistics services.

In terms of shipping, we transported approximately 21.6 million TEU in the year ended December 31, 2019 on behalf of a globally diversified base of more than 70,000 customers. Our customer base includes a mix of retailers and manufacturers from various industries, such as Samsung, Ikea, GM, BASF, Coca-Cola, Renault and Nestlé. Our shipping business generated revenues of $22.8 billion and EBITDA of $2.9 billion in the year ended December 31, 2019.

***Presentation of Financial Information; Comparability of Information***

The CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union. Changes in accounting policies during the periods presented are disclosed in Note 2.2 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, the 2019 CMA CGM Audited Consolidated Financial Statements, the 2018 CMA CGM Audited Consolidated Financial Statements and the 2017 CMA CGM Audited Consolidated Financial Statements. Except for IFRS 16, no changes in accounting policies materially affected our financial performance or condition during the periods presented.

IFRS 16, regarding accounting for leases, has had a significant impact on the Company's statement of financial position and statement of profit & loss. As from January 1, 2019, we have adopted IFRS 16 using the modified retrospective transition method. As permitted by the standard, comparative information for the previous fiscal years has not been restated. The application of IFRS 16 had a material impact on amounts reported in respect of our non-current assets and financial liabilities, given the magnitude of our operating lease arrangements. IFRS 16 changes the lease recognition method for leases, requiring lessees to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments for all leases, unless the exemption options for short-term leases (12 months or less) or leases of low-value items are applied. The right-of-use is depreciated on a straight-line basis while the lease liability is amortized using the actuarial method over the lease term. Under the former standard, expenses from operating lease contracts were recognized in the income statement on a straight-line basis under chartering expenses, logistics expenses, general and administrative and other operating expenses. Under IFRS 16, expenses from operating lease contracts previously recorded under operating expenses have been split into straight-line amortization expense on the right-of-use assets and the recognition of an interest expense on lease liabilities, except for the vessels' running costs, which remain classified as an operating expense. As of January 1, 2019, as part of the IFRS 16 transition, as well as for the ongoing application of IFRS 16, we have elected to use the exemption for short-term operating leases with a remaining term of 12 months or less and for low-value leases; accordingly, expenses for these short-term and low-value leases continue to be recognized in the income statement on a straight line basis under chartering expenses, logistics expenses, general and administrative expenses and other operating expenses. As a consequence of this new classification of expenses, our EBITDA and Core EBIT margin, excluding CEVA, increased by $1,855.3 million and $326.3 million, respectively, for the year ended December 31, 2019. As at January 1, 2019, the measurement of IFRS 16 lease liabilities amounted to $6.9 billion, excluding pre-existing finance leases. The results of operations and assets and liabilities of CEVA were accounted for in the 2019 CMA CGM Audited Consolidated Financial Statements in accordance with the full consolidation method of accounting as from January 4, 2019 (the acquisition date). CEVA applied IFRS 16 as from January 1, 2019 using similar principles in all material respects and recognized lease liabilities and right of use assets for an amount of $1.3 billion. Accordingly, had CEVA been consolidated as of January 1, 2019, the impact of IFRS 16 on lease liabilities would have been $8.2 billion. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Recently Issued Accounting Pronouncements,*" "*Description of Certain Financing Arrangements*" and Note 2.2 to the 2019 CMA CGM Audited Consolidated Financial Statements for further discussion.

On January 4, 2019, we acquired control of CEVA, a leading global player in the logistics sector. The results of operations and assets and liabilities of CEVA were accounted for in the 2019 CMA CGM Audited Consolidated Financial Statements in accordance with the full consolidation method of accounting as from January 4, 2019.

To facilitate comparison of our results of operations for the years ended December 31, 2019 and 2018, for key line items in "*—Year ended December 31, 2019 compared with year ended December 31, 2018*" we have included a discussion of our results in each of the respective years excluding the contribution of CEVA and the impact of the adoption of IFRS 16. This information was derived by eliminating the contribution of CEVA from our consolidated financial results from January 4, 2019 to December 31, 2019 and the effect of the adoption of IFRS 16 on each of us and CEVA.

In 2019, in light of the acquisition of CEVA Logistics, we modified our segment reporting to include a new Logistics segment. This new segment includes (i) freight management activities operated by CEVA and through our subsidiaries, including CMA CGM Logistics which was transferred to CEVA in May 2019, as well as (ii) contract logistics activities performed by CEVA. In accordance with IFRS, 2018 segment figures have been restated accordingly. The 2017 segment figures have not been restated.

We have also separately provided a comparison of certain key financial data for CEVA for the years ending December 31, 2019 and 2018 based on figures derived from the 2019 CEVA Audited Financial Statements and set forth in Note 3.1.1. to the 2019 CMA CGM Audited Consolidated Financial Statements. This information differs from the 2019 CEVA Audited Financial Statements primarily due to purchase price allocation adjustments and certain intercompany eliminations between CEVA and CMA CGM, as well as differences in profit and loss presentation. This financial information is not directly comparable to the segmental results of operations for our new Logistics segment, is included in this Management's Discussion and Analysis of Financial Condition and Results of Operations for illustrative purposes only, and does not purport to present the full results of operations of CEVA for the relevant periods, nor should it be used as the basis of projections of the results of operations or financial condition for CEVA or our Logistics segment for any future period.

| | For the year ended December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2018** | **2019** | | | | | |
| | **Consolidated statement of profit & loss** | **Consolidated statement of profit & loss** | **CEVA contribution excluding IFRS 16** | **CEVA— IFRS 16 application** | **CMA CGM standalone IFRS 16 application** | **Eliminations** | **CMA CGM standalone Profit & Loss excluding CEVA and IFRS 16 impacts** |
| *($ millions)* | | | | | | | |
| **Revenue** | **23,476.2** | **30,254.2** | **7,121.7** | **—** | **—** | **(160.1)** | **23,292.8** |
| Operating expenses | (22,327.4) | (26,495.0) | (6,983.1) | 405.8 | 1,855.3 | 160.1 | (21,933.1) |
| **EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries** | **1,148.7** | **3,759.2** | **138.6** | **405.8** | **1,855.3** | **—** | **1,359.5** |
| *Gains / (losses on disposal of property and equipment and subsidiaries* | 27.5 | 15.2 | 1.4 | — | — | — | 13.9 |
| *Depreciation and amortization of non-current assets* | (634.0) | (2,717.9) | (121.1) | (378.8) | (1,529.0) | — | (689.0) |
| *Other income and (expenses)* | (15.6) | (68.6) | (40.7) | — | — | — | (27.8) |
| *Operating exchange gain / loss* | 8.2 | 103.9 | — | — | — | — | 103.9 |
| *Net present value (NPV) benefits related to assets financed by tax leases* | 46.8 | 49.9 | — | — | — | — | 49.9 |
| **EBIT before share of income / (loss) from associates and joint ventures** | **581.7** | **1,141.7** | **(21.9)** | **26.9** | **326.3** | **—** | **810.3** |
| *Share of income / (loss) from associates and joint ventures* | (88.2) | 143.1 | 16.6 | — | — | — | 126.4 |
| **EBIT** | **493.5** | **1,284.8** | **(6.2)** | **26.9** | **326.3** | **—** | **936.8** |
| **Core EBIT** | **602.2** | **1,136.7** | **34.1** | **26.9** | **326.3** | **—** | **749.3** |
| *Interest expense on borrowings and lease liabilities* | (491.2) | (1,396.2) | (131.8) | (48.4) | (627.1) | — | (588.8) |
| *Interest income on cash and cash equivalents* | 41.8 | 33.9 | (0.3) | — | — | — | 34.2 |
| *Other net financial items* | 123.5 | 20.4 | (1.8) | — | — | — | 28.9 |
| **Financial result** | **(325.9)** | **(1,341.9)** | **(134.0)** | **(48.4)** | **(633.8)** | **—** | **(525.7)** |
| **Profit / (loss) before tax** | **167.6** | **(57.1)** | **(139.2)** | **(21.5)** | **(307.5)** | **—** | **411.1** |
| *Income Tax* | (99.4) | (161.5) | (21.3) | — | — | — | (140.2) |
| **Profit for the year from continuing operations** | **68.3** | **(218.6)** | **(160.5)** | **(21.5)** | **(307.5)** | **—** | **270.9** |
| **Profit / (loss) for the year** | **68.3** | **(218.6)** | **(160.5)** | **(21.5)** | **(307.5)** | **—** | **270.9** |
| *of which:* | | | | | | | |
| *Non-controlling interests* | 34.4 | 10.5 | (20.6) | — | — | — | 31.1 |
| **Owners of the parent company** | **33.9** | **(229.1)** | **(139.9)** | **(21.5)** | **(307.5)** | **—** | **239.8** |

(1) These figures are taken from the 2019 CMA CGM Audited Consolidated Financial Statements.

### *Divestment and Liquidity Enhancement Program*

Following the acquisition of CEVA in 2019 and the related increase in the group's indebtedness, we are implementing a program aiming at reinforcing the group's capital structure and liquidity position by divesting certain of our assets and refinancing certain of our indebtedness. This program, announced on November 25, 2019, seeks to enable us to raise up to U.S.$2.1 billion, in order to reduce our net debt by more than U.S.$1.3 billion and to extend the maturity of some credit facilities maturing in 2020. We have received proceeds of $1.7 billion to date; we expect to receive 75% of the remaining proceeds by the end of 2020. The key elements of this program are summarized below. See also Note 3.1.1 of the Notes to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

#### *Vessel sale and leaseback*

We raised an aggregate amount of approximately U.S.$769.7 million through various vessel sale and leaseback transactions between July 2019 and December 2019. The proceeds were primarily used to repay a significant portion of the U.S.$725.0 million bridge loan facility agreement entered into on January 25, 2019 to partially finance the acquisition of CEVA. This bridge loan facility agreement was fully repaid on June 8, 2020.

These vessel sale and leaseback transactions were entered into for a period of eight years. At the end of the term, we can either elect to buy back the vessels for a nominal amount, or under certain circumstances be required to do so. The sale and leaseback transactions are not recognized as sales under IFRS 15 criteria but are assimilated to financing operations, and they result in the recognition of a financial liability in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements as of and for the six-months period ended June 30, 2020, in accordance with IFRS 9.

#### *Structured Sale of Terminals to Terminal Link*

*Overview*

On December 20, 2019, we entered into an agreement to sell to Terminal Link (a joint venture set up in 2013 and (indirectly) 51% owned by CMA CGM through its subsidiary CMA Terminals Holding ("CMATH") and 49% owned by China Merchants Port Holding Co. Ltd. ("CMP"), which we account for under the equity method) our equity interest in (up to) ten port terminals (including a 100% equity interest in Kingston Freeport Container Terminal (Jamaica), "KFTL") and Umm Qasr Berth 5 (Iraq) and minority stakes in eight other terminals) for a maximum aggregate consideration of U.S.$ 968.0 million (comprised of sales proceeds for U.S.$ 955.0 million and an upstream loan of U.S.$ 13.0 million) payable in cash at closing, to be used mainly for liquidity enhancement purposes. Combined with the deconsolidation of KFTL and Umm Qasr's outstanding debt, the transaction will reduce our consolidated net debt position by approximately U.S.$ 1,340 million.

We will complete the transaction in two phases. On March 26, 2020, the sale to Terminal Link of our equity interest in eight terminals (*i.e.,* Kingston Freeport Container Terminal (Jamaica), Brooklyn Kiev Port Terminal (Ukraine), CMA CGM PSA Lion Terminal (CPLT) (Singapore), Rotterdam World Gateway (RWG) (the Netherlands), Umm Qasr Terminal (Iraq), Qingdao Qianwan United Advance Container Terminal (QQCTUA) (China), Vietnam International Container Terminal (VICT) (Vietnam) and Laem Chabang International Terminal (Thailand)) for an aggregate amount of U.S.$814.8 million (including U.S.$ 11.0 million as a portion of the upstream loan) was completed. The sale of our equity interest in the remaining two terminals (*i.e.*, Mundra CT4 Terminal (India) and Cai Mep Terminal (Vietnam)) for additional proceeds of U.S.$153.2 million (including 5% of deferred payments relating to the above-mentioned transfer of eight terminals completed in March 2020), is subject to receipt of pending approvals from local authorities, port authorities and lenders. See also Note 3.1.2 to the CMA CGM Interim Condensed Consolidated Financial Statements.

Upon completion of the second phase of the transaction, Terminal Link will own equity interests in 23 terminals, whereas CMA CGM will retain direct (minority or majority) equity interests in 23 other terminals worldwide (See "*Business—Services—Terminal Facilities—Terminal Link*").

*Financing of the transaction:*

Terminal Link is financing the transaction through (i) a U.S.$500.0 million non-amortizable loan granted by CMP (the "CMP Loan") (which amounts to 51% of the purchase price, excluding the Upstream Loan (defined below)), and (ii) the issuance of mandatory convertible bonds, for an aggregate amount of U.S.$468.0 million (corresponding to 49% of the purchase price), subscribed by CMP (the "MCB"). The portion of the combined funding in excess of the U.S.$955.0 million purchase price is to be on-lent by Terminal Link to CMA (the "Upstream Loan"). Each of the MCB and the CMP Loan has a maturity of 8 years (subject to a potential 6-month extension) and bear interest of 6.00% per annum. The CMP Loan benefits from a security interest over the shares in Terminal Link owned by CMA TH and from a payment guarantee from CMA CGM.

The annual interest under the CMP Loan is to be paid by Terminal Link through subscription in cash by CMA TH of new shares in Terminal Link (and payment of interest due to Terminal Link under the Upstream Loan), while CMP will contribute its right to the annual coupon under the MCB to the capital of Terminal Link in exchange for new shares therein. Such payment mechanics ensure that CMA CGM and CMP's respective equity interests in Terminal Link are not affected by interest payments made on the instruments.

Upon maturity, the MCB will be mandatorily converted into new ordinary shares in Terminal Link, while repayment of the CMP Loan by Terminal Link would, in principle, be funded through a subscription (in cash) by CMA TH of new shares in Terminal Link, resulting in CMA CGM and CMP maintaining their respective equity interest in Terminal Link. If necessary or deemed convenient, CMA CGM may initiate a sale by Terminal Link of its interest in one or several terminals (which would trigger an early repayment of both the MCB and the CMP Loan), the net proceeds of which are required to be distributed by Terminal Link to its shareholders, with CMA CGM being required to contribute to the capital of Terminal Link the portion thereof corresponding to the outstanding principal amount under the CMP Loan. In the absence of any such subscription of new shares by CMA TH (as the case may be, following any sale of terminals by Terminal Link), CMP would be entitled either to contribute its claims under the CMP Loan to Terminal Link in exchange for new shares therein or, in a distressed scenario where doing so would be insufficient to repay the CMP Loan in full, to enforce the pledge granted by CMA TH over the shares it holds in Terminal Link and call on the payment guarantee granted by CMA CGM for any portion of the CMP Loan that would remain outstanding after enforcement of the share pledge.

*Guaranteed return:*

In addition to the interest payable under the CMP Loan, Terminal Link also undertakes to make dividend distributions until the scheduled maturity date of the MCB and CPM Loan, so as to ensure a minimum return on investment to CMP.

The return computed annually by Terminal Link corresponds to a percentage (equal to 6.5% for years one, two and three, 6.75% for years four and five, and 7.0% for years six, seven and eight) of an amount equal to the aggregate of 49% of the purchase price plus €400 million (the latter corresponding to the initial investment by CMP in Terminal Link in 2013).

To the extent Terminal Link's distributable income does not suffice to ensure this return, CMA TH undertakes to delegate to CMP all or part its right to distributions made by Terminal Link and, if necessary, to lend to Terminal Link the amounts necessary to ensure receipt by CMP of the annual guaranteed return. Full payment of the guaranteed return to CMP is further guaranteed by CMA CGM.

A similar guaranteed return structure (over a seven-year period and with an interest rate increasing from 7% to 8.50%) had been granted to CMP in connection with its initial €400 million investment in Terminal Link. The final settlement of this first guaranteed return mechanism is expected before the end of 2020.

The guaranteed return over the 2013-2019 period was financed mostly through Terminal Link's distributable income and to a lesser extent via contributions by CMA CGM (whether through delegation of its right to distributions made by Terminal Link or through the guarantee mechanism), with the proportion of the former increasing over time. The financing of the guaranteed return over the 2020-2027 is expected—based on current business plans for the relevant terminals—to have a similar profile; with CMA CGM's contributions expected to be proportionally greater in the early years, especially during the first two years of the guaranteed return period when payments are expected to be made by CMA CGM under the guarantee mechanism (in addition to the delegation by CMA TH of its right to distributions made by Terminal Link). The fair value of such guarantee has been estimated at U.S.$89.2 million, of which U.S.$6.2 million is recorded as a provision as it is the best estimate of the potential cash outflow. See also Note 8.1.1 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

*Shareholders' agreement:*

As part of the transaction, CMA CGM and CMP agreed to certain amendments to their shareholders' agreement with respect to Terminal Link. In particular, under the amended shareholders' agreement of 26 March

2020, the board of Terminal Link is composed of 8 members, 4 of which (including the chairman) are appointed by CMA CGM and 4 of which are appointed by CMP. The chairman of board benefits from a casting vote, except for certain reserved matters which require approval by all board members.

***Disposal of a logistics hub in India***

On November 22, 2019, we entered into an agreement with PSA Singapore (a subsidiary of Temasek Holdings Pte Ltd) for the sale of our 50% stake in Ameya Logistics Pvt Ltd, the logistics company that runs 3 container freight stations in Nhava Sheva (Mumbai), Mundra (Gujarat) and Dadri (Delhi NCR), for a consideration of (up to) U.S.$93 million (of which U.S.$85.0 million is payable at closing and (up to) U.S.$8.0 million is payable as earn-out). The transaction is expected to close in the second half of 2020.

***Renewal of credit lines***

CMA CGM and NOL had revolving credit facilities maturing in 2020 for a maximum commitment of $705 million. In March 2020, we signed a 3-year extension to such revolving credit facilities, while also reducing the maximum commitment thereunder to a total of $535 million. (See "*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—Unsecured Revolving Credit Facility (CMA CGM)*" and "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Secured Revolving Credit Facilities (NOL)*").

***CEVA Global Securitization Program***

In December 2019, CEVA signed an up to U.S.$460 million trade receivables securitization facility (the "CEVA Global Securitization Program"), with a three years renewable commitment from a bank syndicate (See "*Description of* Certain *Financing Arrangements—Securitization Programs—CEVA Global Securitization Program*"). This program fully refinances CEVA's prior securitization programs in Europe and the U.S. It is intended to refinance CEVA's prior securitization programs in Australia, which matured in August 2020.

***Key Factors Affecting Our Results of Operations***

***Container Shipping***

Our results are affected by industry trends in the container shipping industry. For a detailed discussion of trends in the container shipping industry, see "*Industry Overview—The International Container Shipping Industry.*"

***Logistics***

Our results are affected by industry trends in the outsourced logistics industry. For a detailed discussion of trends in the logistics industry, see "*Industry Overview—The International Logistics Industry.*"

***Currency Fluctuations***

We operate on a worldwide basis and are exposed to currency exchange rate fluctuations as a result of differences in the currency mix of our revenue and operating expenses. For example, average revenue per TEU will be impacted by currency fluctuation as not all our ocean revenue is priced in U.S. dollars. We estimate that approximately 10% of our revenue for the year ended December 31, 2019, respectively, was invoiced in euros. As the average exchange rate from euros to U.S. dollars increased from $0.88493 in the six-month period ended June 30, 2019 to $0.90774 during the six-month period ended June 30, 2020 and from $0.84721 in the year ended December 31, 2018 to $0.8939 during the year ended December 31, 2019, we can estimate that the weakening of the euro negatively impacted our average revenue per TEU by approximately $3 per TEU and $6 per TEU, respectively. Our EBITDA and EBIT are typically positively impacted when the exchange rate of the euro against the dollar declines during a period (and negatively affected when such rates increase), while our financial results and our working capital needs are positively affected by declines in the period-end exchange rate (and negatively affected when such rates increase). In line with industry practice, we typically charge our customers currency surcharges in times of volatility in foreign exchange rates. However, there can be no guarantee that we will be in a position to enforce such surcharges going forward. See "*—Market-related risks—Foreign currency exchange rate risk*."

A portion of our financing arrangements are denominated in euro and may expose us to foreign exchange risk. In addition, to the extent the proportion of revenue denominated in U.S. dollars, or euro differs from the proportion of operating expenses denominated in U.S. dollars, or euro, our operating results are subject to foreign exchange risk. At present, we incur a greater proportion of our operating expenses denominated in euro compared to the proportion of our revenue denominated in euro and, as such, we are sensitive to increases in the value of the euro.

We are not exposed to material foreign exchange risks on our capital commitments, since vessel and container financing arrangements are usually U.S. dollar-denominated and our vessels and containers are principally purchased in U.S. dollars, including those vessels acquired under the terms of long-term capital leases or other similar arrangements. Our terminal capital commitments are usually in local currencies and hence may expose us to some foreign exchange risks.

***Fluctuations in Bunker Fuel Rates and Efficiency in Bunker Fuel Consumption***

***General***

The cost of marine or bunker fuel is one of our most significant operating costs, representing 13.4% and 13.0% of our total operating costs and 11.3% and 11.4% of our revenue in the six-month period ended June 30, 2020 and the year ended December 31, 2019, respectively. The price of marine or bunker fuel fluctuates largely in line with crude oil prices, which are subject to a number of economic and political factors.

Bunker prices increased by 31.6% on average in 2018, and then decreased by 16.4% on average in 2019. Reflecting this market volatility, our average bunker price/ton was $313/ton, $417/ton, $415/ton and $435/ton in 2017, 2018, 2019, and the first six months of 2020. Average bunker price/ton only moderately increased by 4.8% in the first six months of 2020 as compared to 2019 despite the implementation of IMO 2020 due to a sharp decline of Very Low Sulphur Fuel Oil ("VLSFO") price in the second quarter of 2020, from $527/ton on average in January (Rotterdam 0.5%) to $234/ton on average over the second quarter of 2020.

In order to mitigate the risk of fluctuation in bunker fuel prices, we partially hedge our exposure to bunker prices through physical forward purchases on a rolling three, six or twelve-month basis. As of June 30, 2020, 16.2% of our expected full year 2020 bunker fuel consumption was hedged through physical forward purchases.

For illustrative purposes and assuming no hedges and no passing on to customers, a $50/ton average increase in the spot purchase price of bunker fuel would have reduced our operating profit in 2019 and in the first six months of 2020 by approximately $387 million and $175 million, respectively (exclusive of the impact of any hedges).

As discussed above under *"—Transport Volumes and Freight Rates; Cyclical Nature of Supply and Demand"*, our contracts often include BAF mechanisms and similar surcharges designed to allow us to offset increases in the bunker price. However, we may not always be able to recover the full amount of bunker price increases through such mechanisms, and in periods of rising bunker prices, there may be lags between the increase in prices and the implementation of related surcharges. See *Risk Factors—Risks Relating to the Shipping and Logistics Industries—Increases in the price of fuel have in the past and could in the future significantly increase our operating costs and depress our profitability*."

We have utilized a number of measures to improve our efficiency in terms of bunker fuel consumption, including reducing the speed and optimizing route management for our ships via a central real-time supervision center, increasing the size of our vessels where possible and retrofitting and maintaining our ships with a view to minimizing bunker fuel consumption. These measures have reduced our average consumption of bunker fuel from 413kg per transported TEU in 2017, to 404kg per transported TEU in 2018, to 362kg per transported TEU in 2019, to 357kg per transported TEU in the six-month period ended June 30, 2020. We aim to continue our efforts to further reduce bunker fuel consumption and costs through these techniques.

***Low Sulfur Fuel Regulation***

The new International Maritime Organization Low Sulfur Regulation (commonly referred to as "IMO 2020") took effect on January 1, 2020. As of January 1, 2020, the limit for sulfur in fuel oil used by ships operating worldwide has been reduced to 0.5% m/m from 3.5% m/m for areas other than the four established Emission Control Areas, where a stricter limit of 0.1% was already in place. The Low Sulfur Fuel Regulation is expected to affect more than 50,000 vessels industry-wide. We have increasingly used VLSFO since the introduction of IMO 2020, representing 78% of our fuel oil consumption in the first half of 2020, but we will also continue to use High Sulfur Fuel Oil ("HSFO") (with retrofit scrubbers) and invest significantly to use LNG to power some of our future containerships (nine ships of 23,000 TEU ships ordered in 2017, all of which will be delivered by the end of 2021). In addition, we have ordered 56 hybrid scrubbers for our ships, 23 of which were installed as at June 30, 2020 and the rest are scheduled to be installed in the remainder of 2020 and in 2021. We have largely passed the higher costs on to customers through fuel surcharges, such as the Low Sulphur Surcharge (LSS20) for short-term contracts (up to a three-month duration) and the negotiation of a bunker fuel adjustment factor in our long-term contracts (those with a duration of over three months). See "*Risk Factors—Risks Relating to the Shipping and Logistics Industries—Increases in the price of fuel have in the past and could in the future significantly increase our operating costs and depress our profitability*."

***Management of Vessel and Container Capacity***

Our container shipping revenue is largely the product of market-driven base freight rates and transport volumes over which we have relatively limited control. Accordingly, our day-to-day profitability depends largely on our ability to maintain and manage our fleet in order to further improve our productivity and effectively manage the cost of transportation and materials and other operating costs, in particular in respect of the positioning and transport of containers and the coordination of third-party services, such as inland transportation services.

We have set up three ship operating centers in Marseille, Singapore and Miami operating 24 hours a day and staffed by teams of experienced officers that oversee our entire fleet of 500 vessels. These centers monitor speed and route requirements and have direct access to every officer on board of those vessels so that any deviation from schedule may be immediately challenged and, if need be, rectified. The team is also in charge of improving fuel efficiency and the punctuality of all our lines.

As is customary in the container shipping industry, to meet the demand for container shipping services from our customers, we rely on a combination of owned vessels and chartered and leased vessels and a combination of owned and leased containers. We seek to optimize the mix of owned, long-term chartered and leased and short- and mid-term-chartered vessels and containers to maintain a stable base capacity and to be able to obtain additional capacity in response to demand peaks. The COVID-19 pandemic has illustrated that the industry as a whole, and we specifically, manage capacity effectively to enable a good supply-demand balance. As of June 30, 2020 our fleet consisted of 500 container ships. The capacity of these 500 ships ranged from 120 TEU to 20,954 TEU. Of these 500 vessels, we owned or had under finance lease or equivalent arrangements 149 vessels, or 41% of our fleet by capacity, chartered 351 vessels, or 59% of our fleet by capacity. Of the 351 chartered vessels, as of June 30, 2020, 41 vessels, or 15.2% of our fleet by capacity have a remaining charter duration of more than five years, 60 vessels, or 17.6% of our fleet by capacity, have a remaining charter duration ranging between one and five years and 250 vessels, or 26.1% of our fleet by capacity, have a remaining charter duration of less than one year.

Short-term charters provide us with flexibility to adjust our capacity rapidly in response to changes in demand, although we are exposed to increases in charter rates. Since short-term charter rates, in particular, tend to fluctuate significantly in response to supply and demand in the market, we are able to reduce our costs on a significant part of our fleet while maintaining operational flexibility to release ships in case of market deterioration. This has allowed us to reduce our costs significantly in the past years, as well as during the recent COVID-19 pandemic. The effect of changes in charter rates on our operating costs tends to lag behind the movements in charter rates as charter contracts are typically entered into at fixed rates for specified periods of time.

| | **Container vessel fleet as of June 30, 2020** | | | |
|---|---|---|---|---|
| | **Ships** | **TEUs** | **Average Capacity** | **Tenor Left** |
| *Owned*[(1)] | 149 | 1,132,541 | 7,601 | N/A |
| *Long-term chartered*[(2)] | 41 | 418,983 | 10,219 | 7.6 |
| *Total owned and long-term chartered* | 190 | 1,551,524 | 8,165 | N/A |

(1) Owned vessels including vessels financed through finance lease or equivalent arrangements.

(2) Vessels governed by a charter agreement with a remaining term longer than five years.

(3) Illustrative only and subject to change. Based on order book as of the date of these listing particulars. This includes the four 23,000 TEU vessels that we currently expect to receive by December 2020.

As of June 30, 2020, we owned and leased a container fleet of 4,090 million TEU (of which 396,922 TEU were reefer containers). We owned 12.4% of such containers and lease or rent the remaining part. In 2018 and 2019 we undertook significant sale and leaseback operations, with proceeds of $860 million.

***Terminal and logistics management***

As part of our strategy to manage our global shipping network and ensure sufficient port and storage capacity at key locations in our logistics chain, we also invest in port terminal facilities in areas where we have significant operations. Through these investments, we gain preferred access to berths and greater control over port activities. In recent years, we have increased these operations as part of our growth and entered into several key ventures to support our operations on various lines. See "*Business—Services—Terminal Facilities*."

In July 2020 CEVA announced a detailed five-year transformation plan called "IMPACT2020," building on the turnaround plan launched in the second half of 2019. IMPACT2020 is focused on accelerating topline growth and improving operational efficiencies, in part through companywide digitization. We will continue to strategically evaluate opportunities to make investments in both terminals and logistics to support the growth and efficient operation of our global delivery network.

***Cooperation Arrangements***

We cooperate with other carriers in various ways with a view to increasing utilization levels of our vessel and container fleet, thus decreasing slot costs, and extending the range and geographic scope of our services. We are party to an array of cooperation agreements and also members of several operational alliances. We have placed increased emphasis on such arrangements in recent years in order to better adjust our capacity and control our costs in light of difficult market conditions. These arrangements cover only the operation of our vessels and related assets. Under all of these arrangements, we continue to market and sell our services and to serve our customers independently.

We operate most of our lines in varying degrees of cooperation with other carriers, such as COSCO, Maersk Line, MSC and Hapag-Lloyd, pursuant to vessel-sharing agreements, swap agreements or slot purchase agreements. Under these agreements, one carrier makes available to another a fixed number of slots per voyage on specified trade routes, for an agreed period of time. We compensate the other carrier for slots made available to us either by providing the carrier with slots on our vessels (vessel-sharing agreements and swap agreements) or by purchasing the slots directly (slot purchase agreements). Our cooperation agreements consist of the following:

- Vessel-sharing agreements, whereby each carrier contributes vessels to a particular line, and each carrier is entitled to a number of slots on each vessel traveling the line, proportionate to its vessel contribution. In these cases, we record revenue related to the slots utilized by us on the other carrier's vessel, but we do not record revenue with respect to slots that are utilized by the other carrier on our vessels. The costs of operating the vessel (*e.g.*, vessel charter, capital lease or purchase expenses, supply expenses and port costs and canal expenses) are borne by the operator of the vessel. Costs associated with the shipment of the container (*e.g.*, stevedoring expenses) are billed by the supplier of the related services to each carrier individually. It is customary, however, for carriers to purchase these services from the same service provider.
- Swap agreements, whereby carriers exchange slots on vessels traveling different trade routes, allow each carrier to establish a line on a trade route where it does not operate vessels. Revenue received and costs incurred are borne in the same manner as under vessel-sharing agreements.
- Slot purchase agreements, whereby carriers purchase slots on vessels of another carrier. When we purchase slots under slot purchase agreements, our only costs are payments made to the other carrier for the purchase of slots. We do not bear any of the costs associated with the vessel or shipment of the container. These agreements are not necessarily reciprocal, unlike vessel-sharing and swap agreements, and our slot purchases are not netted against our slot sales.

***Operational Alliances***

Alliances are agreements that cover vessel-sharing and operational matters such as the use of certain terminals, where carriers can take advantage of favorable terms for berthing. These alliances allow us to make more frequent departures, reach more ports, improve slot utilization and increase reliability while reducing slot costs, which helps us to drive revenue growth and control our costs on alliance lines. We are currently party to a variety of alliances with different carriers, the principal one being Ocean Alliance, composed of us, COSCO Container Lines, Evergreen Line and Orient Overseas Container Line, which launched on April 1, 2017 and replaced our prior Ocean 3 Alliance which had operated since January 2015. In January 2019, the alliance agreement was extended through to until 2027. See "*Business—Services—Shipping—Cooperation with other shipping companies*." We believe that these alliances will provide us with significant benefits in the future and allow us to continue to grow and offer the best services to our customers while maintaining our financial position and increasing efficiency.

Under the Ocean Alliance, we have agreed to make available for purchase by alliance partners a specified number of slots on our ships that set out each week and our alliance partners have agreed to make available to us an equivalent number of slots on their ships that set out each week. When we sell slots to an alliance partner, we recognize revenue from the payment made by the partner for the slot. We bear the full hull-related costs associated with the vessel and shipping the container. When we purchase slots from an alliance partner, our only costs for the shipment are payments made to the other carrier for the purchase of slots. We do not bear any of the hull related costs associated with the vessel but support the rest of the variable costs (such as handling and stevedoring costs). Although the number of slots purchased and sold are intended to be generally equivalent, in practice there is typically some variation between the two due to differences in the number of ships of each partner scheduled to depart during a given week and failures of some ships to depart when originally scheduled. As a result, in any given period, the amount we receive from alliance partners for slot purchases may exceed the amount we pay for slot purchases on partner vessels, or vice versa.

Unlike Ocean Alliance, our former Ocean 3 Alliance operated on a vessel sharing basis. Under that arrangement, each alliance partner contributed vessels to a particular line and was entitled in return to a number of slots on each vessel travelling the line proportionate to its vessel contribution. We did not make payments to Ocean 3 Alliance partners for the use of allocated capacity on their vessels, and our only costs for shipping a container on their vessels using allocated slots were handling charges (*e.g.*, stevedoring expenses) separately billed to us by the provider of those services. Similarly, we received no payments from Ocean 3 Alliance partners for the use of allocated slots on our vessels, and handling charges were billed separately to the alliance partner by the provider of the handling services. We made payments for slots used on alliance ships only to the extent the net number of slots used by us on alliance ships during a given period exceeded the number of slots allocated to us on alliance ships during that period. Similarly, we received payments from for slots used by Ocean 3 Alliance members on our vessels only to the extent the net number of slots used on our vessels during a period by Ocean 3 alliance members exceeded the number of slots allocated to the Ocean 3 Alliance for that period.

The presentation of Ocean Alliance transactions in our financial statements is based on IAS 18.12 which states that "when goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue." Ocean Alliance partners exchange services of a similar nature (slot sales and purchases) and similar value (each partner takes out the equivalent allocation of what the partner puts into the alliance, at a similar price for both sales and purchases). Accordingly, in our financial statements, Ocean Alliance slot sales and purchases are presented on a net basis and the net income or expense is included in the line item "slot purchases".

***Seasonal Fluctuations***

We experience a number of factors that cause seasonal fluctuations in transport volumes, including increased demand for shipping services in the third and beginning of fourth quarters of the year in advance of the major western holidays and weaker demand beginning of the year, reflecting the decrease in consumer spending in the western countries, as well as restrained manufacturing activities in China due to the Chinese New Year celebrations. As a result of these seasonal fluctuations, our cash flows from operations and revenue have historically not been evenly distributed throughout the year.

**Acquisitions and Disposals**

From time to time we pursue strategic acquisitions and combinations with a view towards reinforcing our position as one of the leaders in the container shipping market and logistics market by capturing market opportunities in a volatile environment. With the current trend in the shipping industry towards consolidation and operating alliances (see "*—Transport Volumes and Freight Rates; Cyclical Nature of Supply and Demand*" and "*—Operational Alliances*"), our acquisition activities are intended to help us to maintain our scale advantages to support an efficient cost base and to diversify our service offerings both geographically and through expansions into new service areas as well as reinforcing our asset base, while at the same time maintaining a strong financial profile and a sustainable liquidity position. We expect to continue to consider acquisitions in the container shipping market and logistics market, both regional "bolt-on" ones and larger "transformational" ones, while maintaining financial discipline and a strong liquidity position and being consistent with our deleveraging roadmap.

***CEVA***

As discussed above, we completed the acquisition of control of CEVA, a leading global player in the logistics sector, effective as of January 4, 2019 (and subsequently completed the acquisition of 100% of CEVA's shares). The total consideration paid to acquire CEVA amounted to $1.7 billion.

***CC Log Transaction***

Pursuant to an asset and share purchase agreement entered into between CEVA and us on December 31, 2018 that closed on May 2, 2019, CEVA acquired our CC Log freight management activities for total consideration of $105 million, for which we granted a one-year vendor loan to CEVA. This transaction had no impact on our consolidated financial statements as it occurred after January 4, 2019.

***Change of Control Offers and Repayments in respect of CEVA indebtedness***

The consummation of the acquisition triggered change of control provisions under certain of CEVA's outstanding debt obligations, including a requirement to make an offer to repurchase CEVA's €300 million of senior secured notes due 2025 and to prepay CEVA's $475 million senior loan term B facility. Waivers or amended terms were obtained in respect of change of control provisions in certain other bank debt and securitization facilities of CEVA. To finance the repurchase of the senior notes and term loan B facility, we entered into a commitment letter with certain banks to underwrite up to an additional $825 million under CEVA's existing senior term and revolving credit facilities agreement. As of June 30, 2020, $457.5 million was outstanding under the term loan B facility and $330.2 million was outstanding under the €297 million bridge facility of July 2019, which was repaid in full in July 2020.

***Structured Sale of Terminals to Terminal Link***

On December 20, 2019, we entered into an agreement to sell to Terminal Link our equity interest in (up to) ten port terminals and minority stakes in eight other terminals for a maximum aggregate consideration of $968.0 million. (See "*Business—Services—Terminal Facilities—Terminal Link,*" "*Overview—Divestment and Liquidity Enhancement Program—Structured Sale of Terminals to Terminal Link.*")

***Sale of logistics hub in India***

On November 22, 2019, we announced the sale of our 50% stake in in Ameya Logistics Pvt Ltd, the entity that operates the logistics hub near Jawaharlal Nehru Port Trust, India's largest container port, to PSA Singapore.

The transaction is expected to close in the second half of 2020. We expect to receive consideration of $85.0 million upon closing, with an additional earn-out of $8.0 million for a total consideration of $93.0 million.

***Acquisition of Containerships***

On October 31, 2018, we completed the acquisition of the container shipping and logistics business Containerships. Founded in 1966, Containerships is a Finnish full-service container-transportation and logistics company operating in the Baltic Sea (where it is a leading short sea operator), North Sea and the Mediterranean and covering the Baltic markets, Russia, Northern Europe, North Africa and Turkey. Containerships offers its clients a complete range of high-quality services, as well as logistics solutions through all types of transportation (sea, road, rail and barge). Containerships' network will complement our service offering in Northern Europe, particularly in the Baltics, and the Mediterranean and reinforce our multimodal and door-to-door capabilities in the UK, Russia and Eastern Europe. The consideration paid for the acquisition was $209.9 million.

***Acquisition of Mercosul Line***

In December 2017, we acquired 100% of the share capital of Mercosul Line from Maersk Line. Mercosul Line is one of the leading players in Brazil's domestic container shipping market, operating four vessels in Brazil and South America. The acquisition strengthens our overall presence in South America and in particular our service offerings in Brazil, which we believe is a market with a strong potential for development, especially on intermodal and door-to-door shipping services. The acquisition further supports our core strategy to develop intra-regional sea transportation links and complementary services such as logistics. The consideration paid for the acquisition was $237.6 million.

***Acquisition of majority stake in Sofrana Unilines***

On October 31, 2017, we acquired, through our subsidiary, ANL Singapore, the majority of the shares in Sofrana Unilines, a small niche player in the Pacific Islands regional maritime trade. Sofrana Unilines operates, either directly or in partnership, a fleet of 10 vessels on eight trade-lanes, servicing 21 ports in Australia, New Zealand, Papua New Guinea and the Pacific islands. With successful operations in the South Pacific region for almost 50 years, Sofrana Unilines will provide enhanced port coverage to ANL Singapore and us in this area. The consideration paid for the acquisition was less than $20 million.

***Sale of the GGS Terminal***

On December 1, 2017, we completed the sale of a 90% equity interest in the GGS terminal to EQT Infrastructure and its partner P5, for an Enterprise Value of $875 million. We received cash consideration of $823.4 million which may be adjusted for earn-out clauses and final price determination. We retain 10% of the GGS terminal, acting as a minority shareholder with protective rights and will be a major user of the facility. Due to the terms of the shareholders agreement, management assessed that the 10% ownership right gives us significant influence and the 10% residual ownership is accordingly recognized as an investment in associates.

**Explanation of Key IFRS Income Statement Line Items**

The following explanation of our key income statement line items is based upon and relates solely to our consolidated financial statements prepared in accordance with IFRS.

***Revenue***

Revenue includes revenue from container shipping, revenue from logistics and revenue from other activities.

***Container Shipping Revenue***

Container shipping revenue includes all revenue related to maritime transportation of containers. It is principally driven by freight rates and shipped volumes, but also includes revenue from other activities related to maritime container transportation, such as sales of slots, demurrage and storage (the fees we charge an importer for making use of our containers on our terminals or container yards beyond the customary grace period), as well as revenue related to the handling of containers and to the coverage of bunker fuel or currency valuation. Container shipping revenue constitutes the largest proportion of our revenue and represented 93.7%, 94.8%, 73.6% and 73.9% of total consolidated revenue before eliminations in 2017, 2018, 2019 and in the six months ended June 30, 2020, respectively. See "*—Year ended December 31, 2018 compared with year ended December 31, 2017,*" "*Year ended December 31, 2019 compared with the year ended December 31, 2018*" and "*Six-month period ended June 30, 2020 compared with the six-month period ended June 30, 2019.*"

Freight rates are market-driven, and carriers have limited flexibility to establish rates independently of the freight market. Our rates for freight shipping services are generally based upon a group-wide pricing structure tailored for the origin and destination points selected by the shipper, the volume being shipped and any applicable surcharges. Most of the ports at which we call on a regular basis are "base ports," or ports that have been defined by the applicable liner conference as primary ports of call. We generally charge a higher freight rate for shipments to or from ports that are not considered base ports. We also charge higher freight rates for more complex journeys, as the costs related to these journeys are generally greater. Base freight rates differ depending upon whether the container utilized is a standard container or a specialized container, such as a reefer. Base freight rates also increase in certain circumstances due to company-determined surcharges for shipments of dangerous cargo, special equipment, overweight containers, break bulk and open-top cargo, as these containers require more complex handling and services and are generally subject to greater risk of damage.

We establish base freight rates on a line-by-line basis and these rates vary widely depending upon the line and the direction of the voyage. For example, in 2019, our average freight rate on our Asia-Europe eastbound voyages was $674 per TEU, while our average freight rate on our Asia-Europe westbound voyages was $1,058.0 per TEU. The level of base freight rates for a particular line, however, does not necessarily have a direct relation to the contribution of that line to our EBIT, as line-specific EBIT is affected by fixed and variable costs, as well as the capacity utilization of vessels deployed, all of which differ among lines. Because freight rates can vary significantly from line to line, the mix of our lines in any given period can have a significant effect on the average freight rate (and revenue and profitability) during that period.

We also charge our customers various surcharges to reduce our exposure to certain market-related risks and extraordinary events. We periodically establish surcharges to our base rates in accordance with certain adjustment factors consistent with industry practice. In connection therewith, we review bunker fuel rates, currency exchange rates, port congestions, and war risks and other extraordinary risks, and determine the related applicable rate-adjustment factors. Our ability to achieve profitable freight rates depends largely on general market conditions on a particular trade route, on the perceptions of market participants with regard to the level of structural imbalance between the dominant and non-dominant legs and on the service offered. Typically, the freight rates for special and individualized services are comparatively higher and we negotiate on an ad hoc basis cargo-specific charges related to shipments of hazardous cargo, shipments requiring special equipment (such as reefers) or overweight or oversized containers requiring special handling. Beyond a certain allowance, we also charge our clients for the number of days they retain our containers outside or within their premises.

We generally have greater pricing power on the dominant legs of a trade than on the non-dominant legs. Our ability to select profitable cargoes and our ability to rely on contracted volumes at a pre-agreed rate, combined with our diversified geographical mix of trades, are critical to allow us to reduce the impact of freight rate volatility.

***Logistics Revenue***

In 2019, following the acquisition of CEVA, we revised our segment presentation to include a new Logistics segment. In accordance with IFRS 8 we have restated our 2018 segment results to reflect the new presentation. The 2017 segment results have not been restated.

Logistics revenue includes our freight management activities, contract logistics activities and ground transportation activities.

- Our freight management revenues are primarily derived from acting as an indirect carrier providing international and domestic air and ocean, international and domestic ground, customs brokerage, and other value-added services. In some contracts we also act as a carrier's agent. Revenue is recorded in gross terms (including transportation costs) when acting as an indirect carrier, and net of transportation costs and freight insurance premiums when acting as a carrier's agent. When acting as an indirect carrier, revenues are generally recognized upon delivery, whereas in the case of acting as a carrier's agent, revenues related to customs brokerage and other services provided at origin or destination are recognized on completion of the services. When acting as a carrier's agent, such revenues comprise commissions and fees earned for the services performed and revenues are recognized on completion of the services. Revenue, as well as cost of sales, excludes customs duties paid on behalf of customers.
- Our contract logistics revenue is derived from the provision of inbound logistics, warehousing, manufacturing support, outbound/distribution logistics and aftermarket logistics. Revenue is recognized net of trade discounts, credit notes and taxes levied on sales when the service is rendered based on the contract with the customer.
- Our ground transportation activities revenue is derived from our road and multi-modal transport solutions and our dedicated rail transport services. We offer ground transportation services covering more than 40 countries in multiple geographies, including the U.S., Europe, the Middle East, Latin America and Asia.

Logistics revenue represented 2.5%, 24.1%, and 24.1% of total consolidated revenue before eliminations in 2018, 2019 and the six-month period ended June 30, 2020, respectively. See "*—Year ended December 31, 2019 compared with the year ended December 31, 2018*" and "*Six-month period ended June 30, 2020 compared with the six-month period ended June 30, 2019.*"

### *Revenue from Other Activities*

Revenue from other activities primarily consists of revenue from port terminal operations and from various inland activities such as container repairs, depot or real estate.

Revenue from other activities represented 2.7%, 2.3% and 2.0% of total consolidated revenue before eliminations in 2018, 2019 and the six-month period ended June 30, 2020, respectively. See "*—Year ended December 31, 2019 compared with the year ended December 31, 2018*" and "*Six-month period ended June 30, 2020 compared with the six-month period ended June 30, 2019.*"

## *Operating Expenses*

The principal components of our operating expenses under IFRS are described below.

### *Bunkers and Consumables*

Bunkers and consumables expenses consist of the costs of purchasing bunker fuel and costs of other supplies, such as lashing material for on-board containers, fuel for on-board diesel generators and auxiliary motors, and paint for our vessels. Bunkers and consumables expenses represented 12.2%, 15.4%, 11.4% and 11.3% of our consolidated revenue in 2017, 2018, 2019 and the six-month period ended June 30, 2020, respectively. The primary component of bunkers and consumables during the period under review was the purchase of bunker fuel, which amounted to $1,508.7 million, or 93.8% of our bunkers and consumables expenses in the six-month period ended June 30, 2020, $3,232.5 million, or 93.7% of our bunkers and consumables expenses in 2019, $3,484.5 million or 96.3% of our bunkers and consumable expenses in 2018, and $2,452.0 million or 95.5% of our bunkers and consumables expenses in 2017. The principal factors that determine the amount of bunker fuel we purchase during a given period are the number, size and speed of our vessels. In 2018, we consumed 8,364 kilotons of bunker fuel at an average price of $417/ton. In 2019, we consumed 7,804.3 kilotons of bunker fuel at an average price of $414/ton. In the first six months of 2020, we consumed 3,951.8 kilotons of bunker fuel at an average price of $417/ton. The price we pay for bunker fuel has historically been volatile (see "*Risk Factors—Risks Relating to the Shipping and Logistics Industries—Increases in the price of fuel have in the past and could in the future significantly increase our operating costs and depress our profitability"*). Because bunker fuel accounts for a significant portion of our operating expenses, increases or reductions in our bunker fuel expenses can have a significant impact on overall operating expenses during the periods in question.

Effective January 1, 2020, the limit for sulfur in fuel oil used by ships operating worldwide is reduced to 0.5% m/m from 3.5% m/m for areas other than the four established Emission Control Areas, where a stricter limit of 0.1% was already in place. We began loading our ships with low sulfur fuel oil in December 2019. Low sulfur fuel costs are expected to result in a significant increase in bunker expense in 2020, a portion of which will be recouped through fuel surcharges, such as our Low Sulphur Surcharge (LSS20), and through our renegotiation of bunker adjustment factor (BAF) clauses in our outstanding contracts. See "*—Fluctuations in Bunker Fuel Rates and Efficiency in Bunker Fuel Consumption—Low Sulfur Fuel Regulation.*"

### *Chartering and slot purchases*

Chartering and slot purchases expenses represented 9.8%, 10.0%, 4.6% and 4.4% of our consolidated revenue in 2017, 2018, 2019 and the six-month period ended June 30, 2020, respectively. Chartering expenses consist of costs of chartering our vessels from third parties. Slot purchases consist of the costs associated with slot purchasing resulting from some of our cooperation agreements. The cost of chartering our vessels is the primary component of chartering expenses. Our chartering expenses are principally driven by a combination of three factors: market charter rates, changes in the size and composition of our fleet and the time at which and duration for which a given charter rate is set. Ship charter rates have historically fluctuated significantly. We generally seek to own or charter on a long-term basis strategic vessels, *i.e*., larger (post-Panamax) or specially designed vessels, which are difficult to obtain at cost-effective rates in the charter market, and to charter on a short-term basis our smaller vessels, *i.e*., with capacity exceeding 5,000 TEU or less, which are more readily available. Following our implementation of IFRS 16, applicable for annual periods beginning on or after January 1, 2019, long-term (greater than 12 months) chartering expenses (except running costs components) are no longer recorded as operating expenses. For periods after the IFRS 16 implementation date, chartering expenses consist of time-charter expenses for short-term leases (12 months or less) and the running costs components of long-term time charters. Implementation of IFRS 16 resulted in a decrease in chartering of $1,013.5 million for the year ended December 31, 2019, slightly offset by an increase in chartering rates across the market, and a decrease in chartering of $498.6 million for the six-month period ended June 30, 2020.

As of June 30, 2020, we chartered 351 vessels, or 59% of our fleet by capacity, of which we chartered 41 vessels with a remaining charter duration of more than five years, or 15.2% of our fleet by capacity, 60 vessels with charter duration of less than five years and more than one year, or 17.6% of our fleet by capacity, and 250 vessels with a remaining charter duration of less than one year, or 26.1% of our fleet by capacity, and owned or had under finance lease or equivalent arrangements 149 vessels, or 41% of our fleet by capacity. We do not incur additional costs for crew provisioning, maintenance, repair or hull insurance with respect to vessels we charter. Chartering expenses do not include the costs of our owned vessels. In certain circumstances, we purchase slots on vessels of other carriers in order to establish a line where we are not present and where we do not believe it is cost-effective to deploy our own vessels. We generally do not purchase more than approximately 500 TEU per scheduled sailing, as we believe that above this volume level it is likely to be cost-effective to deploy our own vessel.

***Handling and stevedoring***

Handling and stevedoring expenses, which are charges by terminal operators for the loading and unloading of containers and related services, represented 26.3%, 26.7%, 21.1% and 20.4% of our consolidated revenue in 2017, 2018, 2019 and the six-month period ended June 30, 2020, respectively.

We contract stevedoring services principally from third parties. We generally hire these services under two-to three-year contracts on a port-by-port basis. Where possible, we attempt to lower stevedoring costs per TEU by negotiating volume discounts, by leveraging our size in our negotiations with port service providers and by increasingly utilizing 40 and 45-foot containers. These larger containers permit us to ship cargo with fewer container movements, resulting in lower stevedoring expenses.

***Transportation***

Inland and feeder transportation expenses relate to on-carriage or pre-carriage of full containers loaded on our vessels. Containers can be loaded on trucks, barges or rail. Inland and feeder transportation expenses represented 13.8%, 14.2%, 21.7% and 20.3% of our consolidated revenue in 2017, 2018, 2019 and the six-month period ended June 30, 2020, respectively.

***Port and canal***

Port and canal expenses consist of charges we pay to ports, on a per-call basis, for a variety of services, including: berthing, tug services, sanitary services and utilities, and payments made to canal operators, on a per-passage basis, for use of the canal. Canal expenses are primarily attributable to passages through the Suez Canal and the Panama Canal. Port and canal expenses represented, 6.3%, 6.5%, 4.8% and 4.8% of our consolidated revenue in 2017, 2018, 2019 and the six-month period ended June 30, 2020, respectively.

***Container equipment and repositioning***

These expenses relate mainly to the cost of our fleet of containers and include such items as container and chassis rental, container and chassis maintenance and repairs as well handling in depots, empty container transportation and storage. Following our implementation of IFRS 16, applicable for annual periods beginning on or after January 1, 2019, expenses for long-term (greater than 12 months) operating leases of containers are no longer recorded as operating expenses. For periods after the IFRS 16 implementation date, expenses for short-term rentals of containers continue to be recorded under logistics expenses. The implementation of IFRS 16 resulted in a decrease of $777.7 million in logistics expenses for the year ended December 31, 2019. Logistics represented 8.2%, 9.1%, 4.7% and 3.9% of our consolidated revenue in 2017, 2018, 2019 and the six-month period ended June 30, 2020, respectively.

***Employee benefits***

Employee benefits expenses consist of the salaries and other employee benefits, including social security payments, of our administrative personnel, our navigating staff, the personnel of our consolidated shipping agencies and stevedores at our port terminal operations. Employee benefits represented 8.0%, 8.0%, 13.4% and 13.7% of our consolidated revenue in 2017, 2018, 2019 and the six-month period ended June 30, 2020, respectively. Our employee benefit costs related to our owned vessels that are staffed by French officers and French crew are generally higher than our personnel costs related to vessels where we hire officers and crew from a third-party employment agency. Our employee benefits do not include the costs of the crew of our chartered vessels as those crew are provided for by the chartering party and their resulting costs included in the charter rates.

***General and administrative expenses***

General and administrative expenses other than employee benefits include third-party agency and forwarder commissions, auditor fees, legal, consultancy, IT and other professional services, rental and non-operating lease expenses, other taxes, communication costs, insurance and other miscellaneous costs. Following our implementation of IFRS 16, applicable for annual periods beginning on or after January 1, 2019, expenses under long-term leases (greater than 12 months) of office space or and office equipment (other than low-value leases) are no longer recorded as operating expenses. For periods after the IFRS 16 implementation date, expenses for short-term rentals of office space and equipment and low-value leases of office equipment continue to be recorded under general and administrative expenses. The implementation of IFRS 16 resulted in a decrease of $418 million in general and administrative expenses in 2019. General and administrative expenses other than employee benefits represented 3.5%, 3.6%, 4.5% and 4.6% of our consolidated revenue in 2017, 2018, 2019 and the six-month period ended June 30, 2020, respectively.

***Other Expenses***

*Amortization of NPV benefit related to assets*

We frequently use capital lease financings to acquire our vessels. We record any ship leased pursuant to these financings at its cost as of the date of purchase as an asset on our consolidated balance sheet. The net present value of future lease payments due to the lessor under the lease agreement with respect to such ship is recorded as a liability on our consolidated balance sheet under "*Financial debt*." Several of our subsidiaries have entered into capital lease financing structures designed to take advantage of certain benefits under the tax laws of the United Kingdom, France or Singapore. Under these leveraged tax leases, a tax benefit is granted to the lessor, but also passed on in part by the lessor to our subsidiaries that are parties to the lease agreements, either at inception, or over the lease term through lower lease payments, or at the end of the lease term through the recovery of a cash amount (or a more favorable final purchase price). In such cases, we recognize the tax benefits as follows:

- when we receive a tax benefit from such financings either upfront or through lower lease payments, the excess of the amount recorded as an asset with respect to the ship to which these payments relate over the net present value of the corresponding lease payments is recorded as a liability on our balance sheet under the heading "Deferred income" (allocated between current and non-current portion depending on twelve month maturity). This benefit is then credited to the consolidated statement of profit & loss on a vessel-by-vessel basis over the tax financing period, which ranges from five to eight years, under the heading "NPV benefit related to assets". This income is presented within EBIT because we consider this benefit as, in effect, a reduction of the operational running cost of the vessel; and
- when we benefit from the tax advantage at the end of the lease term, a financial asset is recognized within "Other financial assets" progressively over the tax financing period and the corresponding income is recorded under the heading "NPV benefit related to assets."

The lease payments we make to the lessor with respect to a ship are recorded according to the character of the payment. Principal payments on capital leases are recorded as a cash outflow on our cash flow statement under the heading "*Principal repayments on finance leases*." Interest payments on capital leases are recorded as a cash expense item on our income statement and allocated under the heading "*Interest expense on borrowings*."

*Cost of borrowings net of interest income on cash and cash equivalents*

Cost of borrowings net of interest income on cash and cash equivalents includes interest expense on borrowings and interest income on cash and cash equivalents. Our interest expenses on borrowing have increased compared to previous periods as a result of the finance cost impact of IFRS 16, applicable for annual periods beginning on or after January 1, 2019, as IFRS 16 prescribes to record the financing portion of the lease as a financial expense based on the incremental borrowing rate used to determine the lease liability.

*Other net financial items*

Other financial items consist of changes in the fair value of derivative instruments that do not qualify for hedge accounting, changes in fair value of securities and foreign currency exchange gains and losses on financial debt as well as restructuring fees paid to our banks.

*Income tax*

We are subject to the French tonnage-based taxation scheme (the "tonnage tax regime") pursuant to Article 209-0 B of the French Tax Code. Comparable tax regimes exist in several other European countries. The French regime was approved by the European Commission on May 13, 2003. For French corporate income tax purposes, our taxable income in respect of our container shipping activities is calculated by reference to the net tonnage of our operated container vessels (subject to the application of some specific adjustments), irrespective of actual income earned, as long as at least 75% of our turnover is derived from the operation of our vessels while our taxable income in respect of our other operations is determined as per standard French corporate income tax rules. We made an initial election in 2004 to participate in this regime. The election is made for an irrevocable ten-year period and is renewable at the term of such period. We reelected to participate in the tonnage tax regime in 2013. In order to remain within the tonnage tax regime, the vessels we operate must be strategically and commercially managed in France pursuant to the FTA guidelines (BOI-IS-BASE-60-40-10, § 170). In addition, these vessels must be (i) owned, jointly owned or leased by the company (with the exception of vessels that we bareboat chartered to non-related companies or to related companies that have not opted for the tonnage tax regime) or (ii) bareboat or time chartered by us. Moreover, we had to commit ourselves to increasing or at least maintaining under flags of EU Member States a specified proportion of tonnage. Should we fail to respect that last requirement, we will have to exclude from the tonnage tax regime the proportion of the non-EU flagged vessels we operate that cause us to fall below the minimum, save for the application of an exception. More generally, failure to comply with the other requirements of the tonnage tax regime may result in this regime being terminated, in which case we would have to add-back to our taxable income of the fiscal year during which the regime is so terminated an amount equal to the sum of our taxable incomes (before any adjustment) of the previous fiscal years determined as per the tonnage tax regime rules.

In 2013, the European Commission opened an in-depth investigation to examine whether French rules giving favorable tax benefits to certain vessels sailing under non-EU flags would run against the objectives of EU maritime transport policy. The European Commission closed this investigation on February 4, 2015 after the Second Amending Finance Law for 2014 introduced a threshold to ensure that French tonnage taxpayers flag at least 25% of their tonnage in the EEA. This new 25% threshold applies to companies who have opted for the tonnage tax regime in respect of a financial year ending since November 27, 2014. The threshold is appraised at tax group level, if the companies have elected to such regime. Since we reelected to participate in the tonnage tax regime in 2013, such threshold will not apply until the next reelection.

**Results of Operations**

**Six-month period ended June 30, 2020 compared with the six-month period ended June 30, 2019**

***Revenue***

The components of our consolidated revenue during the periods under review are set out below:

| | For the six-month period ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2020 | |
| | *($ millions)* | *Percentage[(1)]* | *($ millions)* | *Percentage[(1)]* |
| Shipping | 11,713.9 | 77.5% | 10,839.1 | 76.4% |
| Logistics | 3,511.3 | 23.2% | 3,422.9 | 24.1% |
| Reconciling items & eliminations | (116.7) | — | (72.1) | — |
| **Total revenue** | **15,108.5** | **100.0%** | **14,189.9** | **100.0%** |

(1) Expressed as a percentage of consolidated revenue excluding reconciling items and eliminations (as set forth in Note 4.1 to the CMA CGM Unaudited Interim Consolidated Financial Statements).

Consolidated revenue decreased by $918.6 million, or 6.1%, from $15,108.5 million for the six months ended June 30, 2019 to $14,189.9 million for the six months ended June 30, 2020, primarily due to a $874.8 million decrease in shipping revenue, and to a lesser extent a $88.4 million decrease in logistics revenue.

***Shipping revenue***

Shipping revenue decreased by $874.8 million, or 7.5%, from $11,713.9 million for the six months ended June 30, 2019 to $10,839.1 million for the six months June 30, 2020. This decrease primarily reflected:

- a decline in volumes of 971.7 thousand TEU, or 9.1%, from 10,680.4 thousand TEUs for the six months ended June 30, 2019 to 9,708.7 thousand TEUs for the six months ended June 30, 2020, mainly due to the impact of the COVID-19 pandemic, which significantly affected volumes out of China following the Chinese New Year (February) and significantly impacted volumes on global trades beginning in March 2020;

- offset in part by an increase in average container shipping revenue per TEU of 1.8% from $1,096.8 per TEU for the six months ended June 30, 2019 to $1,116.4 per TEU for the six months ended June 30, 2020, mainly due to the implementation of the IMO 2020 bunker surcharge (BAF and LSS mechanisms) along with resilient freight rates in a context of decrease in volumes (resulting from a decrease in demand).

On a line-by-line basis, the 971.7 thousand TEU decrease in volumes was mainly due to:

- a 544.6 thousand TEU decrease on our East-West trades, which included a 220.3 thousand TEU decline in the United States, a 170.7 thousand TEU decline in Asia & Europe to Gulf / ISC and a 153.6 thousand TEU decline in Asia to Europe & Mediterranean;
- a 392.1 thousand TEU decline in volumes loaded on our North-South lines, which included a 162.5 thousand TEU decline in Latin America and the West Indies and Guyana, a 122.5 thousand TEU decline in Africa and a 107.1 thousand TEU decline in Oceania; and
- a 35.0 thousand TEU, or 1.8%, decline in our intra-regional lines.

***Logistics revenue***

Unless stated otherwise, for consistency across the comparative period and to exclude consolidation items such as elimination and purchase price allocation adjustments, comparisons of results of the Logistics segment are based on the results of CEVA as published in CEVA's consolidated statements (as a standalone company), rather than the segmental results of operations for the Logistics segment reported in our consolidated financial information. See "*—Overview*" and *"—Presentation of Financial Information; Comparability of Information*."

CEVA revenue decreased by $88 million, or 2.5%, from $3,511 million for the six months ended June 30, 2019 to $3,423 million for the six months ended June 30, 2020, mainly due to a 13.1% decrease in contract logistics as a result of the COVID-19 pandemic, offset in part by 9.7% growth in freight management, itself driven to a large extent by increased rates in air freight.

| | For the six-month period ended June 30, | | | |
|---|---|---|---|---|
| | **2019** | **2020** | **Var.** | **Var.%** |
| **($ millions, unless otherwise indicated)** | | | | |
| CEVA revenue as per group consolidated financial statements[(1)] | 3,511 | 3,423 | (88) | (2.5)% |
| CEVA revenue as per group consolidated financial statements[(2)] | 3,514 | 3,446 | (68) | (1.9)% |
| o/w freight management | 1,714 | 1,881 | 167 | 9.7% |
| o/w contract logistics | 1,800 | 1,565 | (235) | (13.1)% |
| CEVA EBITDA as per group consolidated financial statements[(1)] | 291 | 291 | — | — |
| CEVA EBITDA before specific items as per CEVA consolidated financial statements[(2)] | 281 | 290 | 9 | 3.2% |
| CEVA EBITDA margin, before spec. item[(2)] | 8.0% | 8.4% | — | 0.4% |
| Air volumes (incl. integration of CC Log) | 208.3 | 173.5 | (29.4) | (14.5)% |
| Air volumes (excl. integration of CC Log) | 203.0 | 171.1 | (31.9) | (15.7)% |
| Ocean volumes (incl. integration of CC Log) | 456.6 | 491.1 | 114.2 | 30.3% |
| Ocean volumes (excl. integration of CC Log) | 376.6 | 335.8 | (40.8) | (10.8)% |

(1) Contribution to the CMA CGM consolidated financial statements.

(2) As per CEVA's standalone consolidated financial statements, therefore excluding eliminations items and purchase price allocation adjustments.

*Freight Management*

CEVA's freight management revenues increased by $167 million, or 9.7%, from $1,714 million for the six months ended June 30, 2019 to $1,881 million for the six months ended June 30, 2020, mostly due to an increase in air freight rates compensating lower volumes.

Taking into account the integration of CC Log, air volumes declined by 29.4 thousand tons, or 14.5%, from 202.9 thousand tons for the six months ended June 30, 2019 to 173.5 thousand tons for the six months ended June 30, 2020.

Excluding CC Log, in the second quarter of 2020 air volumes contracted by 28.3% as compared to the second quarter of 2019, to 97.5 thousand tons, principally driven by the overall drop in market demand. IATA reported a volume drop of 27.7% in April, 20.1% in May and 17.6% in June as many countries were locked down for part or most of the second quarter due to the COVID-19 pandemic. Most notably, exports from Europe were under severe pressure, balanced in part by a substantial increase in our charter business, especially on the Asia to Northern Europe trade line, linked to the transportation of personal protection equipment. Air yield in the six months ended June 30, 2020 increased by a factor of 2.3x as compared to the second half of 2019 due to favorable supply/demand industry dynamics and the successful air charter campaign launched by CMA CGM to help address our clients' need for urgent shipments.

Taking into account the integration of CC Log, ocean volumes increased by 11.4 thousand tons, or 30.3%, from 376.9 thousand TEUs for the six months ended June 30, 2019 to 491.1k TEUs for the six months ended June 30, 2020. This drop was mainly due to the impact of the COVID-19 pandemic, with global ocean volumes down in 2020 approximately 7.7% in April, 8.5% in May and 4.4% in June as compared to the same respective periods in 2019 according to Drewry Shipper Insight.

Excluding CC Log, ocean volumes declined by 40.0 thousand TEUs, or 10.7%, from 376.0 thousand TEUs for the six months ended June 30, 2019 to 336.0 thousand TEUs for the six months ended June 30, 2020, mainly due to the impact of the COVID-19 pandemic and the loss of a major retail customer, which was only partly compensated by new contract wins.

*Contract Logistics*

Revenue decreased by $235 million, or 13.1%, from $1,800 million for the six months ended June 30, 2019 to $1,565 million for the six months ended June 30, 2020, principally as a consequence of the COVID-19 pandemic causing warehouses to temporarily close across all verticals. Additionally, lost business during 2019 impacted revenue by an estimated $49 million, including the loss of one large contract in the UK, which more than offset new customer wins, in particular several e-commerce contracts in North America, Spain, Germany, UK and Italy in the second quarter of 2020.

***Operating Expenses***

***Shipping***

Shipping operating expenses during the periods under review are broken down as follows:

| | For the six-month period ended June 30, | | | |
|---|---|---|---|---|
| | **2019** | **2020** | **Var.** | **Var.%** |
| *($ millions, unless otherwise indicated)* | | | | |
| Bunkers and consumables | 1,731.7 | 1,586.1 | (145.6) | (8.4)% |
| Chartering and slot purchases | 743.8 | 618.7 | (125.1) | (16.8)% |
| Handling and stevedoring | 3,224.5 | 2,857.9 | (366.6) | (11.4)% |
| Transportation | 1,600.5 | 1,206.5 | (394) | (24.6)% |
| Port and canal | 734.7 | 678.4 | (56.3) | (7.7)% |
| Logistics | 710.9 | 524.9 | (186.0) | (26.2)% |
| Employee benefits | 956.4 | 909.6 | (46.8) | (4.9)% |
| General and administrative other than employee benefits | 393.9 | 404.8 | 10.9 | 2.8% |
| Other operating expenses/(income), net | 174.9 | 164.2 | (10.7) | (6.1)% |
| **Total operating expenses** | **10,271.5** | **8,951.2** | **(1,320.3)** | **(12.9)%** |

Shipping operating expenses decreased by $1,320.3 million, or 12.9%, from $10,271.5 million for the six months ended June 30, 2019 to $8,951.2 million for the six months ended June 30, 2020.

This decrease in shipping operating expenses resulted primarily from a 24.6% decrease in transportation costs, an 11.4% decrease in handling and stevedoring, a 26.2% decrease in logistics, an 8.4% decrease in bunker and consumables and a 16.8% decrease in chartering and slot purchases.

The decrease in shipping operating expenses reflected both the decrease in shipping revenue in the first six months of 2020 compared to the first six months of 2019 and the actions we took to reduce our cost base, particularly with respect to handling and stevedoring, transportation and logistics expenses; each of which decreased materially on a per TEU basis in the first six months of 2020 compared to the first six months of 2019.

Shipping operating expenses per TEU decreased by $39.7 per TEU, or 4.1%, from $961.7 per TEU for the six months ended June 30, 2019 to $922.0 per TEU for the six months ended June 30, 2020 mainly due to cost reductions being larger than the relative amount of volume decreases.

***Bunkers and consumables***

Bunker and consumables decreased by $145.6 million, or 8.4%, from $1,731.7 million for the six months ended June 30, 2019 to $1,586.1 million for the six months ended June 30, 2020.

The decrease in bunker and consumables was mainly driven by a decrease in consumption (mainly due to improved efficiency and decreased volumes) of 485.1 thousand tons, or 12.3%, from 3,951.9 thousand tons for the six months ended June 30, 2019 to 3,466.8 thousand tons for the six months ended June 30, 2020; along with a decrease in total weight of 12.9 kgs, or 3.5%, from 370.0 kgs per TEU for the six months ended June 30, 2019 to 357.1 kgs per TEU for the six months ended June 30, 2020; partially offset by an increase in average bunker rate of $16.9/ton, or 4.0%, from $418.1/ton for the six months ended June 30, 2019 to $435.0/ton for the six months ended June 30, 2020.

The increase in average bunker rate reflects the implementation of IMO 2020. As from January 1, 2020, the International Maritime Organization requires all sea-going vessels worldwide to comply and reduce their sulfur emissions by 85%. In order to comply, we must use a new, cleaner fuel, VLSFO 0.5% (or any other compliant fuel such as MGO), which is more expensive than the HSFO 3.5% fuel we previously used.

***Chartering and slot purchases***

Chartering and slot purchases decreased by $125.1 million, or 16.8%, from $743.8 million for the six months ended June 30, 2019 to $618.7 million for the six months ended June 30, 2020. Chartering and slot purchases represented 6.4% for the six months ended June 30, 2019, as compared to 5.7% of revenue for the six months ended June 30, 2020.

Chartering decreased by $61.0 million, or 13.1%, from $465.8 million for the six months ended June 30, 2019 to $404.8 million for the six months ended June 30, 2020 mostly due to a lengthening in average duration for time chartering agreements. Expenses related to new agreements with a duration longer than 12 months have been reclassified outside of operating expenses, as required by IFRS 16.

Slot purchase and other fixed expenses decreased by $64.1 million, or 23.1%, from $278.1 million for the six months ended June 30, 2019 to $214.0 million for the six months ended June 30, 2020. This was related to the decrease in volumes arising from the COVID-19 pandemic.

***Handling and stevedoring***

Handling and stevedoring decreased by $366.6 million, or 11.4%, from $3,224.5 million for the six months ended June 30, 2019 to $2,857.9 million for the six months ended June 30, 2020. Handling and stevedoring expenses represented 27.5% of revenue for the six months ended June 30, 2019, as compared to 26.4% of revenue for the six months ended June 30, 2020.

Stevedoring of full containers decreased by $289.5 million, or 10.8%, from $2,661.5 million for the six months ended June 30, 2019 to $2,372.0 million for the six months ended June 30, 2020. Stevedoring of empty containers decreased by $77.2 million, or 13.7%, from $563.0 million for the six months ended June 30, 2019 to $485.8 million for the six months ended June 30, 2020.

The decrease was primarily due to:

- a decline in volumes observed over the six months ended June 30, 2020, attributable to the COVID-19 pandemic;
- lower extra costs as compared to the six months ended June 30, 2019 when we implemented several extra loaders in the U.S. as part of container repositioning initiatives;
- a positive change in area mix as volumes declined during the six months ended June 30, 2020 in China, the US and Europe which are more costly to operate in as compared to other areas (including the Middle East and Latin America) where the volumes declines were less significant; and
- positive FX impacts mostly related to the depreciation of the Euro, Yuan Renminbi and Brazilian Real.

The decrease was partially offset by a price increase in port costs (largely as a result of regularly scheduled tariff increases), most notably in the US and in Asia (including Singapore, Port Kelang and Busan).

***Transportation***

Inland & feeder transportation decreased by $394.0 million, or 24.6%, from $1,600.5 million for the six months ended June 30, 2019 to $1,206.5 million for the six months ended June 30, 2020. Transportation expenses represented 13.7% of revenue for the six months ended June 30, 2019, as compared to 11.1% of revenue for the six months ended June 30, 2020.

The decrease primarily resulted from:

- a decline in volumes observed over the six months ended June 30, 2020, attributable to the COVID-19 pandemic;
- a more favorable geographical mix, notably due to the decline in inland US volumes due to better cargo selection;
- a decline in bunker surcharges applied by feeder operators and US rail operators as a result of the drop in oil prices; and
- the transfer of CC Log from CMA CGM to CEVA; certain of these expenses now appear in our Logistics segment as a result.

***Port and canal***

Port and canal expenses decreased by $56.3 million, or 7.7%, from $734.7 million for the six months ended June 30, 2019 to $678.4 million for the six months ended June 30, 2020. As a percentage of revenue, port and canal expenses remained stable and represented 6.3% of revenue for both the six months ended June 30, 2019 and June 30, 2020.

The decrease was mainly driven by lines rationalization and blank sailings programs (including reduction of ports calls and canal passages, notably through the Suez Canal); and a better geographical mix, with an increasing share of capacity calling at lower rate ports to the detriment of higher rate ones, especially in Europe and in South America.

***Logistics***

Logistics expenses decreased by $186.0 million, or 26.2%, from $710.9 million for the six months ended June 30, 2019 to $524.9 million for the six months ended June 30, 2020. Logistics expenses represented 6.1% of revenue for the six months ended June 30, 2019, as compared to 4.8% of revenue for the six months ended June 30, 2020.

This decrease was mainly related to a decrease in volumes observed over the six months ended June 30, 2020, attributable to the COVID-19 pandemic and a significant reduction in empty repositioning, particularly in the United States and in China due to better imbalance management and optimization of empty containers repositioning.

***Employee benefits***

Employee benefits decreased by $46.8 million, or 4.9%, from $956.4 million for the six months ended June 30, 2019 to $909.6 million for the six months ended June 30, 2020, mostly in relation to the transfer of CC Log to CEVA. Employee benefits represented 8.2% of shipping revenue for the six months ended June 30, 2019, as compared to 8.4% for the six months ended June 30, 2020.

***General and administrative expenses***

Shipping general and administrative expenses increased by $10.9 million, or 2.8%, from $393.9 million for the six months ended June 30, 2019 to $404.8 million for the six months ended June 30, 2020 mainly due to one-off fees related to financial transactions. Shipping general and administrative expenses represented 3.4% of Shipping revenue for the six months ended June 30, 2019, as compared to 3.7% of shipping revenue for the six months ended June 30, 2020.

***Other shipping operating expenses***

Additions to provisions, net of reversals and impairment of inventories and trade receivables increased by $12.8 million, or 47.1%, from $27.2 million for the six months ended June 30, 2019 to $40.0 million for the six months ended June 30, 2020, mainly due to the deductible portion of various cargo claims.

Other shipping operating expenses decreased by $23.4 million, or 15.9%, from $147.6 million for the six months ended June 30, 2019 to $124.2 million for the six months ended June 30, 2020, partly due to the transfer of our logistics subsidiaries, including CC Log and its subsidiaries, to CEVA as from May 2019, now part of the Logistics segment.

***EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries***

***Shipping EBITDA***

As a result of the factors described above, Shipping EBITDA increased by $445.4 million, or 30.9%, from $1,442.5 million for the six months ended June 30, 2019 to $1,887.9 million for the six months ended June 30, 2020.

***Logistics EBITDA before specific items and share based compensation***

CEVA's EBITDA contribution increased from $10 million, or 3.5%, from $281 million for the six months ended June 30, 2019 to $291 million for the six months ended June 30, 2020.

On a standalone basis, CEVA's reported EBITDA before specific items and share based compensation increased by $10 million, or 3.5%, from $281 million for the six months ended June 30, 2019 to $291 million in the six months ended June 30, 2020.

We estimate the impact of the COVID-19 pandemic on CEVA's EBITDA before specific items and share based compensation for the six months ended June 30, 2020 was approximately $18 million.

| | **For the six-month period ended June 30,** | | | |
|---|---|---|---|---|
| | **2019** | **2020** | **Var.** | **Var.%** |
| *($ millions, unless otherwise indicated)* | | | | |
| CEVA standalone CEVA EBITDA before specific items as per CEVA consolidated financial statements | 281 | 291 | 10 | 3.5% |
| IFRS 16 impact on EBITDA (reclassification) | 196 | 202 | 6 | 3.1% |
| CEVA EBITDA before specific items and share based compensation, pre-IFRS 16(1) | 85 | 89 | 4 | 4.7% |
| Freight management EBITDA, before specific items, pre-IFRS 16 | 32 | 51 | 19 | 59.4% |
| Contract logistics EBITDA, before specific items, pre-IFRS 16 | 53 | 37 | (16) | (30.2)% |
| **Adjusted EBITDA** | **304** | **304** | — | — |
| Freight management EBITDA margin (pre-IFRS 16) | 1.9% | 2.7% | — | 0.9% |
| Contract logistics EBITDA margin (pre-IFRS 16) | 2.9% | 2.4% | — | (0.6)% |

(1) IFRS 16 impact is not split per activity segment (contract logistics and freight management), and is only assessed on a consolidated basis.

***Freight management***

EBITDA before specific items and share based compensation, not assessing the impact of IFRS 16 and including a $2 million negative contribution from CC Log, increased by $19 million, or 59.4%, from $32 million for the six months ended June 30, 2019 to $51 million for the six months ended June 30, 2020. This reflected mainly the strong performance in Air freight, despite lower volumes in relation with the COVID-19 pandemic.

***Contract logistics***

EBITDA before specific items and share based compensation, not assessing the impact of IFRS 16, decreased by $16 million, or 30.2%, from $53 million for the six months ended June 30, 2019 to $37 million for the six months ended June 30, 2020. Performance was negatively impacted by the COVID-19 pandemic and related lockdown measures. Despite a wide array of cost containment and other measures, the net impact of the COVID-19 pandemic on our contract logistics activity amounted to an estimated $23 million. This was partially offset by the renegotiation of two loss-making contracts in Italy, as a provision was partly reversed following the successful renegotiation.

***Gains on disposal of property and equipment and subsidiaries***

Gains on property and equipment increased by $10.8 million, or 6.9%, from a gain of $156.8 million for the six months ended June 30, 2019 to a gain of $167.6 million for the six months ended June 30, 2020, mostly relating to the disposal of our equity stakes in eight terminals during the Terminal Link Transaction in March 2020.

***Depreciation and amortization of non-current assets***

Depreciation and amortization of non-current assets increased by $19.2 million, or 1.4%, from $1,336.6 million for the six months ended June 30, 2019 to $1,355.8 million for the six months ended June 30, 2020, relating to:

- asset right-of-use amortization related to IFRS 16 increasing by $33.6 million, or 3.4%, from $983.8 million for the six months ended June 30, 2019 to $1,017.4 million for the six months ended June 30, 2020 mainly driven by the evolution of the leased vessel fleet between the two periods;
- vessel depreciation increasing by $21.3 million, or 11.8%, from $181.0 million for the six months ended June 30, 2019 to $202.3 million for the six months ended June 30, 2020;
- container depreciation decreased by $4.5 million, or 34.4%, from $13.1 million for the six months ended June 30, 2019 to $8.6 million for the six months ended June 30, 2020; and
- other depreciation decreased by $31.1 million, or 19.6%, from $158.7 million for the six months ended June 30, 2019 to $127.6 million for the six months ended June 30, 2020, mainly as a result of the finalization of CEVA purchase price allocation resulting in a lower amortization charge, a lower legacy IT software amortization charge not yet offset by the new depreciation related to the IT system currently being updated and also partly due to a lower terminal assets depreciation expense as a result of the terminals disposal.

***Other income or expense, net***

Other income and expense, net increased by $8.8 million, or 18.1%, from a net expense of $48.7 million for the six months ended June 30, 2019 to a net expense of $57.5 million for the six months ended June 30, 2020, combining an increase in asset impairment charges for $26.2 million, related to some vessels being sold for scrapping and individual assets being impaired, and a lower net impact of other non-recurring items of $17.3 million mostly due to CEVA non-recurring items incurred in the six months ended June 30, 2019.

***Net Present Value (NPV) benefit related to assets financed by tax leases***

NPV benefits slightly decreased by $1.4 million, or 7.2%, from $19.4 million for the six months ended June 30, 2019 to $18.0 million for the six months ended June 30, 2020.

***Share of profit/(loss) of associates and joint ventures***

Share of profit (or loss) of associates and joint ventures declined by $155.9 million, from a gain of $112.7 million for the six months ended June 30, 2019 to a loss of $43.2 million for the six months ended June 30, 2020 mainly due to:

- the share of CEVA in ANJI-CEVA decreased by $9.9 million, from a gain of $4.8 million for the six months ended June 30, 2019 to a loss of $5.1 million for the six months ended June 30, 2020;
- the $96.6 million positive impact recorded for the six months ended June 30, 2019 as a consequence of the CEVA acquisition (including fair value adjustment of the previously acquired investment);
- the $28.6 million impairment of our investment in Global Ship Lease for the three months ended March 31, 2020, as a consequence of the decline of the value of its share price; and
- the lower performance of our associates and joint ventures, notably in the terminal business.

***Operating exchange gains/losses, net***

Operating exchange gains/losses, net decreased by $50.2 million, or 79.7%, from a gain of $63.0 million for the six months ended June 30, 2019 to a gain of $12.8 million for the six months ended June 30, 2020. This was mainly due to the impact of currency fluctuations, primarily the decrease in value of the Euro against the U.S. Dollar (see Note 2.4 of the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements).

***EBIT***

As a result of the factors described above, CMA CGM's consolidated EBIT increased by $366.6 million, or 66.2%, from $553.9 million for the six months ended June 30, 2019 to $920.5 million for the six months ended June 30, 2020.

*Shipping segment*. Container shipping segment EBIT increased by $354.1 million, or 66.5%, from $532.4 million in the six months ended June 30, 2019 to $886.5 million in the six months ended June 30, 2020.

*Logistics segment*. Logistics segment EBIT decreased by $12.5 million, or 58.1%, from $21.5 million in the six months ended June 30, 2019 to $34.0 million in the six months ended June 30, 2020.

***Cost of borrowings net of interest income on cash and cash equivalents***

Cost of borrowings net of interest income on cash and cash equivalents increased by $8.3 million, or 1.3%, from $661.0 million for the six months ended June 30, 2019 to $669.3 million for the six months ended June 30, 2020, mostly as a result of:

- interest income on cash and cash equivalents decreasing by $ 9.1 million, or 48.1%, from $18.9 million for the six months ended June 30, 2019 to $9.8 million for the six months ended June 30, 2020, mainly as a result of a lower average amount of short-term deposits; and
- interest expense which remained essentially flat overall and decreased by $0.8 million, or 0.1%, from $679.9 million for the six months ended June 30, 2019 to $679.1 million for the six months ended June 30, 2020.

***Other net financial items***

Other net financial items decreased by $12.1 million, or 85.8%, from a gain of $14.1 million for the six months ended June 30, 2019 to a gain of $2.0 million for the six months ended June 30, 2020 as a result of a $23.3 million negative change in foreign currency income and expenses net from a gain of $8.8 million for the six months ended June 30, 2019 to a loss of $14.5 million for the six months ended June 30, 2020. The gain in 2019 resulted mainly from the depreciation of the Euro on the Euro-denominated portion of our debts, while the loss in 2020 was mostly explained by loss incurred on other currencies such as the Brazilian real.

This was partially offset by:

- the settlement and change in fair value of derivative instruments that do not qualify for hedge accounting increasing by $5.1 million, from a gain of $0.2 million for the six months ended June 30, 2019 to a gain of $5.3 million for the six months ended June 30, 2020; and
- other net financial income and expenses increasing by $6.0 million, from a gain of $5.2 million for the six months ended June 30, 2019 to a gain of $11.2 million for the six months ended June 30, 2020.

***Financial result***

As a result of the factors described above, financial result increased by $20.4 million, or 3.2%, from a net cost of $646.9 million for the six months ended June 30, 2019 to $667.3 million for the six months ended June 30, 2020.

***Income tax***

Income tax expense declined by $2.7 million, or 4.4%, from $60.7 million for the six months ended June 30, 2019 to $58.0 million for the six months ended June 30, 2020. This resulted from the combined effect of an increase of current income tax expense by $10.2 million and a decrease of deferred tax income by $13.0 million.

*Profit / (loss) for the period*

As a result of the factors described above, profit increased by $348.9 million, from a loss of $153.7 million for the six months ended June 30, 2019 to a profit of $195.2 million for the six months ended June 30, 2020.

*Non-controlling interests*

Net income attributable to non-controlling interests declined by $12.3 million, from a gain of $1.5 million for the six months ended June 30, 2019 to a loss of $10.8 million for the six months ended June 30, 2020. The gain in the six months ended June 30, 2019 was mainly due to CEVA, as the group had not yet obtained control over all CEVA shares at that time, and a portion of CEVA losses were allocated to CMA CGM's non-controlling interests.

*Profit / (loss) for the period attributable to the owners of the parent*

Profit / (loss) for the period attributable to the owners of the parent increased by $336.5 million, from a loss of $152.2 million for the six months ended June 30, 2019 to a gain of $184.3 million for the six months ended June 30, 2020.

**Year ended December 31, 2019 compared with year ended December 31, 2018**

*Revenue*

The components of our consolidated revenue during the periods under review are set out below:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2019 | |
| | *($ millions)* | *Percentage*[(1)] | *($ millions)* | *Percentage*[(1)] |
| Container shipping | 22,847.5 | 94.8% | 22,762.6 | 73.6% |
| Logistics[(2)] | 606.2 | 2.5% | 7,457.9 | 24.1% |
| Other activities | 643.3 | 2.7% | 712.9 | 2.3% |
| Reconciling items & eliminations | (620.9) | — | (679.1) | — |
| **Total revenue** | **23,476.2** | **100.0%** | **30,254.2** | **100.0%** |

(1) Expressed as a percentage of consolidated revenue excluding reconciling items and eliminations (as set forth in Note 4.1 to the CMA CGM Consolidated Financial Statements).
(2) The figures presented for the year ended December 31, 2018 have been restated.

Consolidated revenue increased by $6,778.0 million, or 28.9%, from $23,476.2 million in 2018 to $30,254.2 million in 2019 primarily due to a $6,851.7 million increase in logistics revenue, itself primarily as a result of the acquisition of CEVA, and to a lesser extent to a $69.6 million, or 10.8%, increase in revenue from other activities. These increases more than offset an $84.9 million, or 0.4%, decrease in container shipping revenue.

*Container shipping revenue*

Container shipping revenue decreased by $84.9 million, or 0.4%, from $22,847.5 million in 2018 to $22,762.6 million in 2019. This decrease primarily reflected:

- a decrease in average container shipping revenue per TEU of 4.2%, from $1,102.6 per TEU for the full year 2018 to $1,056.0 per TEU for the full year 2019, mainly due to increased demand in the fourth quarter of 2018 in anticipation of increased U.S.-China tariffs, thus supporting freight rates and mix effects, offset by growth in our Intra-Regional segment, in which freight rates are lower, notably via the acquisition of Containerships in November 2018 and growth initiatives in backhaul volumes, dilutive in terms of freight rates but resulting in an improved filling factor; and
- higher volumes, which increased by 4.0%, or 835 thousand TEUs, from 20,721 thousand TEUs in 2018 to 21,556 thousand TEUs in 2019. The increase was mainly driven by a 596 thousand TEU, or 18.0%, increase in volumes on our Intra-Regional segment (due in particular to the acquisition of Containerships), a 236 thousand TEU, or 3.7%, increase in volumes loaded on our North-South lines, driven primarily by organic growth on Latin America and African trades, with increases in volumes of 134 thousand TEU and 102 thousand TEU, respectively. Volumes in our East-West trades were flat, with growth of 85 thousand TEUs, or 2.5%, on the Asia to Europe & Mediterranean trade being offset by a slight decrease of 63 thousand TEUs, or 1.2%, in the U.S. trade and a slight decrease of 18 thousand TEUs, or 0.8%, in Asia to Europe & Gulf / ISC trade.

***Logistics revenue***

In 2019, in light of the acquisition of CEVA, CMA CGM modified its segment reporting to include a new Logistics segment. The year ended December 31, 2019 is the first annual period for which Logistics is presented as a separate reporting segment. The figures presented for the year ended December 31, 2018 have been restated to align with the new segment presentation. See "*—Overview*" and "*—Presentation of Financial Information; Comparability of Information*."

Logistics segment revenue increased by $6,851.7 million, or 1,130.3%, from $606.2 million in 2018 to $7,457.9 million in 2019. This increase primarily reflected the acquisition of a controlling interest in CEVA on January 4, 2019.

*CEVA Standalone Performance*

We acquired a controlling interest in CEVA on January 4, 2019 (and subsequently completed the acquisition of 100% of CEVA's shares). To provide supplemental information relating to the standalone performance of CEVA in 2019 compared to CEVA's performance prior to the acquisition, we set forth below a comparison of revenue for CEVA on a standalone basis for the years ending December 31, 2019 and 2018 based on figures derived from the 2019 CEVA Audited Financial Statements. The 2019 revenue figures provided below differ from those of the Logistics segment in our consolidated financial statements, largely as a result of the difference in scope between the results of operations of CEVA on a standalone basis and those of the Logistics segment as a whole, including CC Log before its integration into CEVA.

The components of revenue for CEVA on a standalone basis during the periods under review are set out below:

| | For the year ended December 31, | | Percentage Change |
|---|---|---|---|
| | 2018 | 2019 | |
| Freight management | | | |
| Air | 1,499 | 1,288 | (14.1)% |
| Ocean | 1,054 | 1,048 | (0.6)% |
| Other | 955 | 1,205 | 26.2% |
| Total Freight management | 3,508 | 3,541 | 0.9% |
| Contract logistics | 3,848 | 3,583 | (6.9)% |
| **Total CEVA revenue[(1)]** | **7,356** | **7,124** | **(3.2)%** |

(1) Includes $370 million of revenue from CC Log from the date of its consolidation into the results of CEVA on May 2, 2019.

On a standalone basis, CEVA's revenues declined by 3.2% in 2019 as compared to 2018. Excluding revenue from CC Log, which was transferred to CEVA in May 2019, and at constant currency, CEVA's revenue decreased by 4.2% in 2019 as compared to 2018, primarily driven by reduced volumes in Contract logistics, with a stable performance in Freight management (consisting of Air, Ocean and Other).

***Freight Management***

CEVA's freight management revenues increased by 0.9% overall, driven primarily by a 26.2% increase in other freight management revenues (primarily due to the inclusion of CC Log from May 2, 2019, which contributed revenue of $271 million), itself primarily reflecting a 5.2% increase in ground volumes and an 11.4% increase in shipments. This increase more than offset the impact of a 14.1% decrease in Air freight management revenues and a 3.4% decrease in Ocean freight management revenues.

Volumes in Air freight management, excluding the impact of CC Log and at constant currency, decreased 12.8% year-on-year to 415,500 tons, driven principally by an overall drop in market demand, particularly on the transpacific and the transatlantic trade lanes (East- and West-bound), and in the technology, industry and automotive markets, and by the loss of certain major retail contracts. However, Air yield (net revenue/ton, excluding CC Log) increased by 7.4% to $761 per TEU in 2019 compared to $709 per TEU in 2018.

Volumes in Ocean freight management, excluding the impact of CC Log and at constant currency, were down 3.6% to 758,000 TEUs (1,044,833 TEUs including CC Log) in 2019 as compared to 2018, mainly due to the loss of a major retail customer which was only partly offset by new contracts signed at the end of the fourth quarter of 2019. Ocean yield (net revenue/TEU, excluding CC Log) in 2019 was $289 per TEU, an increase of 3.5% compared to $280 per TEU achieved in 2018.

Ground volumes increased by 5.2% in 2019 compared to 2018, to 2.4 million tons, whereas shipments increased by 11.4% over the same period to 2.6 million.

***Contract logistics***

CEVA's contract logistics revenues decreased by $265 million, or 6.9%, in 2019. At constant currency, contract logistics revenues decreased by 2.2%, primarily reflecting the impact of the loss of one major contract in the U.S. (worth approximately $100.0 million for twelve months).

***Other activities revenue***

CMA CGM's other activities segment revenue increased by $69.6 million, or 10.8%, from $643.3 million in 2018 to $712.9 million in 2019. This increase was primarily due to NOL terminal activities.

***Operating Expenses***

Operating expenses during the periods under review are broken down as follows:

| | 2018 | 2019 | | | | | |
|---|---|---|---|---|---|---|---|
| | CMA CGM | CMA CGM Standalone(1) | | | CEVA (incl. IFRS 16)(2) | Elimination Items(3) | As Reported Consolidated Figure |
| | | Before IFRS 16 a | IFRS 16 Impact b | Contribution to Consolidated Expenses c = a - b | d | | c + d |
| Bunkers and consumables | 3,618.0 | 3,385.3 | — | 3,385.3 | 65.4 | | 3,450.7 |
| Chartering and slot purchases | 2,351.0 | 2,403.8 | (1,013.5) | 1,390.3 | 0.0 | | 1,390.3 |
| Handling and stevedoring | 6,266.4 | 6,313.0 | — | 6,313.0 | 72.5 | | 6,385.5 |
| Inland and feeder transportation | 3,323.4 | 3,160.8 | — | 3,160.8 | 3,416.6 | | 6,577.4 |
| Port and canal | 1,526.6 | 1,457.9 | — | 1,457.9 | — | | 1,457.9 |
| Container equipment and repositioning | 2,127.7 | 2,110.1 | (750.2) | 1,359.9 | 67.3 | | 1,427.2 |
| Employee benefits | 1,879.5 | 1,874.1 | — | 1,874.1 | 2,188.9 | | 4,063.1 |
| General and administrative other than employee benefits | 848.1 | 860.9 | (49.6) | 811.3 | 549.7 | | 1,361.0 |
| Other operating expenses/ (income), net | 386.6 | 367.1 | (42.0) | 325.1 | 56.9 | | 382.0 |
| **Total operating expenses** | **22,327.3** | **21,933.0** | **(1,855.3)** | **20,077.7** | **6,417.3** | **160.1** | **26,495.0** |

(1) CMA CGM standalone figures correspond to the difference between the figures from the CMA CGM Consolidated Financial Statements and the sum of (i) CEVA figures and (ii) elimination items.

(2) CEVA figures are derived from the figures reported by CEVA (as a subsidiary) to the group as part of the preparation of the CMA CGM Consolidated Financial Statements.

(3) Elimination items correspond to internal transactions between CEVA (as a subsidiary) and the rest of the group.

***General***

CMA CGM's consolidated operating expenses increased by $4,167.6 million, or 18.7%, from $22,327.4 million in 2018 to $26,495.0 million in 2019. The increase primarily reflected the impact of the CEVA acquisition. Excluding the impact of CEVA, CMA CGM operating expenses decreased by $2,249.8 million, or 10.1%, from $22,327.4 million in 2018 (95.1% of CMA CGM standalone revenue) to $20,077.7 million in 2019 (or 86.2% of CMA CGM standalone revenue). The largest components of the $2,249.8 million decrease were a $960.7 million, or 40.9%, decrease in chartering and slot purchases, a $767.8 million, or 36.1%, decrease in logistics, a $232.7 million, or 6.4%, decrease in bunker and consumables, a $162.6 million, or 5.0%, decrease in inland and feeder transportation and a $68.7 million, or 4.5%, decrease in port and canal. In the aggregate, of the $2,249.8 million decrease in CMA CGM standalone operating expenses, $1,855.3 million was due to the first-time application of IFRS 16. On a standalone basis excluding the impact of IFRS 16, CMA CGM operating expenses decreased by $394.4 million or 1.8%, from $22,327.4 million in 2018 (95.1% of CMA CGM standalone revenue) to $21,933.1 million (94.2% of CMA CGM standalone revenue) in 2019.

***Bunkers and consumables***

CMA CGM's consolidated bunker and consumables expenses decreased by $167.3 million, or 4.6%, from $3,618.0 million in 2018 to $3,450.7 million in 2019. On a standalone basis excluding CEVA, CMA CGM's bunker and consumables expenses decreased $232.7 million, or by 6.4%, from $3,618.0 million (or 15.3% of CMA CGM standalone revenue) in 2018 to $3,385.3 million (or 14.5% of CMA CGM revenue excluding CEVA) in 2019. This decrease was primarily driven by an increased consumption efficiency per TEU, from 404 kgs per TEU in 2018 to 361 kgs per TEU in 2019 stemming from a better fleet utilization, better fleet consumption efficiency (larger vessels notably) and mix effect (development of short-sea activity), while the average bunker rate remained essentially flat over the year, at $415/ton in 2019 compared to $417/ton in 2018.

***Chartering and slot purchases***

CMA CGM chartering and slot purchases decreased by $960.7 million, or 40.9%, from $2,351.0 million in 2018 to $1,390.3 million in 2019. Chartering and slot purchases represented 6.0% of CMA CGM's standalone revenue in 2019 (versus 10.0% in 2018). Excluding the impact of IFRS 16, chartering and slot purchases increased by $52.8 million, or 2.2%, from $2,351.0 million in 2018 (10.0% of CMA CGM standalone revenue in 2018) to $2,403.8 million (10.3% of CMA CGM standalone revenue) in 2019.

Chartering decreased by $968.0 million from $1,883.8 million in 2018 to $915.8 million in 2019 mostly due to the implementation of IFRS 16, implying a cancellation of long-term time-chartering expenses (except the running costs components) in the amount of $1,013.5 million, and slightly offset by an increase in market chartering rates.

Slot purchase and other fixed expenses increased by $7.3 million, or 1.6%, from $467.2 million in 2018 to $474.5 million in 2019.

***Handling and stevedoring***

On a consolidated basis, CMA CGM handling and stevedoring expenses increased by $119.1 million, or 1.9% from $6,266.4 million in 2018 to $6,385.5 million in 2019, reflecting both the contribution from CEVA and an increase in CMA CGM standalone handling and stevedoring expenses. CMA CGM standalone handling and stevedoring expenses increased by $46.7 million, or 0.7%, from $6,266.4 million in 2018 to $6,313.0 million in 2019. Standalone CMA CGM handling and stevedoring expenses represented 27.1% of CMA CGM's standalone revenue in 2019 (versus 26.7% in 2018).

This increase was due to a growth in volumes over the course of 2019, along with a negative price effect, notably in North and Central Americas and in South East Asia. The increase was partially offset by a favorable foreign exchange effect due to depreciation of the Renminbi and Euro against the U.S. dollar, a positive impact due to a slight change of geographical mix, and a significant reduction of extra costs mostly related to significant congestion in North American, African and European ports at the end of 2018 as compared to 2019.

Stevedoring of full containers increased on a CMA CGM standalone basis by 0.9%, or $47.1 million, from $5,172.1 million in 2018 to $5,219.2 million in 2019, while stevedoring of empty containers increased on a CMA CGM standalone basis by 6.6%, or $72.1 million, from $1,094.2 million in 2018 to $1,166.3 million in 2019.

***Inland and feeder transportation***

On a consolidated basis, CMA CGM inland & feeder transportation expenses increased by $3,254.0 million, primarily reflecting the acquisition of CEVA. Excluding CEVA, CMA CGM inland & feeder transportation expenses decreased by $162.6 million, or 5.0%, from $3,323.4 million in 2018 to $3,160.8 million in 2019 and represented 13.7% of CMA CGM's standalone revenue in 2019 (versus 14.2% in 2018).

This decrease on a CMA CGM standalone basis was mostly explained by the transfer of CC Log (previously included in CMA CGM's Shipping segment) to CEVA (now the Logistics segment of CMA CGM) in May 2019, as well as a reduction of inland activities due to cargo selection in the U.S., a favorable foreign exchange effect due to depreciation of the Renminbi and Euro against the U.S. dollar, a small change of overall mix (*i.e.,* lower proportion of inland) as well as a favorable impact of the decline in fuel price and a positive price effect observed in North America due to route optimization. This decrease was partially offset by an increase of total inland volumes.

***Port and canal***

CMA CGM port and canal expenses decreased by 4.5%, or $68.7 million, from $1,526.6 million in 2018 to $1,457.9 million in 2019. Port and canal expenses represented 6.3% of CMA CGM's revenue (excluding CEVA) in 2019 (versus 6.5% in 2018).

The decrease was mainly driven by a positive foreign exchange effect, the successful implementation and continuation of our lines rationalization and blank sailings programs (reduction of ports calls and canal passages, notably through the Suez Canal), and a decrease in canal unit cost both for the Suez Canal and the Panama Canal due to an increase in average vessel capacity.

***Container equipment and repositioning***

On a consolidated basis, CMA CGM container equipment and repositioning expenses decreased by $700.5 million, or 32.9%, from $2,127.7 million in 2018 to $1,427.2 million in 2019, primarily reflecting lower CMA CGM standalone expenses, partially offset by the impact of CEVA. CMA CGM standalone container equipment and repositioning expenses decreased by $767.8 million, or 36.1%, from $2,127.7 million in 2018 to $1,359.9 million in 2019. CMA CGM standalone container equipment and repositioning expenses represented 5.9% of CMA CGM's standalone revenue in 2019 (versus 9.1% in 2018).

This decrease was mainly related to the implementation of IFRS 16, implying a cancellation of leased containers operating expenses (for those with a duration of over one year) amounting to $750.2 million. Excluding the impact of IFRS 16, container equipment and repositioning expenses decreased by $10.1 million, or 0.5%, from $2,137.6 million in 2018 to $2,127.7 million in 2019. The decrease before giving effect to IFRS 16 reflected a reduction in the cost of container leases due to the renegotiation of existing lease contracts and a decrease in empty container repositioning costs, notably in the U.S. This decrease was partly offset by a slight increase in handling costs.

***Employee benefits***

On a consolidated basis, CMA CGM employee benefits expenses increased by $2,183.6 million primarily reflecting expenses of CEVA. On a standalone basis, CMA CGM standalone employee benefits were largely flat at $1,874.1 million in 2019 as compared to $1,879.5 million in 2018. CMA CGM standalone employee benefits expenses were also stable as a percentage of CMA CGM's standalone revenue at 8.0% in each of 2018 and 2019.

On a CMA CGM standalone basis, salary increases, notably related to higher crewing expenses in 2019, were offset by the transfer of CC Log to CEVA as from May 2019, as well as productivity efforts and a positive foreign exchange impact.

***General and administrative expenses***

On a consolidated basis, CMA CGM general and administrative expenses increased by $512.9 million, from $848.1 million in 2018 to $1,361.0 million in 2019, reflecting expenses contributed by CEVA, which more than offset the impact of a decrease in expenses on a CMA CGM standalone basis. CMA CGM standalone general and administrative expenses decreased by $36.8 million, or 4.3%, from $848.1 million in 2018 to $811.3 million in 2019 mainly due to the implementation of IFRS 16, which resulted in a cancellation of expenses for leases of offices and general and administrative equipment (with lease durations under one year) amounting to $49.6 million. CMA CGM standalone general and administrative expenses represented 3.5% of CMA CGM's standalone revenue in 2019 (versus 3.6% in 2018).

***Other operating expenses***

On a consolidated basis, CMA CGM's additions to provisions, net of reversals and impairment of inventories and trade receivables increased from $32.6 million in 2018 to $51.9 million in 2019, reflecting the impact of the acquisition of CEVA. CMA CGM standalone additions to provisions, net of reversals and impairment of inventories and trade receivables were stable, at $32.6 million in 2018 and $31.5 million in 2019.

On a consolidated basis, CMA CGM's other operating expenses decreased by $23.9 million from $354.0 million in 2018 to $330.1 million in 2019. CMA CGM's standalone other operating expenses decreased by $60.4 million from $354.0 million in 2018 to $293.6 million in 2019 mainly due to the implementation of IFRS 16, which resulted in a cancellation of concession lease expenses (for lease durations under one year) amounting to $42.0 million.

***EBITDA before gains on disposal of property and equipment and subsidiaries***

| | Consolidated 2018 | CMA CGM Standalone 2019 | | CEVA Standalone 2019 | | Eliminations | Consolidated 2019 |
|---|---|---|---|---|---|---|---|
| | | Before IFRS 16 | After IFRS 16 | Before IFRS 16 | After IFRS 16 | | After IFRS 16 (As reported) |
| Revenue | 23,476.2 | 23,292.6 | 23,292.6 | 7,121.7 | 7,121.7 | (160.1) | 30,254.2 |
| Operating expenses | (22,327.4) | (21,933.1) | (20,077.8) | (6,983.1) | (6,577.3) | (160.1) | (26,495.0) |
| EBITDA | 1,148.7 | 1,359.5 | 3,214.8 | 138.6 | 544.4 | — | 3,759.2 |

*EBITDA before gains on disposal of property and equipment and subsidiaries*

Driven primarily by a strong increase in Shipping segment profitability, reflecting a sharp reduction in operating expenses per TEU and the impact of IFRS 16, on a consolidated basis, CMA CGM's consolidated EBITDA increased from $1,148.7 million in 2018 to $3,759.2 million in 2019. CMA CGM's standalone EBITDA (including the impact of IFRS 16) increased by $2,066.1 million from $1,148.7 million in 2018 to $3,214.8 million in 2019. Excluding the impact of IFRS 16, CMA CGM's standalone EBITDA increased by $210.8 million, from $1,148.7 million in 2018 (equivalent to a 4.9% EBITDA margin) to $1,359.5 million in 2019 (equivalent to a 5.8% EBITDA margin).

CEVA's contribution to CMA CGM's consolidated EBITDA in 2019 was $544.4 million (including the impact of IFRS 16) and $138.6 million (excluding the impact of IFRS 16).

*CEVA standalone EBITDA before specific items and share based compensation*

The following table provides the breakdown of CEVA's standalone EBITDA before specific items and share-based compensation for the periods indicated. These figures are derived from CEVA's consolidated financial statements and differ from the post-IFRS 16 EBITDA contribution of CEVA shown in Note 3.1 of the Notes to CMA CGM's 2019 consolidated financial statements as a result of an onerous contract provision accounted for in the first quarter of 2019 in CEVA's standalone results but treated as a purchase price adjustment in CMA CGM's consolidated financial statements.

| | Twelve Months Ended December 31, | | | Delta at actual rate | Delta at constant rate |
|---|---|---|---|---|---|
| ($ millions, unless otherwise indicated) | 2018 | 2019 | | (in millions / bps) | (in millions / bps) |
| | | (Including IFRS 16 impact) | (Excluding IFRS 16 impact) | (Excluding IFRS 16 impact) | (Excluding IFRS 16 impact) |
| **CEVA standalone** | | | | | |
| Freight Management EBITDA before specific items and share based compensation | 93 | — | 48 | (45) | (42) |
| Contract Logistics EBITDA before specific items and share based compensation | 105 | — | 89 | (16) | (13) |
| **Total CEVA standalone EBITDA before specific items and share based compensation** | **198** | **536** | **137** | **(61)** | **(55)** |
| EBITDA from joint ventures | 62 | 64 | 53 | (9) | (6) |
| **Total CEVA standalone Adjusted EBITDA** | **260** | **600** | **190** | **(70)** | **(61)** |
| Total EBITDA margin | 2.7% | 7.5% | 1.9% | (80) bps | (80) bps |
| Freight Management EBITDA margin | 2.7% | — | 1.4% | (130) bps | (120) bps |
| Contract Logistics EBITDA margin | 2.7% | — | 2.5% | (20) bps | (30) bps |

CEVA's standalone EBITDA before specific items and share based compensation in 2019 was $536 million. Excluding the impact of IFRS 16, CEVA's standalone EBITDA before specific items and share based compensation amounted to $137 million (as compared to $198 million in 2018) resulting in an EBITDA margin of 1.9%, excluding the impact of IFRS 16 (as compared to 2.7% in 2018).

On a standalone basis, CEVA's EBITDA performance in 2019 was adversely affected by lower revenue in 2019, as described above. The decline in revenues mainly reflected poor market conditions in CEVA's key segments, negative trends in CEVA's main areas of activity in the U.S. and Europe, a decline in the air freight market, a downturn in the automotive market, a loss of large contracts in both Freight Management and Contract Logistics that were not fully compensated by new customer wins and the impact of currency translation effects (which negatively impacted EBITDA before specific items by a further $6 million in 2019). In addition to these factors, CEVA's standalone EBITDA before specific items and share based compensation in 2019 was adversely affected by $65 million in exceptional costs impacting operational performance reflecting decisions to improve CEVA's cost base in underperforming contracts and activities.

CEVA's Freight management EBITDA before specific items and share based compensation (pre-IFRS 16) was $48 million in 2019, including $0.33 million for CC Log, compared with $93 million in 2018. EBITDA margin (pre-IFRS 16) was down 1.2% in 2019 in constant currency at 1.4% compared to the prior year. This reflected, among other factors, decisions to improve CEVA's cost base in certain underperforming activities, along with a declining Air freight management market and the loss of two significant customers in each of the Air and Ocean freight management segments.

CEVA's Contract logistics EBITDA before specific items and share based compensation (pre-IFRS 16) was $89 million in 2019, compared with $104 million in 2018. This includes $2 million of negative currency impact, as well as significant costs reflecting decisions to improve our cost base in certain underperforming activities. The retention rate for existing customers in 2019 increased as compared to 2018, but was offset by the loss of one significant contract in the U.S., compounded by the downturn of the automotive market affecting contracts in the U.S. and in Western and Central Europe in particular. CEVA's loss-making contracts in Italy have since been renegotiated. Contract logistics EBITDA before specific items and share based compensation was also hit by costs reflecting decisions to improve CEVA's cost base in certain underperforming activities and contracts in various geographies.

***Gains on disposal of property and equipment and subsidiaries***

We recorded gains on disposal of property and equipment and subsidiaries of $27.5 million in 2018 compared to $15.2 million in 2019 due to fewer vessel and container disposals in 2019.

***Depreciation and amortization of non-current assets***

Our consolidated depreciation and amortization of non-current assets increased by $2,083.9 million from $634.0 million in 2018 to $2,717.9 million in 2019. This mainly reflected:

- the implementation of IFRS 16, which was the largest driver of the increase and had an impact of $1,815.8 million (excluding ex-finance leases) in 2019;
- vessel depreciations, which increased by $51.8 million, from $ 429.2 million in 2018 to $481.0 million in 2019, mainly due to the depreciation of dry-docks' right of use that were part of operating expenses before the application of IFRS 16, as well as the fact that the number of vessels delivered either during 2018 or 2019 exceeded the impact of vessel disposals; and
- container depreciations, which decreased by $0.4 million, from $38.3 million in 2018 to $37.9 million in 2019.

Other depreciation increased by $124.7 million, from $166.4 million in 2018 to $291.1 million in 2019, mainly as a result of the acquisition of CEVA, which contributed $121.1 million related to the amortization of pre-existing tangible assets and newly recognized intangible assets (customer relationships).

***Other income or expenses, net***

Our consolidated Other income and expenses increased by $53.0 million from a net expense of $15.6 million in 2018 to a net expense of $68.6 million in 2019. The increase primarily reflected $40.7 million in non-recurring consulting and integration costs such as relocation and retention costs relating to the acquisition of CEVA.

***Net Present Value (NPV) benefit related to assets financed by tax leases***

The Net Present Value (NPV) benefit slightly increased by $3.1 million, from $46.8 million in 2018 to $49.9 million in 2019.

***Share of profit/(loss) of associates and joint ventures***

Our consolidated share of profit (or loss) of associates and joint ventures increased by $231.3 million from a loss of $88.2 million in 2018 to a gain of $143.1 million in 2019 mainly due to:

- a gain of $46.0 million recorded upon the revaluation at fair value through profit and loss of our pre-existing ownership stake in CEVA reflecting the fair value of our initial investment in 33% of CEVA shares at CHF 30 per share as compared to an average purchase price of the investment of CHF 27.2;
- a gain of $50.6 million corresponding to the reversal of our share in CEVA losses recorded in 2018; and
- the inclusion of CEVA's stake in ANJI-CEVA. Our share of ANJI-CEVA's net result in 2019 was $16.6 million.

***EBIT***

As a result of the factors described above, CMA CGM's consolidated EBIT increased by $791.2 million, or 160.3%, from $493.5 million in 2018 to $1,284.8 million in 2019.

*Container shipping segment*. Container shipping segment EBIT increased by $389.4 million, or 79.7%, from $488.5 million in 2018 to $877.9 million in 2019.

*Logistics segment.* Logistics segment EBIT increased by $129.0 million, or 398.1%, from $32.4 million in 2018 to $161.4 million in 2019.

*Other activities.* Other activities EBIT increased by $79.6 million, or 97.9%, from $81.3 million in 2018 to $160.9 million in 2019.

***Interest expense on borrowings and lease liabilities net of interest income on cash and cash equivalents***

Cost of borrowings net of interest income increased by $912.9 million from $449.4 million in 2018 to $1,362.3 million in 2019, mostly as a result of:

- a $905.0 million increase in interest expenses on borrowings from $491.2 million in 2018 to $1,396.3 million in 2019, essentially due to the new IFRS 16 finance cost impact of $675.5 million and the interest expenses on CEVA's borrowings amounting to $131.9 million for the period; and
- a 18.9%, or $7.9 million, decrease in interest income on cash and cash equivalents from $41.8 million in 2018 to $33.9 million in 2019, which was mainly due to less cash deposited as short-term deposits qualified as cash equivalents.

***Other net financial items***

Other net financial items decreased by $103.1 million from a gain of $123.5 million in 2018 to a gain of $20.4 million in 2019 as a result of:

- a $6.5 million decrease in the settlement and change in fair value of derivative instruments that do not qualify for hedge accounting from a gain of $2.1 million in 2018 to a loss of $4.4 million in 2019;
- a $81.6 million negative change in foreign currency income and expenses net from a gain of $103.1 million in 2018 to a gain of $21.5 million in 2019. This resulted mainly from the positive impact of the depreciation of the Euro on the euro-denominated portion of our debts; however, such positive effect was higher in the full year 2018 than in the full year 2019; and
- a $14.9 million decrease in other financial income and expenses net from a gain of $18.3 million for the full year 2018 to a gain of $3.4 million for the full year 2019, mainly reflecting a positive reevaluation of certain investments at fair value through P&L in 2018.

***Financial Result***

As a result of the factors described above, the net financial result decreased by $1,016.0 million from $325.9 million in 2018 to $1,341.9 million in 2019.

*Income tax*

Income tax expense increased by $62.1 million, from $99.4 million in 2018 to $161.5 million in 2019. This increase resulted from the combined effect of an increase of current income tax expense by $53.8 million (of which CEVA contributed $25.1 million) and an increase of deferred tax income by $8.2 million (of which CEVA contributed a loss of $3.8 million). The remainder of the increase primarily relates to non-recurring tax expense incurred in 2019.

*Profit for the year*

As a consequence of the factors described above, profit for the year decreased by $286.9 million from a gain of $68.3 million in 2018 to a loss of $218.6 million in 2019.

*Non-controlling interests*

Net income attributable to non-controlling interests decreased by $23.9 million from $34.4 million in 2018 to $10.5 million in 2019, driven mainly by CMA CGM's purchase of additional CEVA shares from minority shareholders of CEVA over the course of 2019.

*Profit/(loss) for the year attributable to the owners of the parent company*

Reflecting the factors described above, profit / (loss) for the year attributable to the owners of the parent company decreased by $263.0 million from a gain of $33.9 million in 2018 to a loss of $229.1 million in 2019. Of the net loss of $229.1 million in 2019, CEVA made a negative contribution of $139.9 million (excluding the impact of IFRS 16) and IFRS 16 had an aggregate negative impact of $329.0 million.

**Year ended December 31, 2018 compared with year ended December 31, 2017**

The components of revenue during the periods under review are set out below:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2018 | |
| | *($ millions)* | *Percentage*(1) | *($ millions)* | *Percentage*(1) |
| Container shipping | 20,381.2 | 93.6% | 22,847.5 | 94.8% |
| Other activities | 1,385.2 | 6.4% | 1,249.5 | 5.2% |
| Reconciling items & Eliminations | (650.2) | — | (620.9) | — |
| **Total revenue** | **21,116.2** | **97.0%** | **23,476.1** | **97.3%** |

(1) Expressed as a percentage of consolidated revenue excluding reconciling items and eliminations (as set forth in Note 4.1 to the CMA CGM Consolidated Financial Statements).

*Revenue*

Consolidated revenue increased by $2,359.9 million, or 11.2%, from $21,116.2 million in 2017 to $23,476.1 million in 2018 primarily due to a 12.1% increase in container shipping revenue, slightly offset by a 9.8% decrease in other activities revenue.

*Container shipping revenue*

Container shipping revenue increased by $2,466.3 million, or 12.1%, from $20,381.2 million in 2017 to $22,847.5 million in 2018. This increase primarily reflected:

- higher volumes, which increased by 1,764.2 thousand TEU, or 9.3%, from 18,948.9 thousand TEU in 2017 to 20,713.1 thousand TEU in 2018, mainly driven by significant organic growth, especially in Latin America, the United States and Africa, as well as the impact of changes in scope, reflecting the impact of volumes of Mercosul Line, which was acquired in December 2017, and of Containerships, which was acquired in October 2018. Volumes increased by 13.1% on the North-South line mainly due to organic growth on the Latin American and African trades. On the East-West lines, volumes increased by 4.1% driven mainly by the U.S. trade. Our intraregional lines saw a volume increase of 27.1%, driven mainly by volumes from Mercosul and Containerships; and

- higher average container shipping revenue per TEU, which increased by $27.5 per TEU, or 2.6%, from $1,075.6 per TEU in 2017 to $1,103.0 per TEU in 2018. The increase in revenue per TEU primarily reflected the positive bunker adjustment factor effect.

***Other activities revenue***

Other activities revenue decreased by $135.7 million, or 9.8%, from $1,385.2 million in 2017 to $1,249.5 million in 2018. This decrease was primarily due to lower port terminal revenues following the sale of the GGS container terminal in December 2017.

***Operating Expenses***

Operating expenses during the periods under review are broken down as follows:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2018 | |
| | *($ millions)* | *Percentage(1)* | *($ millions)* | *Percentage(1)* |
| Bunkers and consumables | 2,568.5 | 12.2% | 3,618.0 | 15.4% |
| Chartering and slot purchases | 2,064.4 | 9.8% | 2,351.0 | 10.0% |
| Handling and stevedoring | 5,547.0 | 26.3% | 6,266.4 | 26.7% |
| Inland and feeder transportation | 2,918.0 | 13.8% | 3,323.4 | 14.2% |
| Port and Canal | 1,334.0 | 6.3% | 1,526.6 | 6.5% |
| Container rentals and other logistic expenses | 1,731.3 | 8.2% | 2,127.7 | 9.1% |
| Employee benefits | 1,699.7 | 8.0% | 1,879.5 | 8.0% |
| General and administrative other than employee benefits | 729.3 | 3.5% | 848.1 | 3.6% |
| Additions to provisions, net of reversals and impairment of inventories and trade receivables | 37.0 | 0.2% | 32.6 | 0.1% |
| Other exchange losses/(gains), net | (73.1) | (0.3)% | (8.2) | 0.0% |
| Other operating expenses/(income), net | 442.7 | 2.1% | 354.0 | 1.5% |
| **Total consolidated operating expenses** | **18,998.9** | **90.0%** | **22,319.2** | **95.1%** |

(1) As a percentage of consolidated revenue.

***General***

Consolidated operating expenses excluding depreciation increased by $3,320.3 million, or 17.5%, from $18,998.9 million in 2017 (90.0% of revenue) to $22,319.2 million in 2018 (95.1% of revenue). The largest components of the increase were a $1,049.5 million, or 40.9%, increase in bunkers and consumables expenses, a $719.4 million, or 13.0%, increase in handling and stevedoring expenses, a $405.4 million, or 13.9%, increase in inland and feeder transportation expenses, a $396.4 million, or 22.9%, increase in container rentals and other logistic expenses and a $286.6 million, or 13.9%, increase in chartering expenses and slot purchases. The increased expenses also reflect a 14.4% increase in port and canal expenses, a 10.6% increase in employee benefits expenses, a 16.3% increase in general and administrative expenses and a $64.9 million reduction in net other exchange gains. The effect of the above items was partially offset by a $88.7 million, or 20.0%, decrease in other operating expenses and a 11.9% decrease in expenses related to additions to provisions, net of reversals and impairment of inventories and trade receivables.

***Bunkers and consumables***

Bunkers and consumables expenses increased by $1,049.5 million, or 40.9%, from $2,568.5 million in 2017 (12.2% of revenue) to $3,618.0 million in 2018 (15.4% of revenue). This was primarily driven by the increase in bunkering costs, which increased by $1,032.5 million, or 42.1%, from $2,452.0 million in 2017 to $3,484.5 million in 2018. The increase in bunkering costs was primarily driven by a 32.9%, or $103/ton, increase in average bunker rate from $313/ton in 2017 to $416/ton in 2018, due to rising global oil prices. The higher bunker costs also reflect a 540 thousand ton, or 6.9%, increase in our consumption of bunker fuel, from 7,823 thousand tons in 2017 to 8,364 thousand tons in 2018. The higher consumption was driven primarily by higher carried volumes, which increased by 9.3% during the period, partially offset by a slight decrease in consumption per-carried-TEU from 413kg/TEU in 2017 to 404kg/TEU in 2018.

Our consumables expenses (mainly lubricating oil and spare parts) increased by $17.1 million, or 14.7%, from $116.5 million in 2017 to $133.6 million in 2018, due primarily to the expansion of our owned fleet (up 9.7% in terms of capacity in 2018).

***Chartering and slot purchases***

Chartering and slot purchases expenses increased by $286.6 million, or 13.9%, from $2,064.4 million in 2017 (9.8% of revenue) to $2,351.0 million in 2018 (10.0% of revenue).

The higher chartering and slot purchase expense was driven primarily by increases in chartering purchases during the year. Chartering expenses increased by $287.0 million, from $1,596.8 million in 2017 to $1,883.8 million in 2018. This increase was primarily due to:

- the increase of the size of our chartered fleet, which grew from 1,503 thousand TEUs in 2017 to 1,583 thousand TEUs in 2018 (a 5.3% increase); and
- a $2,330 increase in average daily charter rates between 2017 and 2018.

Slot purchase expenses remained largely flat at $467.6 million in 2017 and $467.2 million in 2018.

***Handling and stevedoring***

Handling and stevedoring expenses increased by $719.4 million, or 13.0%, from $5,547.0 million in 2017 (26.3% of revenue) to $6,266.4 million in 2018 (26.7% of revenue). The increase primarily reflects a general increase of average terminal unit rates in Europe and the U.S., coupled with an increase of additional costs incurred mostly in the U.S. in connection with overtime, idle time or storage due to port congestion and driver shortages. It also reflects an increase in volumes in North America (Long Beach, New York, Los Angeles) compared to other areas where rates are lower. These factors were partially offset by a decrease in the total number of moves, due to a lower number of transhipment moves.

Stevedoring of full containers increased by $566.3 million, or 12.2%, from $4,605.4 million in 2017 to $5,172.1 million in 2018. At the same time, stevedoring of empty containers increased by $152.9 million, or 16.2%, from $941.3 million in 2017 to $1,094.2 million in 2018. The increase is primarily related to repositioning efforts for empty containers.

***Inland and feeder transportation***

Inland and feeder transportation expenses increased by $405.4 million, or 13.9%, from $2,918.0 million in 2017 (13.8% of revenue) to $3,323.4 million 2018 (14.2% of revenue). This increase was mainly due to an increase in inland transportation costs, particularly in North America (relating to trucking and railroads) and most particularly on the U.S. West Coast, which maintains higher operating costs as compared to the U.S. East Coast and a fuel surcharge effect, especially on trucking. These increases were partially offset by a slight reduction in inland and feeder volumes in Europe resulting from the sale of Greenmodal in May 2017 and the impact of fully consolidating LCL Logistix as from the first quarter of 2018.

***Port and canal***

Port and canal expenses increased by $192.6 million, or 14.4%, from $1,334.0 million in 2017 (6.3% of revenue) to $1,526.6 million in 2018 (6.5% of revenue). The increase in port and canal expenses was driven by:

- a $122.5 million, or 15.0%, increase in port expenses from $813.9 million in 2017 to $936.3 million in 2018, mainly attributable to (i) an increase in volumes transported and (ii) higher recourse to towage due to higher tonnage vessels and longer average berth times; and
- a $70.2 million, or 13.5%, increase in canal expenses from $520.1 million in 2017 to $590.3 million in 2018 mainly attributable to an increase in canal crossings (Panama and Suez) due to the deployment of new services, including in connection with Ocean Alliance.

***Container rentals and other logistic expenses***

Container rentals and other logistic expenses increased by $396.4 million, or 22.9%, from $1,731.3 million in 2017 (8.2% of revenue) to $2,127.7 million in 2018 (9.1% of revenue). The increase was primarily due to:

- a $146.5 million, or 16.9%, increase in expenses for rental of containers and chassis, from $865.5 million in 2017 to $1,012.0 million in 2018. This increase resulted mainly from (i) a 10.1% increase in the fleet of rented containers from 2017 to 2018 and (ii) an unfavorable container fleet mix with a growing portion of reefer containers over dry containers;

- a $1.6 million, or 1.3%, decrease in container maintenance and repairs from $123.9 million in 2017 to $122.2 million in 2018; and
- a $251.6 million, or 33.9%, increase in handling in depots, empty container repositioning and storage, from $742.0 million in 2017 to $993.5 million in 2018 resulting mainly from the growth of our U.S. activities generating higher empty repositioning costs.

***Employee benefits***

Employee benefits expenses increased by $179.7 million, or 10.6%, from $1,699.7 million in 2017 (8.0% of revenue) to $1,879.5 million in 2018 (8.0% of revenue). The increase resulted from an increase in contracts with third-party IT professionals, as well as higher crewing expenses and higher bonuses and departure costs.

***General and administrative expenses***

General and administrative expenses increased by $118.8 million, or 16.3%, from $729.3 million in 2017 (3.5% of revenue) to $848.1 million in 2018 (3.6% of revenue). Our general and administrative expenses during the periods were driven primarily by:

- higher fees, which increased by $94.5 million from $187.0 million in 2017 to $281.5 million in 2018, mainly due to IT expenses consisting of $73.4 million to outsource part of our IT transformation and modernization plan to Infosys, as well as $23.4 million for various M&A along with the project advisors' fees;
- higher insurance costs, which increased by $6.1 million from $62.6 million in 2017 to $68.7 million in 2018; and
- higher other expenses, which increased by $37.9 million from $317.4 million in 2017 to $355.3 million in 2018 and mainly consisted of communication expenses, real estate rentals, bank expenses, office equipment, taxes not related to income, and fines and penalties. Most of the increase is driven by an increase in (i) management fees paid to certain related parties, (ii) bank current expenses, (iii) IT operational costs for Kingston and (iv) tax costs related to penalties and vessels.

These increases were partially offset by:

- lower commissions, which decreased by $19.7 million from $162.2 million in 2017 to $142.6 million in 2018.

***Additions to provisions, net of reversals and impairment of inventories and trade receivables***

Additions to provisions and allowance, net of reversals and impairment of inventories and trade receivables slightly decreased by $4.4 million from a net loss of $37.0 million in 2017 to a net loss of $32.6 million in 2018.

***Operating exchange gains/(losses), net***

Operating exchange gains/(losses) decreased from a gain of $73.1 million in 2017 to a gain of $8.2 million in 2018 primarily reflecting the impact of currency fluctuations on our working capital.

***Other operating expenses***

Other operating expenses decreased by $88.7 million, or 20.0%, from $442.7 million in 2017 to $354.0 million in 2018 due to the sale of the GGS container terminal in December 2017, as concession fees were recorded in other operating expenses.

***EBITDA before gains on disposal of property and equipment and subsidiaries***

Reflecting the above items, EBITDA before gains on disposal of property and equipment and subsidiaries decreased by $960.4 million, or 45.4%, from $2,117.4 million in 2017 to $1,157.0 million in 2018.

***Gains/losses on disposal of property and equipment and subsidiaries.***

Gains and losses on property and equipment and subsidiaries decreased by $68.6 million from a $96.1 million gain in 2017 to a $27.5 million gain in 2018. The decrease mainly reflected the sale of the GGS container terminal in December 2017.

***Depreciation and amortization of non-current assets***

Depreciation and amortization of non-current assets increased by $9.9 million from $624.1 million in 2017 to $634.0 million in 2018. This was composed of:

- depreciation of vessels, which increased by $10.1 million from $419.1 million in 2017 to $429.2 million in 2018, mainly due to an increase in owned vessels, leading to higher book values;
- depreciation of containers, which decreased by $3.7 million from $42.0 million in 2017 to $38.3 million in 2018, primarily reflecting the decrease in the proportion of containers that we own in our fleet; and
- depreciation of software, handling equipment and real estate, which increased by $3.5 million from $163.0 million in 2017 to $166.4 million in 2018.

***Other income or expenses, net***

Other income or expenses decreased by $43.5 million from a net loss of $59.2 million in 2017 to a net loss of $15.6 million in 2018. This item was negatively impacted in 2017 by transaction fees related to the GSS disposal and termination costs related to our agency network reorganization.

***Net Present Value (NPV) benefit related to assets financed by tax leases***

The Net Present Value (NPV) benefit related to assets financed by tax leases increased by $8.6 million from $38.2 million in 2017 to $46.8 million in 2018. The increase is mainly due to the anticipated exercise of purchase options on five vessels and the larger number of vessels financed under these arrangements in 2018 compared to 2017.

***Share of profit/(loss) of associates and joint ventures***

Share of profit (or loss) of the associates and joint ventures decreased by $93.7 million from $5.5 million in 2017 to $88.2 million in 2018. The decrease mainly resulted from (i) the dilution and impairment loss of $73.3 million incurred on our investment in Global Ship Lease following its merger with Poseidon Containers compared to an impairment of $47.3 million recorded by Global Ship Lease in 2017 and (ii) our share in CEVA losses since the investment date, which amounted to $50.6 million.

***EBIT***

As a result of the factors described above, our EBIT decreased by $1,080.3 million, or 68.6%, from $1,573.8 million in 2017 to $493.6 million in 2018.

*Container shipping segment*

Consolidated Container shipping segment EBIT decreased by $904.9 million, or 61.4%, from $1,474.0 million in 2017 (7.2% of segment revenue) to $569.1 million in 2018 (2.5% of segment revenue), driven principally by a 7.5% increase in unit cost per TEU, partially offset by a 2.6% improvement in revenues per TEU. In particular, despite the positive impact of the bunker adjustment factor on per unit revenues, the group was unable to fully pass on the increase in bunker price, negatively impacting EBIT for the year. Our profitability in 2018 also reflects an uptick in other operating costs, notably due to our successful growth in North America, where handling, transportation and logistics are more costly.

*Other activities*

Consolidated other activities EBIT decreased by $59.5 million from $100.8 million in 2017 (7.3% of segment revenues) to $41.3 million in 2018 (3.3% of segment revenues), mainly due to the sale of GGS (a container terminal located in the Port of Los Angeles in the San Pedro Bay) in December 2017.

***Interest expense on borrowings net of interest income on cash and cash equivalents***

Interest expense on borrowings net of interest income on cash and cash equivalents decreased by $7.7 million, or 1.7%, from $457.1 million in 2017 to $449.4 million in 2018, primarily as a result of:

- a $3.1 million, or 0.6%, decrease in interest expenses on borrowings from $494.3 million in 2017 to $491.2 million in 2018; and

- a $4.6 million, or 12.4%, increase in interest income on cash and cash equivalents from $37.2 million in 2017 to $41.8 million in 2018, which was mainly driven by a larger proportion of deposits made in economies with higher interest rates in 2018 as compared to 2017.

*Other net financial items*

Other net financial items improved from a net charge of $316.1 million in 2017 to a net gain of $123.5 million in 2018, primarily as a result of:

- smaller losses from the settlement and change in fair value of derivative instruments, which improved from a loss of $35.2 million in 2017 to a gain of $2.1 million in 2018, due to the volatility of currencies and interest rates;
- a $331.6 million improvement in the net impact of foreign currency income and expenses, net, from a loss of $228.5 million in 2017 to a gain of $103.1 million in 2018, mainly reflecting the positive impact of the depreciation of the euro on the euro-denominated portion of our borrowings; and
- a $70.7 million improvement in the net impact of other financial income and expenses from a loss of $52.4 million in 2017 to a gain of $18.3 million in 2018, mainly reflecting (i) one-off expenses incurred in 2017, which were mainly bond redemption costs for NOL and CMA CGM and (ii) a positive reevaluation of certain investments at fair value through P&L in 2018.

*Financial Result*

As a result of the factors described above, the net financial result improved by $447.2 million, or 57.8%, from a loss of $773.1 million in 2017 to a loss of $325.9 million in 2018.

*Income tax*

Income tax expense increased by $29.4 million, or 42.0%, from $70.0 million in 2017 to $99.4 million in 2018. The increase in income tax expense was primarily due to a $29.7 million increase in current income tax expense from $78.8 million in 2017 to $108.5 million in 2018, principally reflecting tax costs on reorganization (MacAndrews, CNC disposal) and a voluntary payment to the Turkish tax authority to settle a previously identified tax risk. It also reflects the impact of a $0.3 million increase in deferred tax income from a gain of $8.8 million in 2017 to a gain of $9.1 million in 2018, due to lower deferred tax income occurring in 2017.

*Profit for the year*

As a consequence of the factors described above, profit for the year decreased by $662.4 million, or 90.7%, from $730.7 million in 2017 to $68.3 million in 2018.

*Non-controlling interests*

Non-controlling interests increased by $0.3 million from $34.1 million in 2017 to $34.4 million in 2018.

*Profit for the year attributable to the owners of the parent company*

Reflecting the factors described above, profit for the year attributable to the owners of the parent company decreased by $662.7 million, or 95.1%, from $696.6 million in 2017 to $33.9 million in 2018.

## Liquidity and Capital Resources

### *Cash Flows*

#### *Cash flow from operating activities (net of tax)*

Cash flow from operating activities (net of tax) amounted to $1,587.9 million, $1,200.5 million and $3,559.9 million in 2017, 2018 and 2019, respectively, and $1,958.7 million in the six-month period ended June 30, 2020.

| | For the year ended December 31, | | | For the six-month period ended June 30, |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | | *($ millions)* | | |
| **Profit / (loss) for the period** | **730.7** | **68.2** | **(218.6)** | **195.2** |
| Depreciation and amortization | 624.1 | 634.0 | 2,717.9 | 1,355.8 |
| Net present value (NPV) benefits related to assets financed by tax leases | (38.2) | (46.8) | (49.9) | (18.0) |
| Other income and expense | 59.2 | 15.6 | 68.6 | 57.5 |
| Increase/(decrease) in provisions | 1.9 | (51.5) | (96.5) | 1.8 |
| Loss/(gains) on disposals of property and equipment and subsidiaries | (96.1) | (27.5) | (15.2) | (167.6) |
| Share of income / (loss) from associates and joint ventures | (5.5) | 88.1 | (143.1) | 43.2 |
| Interest expenses on net borrowings and lease liabilities | 522.4 | 448.5 | 1,348.9 | 659.5 |
| Income tax | 70.0 | 99.4 | 161.5 | 58.0 |
| Other non-cash items | 120.3 | (89.9) | 0.5 | 25.1 |
| Change in working capital | (322.2) | 167.3 | (15.3) | (187.4) |
| **Cash flow from operating activities before tax** | **1,666.6** | **1,305.5** | **3,758.8** | **2,023.1** |
| Income tax paid | (78.7) | (105.0) | (198.9) | (64.3) |
| **Cash flow from operating activities, net of tax** | **1,587.9** | **1,200.5** | **3,559.9** | **1,958.7** |

*Cash from operating activities, net of tax, in the first six months of 2020*

In the first six months of 2020, we generated cash flow from operating activities (net of tax) of $1,958.7 million. The level of net cash generated from operating activities primarily reflected our profit of $195.2 million for the six-month period ended June 30, 2020, plus depreciation and amortization of $1,355.8 million, less $18.0 million of NPV benefits related to assets financed by tax leases, plus $57.5 million of other income and expenses, plus an increase in provisions of $1.8 million, less $167.6 million in gains on disposals of property and equipment and subsidiaries, plus $43.2 million in net result from associates and joint ventures, plus $659.5 million of interest expenses on net borrowings and lease liabilities, plus $58.0 million in income tax expenses recognized, plus other non-cash items for $25.1 million, less a negative change in net working capital of $187.4 million and less $64.3 million in income taxes paid. The negative change in net working capital for the period primarily reflected a decrease in trade and other payables of $458.9 million, itself primarily reflecting lower volumes and operating cost reductions, partially offset by a decrease in inventories of $150.6 million, mainly as a consequence of lower bunker prices, as well as a decrease in trade and accounts receivables, contract assets and prepaid expenses of $132.6 million, mainly due to lower business activity during the first half of 2020.

*Cash flow from operating activities, net of tax, in 2019*

In 2019, we generated cash flow from operating activities (net of tax) of $3,559.9 million. Cash flow from operating activities in 2019 primarily reflected our loss of $218.6 million in 2019, plus depreciation and amortization of $2,717.9 million, less $49.9 million of NPV benefits related to assets financed by tax leases, plus $68.6 million of other income and expenses, less a decrease in provisions of $96.5 million, including the neutralization of CEVA non-recurring items included in other income and expenses for $40.7 million and a net decrease in provisions for the remainder, which primarily related to onerous contracts, various litigations and some tax provisions, less $15.2 million in gains on disposals of property and equipment and subsidiaries, plus $143.1 million in income from associates and joint ventures, plus $1,348.9 million of interest expenses on net borrowings and lease liabilities, less $161.5 million in income tax expenses recognized, plus other non-cash items for $0.5 million, less a negative change in net working capital of $15.3 million and less $198.9 million in income taxes paid. The slight negative change in net working capital for the period primarily reflected an increase in inventories of $21.1 million, itself mainly reflecting the preliminary effects of our application of IMO 2020 as from January 1, 2020, as well as an increase in trade and accounts receivables (including contract assets) of $133.9 million primarily reflecting higher uncompleted voyages, partially offset by an increase in trade and other payables of $116.6 million, mainly driven by our acquisition of CEVA.

*Cash from operating activities, net of tax, in 2018*

In 2018, we generated cash flow from operating activities (net of tax) of $1,200.5 million. The level of net cash generated primarily reflected our net profit of $68.2 million in 2018, plus depreciation and amortization of $634.0 million, less $46.8 million of NPV benefits related to assets financed by tax leases, plus $15.6 million of other income and expenses, less a decrease in provisions of $51.5 million, mainly related to net decreases in provisions for onerous contracts, certain tax risks and asbestos provision, less $27.5 million in gains on disposals of property and equipment and subsidiaries, plus $88.1 million in loss from associates and joint ventures, plus $448.5 million of interest expenses on net borrowings, plus $99.4 million in income tax expenses recognized, less other non-cash items for $89.9 million, plus a positive change in working capital of $167.3 million and less $105.0 million in income taxes paid. The positive change in working capital for the period primarily reflected increased volumes and lower profitability as a result of an increase in trade and other payables for $891.8 million, not offset by the increase in inventories for $59.1 million and in trade and accounts receivables for $662.7 million. The negative $89.9 million from other non-cash items primarily reflected unrealized exchange gains for $54.5 million and other non-cash items of $25.6 million.

*Cash from operating activities, net of tax, in 2017*

In 2017, we generated cash flow from operating activities (net of tax) of $1,587.9 million. The level of net cash generated primarily reflected our profit of $730.7 million in 2017, plus depreciation and amortization of $624.1 million, less $38.2 million of NPV benefits related to assets financed by tax leases, plus $59.2 million of other income and expenses, plus an increase in provisions of $1.9 million, less $96.1 million in gains on disposals of property and equipment and subsidiaries, less $5.5 million in income from associates and joint ventures, plus $522.4 million of interest expenses on net borrowings, plus $70.0 million in income tax expenses recognized, plus other non-cash items for $120.3 million, less a negative change in working capital of $322.2 million and less $78.7 million in income taxes paid. The negative change in working capital for the period primarily reflected an increase in trade receivables due to increases in our volumes and freight rates and higher inventories reflecting increases in the bunker price. These uses of working capital were partially offset by an increase in trade and other payables, primarily due to volume increases. The $120.3 million in other non-cash items comprised primarily unrealized foreign exchange impacts.

***Net cash (used for) / provided by investing activities***

We used net cash from investing activities of $1,250.0 million and $963.6 million in 2019 and 2018, respectively, while we generated net cash from investing activities of $14.9 million in 2017. In the first six months of 2020, we generated net cash from investing activities of $516.1 million.

| | For the year ended December 31, | | | For the six-month period ended June 30, |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | | *($ millions)* | | |
| Purchases of intangible assets | (71.9) | (79.7) | (83.8) | (38.1) |
| Business combinations, transactions with non-controlling interests, net of cash acquired/divested | 538.8 | (247.0) | (853.0) | 768.4 |
| New investments in associates and joint ventures | — | (522.6) | — | — |
| Purchases of property and equipment | (757.2) | (426.8) | (522.9) | (223.5) |
| Proceeds from disposal of property and equipment | 150.9 | 167.8 | 138.6 | 60.1 |
| Dividends received from associates and joint- ventures | 11.9 | 18.1 | 28.9 | 4.7 |
| Cash flow resulting from other financial assets | 162.0 | 125.4 | 24.3 | (49.6) |
| Variation in securities | (19.6) | 1.2 | 18.0 | (6.0) |
| **Net cash (used for) / provided by investing activities** | **14.9** | **(963.6)** | **(1,250.0)** | **516.1** |

*Net cash provided by investing activities in the first six months of 2020*

In the first six months of 2020, net cash provided by investing activities amounted to $516.1 million. This primarily reflected cash generated by business combinations for $768.4 million, of which $776.5 million was received as part of the disposal of stakes in 8 port terminals to Terminal Link. This increase was partly offset by $1,298.2 million in purchases of property and equipment, of which $1,079.6 million did not result in a cash outflow during the period (primarily because the relevant assets were acquired under finance leases, or because the purchase price was settled directly between the bank through which we financed the acquisition and the shipyard), resulting in net cash used for purchases of property and equipment of $223.5 million. The main component of purchase of property and equipment was purchases of vessels for $888.7 million, due to the delivery or prepayments made in relation to scrubbers for existing vessels and prepayments to shipyards in connection with the vessels in our order book, and also included the delivery installments paid upon the delivery of two TEU 2,200 vessels, as well as new and amended container and real estate leases for $137.8 million and $225.8 million, respectively. We also made purchases of intangible assets totaling $38.1 million, relating partly to the implementation of the SAPHIR project (see "*Business—Information Systems and Logistical Processes*") as well as separate IT projects at CEVA for $12.7 million. Our disposals of property and equipment during the period generated $60.1 million in net cash proceeds, primarily reflecting the cash we received from the disposal of containers for $44.3 million and vessels for $11.7 million. We also used $49.6 million in cash flow from other financial assets, primarily consisting in the net variation of various financial deposits (which do not qualify as cash equivalents), while we received $4.7 million in dividends from associates and joint ventures during the period and the variation of our securities' portfolio resulted in a cash outflow of $6.0 million.

*Net cash used for investing activities in 2019*

In 2019, net cash used for investing activities amounted to $1,250.0 million. This primarily reflected $2,279.8 million in purchases of property and equipment, the main component of which was purchases of vessels for $1,166.0 million. This vessel purchase expense was high during the period primarily because of the delivery of four 3,300 TEU vessels and three 1,380 LNG-powered ships (see "*Business—Services—Shipping—Operations—Vessel Fleet*") during the period and prepayments to shipyards in connection with the vessels in our order book, and also included the delivery installments paid at the delivery date of the four TEU 3,300 vessels and prepayments related to scrubbers. Purchases of property and equipment during the period also included purchases of containers for $543.6 million, purchases of land and buildings for $435.1 million and purchases of other properties and equipment for $135.1 million. Of the total of $2,279.8 million in purchases of property and equipment, $1,756.8 million of the purchases did not result in a cash outflow during the period (primarily because the relevant assets were acquired under finance leases, or because the purchase price was settled directly between the bank through which we financed the acquisition and the shipyard), resulting in net cash used for purchases of property and equipment of $522.9 million. We also made purchases of intangible assets totaling $83.8 million, relating mainly to the implementation of the SAPHIR project (see "*Business—Information Systems and Logistical Processes*"), and used cash for the acquisition of subsidiaries net of cash acquired for $853.0 million, resulting from M&A (notably the acquisition of CEVA). Our disposals of property and equipment in 2019 generated $138.6 million in net cash proceeds, reflecting the cash we received from the disposal of vessels, containers and other property and equipment. We received $28.9 million in dividends from associates and joint ventures in 2019. We also generated $24.3 million in cash flow from other financial assets, primarily consisting of the net variation of various financial deposits, and the variation of our securities portfolio generating a cash inflow of $18.0 million.

*Net cash used for investing activities in 2018*

In 2018, net cash used for investing activities was $963.6 million, primarily reflecting new investments in associates and joint ventures for $522.6 million mainly related to the acquisition of 32.9 % of the then-outstanding shares of CEVA for $502.0 million, and net cash paid for acquisition of subsidiaries for $247.0 million in relation to the acquisition of Containerships for $209.9 million. We also made purchases of property and equipment of $851.8 million, mainly related to purchases of vessels for $659.6 million (work-in-progress vessels for $345.5 million). This vessel purchase expense was elevated during the period primarily because of the acquisition of four second-hand TEU 2,000 vessels and one tugboat, (see "*Business—Services—Shipping—Operations—Vessel Fleet*") in 2018 and prepayments to shipyards in connection with the vessels in our order book. Purchases of property and equipment also included the purchases of containers for $71.9 million, land and buildings for $3.8 million and other properties and equipment for $116.5 million. Of the total purchases of property and equipment of $851.8 million, $425 million of the purchases did not result in a cash outflow (primarily because the relevant assets were acquired under finance leases or because the purchase price was settled directly between the bank through which we financed the acquisition and the shipyard), resulting in net cash used for purchases of property and equipment of $426.8 million. We also made acquisitions of intangible assets for $79.7 million relating mainly to the implementation of the SAPHIR project (see "*Business—Information Systems and Logistical Processes*"). We generated $167.8 million in cash from the disposal of property and equipment, mainly resulting from the disposal of containers for $149.6 million and also the disposal of vessels for $11.0 million. We also received $18.1 million of dividends from associates and joint ventures. Cash flow resulting from other financial assets provided a net amount of $125.4 million, primarily including cash deposited in relation to vessel financing for $29.2 million and cash deposits not qualifying as cash equivalents for $85.7 million.

*Net cash provided by investing activities in 2017*

In 2017, net cash provided by investing activities was $14.9 million.

The cash generated from disposals of subsidiaries related primarily to our sale of the GGS terminal in December 2017 for a net cash inflow of $823.4 million, which was partially offset by the cash used in connection with acquisitions, primarily the acquisition of Mercosul in December 2017, for a net cash outflow of $232.2 million, and partially offset by other transactions for $51.9 million. Our disposals of property and equipment during the period generated $150.9 million in net cash proceeds, primarily reflecting the cash we received from sale and lease-back operations on certain vessels and containers, as well as the disposal of certain vessels. We received $11.9 million in dividends from associates and joint ventures during the period. We also generated $162.0 million in cash flow from other financial assets, which primarily consisted of $150.0 million of financial deposits that were reclassified as cash equivalents and $121.6 million of cash received in connection with our exercise of purchase options for the shares of special purpose financing entities for 5 vessels that were previously held under finance leases. In some cases, the tax benefit under such finance leases is passed on to the lessee in part through a cash recovery at the time of the purchase of the special purpose financing entity (see "*—Explanation of Key IFRS Income Statement Line Items—Operating Expenses—Other Expenses—Amortization of NPV benefit related to assets*" and Note 6.3.1 to the CMA CGM 2017 Audited Condensed Consolidated Financial Statements). These cash inflows were partially offset by $33.6 million of cash outlays for loan-to-value deposits and certain investments made in our terminal facility joint ventures for $94.5 million ($36.7 million with respect to the CT-4 Terminal in Mundra, $25.3 million with respect to the Kribi Terminal project and $23.6 million with respect to CPLT; see "*Business—Services—Terminal Facilities*").

Cash generated by investing activities was primarily offset by $1,322.3 million in purchases of property and equipment, the main component of which was purchases of vessels for $941.0 million. This vessel purchase expense was elevated during the period primarily because of the delivery of three 14,000 TEU vessels (see "*Business—Services—Shipping—Operations—Vessel Fleet*") during the period and prepayments to shipyards in connection with the vessels in our order book, and also included $29.6 million in investments in vessel upgrades and retrofits, such as installation of bulbous bows and reefer capacity. Purchases of property and equipment during the period also included purchases of containers for $154.8 million, purchases of land and buildings for $15.5 million and purchases of other properties and equipment for $210.9 million, which mainly reflected investments in terminal equipment for the Kingston Container Terminal. Of the total of $1,322.3 million in purchases of property and equipment, $565.1 million of the purchases did not result in a cash outflow during the period (primarily because the relevant assets were acquired under finance leases, including two 14,000 TEU vessels, or because the purchase price was settled directly between the bank through which we financed the acquisition and the shipyard), resulting in net cash used for purchases of property and equipment of $757.2 million. We also made purchases of intangible assets totaling $71.9 million, relating mainly to the implementation of the SAPHIR project (see "*Business—Information Systems and Logistical Processes*"), and generated net cash from business combinations for $538.8 million.

*Net cash used for financing activities*

We used net cash from financing activities of $1,503.2 million, $148.0 million and $2,026.8 million in 2017, 2018 and 2019, respectively, and $1,639.4 million in the six-month period ended June 30, 2020.

| | For the year ended December 31, | | | For the six-month period ended June 30, |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | | ($ millions) | | |
| Dividends paid to the owners of the parent company and non-controlling interest | (17.5) | (184.4) | (20.0) | (85.5) |
| Proceeds from borrowings, net of issuance costs | 2,123.6 | 994.1 | 3,012.0 | 1,794.2 |
| Repayments of borrowings | (3,029.3) | (540.2) | (2,625.7) | (1,882.4) |
| Cash payments related to principal portion of leases | (51.3) | (63.1) | (1,834.8) | (852.2) |
| Interest expense on net borrowings | (418.4) | (346.7) | (546.1) | (262.4) |
| Cash payments related to interest portion of leases | — | (47.5) | (692.2) | (371.5) |
| Refinancing of assets, net of issuance costs | — | 54.0 | 769.7 | 110.0 |
| Other cash flow from financing activities | (129.9) | 2.6 | (67.5) | (48.4) |
| Effect of exchange rate changes on cash and cash equivalents and bank overdrafts | 19.6 | (16.8) | (22.2) | (41.3) |
| **Net cash used for financing activities** | **(1,503.2)** | **(148.0)** | **(2,026.8)** | **(1,639.4)** |

*Uses of cash for financing activities in the first six months of 2020*

In the first six months of 2020, we used $1,639.4 million of cash for financing activities. This primarily reflected:

- net cash flows used for financing activities of $940.4 million, composed of $1,794.2 million in inflows from new borrowings less $1,882.4 million of outflows for repayment of borrowings and $852.2 million of outflows for repayments of the principal portion of leases, as described in more detail below;
- interest expense on borrowings for $262.4 million;
- interest expense on leases for $371.5 million; and
- refinancing of certain vessels under sale and leaseback operations for $110.0 million.

The $1,882.4 million cash outflow related to the repayments of borrowings was mainly due to the repayment of various credit facilities for $1,100.3 million (including our RCF facility for $605.0 million and NOL's credit line facility for $318.5 million), the early voluntary repayment of 2021 senior notes for $225.2 million, the repayment of vessels bank borrowings for $230.9 million, the full repayment of the residual amount of the CEVA bridge loan for $198.3 million, a reduction in the amount drawn under NOL and CEVA securitization programs for $106.6 million. This also included ORA BPI's interests for $8.2 million and other debt repayments for $12.9 million.

The $1,794.2 million in cash inflows from new borrowings, net of issuance costs, primarily reflected the PGE drawdown for $1,148.1 million, drawdown on various existing facilities for $612.1 million (primarily including the Sabadell reverse factoring facility for $144.5 million, our RCF facility for $197.5 million, NOL credit facilities for $175.2 million and Standard Bank facilities for $76.2 million) as well as the drawdown of other borrowings for $35.8 million (including $17.7 million on CEVA securitization program and $10.8 million related to the upstream loan put in place as part of the terminal disposal to Terminal Link).

*Uses of cash for financing activities in 2019*

In 2019, we used $2,026.8 million of cash for financing activities. This primarily reflected:

- net cash flows from new borrowings net of repayments of borrowings of $1,448.5 million, composed of $3,012.0 million in inflows from new borrowings less $2,625.7 million of outflows for repayment of borrowings and $1,834.8 million of outflows for repayments of principal portion of leases, as described in more detail below;

- payment of interest expenses on borrowings for $546.1 million;
- payment of interest expenses on leases for $692.2 million; and
- refinancing of certain vessels under sale and leaseback operations for $769.7 million.

The $2,625.7 million of cash outflow related to the repayments of borrowings mainly reflected the repayment of senior notes previously issued by our subsidiaries for $395.0 million (related to notes issued by CEVA for $329.0 million and notes issued by Containerships for $66.0 million), the repayment of bank borrowings mainly related to vessels for $509.3 million and containers for $53.3 million, the repayment of a large part of the CEVA bridge loan of $527.0 million and the former CEVA term loan for $457.0 million, as well as other debt for $516.4 million (mainly due to the Sabadell reverse factoring facility for $275.0 million, a standard bank short-term facility for $67.0 million, credit facilities for $141.3 million and financing for the headquarter building for $14.0 million), and also includes a decrease in securitization programs of $146.6 million.

The $3,012.0 million in cash inflows from new borrowings, net of issuance costs, primarily reflected the bridge loan related to the CEVA acquisition for $725.0 million, secured financings for vessels and scrubbers for $199.1 million, CEVA's own financings for $853.0 million, the Sabadell reverse factoring facility for $285.0 million and to various credit lines for $926.2 million, including our RCF facility for $405.0 million, as well as Standard Bank facilities and a drawdown of facilities by NOL.

Cash flow from financing activities was negatively impacted by the application of IFRS 16, as lease payments are now regarded as financing cash flows, while they were previously reported as operating cash flows under IAS 17.

*Uses of cash for financing activities in 2018*

In 2018, we used $148.0 million of cash for financing activities. This primarily reflected:

- net cash flows from borrowings net of repayments of borrowings of $390.8 million (composed of $994.1 million in inflows from new borrowings, partially offset by $540.2 million of outflows for repayment of borrowings and $63.1 million of outflows for repayments of principal under finance leases);
- payment of interest expenses on net borrowings for $346.7 million; and
- payment of dividends for $184.4 million.

The $540.2 million in repayment of borrowings during 2018 primarily consisted of repayments of bank loans related to the financing of vessels for $354.9 million, a portion of the Sabadell reverse factoring facility for $86.9 million, container financing for $48.5 million, financing for the headquarter building for $14.8 million, $20.1 million related to ORA BPI's interests and $5.7 million for the repayment of other various loans.

The $994.1 million in cash inflows from new borrowings, net of issuance costs, primarily reflected the drawdown on KFTL's existing project facility of $53.3 million, the set-up of a reverse factoring program with Sabadell for $147.8 million, the drawdown of certain credit lines for $475.0 million, an increase in the securitization programs for $301.6 million and in other borrowings for $16.3 million.

*Uses of cash for financing activities in 2017*

In 2017, we used $1,503.2 million of cash for financing activities. This primarily reflected:

- net cash outflows from repayments of borrowings (net of inflows from new borrowings) amounting to $957.0 million (composed of $3,029.3 million of outflows for repayment of borrowings and $51.3 million of outflows for repayments of principal under finance leases, partially offset by $2,123.6 million in inflows from new borrowings);
- payment of interest expenses on net borrowings for $418.4 million; and
- payment of dividends for $17.5 million.

The $3,029.3 million in repayment of borrowings in 2017 primarily reflected $867.1 million in repayment of senior notes (corresponding to the repayment of the NOL 2017 Senior Notes at maturity in April 2017 and the early repayment of the CMA CGM 2018 Senior Notes and the NOL 2019 Senior Notes) and $2,027.9 million in repayments of bank borrowings, including repayment of drawings under NOL committed and uncommitted revolving credit facilities that had been drawn to fund the repayment of the NOL 2017 Senior Notes and the early repayment of the CMA CGM 2018 Senior Notes as well as repayments of secured borrowings, in particular with respect to vessels and containers, both in connection with recurring repayments and with early repayments using a portion of the proceeds of the newly issued 2022 Senior Notes and 2025 Senior Notes. The $2,123.6 million in cash inflows from new borrowings, net of issuance costs, primarily reflected the issuance of the 2022 Senior Notes and 2025 Senior Notes for an aggregate cash inflow of $1,606.8 million, as well as drawings on the Kingston project facility for $131.9 million, and an increase in borrowings under our securitization programs for $272.9 million in line with the increase in our trade receivables during the period.

***Capital Expenditures***

We have made significant investments during the period under review, mainly in new vessels, terminals, IT and containers, including pursuant to finance leases, tax leases and other similar arrangements. The following is a summary of our gross historical capital expenditure for the period indicated:

| | **For the year ended December 31,** | | | **For the six months ended June 30,** | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | | | *($ millions)* | | |
| Ships | 1,042.7 | 696.6 | 1,166.0 | 521.7 | 888.7 |
| Containers | 157.0 | 103.6 | 543.6 | 456.7 | 137.8 |
| Software | 86.0 | 86.5 | 150.6 | 115.4 | 37.5 |
| Other(1) | 320.5 | 253.4 | 3,261.3 | 3,108.1 | 272.1 |
| **Total** | **1,606.2** | **1,140.1** | **5,121.5** | **4,201.9** | **1,336.1** |

(1) Other includes business acquisitions, land, buildings, terminals, cranes, other property and equipment, and other intangible assets (excluding software). In 2019, this line item included $1,319.3 million in intangible assets from business combinations mostly relating to the CEVA acquisition, primarily including $1,139.0 million of customer relationships, $172.0 million relating to the CEVA trademark and $1,941.6 million related to other property and equipment most of which being real estate leases under IFRS 16. See Notes 3.1, 5.1 and 5.2.1 to the 2019 CMA CGM Audited Consolidated Financial Statements.

We expect gross capital expenditures of approximately $1,170 million in the full year 2020, of which approximately $1,000 million is committed at the date of these listing particulars. The following is a summary of our expected capital expenditures in 2020:

- For our shipping business: approximately $1,070 million, out of which:
  - approximately $800 million in capital expenditures relating to newly-built vessels that are in our orderbook, including payments related to three 23,000 TEU ships which are part of the series of nine 23,000 TEU ships to be delivered between late 2020 and 2021 and two 2,300 TEU Guyanamax ships that were delivered in 2020, as well as expenditures relating to the maintenance of our existing fleet such as dry-docking, retrofits and scrubber equipment;
  - approximately $110 million related to investments in terminals, inland projects and real estate;
  - approximately $90 million related to containers, mainly reefer containers; and
  - approximately $60 million related to information systems.

Financings in relation to these capital expenditures totaled approximately $600 million in 2020. We have already secured most of these financings (mainly for vessels, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing*"), resulting in an expected net cash outlay for shipping-related capital expenditures of approximately $470 million in 2020. This excludes approximately $100 million of asset disposals in 2020, mostly containers which were disposed of as part of our recurring renewal of our container fleet. As a result, net cash outlay for shipping-related capital expenditures, including divestments, is estimated to be approximately $370 million in 2020.

- For our logistics business, we expect net cash paid out for capital expenditures in 2020 to be approximately $100 million, mostly consisting of payments for CEVA's IT expenditures and other tangible assets, for which no external financing is considered at this stage.

As a result, net capital expenditures in 2020 for the group are expected to be approximately $470 million.

- In addition to the abovementioned expenditures, we expect $1,190 million of lease-related capital expenditures (i.e. "right-of-use" assets associated with commitments recognized on our balance sheet in accordance with IFRS 16) for our shipping business and $360 million for our logistics business.
  - For our shipping business, this is mostly linked to:
    - Long-term charter bareboat agreements for vessels, of which one 15,000 TEU vessel (part of a series of five 15,000 TEU scrubber-equipped vessels) was delivered in 2020, and one 15,000 TEU vessel (part of the series of six 15,000 TEU dual-fuel LNG EPS vessels) to be delivered in 2020.
    - Other commitments related to vessels, containers and real estate leases with a contract duration over one year.
  - For our logistics business, this mostly consists of real estate leases with a contract duration of over one year.

Our total capital expenditures for the first six months of 2020 were $609.8 million (excluding lease-related capital expenditures), resulting in a cash outflow net of financing of $259.1 million. In addition, lease-related capital expenditures were equal to $726.4 million. Our capital expenditures for the first six months of 2020 were generally consistent with our capital expenditure plan as detailed above.

We expect net cash paid out for capital expenditures in 2021 to be approximately $625 million. We expect gross capital expenditures (excluding lease-related capital expenditures) of approximately $1,400 million for the full year 2021, of which approximately $1,100 million is committed at the date hereof. These estimates are derived from 2020 assumptions. The following is a summary of our expected capital expenditures in 2021:

- Approximately $1,250 million related to our shipping business, including:
  - Payments relating to newly-built vessels that are already in our orderbook, including six 23,000 TEU ships (part of the series of nine 23,000 TEU) to be delivered in 2021
  - Expenditures relating to the maintenance of our existing fleet such as dry-docking, retrofits and scrubber equipment.
  - Net cash outlays of approximately $192 million, mainly in connection with containers, terminals assets, inland assets and IT investments.
  - We have secured financing with respect to most of our capital expenditures (see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing*"), so our net cash paid out for such expenditures in 2021 for our shipping business is expected to be approximately $500 million.
- Approximately $110 million related to our logistics business mainly with respect to CEVA's IT expenditures and other tangible assets amounting to approximately $110 million.

In addition to that, we expect $2,500 million of lease-related capital expenditures for 2021, of which:

- Approximately $2,150 million for our shipping business, including commitments relating to vessels under long-term charter bareboat agreements, including four 15,000 TEU vessels (part of a series of five 15,000 TEU scrubber-equipped vessels) and three 15,000 TEU vessels (part of the series of six 15,000 TEU dual-fuel LNG EPS vessels) to be delivered in 2021 along with two 1,400 TEU LNG powered containerships to be delivered in 2021.
- $350 million for our logistics business, primarily consisting of long-term contract renewals.

The capital expenditures described above include both committed and discretionary capital expenditures. Our capital expenditure and investment plans are subject to change based on a variety of factors. See "*Risk Factors—Risks Relating to Our Business and Results.*"

***Contractual Obligations and Commercial Commitments***

The following table shows our contractual obligations and commercial commitments as of June 30, 2020, on an as adjusted basis after giving effect to (i) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the redemption in full of the outstanding 2021 Senior Notes (see "*Use of Proceeds*"), (ii) the repayment of the outstanding amount under the CEVA €297 million senior bridge facility in July 2020, (iii) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020, (iv) the termination of, and repayment in full of the outstanding amount due under CEVA's former U.S. and Australian securitization programs in August 2020 and (v) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on June 30, 2020, as described in "*Use of Proceeds*."

| | Due December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** | **2024** | **After 2024** | **Total** |
| | | | | **($ in millions)** | | | |
| Senior notes | (9.6)[1] | 202.4 | 721.2 | (4.6)[1] | 108.5 | 839.7 | 1,857.6 |
| Bank borrowings | 293.4 | 622.8 | 792.8 | 1,305.0 | 1,006.3 | 1,688.3 | 5,708.6 |
| Lease liabilities under IFRS 16 | 1,010.7 | 1,619.0 | 1,359.8 | 1,220.6 | 876.2 | 2,340.5 | 8,426.8 |
| Bank overdrafts | 55.3 | — | — | — | — | — | 55.3 |
| Securitization programs | (1.0)[1] | 1,513.2 | 348.9 | — | — | — | 1,861.1 |
| Notes offered hereby | | | | | | 566.6 | 566.6 |
| Other borrowings | 215.7 | 76.9 | 7.8 | 4.9 | 4.9 | 11.4 | 321.6 |
| Out of which accrued interest | 96.6 | — | — | — | — | — | 96.6 |
| **Total debt obligations excluding bank overdraft, securitization and accrued interests** | 1,413.6 | 2,521.2 | 2,881.5 | 2,526.0 | 1,995.8 | 5,446.5 | 16,784.6 |
| **Total debt obligations**[2] | 1,564.5 | 4,034.4 | 3,230.4 | 2,526.0 | 1,995.8 | 5,446.5 | 18,797.5 |
| Vessel purchase commitments-financed | 310.8 | 645.4 | — | — | — | — | 956.2 |
| Vessel purchase commitments-non-financed | 60.2 | 120.4 | — | — | — | — | 180.5 |
| Lease commitments related to vessels to be delivered[3] | 4.5 | 63.5 | 192.0 | 210.2 | 210.2 | 2,473.1 | 3,153.5 |
| **Total commitments** | 375.5 | 829.2 | 192.0 | 210.2 | 210.2 | 2,473.1 | 4,290.2 |
| **Total debt obligations and commitments** | 1,940.0 | 4,863.6 | 3,422.4 | 2,736.2 | 2,206.0 | 7,919.6 | 23,087.7 |

(1) Represents the amount of capitalized issuance costs that will be amortized during the relevant period.

(2) Does not include any ORA.

(3) Represents long-term lease commitments not included in the balance sheet under IFRS 16 with respect to vessels not yet delivered. Where relevant, the amounts payable to ship owners presented above only correspond to the equivalent bareboat charter costs payable and do not include running costs. From time to time, the Company charters vessels under time charters, which are composed of a bareboat charter component as well as a running cost component, which is considered as a service component. Running costs typically include crew and technical maintenance.

### Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of the commitments disclosed in Note 8.3 of the 2019 CMA CGM Audited Consolidated Financial Statements. These off-balance sheet arrangements primarily relate to:

- *Commitments relating to Vessels and Containers*:
  - *Short-term leases on vessels.* At December 31, 2019, the group was obligated to pay time charts (including running costs) in relation to 203 vessels under leases with a residual lease term of 12 months or less, representing an amount of $162.8 million to be paid in the year ended December 31, 2020;
  - *Short-term leases on containers.* At December 31, 2019, the group was obligated to pay container rents in relation to container leases with a residual lease term of 12 months or less representing an undiscounted amount of $7.8 million to be paid in the year ended December 31, 2020;
  - *Commitments relating to ordered vessels*, which represented a total of $1,136.7 million as of June 30, 2020 (for which we had committed financings at that date totaling $956.2 million), $1,163.8 million as of December 31, 2019 (for which we had committed financings at that date totaling $1,022.4 million), $1,488.9 million as of December 31, 2018 (for which we had committed financings at that date totaling $1,300.4 million) and $1,787.8 million as of December 31, 2017 (for which we had committed financings at that date totaling $396.2 million).

- *Guarantees issued relating to the payment of concession fees by certain of its associates or joint ventures under stevedoring concession contracts.* CMA CGM issued guarantees for the payment of concession fees amounting to $846.0 million as of December 31, 2019, $838.0 million as of December 31, 2018 and $809.5 million as of December 31, 2017.
- *Other financial commitments.* Financial commitments relating to guarantees or pledges granted to third parties in addition to recognized liabilities amounted to $1,034.2 million at December 31, 2019, $1,063.4 million at December 31, 2018 and $1,239.0 million at December 31, 2017.

**Market-related risks**

In connection with our business operations, we are exposed to fluctuations in bunker fuel rates, currency exchange rates and interest rates. We believe the following financial risks constitute our primary market-related risks.

***Risk arising from bunker fuel price fluctuations***

A large part of our cost is related to bunker fuel. In the first six months of 2020 and in 2019, 2018 and 2017, our consolidated income statement reflected $1,608.8 million, $3,450.7 million, $3,618.0 million and $2,568.5 million, respectively, of costs associated with bunker fuel.

Our risk management policy with respect to bunker fuel costs is to partially hedge with physical forward purchase on a rolling twelve-month basis and also with "over-the-counter" derivative instruments such as short-term commodity swaps and options, when there are market opportunities, as long as they qualify to hedge accounting. As of June 30, 2020, we did not have any derivatives positions with respect to bunker fuel.

For illustrative purposes and assuming no hedges and no passing on to customers, a $50/ton average increase in the spot purchase price of bunker fuel would have reduced our operating profit in 2019 and in the first six months of 2020 by approximately $387 million and $175 million, respectively (exclusive of the impact of any hedges).

***Foreign currency exchange rate risk***

We operate on a worldwide basis and our revenue and operating expenses are denominated in U.S. dollars, in euro, Singapore dollars, Brazilian real and marginally in sterling, depending upon which lines or businesses are concerned. In addition, many of our financing arrangements are denominated in euro and Singapore dollars. We incur a higher proportion of our expenses denominated in euro compared to the proportion of our revenue we generate in euro, although to a limited extent. This imbalance can negatively impact our results of operations when the euro appreciates in value against the U.S. dollar.

We are not exposed to material foreign exchange risks on our capital commitments, since vessel and container financing arrangements are usually U.S. dollar-denominated and our vessels and containers are principally purchased in U.S. dollars, including those vessels acquired under the terms of long-term capital leases or other similar arrangements.

Our current policy is not to hedge our foreign currency exchange exposure except the exposure of our borrowings to movements in the Singapore dollar. In addition, we may conclude derivative financial transactions from time to time to hedge specific risks.

In line with industry practice and subject to market conditions, we typically charge our customers currency surcharges in times of volatility in foreign exchange rates.

***Interest rate risk***

We are exposed to cash flow interest rate risk as some of our borrowings (including obligations under capital leases) are issued at variable rates (mainly $Libor). In order to minimize the interest rate risk, we hedge this risk through derivatives interest rate swaps agreements.

As of June 30, 2020, December 31, 2019, December 31, 2018 and December 31, 2017, taking into account the interest rate hedges, indebtedness bearing interest at variable rates represented 34%, 33%, 48% and 39% of total indebtedness, respectively.

## Significant Recently Issued Accounting Pronouncements

New IFRS accounting pronouncements applicable to the Company's business and operations are presented in further detail in Note 2.2 to the 2019 CMA CGM Audited Consolidated Financial Statements, a free English translation of which is presented elsewhere in these listing particulars

### *Leases*

The group has adopted IFRS 16 using the modified retrospective transition method, as permitted by the IFRS 16 standard. As a result, information for the comparative periods has not been restated. The cumulative effect of IFRS 16's initial application has been recognized as an adjustment to the opening values of retained earnings as at January 1, 2019.

The application of IFRS 16 has had a material impact on amounts reported in respect of our non-current assets and financial liabilities, given the magnitude of our operating lease arrangements. Under the former standard, expenses from operating lease contracts were recognized in our income statement on a straight-line basis under chartering expenses, logistic expenses, general and administrative and other operating expenses. Since IFRS 16 came into effect as at January 1, 2019, the expenses from operating lease contracts consist of the recognition of a depreciation charge of right-of-use assets on a straight-line basis and the recognition of an interest expense on lease liabilities.

CMA CGM primarily enters into leases for vessels, containers, real estate and terminal concessions.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using CMA CGM's incremental borrowing rates, at January 1, 2019.

In applying IFRS 16, we used the following practical expedients permitted by the standard:

- Grandfathering the pre-existing lease definition retained under the previous IAS 17 standard;
- Reliance on previous assessments of whether leases are onerous;
- Applying the short-term exemption for operating leases with a remaining lease term of less than 12 months as at January 1, 2019; such exemption was applied in excluding leases with a lease term of less than one year, and has been applied to new contracts entered into after January 1, 2019;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At January 1, 2019, the right-of-use ("ROU") assets were measured at the amount equal to the residual lease liability, adjusted by (i) the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018, (ii) the initial direct costs, (iii) the provisions for dismantling costs and onerous contracts, (iv) the dry dock components, (v) the financial positions related to the measurement at fair value of operating lease contracts acquired through previous business combinations and (vi) deferred gains recognized as at December 31, 2018. Subsequently, ROU assets are measured at cost less cumulated depreciation, impairment and certain remeasurement of the lease liabilities due to modifications.

When lease agreements include both lease and non-lease components, the group separated both components based on their relative standalone price. This split was primarily applicable for vessel chartering contracts in order to exclude the running costs from the rental expense and thus determine a bareboat equivalent lease component.

As a consequence of the new classification of expenses mentioned above, the group's EBITDA margin and Core EBIT margin, excluding CEVA, improved by respectively $1,855.3 million and $326.3 million for the year ended December 31, 2019.

As at January 1, 2019, the measurement of IFRS 16 lease liabilities amounted to $6.9 billion, excluding pre-existing finance leases:

- The lease liability of equivalent bareboat commitments under vessel operating leases amounts to $4.1 billion;
- The lease liability corresponding to commitments under container operating leases amounts to $2.4 billion;

- The lease liability corresponding to commitments under terminal concession operating leases amounts to $0.2 billion; and
- The lease liability corresponding to commitments under real estate and other operating leases amounts to $0.2 billion.

There has been no material impact regarding pre-existing finance leases, for which the carrying amount of assets and liabilities reported as at December 31, 2018 have been maintained under IFRS 16 in accordance with the new standard.

IFRS 16's impact on the statement of profit & loss, the statement of Financial Position and the statement of Cash Flows, including impacts on CEVA, has been disclosed in Note 3.1.1 to the CMA CGM 2019 Audited Consolidated Financial Statements, a free English translation of which is included elsewhere in these listing particulars

***IFRS 17: Insurance Contracts***

Pending EU approval, IFRS 17 will be effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted as long as IFRS 9 is also applied.

Insurance contracts combine features of both financial instruments and service contracts, and many insurance contracts generate cash flows with substantial variability over a long period of time. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance financial income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognize all insurance financial income or expenses in profit or loss, or to recognize some of such financial income or expenses in other comprehensive income.

Given the small size of the group's insurance business, the application of IFRS 17 should not have a material impact on our consolidated financial statements.

***Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)***

In May 2020 the International Accounting Standards Board (Board) issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

They also added to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Pending EU approval, the amendments to IFRS 3 will be effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application will be permitted.

**Critical Accounting Policies and Significant Accounting Estimates**

The 2019 CMA CGM Audited Consolidated Financial Statements, a free English translation of which is included elsewhere in these listing particulars detail the accounting policies deemed to be significant by management. Critical accounting policies include, among others:

- revenue recognition and related expenses;
- leases;

- impairment of non-financial assets; and
- derivative instruments and hedging activities.

The preparation of financial statements under IFRS also requires the use of judgments, best estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities as of the reporting date. Actual developments and outcomes may differ from those assumed when making these judgments and estimates. Note 2.3 to the 2019 CMA CGM Audited Consolidated Financial Statements details accounting estimates deemed significant by management. These include, among others:

- judgments used for the purpose of determining the operating segments;
- judgments and estimates used for the accounting of NPV benefits related to assets financed by tax leases;
- impairment of non-financial assets;
- determination of the vessels' useful lives and residual values;
- deferred income tax assets related to tax losses carried forward;
- assessment of whether lease contract options (rights to purchase, extensions, renewals and early terminations) are reasonably certain to be exercised or not and assessment of other items which may affect the lease term;
- judgments used for the purpose of determining the scope of consolidation;
- demurrage receivables, accruals for port call expenses, transportation costs and handling services;
- significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures;
- judgments used in connection with the purchase price allocation and measurement of fair values in business combinations; and
- judgments and estimates made in determining the risk related to cargo and corporate claims and related accounting provisions.

## THE INTERNATIONAL CONTAINER SHIPPING INDUSTRY

*All the information and data presented in this section has been provided by Drewry. Drewry has advised us that the statistical and graphical information contained herein is drawn from its database and other third-party sources. In connection therewith, Drewry has advised us that: (a) certain information in Drewry's database is derived from estimates or subjective judgments; (b) the information in the databases of other maritime data collection agencies may differ from the information in Drewry's database; (c) while Drewry has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is by definition subject to limited audit and validation procedures.*

### Overview

The maritime industry is fundamental to international trade because it is the only practicable and cost-effective way of transporting large volumes of many essential commodities and semi-finished/finished goods over long distances. According to the International Maritime Organization (IMO), approximately 90% of world trade in terms of volume is transported by sea and global seaborne trade has grown every year over the last three decades, with the exception of 2009. Seaborne cargo is broadly categorized as either liquid or dry cargo. Dry cargo includes dry bulk cargo, containerized cargo, and non-containerized cargo, which is often referred to as general cargo. Liquid cargo includes crude oil, refined petroleum products, vegetable oils, gases and chemicals.

Cargo ships are classified into various types on the basis of purpose, size, type of cargo etc. A container shipping line is a company that operates the ships that actually carry the containers (owned or leased) and cargo from load port to discharge port according to a schedule. Bulk carriers are a type of ship that transports cargoes (generally dry cargo) in bulk quantities. The cargo transported in such ships is loose cargo (i.e. without any specific packaging) and generally contains items such as food grains, ores, coals and even cement. Tanker ships are specialized vessels for carrying a large amount of liquid cargo and are further sub-divided into different types on the basis of the cargo they carry. Examples of tankers include crude tankers, product tankers, liquefied natural gas (LNG) tankers and Liquefied Petroleum Gas (LPG) tankers. LPG is the mix of propane and butane gas which is extracted from the natural gas production or is produced during oil refining process, and is used by the household as well as for petrochemical plants. There are many other variants of vessel type, including passenger ships as well as roll-on/roll-off ships that are designed to carry wheeled cargo.

The demand for shipping is a product of the physical quantity of the cargo to be shipped (measured, depending on the cargo, in terms of standard container sizes, tonnes, barrels, or cubic meters) and the distance the cargo needs to be carried. Generally, demand cycles move broadly in line with developments in the global economy, as well as with other factors such as changes in regional raw material prices and availability of the cargo. Volumes on specific trade routes can also be affected by trade agreements between individual countries and currency exchange rates.

Container shipping occupies an increasingly important position in world trade, with containerships constituting the principal channel to transfer finished and semi-finished goods. Global container trade traffic represents close to 24% of seaborne transported cargo by volume but approximately 60% by value, as a consequence of being used for high value-added finished and semi-finished goods. Container trade volumes have increased every year since the introduction of long-haul containerized shipping lanes in the late 1960s, with the exception of 2009. Although container trade fell in terms of volume for the first time in history in 2009, it quickly recovered in 2010 as a result of renewed growth in the world economy and inventory re-building. Between 2011 and 2019, container trade traffic grew steadily from 165 million TEU to 222 million TEU, respectively. This represents an overall increase on a TEU basis at a CAGR of 5.0% between 2009 and 2019, albeit with a slowdown in growth rates in more recent years. Encouragingly, world container traffic in 2017 and 2018 increased by 6.6% and 5.6% year-on-year, respectively. However, in 2019 the industry witnessed the slowest growth since 2009, of just 1.6% over 2018 with the trade war between the US and China being a key factor behind the slowdown. Container shipping has a number of advantages compared to other shipping methods which includes less cargo handling, efficient port turnaround, highly developed intermodal network and reduced shipping time.

Furthermore, with the COVID-19 pandemic disrupting the world economy, consumer activity and supply chains globally, the demand for container trade is expected to be substantially affected in 2020 as well. Drewry estimates an approximate 3% year-on-year decline in loaded container traffic in the first quarter of 2020 to 52 million TEU, followed by a further 8.3% decline in the second quarter to 51.6 million TEU. The fall in loaded container traffic is expected to be 2.3% in the third quarter of 2020 followed by a turnaround of 0.1% in the fourth quarter of 2020. Nonetheless, one key positive factor that has emerged so far has been the way liner companies have successfully managed capacity resulting in a much healthier freight rate environment.

Historically, the relationship between incremental supply and demand for shipping services has varied across various shipping sectors as each is impacted by different drivers. This means that at any point in time different sectors of the seaborne transportation industry may be at different stages of their respective supply and demand cycle. However, in 2020 most of the shipping segments have been disrupted by the COVID-19 pandemic. Yet, current trends indicate that the container shipping industry overall has been resilient, driven primarily by the industry-wide adoption of capacity management tools by carriers, such as blanked sailings. Blanked sailings are scheduled sailings that have been cancelled by a carrier, resulting in the vessel concerned skipping certain ports or even the entire route. It has also led to steady increase in freight rates. Accordingly, container shipping companies, such as CMA CGM, have performed well during the pandemic. Conversely, non-operating owners of container vessels (NOO), such as Seaspan and GSL, have suffered from falling charter rates as a result of reduced demand. NOOs own approximately 47% of the global fleet, which means that they were unable to stop the capacity adjustments that were implemented by the operating liner companies.

The profitability of containerized shipping lines is driven primarily by supply side dynamics and the ability to control costs—whilst demand has an influence, supply side factors and cost control are more influential, as seen in the recent COVID-19 pandemic, where profitability has improved across the industry despite a sharp global decline in demand. The container shipping industry has also benefited from the trend of consolidation in the industry, low orderbook-to-fleet ratio, a much better freight rate than previous years, and cost savings arising from reduced bunker prices, lower vessel costs and terminal / canal fees.

Container freight rates have been volatile since 2011. They reached a five year low in 2016 as carriers could not manage the overcapacity caused by a fragmented market. Since then freight rates have largely been on an upward trajectory. Greater concentration in the liner sector and a much lower orderbook created conditions conducive to much more effective capacity management in 2020. Therefore, despite a significant fall in demand due to COVID-19, freight rates have been rising in 2020. Drewry's composite World Container Index (WCI) nonetheless decreased week-on-week by approximately 1.0% to $2,583.21 per 40ft container but was still up by 116% in the second week of October 2020, compared with the same period in 2019, close to an 8-year high.

**Key players**

The top 10 container shipping liners operate more than 80% of global TEU ship capacity. Container liners both own vessels and have the ability to charter vessels for varied duration from non-operating vessel owners. Hence, container liners have the flexibility to adjust the size of their operating fleet to fit their needs. Container liners' operating fleet usually comprises a significant portion of chartered vessels.

Top 5 largest shipping lines are Maersk Line, MSC, COSCO, CMA CGM, and Hapag-Lloyd in terms of current total capacity. Maersk Line is the biggest container liner company, with an operated fleet capacity, including the order book, of around 4.0 million TEU. CMA CGM is ranked third when including vessels on order with a capacity of around 3.2 million TEU. Asia-Europe/Med, Transpacific, Transatlantic and North-South are the principal routes on which these liner companies employ their vessels. Below is a list of the top 10 liner companies—in terms of the operated fleet capacity—as of July 31, 2020.

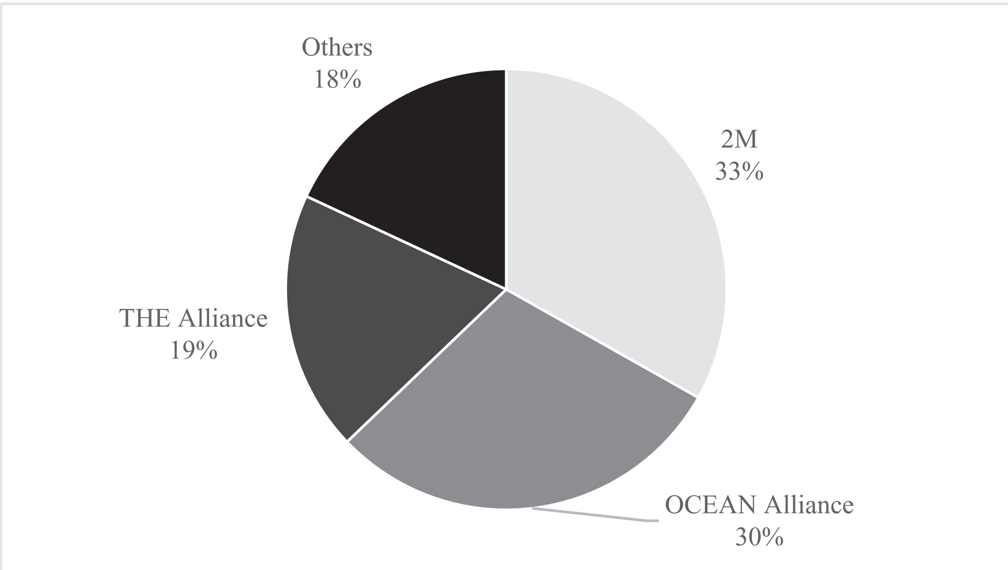
**Top Ten Ocean Carrier Operated Fleets, 31 July 2020 (‘000 TEU)**

| Sl. No. | Company | Country | < 4,000 TEU | 4,000-7,999 TEU | 8,000-9,999 TEU | 10,000-17,999 TEU | 18,000+ TEU | Total TEU | Ave age (yrs) | On order No. | On order ’000 TEU |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Maersk Line | Denmark | 677 | 1,111 | 850 | 743 | 591 | 3,972 | 11 | 17 | 40 |
| 2 | MSC | Switzerland | 461 | 656 | 887 | 1,086 | 645 | 3,735 | 14 | 5 | 95 |
| 3 | China COSCO Shipping | China | 218 | 806 | 493 | 824 | 565 | 2,905 | 11 | 5 | 115 |
| 4 | CMA CGM | France | 456 | 552 | 622 | 1,042 | 62 | 2,734 | 11 | 25 | 446 |
| 5 | Hapag-Lloyd | Germany | 179 | 390 | 407 | 580 | 113 | 1,670 | 11 | — | — |
| 6 | ONE | Japan | 73 | 498 | 354 | 497 | 121 | 1,544 | 9 | — | — |
| 7 | Evergreen Marine | Taiwan | 178 | 240 | 311 | 302 | 222 | 1,252 | 11 | 62 | 507 |
| 8 | HMM | South Korea | 18 | 147 | 52 | 214 | 191 | 621 | 7 | 12 | 218 |
| 9 | Yang Ming Marine | Taiwan | 55 | 140 | 92 | 314 | — | 601 | 10 | 21 | 174 |
| 10 | PIL | Singapore | 158 | 130 | — | 71 | — | 360 | 12 | | |
| | **Total** | | **2,474** | **4,670** | **4,067** | **5,673** | **2,509** | **19,393** | | **147** | **1,595** |

*Notes—NYK, K-Line and MOL have merged their container operations and they are now known as ONE.; Maersk Line includes Hamburg-Süd, Safmarine and MCC Transport; CMA CGM includes APL, Cheng Lie; COSCO Shipping includes OOCL; Hapag-Lloyd includes UASC, scrapping data to end July 2020; orders based on all known contracts including long-term leases and vessels not yet delivered until July 2020.*
*Source: Drewry*

Three major alliances of container shipping companies together operate 82% of the container capacity.

**Market Share of Three Major Alliances, 31 July 2020 (%)**

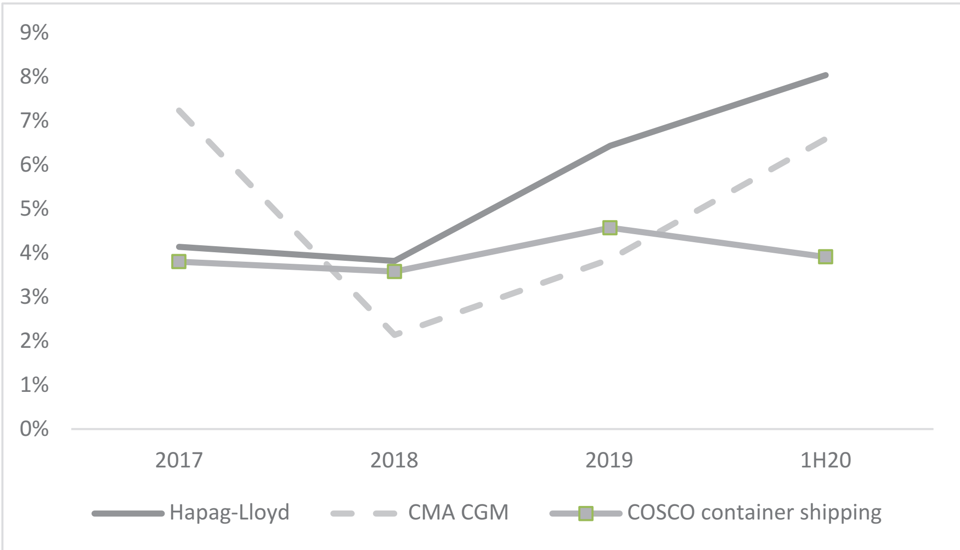



*Note: The description of alliances in container shipping is mentioned in ‘Industry Consolidation’ Section.*
*Source: Drewry*

CMA CGM has a balanced portfolio, with one of the most extensive networks of direct services covering the four major East-West trade lanes: Asia-Europe, Transpacific (Asia-North America), Transatlantic (Europe-North America), and Asia-Middle East, in addition to a significant presence on other trades, such as Asia-Red Sea and niche markets such as the Caribbean, Black Sea, Africa and intra-Asia markets. CMA CGM is present in 165 countries, serves 420 of the world’s commercial ports, operates 438 inland terminals and manages 750 warehouses across the world. CMA CGM has a more flexible cost base relative to industry average due to a high proportion of chartered vessels. While a typical ratio of chartered-to-owned vessels for a company is 60-40, CMA CGM owned just 23% of the operated vessels as of June 30, 2020. CMA CGM is the first maritime shipping company to choose LNG to power nine of its new ultra large containerships in order to comply with emission control regulation of IMO.

Measuring CMA CGM's performance through EBIT margin versus its peer group throws an interesting comparison. CMA CGM's EBIT margin for the container shipping business is competitive and lags only behind Hapag-Lloyd. Container shipping EBIT margin was 7% in the first half of 2020 as a result of a boost of cost savings primarily from bunkers and blank sailings. This compares to Maersk Group (7%) and Hapag-Lloyd (8%). At the group level, the EBIT margin is diluted by the Logistics segment. In early 2019, CMA CGM completed its acquisition of CEVA Logistics. Investment in CEVA Logistics has allowed CMA CGM to offer door-to-door service to its customers (broader product offering) and benefit from more commercial opportunities such as increased cross-selling. This is likely to translate into revenue synergies which can help offset the profit volatility in the container shipping industry.

**EBIT Margin—Container Shipping**



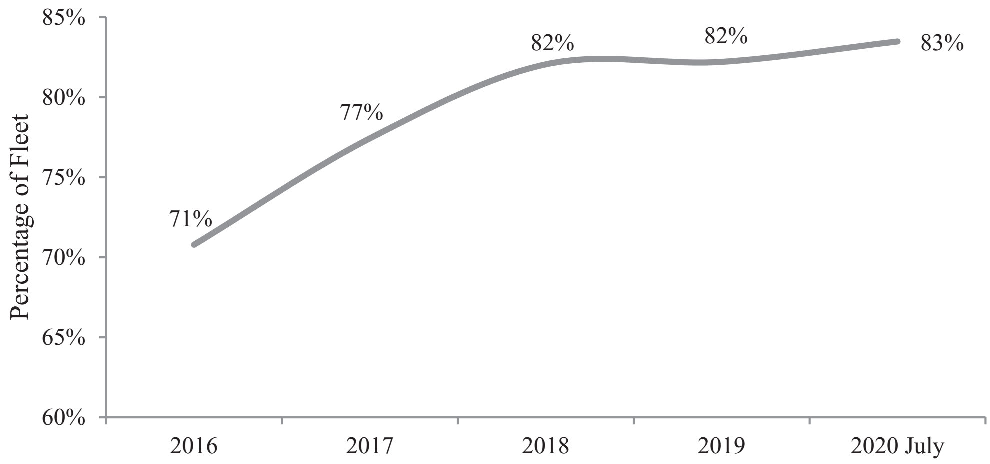

*Source: Company data, Drewry*

### Industry Consolidation

The liner industry has been through several rounds of consolidation over the last few years, driven by a combination of factors, including the quest for scale, operational efficiencies, enhancement of profitability and regional diversification.

Since 2015, about half of the top-20 players have been either absorbed by mergers or have completely exited the business (Hanjin Shipping). The gap between the small and large players, as measured by their total carrying capacity, has widened markedly. Significant merger and acquisition transactions include the acquisition of Hamburg Süd by Maersk Line, United Arab Shipping Company by Hapag-Lloyd, Neptune Orient Lines by CMA CGM, the amalgamation of China Shipping Group (CSCL) and COSCO's liner businesses as well as the merger of K Line, MOL and NYK's liner businesses under a new entity called Ocean Network Express (ONE). With the acquisition of Hong Kong based OOCL by COSCO and the formation of ONE in 2018, the leading seven carrier groups (i.e. inclusive of all subsidiaries) control more than 75% of the active containership fleet.

**Market Share of Top 10 Leading Container Shipping Companies, 31 July 2020 (%)**




*Source: Drewry*

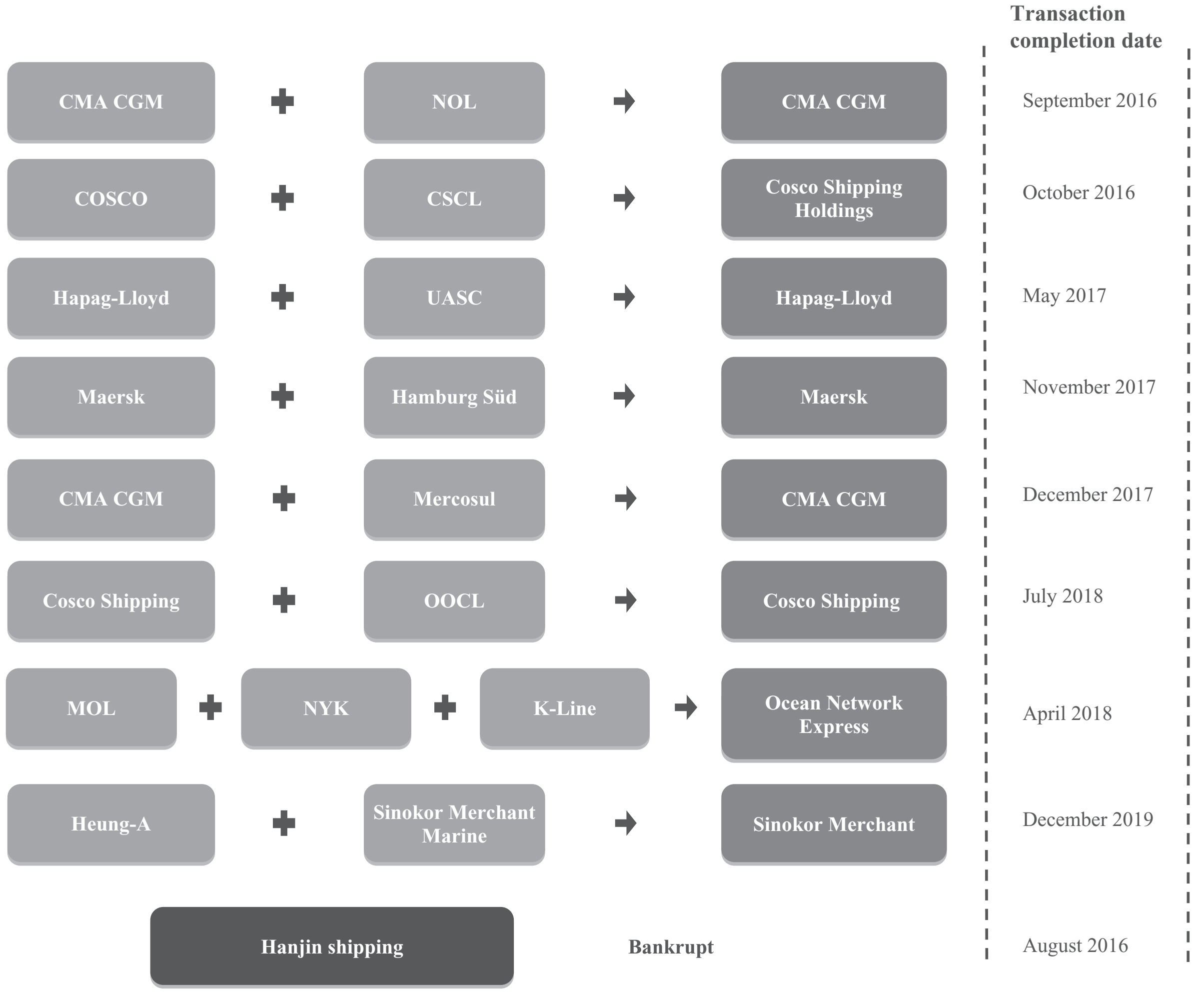
The flurry of takeovers, until 2018, came after a 10-year lull in mergers and acquisitions (M&A) in the container shipping industry. Nonetheless, since 2019, certain carriers, including Maersk and CMA CGM have been focussing more on vertical integration strategy as a means to grow, i.e. container carriers acquiring third-party logistics providers. This has meant that further horizontal consolidation, i.e. container carrier acquiring another container carrier, in the sector through M&A has been halted. The consolidation that took place over the years has taken supply out of the market and rationalized the supply-demand imbalance and now offers little scope for further consolidation which will protect the currently favorable industry dynamics. Another reason behind this halt has been the fact that the window of opportunity for more M&A has narrowed with fewer "free" operators to absorb.

In the past, the main driver for acquisitions was the need to establish a presence on routes on which the acquirer had a limited or no presence; the latest M&A activities have been focused on the pursuit of scale and global reach by reinforcing the acquirer's network through a combination of increased capacity and market share. An example is Maersk's takeover of Hamburg Süd, where the latter's primary strength on its North-South trade reinforced Maersk's position in these trades. Another part of the surge in M&A activity came as a consequence of the highly leveraged companies that faced challenges in servicing their debt due to recurrent operating losses, and hence were more inclined to be acquired by competitors.

In addition to consolidation due to M&A activity, the competitive landscape has changed in the recent years due to bankruptcies of weaker positioned companies such as Hanjin. Low vessel earnings coupled with heightened debt levels made Hanjin Shipping bankrupt in August 2016. That said, the overall debt situation of the industry has improved.

The high level of consolidation has increased industry concentration, providing carriers with an upper hand in rate negotiations, while also facilitating more prudent capacity management. A more concentrated industry theoretically tends to foster higher profitability for all the players involved; this may have been a factor contributing to the improved performance during the first half of 2020, notwithstanding the COVID-19 pandemic's impact on demand.

**Consolidation in the Liner Industry (since 2015)**




*Source: Drewry*

Although different in their magnitude, the above-mentioned industry consolidation and the bankruptcy of Hanjin shipping, both had an impact on the global supply chain. A combined entity (as a result of a merger or acquisition) would have to restructure its schedules in order to optimize tonnage availability at a particular port or prioritize calling at self-owned port terminals. However, Hanjin Shipping's bankruptcy caused a more severe disruption because it had an immediate major impact on the choice of liners and led to a rebound in container freight rates. As Hanjin had deployed around 100 ships ranging from 1,000 TEU up to 13,000 TEU at the time of its bankruptcy, a large number of liner services stopped overnight, which affected vessel scheduling in the 'CKYHE' Alliance due to the gaps created by Hanjin's exit.

Since then, THE alliance, which is part of the reorganized alliance structure created in 2017, has formed a contingency fund in order to safeguard against risks of cargoes getting blocked at sea, should a carrier go bust again. This is because the bankruptcy of a carrier also affects the alliances. The bigger loss for alliances in a Hanjin-like situation is a loss of the long-standing relationships between a carrier and its large-volume beneficial cargo owner (BCO) customers of the country it is based out of.

In addition, some NOOs that charter out ships to liner companies have also been under severe financial duress and this has resulted in aggressive scrapping. Of the total 178,588 TEU scrapped in 2019, approximately 64% (114,000 TEU) belonged to NOOs. In the M&A space, Rickmers Maritime Trust went into liquidation in early 2017 and the bulk of its Panamax containership fleet was purchased by Navios Holdings at bargain prices. Independent owners are also starting to consolidate along the same lines as ocean carriers in order to leverage scale and the proportion of the overall container shipping fleet.

## Global Alliances

Alliances are agreements that cover vessel sharing arrangements, slot exchange agreements and other co-operation between major liner players. Similar to airlines alliances, the principal purpose of these alliances is to offer comprehensive service networks, competitive sailing frequencies, extensive port coverage and an efficient integration of ships. Global alliances were needed as the industry suffered from an imbalance of global supply-demand, creating a host of problems for carriers and shippers alike.

Following the creation of alliances, the industry has seen better capacity management as well as greater alignment of future vessel orders, which are more in line with demand forecasts. Better coordination has allowed alliance members to call on new ports or take advantage of new route opportunities. Carriers have avoided calling at low volume, unprofitable ports and regions, thus resulting in lower operating costs and better profitability.

Currently, global alliances are focused mainly on the East-West corridor because large ships can be positioned on these routes. Deploying bigger ships on these routes allows carriers to operate at a lower cash break-even point, as it optimises costs for them to operate on trade lanes with greater cargo volume.

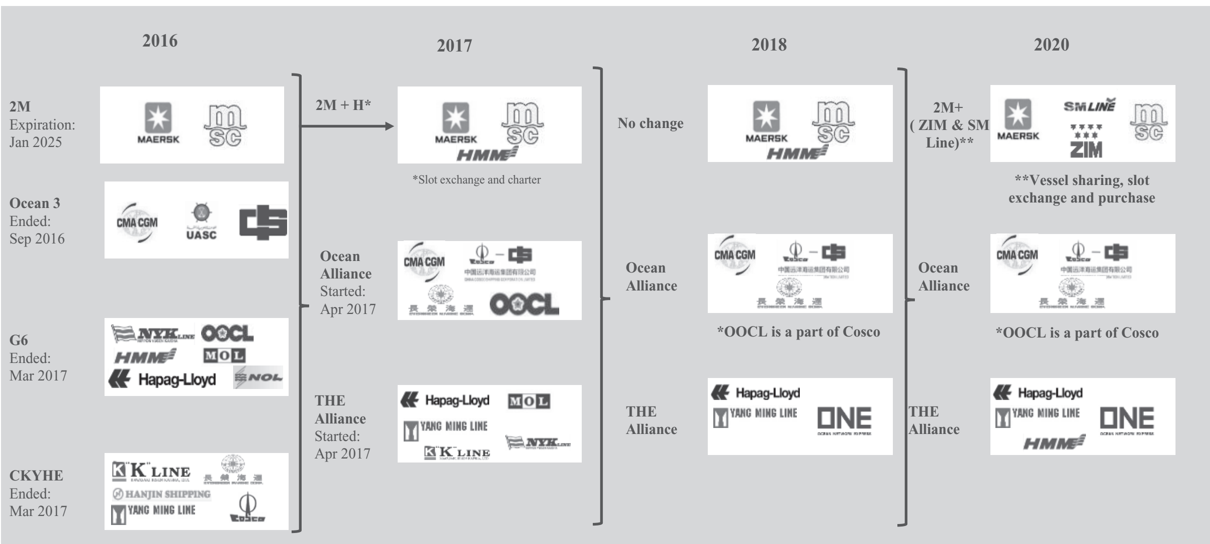
While some alliances are more formal than others, in some cases, liners still negotiate their own individual terminal deals with ports. However, the main aim is to maximise the usage of the largest vessel assets in a group of carriers to maximise efficiency and to boost port coverage for shippers.

In April 2017, the industry underwent reshuffling of carrier alliances, wherein the total number of alliances reduced from four to three. The three alliances currently in operation are called 2M, Ocean Alliance and THE alliance. The vessel-sharing agreement within the 2M remained largely unchanged compared with the prior operational alliance landscape, but for the addition of HMM for selected services. HMM sub-let some of its largest vessels to 2M and chartered a number of slots across various routes from Maersk and MSC as part of its alliance agreement. The Ocean Alliance expanded its cumulative capacity compared with its predecessor Ocean 3 alliance with the addition of COSCO, OOCL, NOL (acquired by CMA CGM) and Evergreen, despite losing UASC volumes when the latter agreed to merge with Hapag-Lloyd.

From April 2018, shippers had to register even more changes in the configuration of ocean partnerships as Japanese shipping groups K Line, MOL and NYK merged their businesses into Ocean Network Express, or ONE. Furthermore, OOCL was acquired by COSCO; the latter as a result wielded greater pricing-power and influence over other carriers/alliances.

On April 1, 2020, after three years as a strategic partner of the 2M Alliance, HMM joined a rival, THE Alliance, which also includes Yang Ming, Hapag-Lloyd and ONE, adding 12 new 23,000-TEU Ultra large vessels to the agreement. On the other hand, ZIM and SM Line have forged a coalition with the 2M Alliance as their new strategic partners.

**Operational Consolidation**




* *Slot exchange and Charter arrangement*
** *Vessel sharing, slot exchange and purchase*
*Note—OOCL is now a part of COSCO Shipping Holdings.*
*Source: Drewry*

The capacity share of each alliance on different routes is shown in the table below. As shown, Ocean Alliance leads capacity share on most of the major trade routes such as Asia-Europe (41%), Transpacific route (38%), and Asia-Middle East/ South Asia (30%), while ranking third in Transatlantic (12%). THE Alliance is the third major alliance in terms of total capacity deployed and it holds a meaningful capacity share on both the Transpacific (29%) and Asia-Europe (24%) Transatlantic route.

**Trade Route Capacity Share for Each Alliance (July 2020)**

| Trade route | Carrier | Total Weekly capacity | No. of Ships | % Share | Largest Vessel Deployed |
|---|---|---|---|---|---|
| **Transpacific** | 2M + (ZIM & SM Line) | 102,687 | 114 | 22% | 19,224 |
| | Ocean Alliance | 178,871 | 173 | 38% | 15,052 |
| | THE Alliance | 138,492 | 136 | 29% | 14,100 |
| | Others | 56,825 | 80 | 12% | 13,892 |
| | **Total** | **476,875** | **503** | **100%** | **19,224** |
| **Asia-Europe** | 2M +ZIM | 139,309 | 103 | 35% | 23,756 |
| | Ocean Alliance | 162,834 | 118 | 41% | 21,413 |
| | THE Alliance | 96,693 | 84 | 24% | 23,964 |
| | Others | n.a. | n.a. | n.a. | n.a. |
| | **Total** | **398,836** | **305** | **100%** | **23,964** |
| **Transatlantic** | 2M | 31,182 | 31 | 21% | 9,200 |
| | Ocean Alliance | 18,354 | 15 | 12% | 8,495 |
| | THE Alliance | 26,586 | 34 | 18% | 8,749 |
| | Others | 74,363 | 120 | 49% | 9,403 |
| | **Total** | **150,485** | **200** | **100%** | **9,403** |
| **Asia-Middle East/South Asia** | Ocean Alliance | 64,578 | 58 | 30% | 20,988 |
| | THE Alliance | 20,158 | 23 | 9% | 8,560 |
| | Others | 131,385 | 136 | 61% | 14,000 |
| | **Total** | **216,121** | **217** | **100%** | **20,988** |

*Notes:*

*1) Above list is based on dedicated loops only, and the sum of weekly TEU includes multi-trade services.*

*2) Fleet of below services counted twice in above table because of multi-trade dedicated routings*

*a) Ocean Alliance—Columbus Loop/PE1/SEAP/AWE5*

*b) Ocean Alliance—CMX6JDX/TPA/AAS4*

*c) Ocean Alliance—AE6CC4/CI1 PDM*

*d) 2M—AE1/Shogun-TP6/Pearl*

*e) 2M—AE6/Lion-TP2/Jaguar*

*f) THE Alliance—FP1 PDM*

*g) THE Alliance—FP2 PDM*

*h) THE Alliance—PS3.*

*Source: Drewry*

Alliances are generally vessel sharing agreements or slot swap agreements. As such, being a partner in one of the key alliances does not prevent a line from entering into agreements on other trades with members of other alliances. Many carriers work with other liner companies in the intra-Asia market and agree to operate a service together, with each liner company providing a certain number of ships. Other operational agreements are also prevalent in the Asia to East and West Coast South America lanes.

In addition, liner companies can use official and informal alliances and cooperation agreements to increase their global coverage without having to deploy assets or charter new ships. For instance, Hapag-Lloyd, despite being a member of THE Alliance, signed a slot charter agreement with rival 2M alliance partners, Maersk and MSC, in 2020. As such, Hapag-Lloyd is able to offer a higher frequency of weekly departures and more routing options. In addition, it is directly able to serve additional ports with high schedule reliability. Similarly, members of an alliance can coordinate vessel ordering to spread their capital investment.

### The Containership Fleet

As of July 2020, the world fleet of fully cellular containerships consisted of 5,380 ships, totaling a capacity of 23.2 million TEU. These numbers are net of vessels scrapped and exclude multi-purpose and ro-ro ships with container-carrying capability. The average age of the existing fleet is approximately 13 years, with the largest vessels generally being newer as a result of the increasing preference for such larger vessels in recent years.

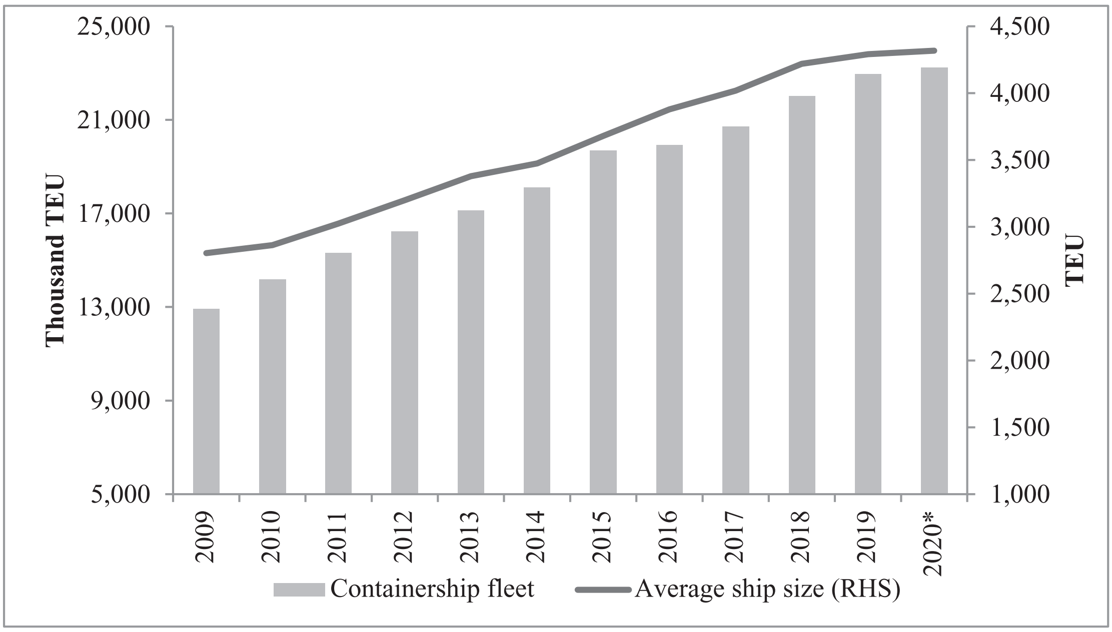
**World Cellular Containership Fleet by Size (July 2020)**

| Type | Size (TEU) | July 2020 No | July 2020 '000 TEU | % of Total No. | % of Total TEU | Average Age |
|---|---|---|---|---|---|---|
| Small Feeder | 100-2,000 | 2,317 | 2,417 | 43.1 | 10.4 | 15.3 |
| Large Feeder | 2,000-3,000 | 682 | 1,738 | 12.7 | 7.5 | 13.3 |
| Classic Panamax & wide-beam | 3,000-5,300 | 894 | 3,777 | 16.6 | 16.3 | 12.6 |
| Small neo-Panamax | 5,300-10,000 | 915 | 6,959 | 17.0 | 30.0 | 11.8 |
| Large neo-Panamax | 10,000-12,500 | 153 | 1,651 | 2.8 | 7.1 | 6.8 |
| VLCV—Maxi neo-Panamax | 12,500-14,500 (<49m beam) | 233 | 3,179 | 4.3 | 13.7 | 6.3 |
| VLCV—Neo post-Panamax | 13,000-18,000 (>49m beam) | 62 | 999 | 1.2 | 4.3 | 5.1 |
| ULCV | 18,000+ | 124 | 2,509 | 2.3 | 10.8 | 3.0 |
| **Total** | | **5,380** | **23,230** | **100.0** | **100.0** | **13.0** |

*Source: Drewry*

The fleet has grown rapidly to meet the growth in trade and because of carriers' strategy to increase their fleet sizes with bigger ships to reduce unit costs. Overall, global fleet capacity has risen from 6.5 million TEU at the end of 2003 to 23.2 million TEU in July 2020. In CAGR terms, the fleet has increased by 8.2% since 2003 and 5.9% in the last decade, in the period between 2009 and 2019.

**Containership Fleet Development and Increasing Size of Containerships (2009 – July 2020)**




*Source: Drewry, * 2020 data is as of July*

In tandem with the growth in capacity of the overall fleet, average ship capacity has increased steadily to 4,318 TEU in July 2020, compared with approximately 2,862 TEU in 2010, given the increasing preference for large-sized containerships as well as the continued scrapping of the sub-4,000 TEU fleet.

In recent years, container shipping lines have sought to order larger and more efficient vessels to reduce unit costs and maintain their profitability, while retaining competitive freight rates. The largest containerships are used on the trade lane between the Far East and North Europe, whereas the average ship size on other trade lanes is lower. However, larger ships can present challenges to ports as they may not be designed to serve bigger ships. As ship sizes increase on the main trade lanes, the replaced ships cascade down to secondary trade lanes and so on. Therefore, the development of ever-larger ships not only impacts the trade lanes in which the large ships are used but also the entire maritime transport chain.

There is a relatively small critical mass of new wide beam ships in the market, and a few orders in the 4,500 to 5,500 TEU range have been placed recently. Ships of this size entered the market in late 2013 and have commanded a premium over traditional designs. For example, in June 2020, the average daily one-year charter rate of approximately USD 14,000 for a 4,500-5,500 TEU wide-beam TEU modern vessel was significantly higher than rates of USD 7,013 per day for 4,400 TEU narrow-beam vessels. There is, therefore, evidence of a two-tier charter market, as ships with newer designs featuring a shallow draught, fuel-saving specifications, high reefer intake or wide beam design are commanding a premium over older ships, especially during periods of high bunker prices.

**Containership Orderbook**

New orders have been relatively low since 2015 (except for 2018) thus protecting the favorable supply / demand balance. Uncertainty over future environmental regulations with regard to greenhouse gas and $CO_2$ emission standards coupled with the COVID-19 pandemic have further contributed to the depressed orderbrook in 2020. Only 30 container ships with a total capacity of 241,000 TEU have been ordered so far in 2020 (as of July 2020). As of July 2020, the global containership newbuilding orderbook in terms of TEU was 2.1 million TEU, equivalent to 8.9% of the existing containership fleet. Container orderbook to fleet ratio has declined from a high of 61% in 2007 to 8.9% in 2020.

There are fewer new orders for ships below 3,000 TEU, as the capacity of feeder ships is increasing and ships of 3,000 to 5,000 TEU are now providing feeder and transhipment services to the largest ships working in the main East-West routes. Ships bigger than 10,000 TEU constituted 80.6% of the orderbook as of July 2020. According to the orderbook in July 2020, nearly 78% of the capacity on order is scheduled to be delivered by 2021.

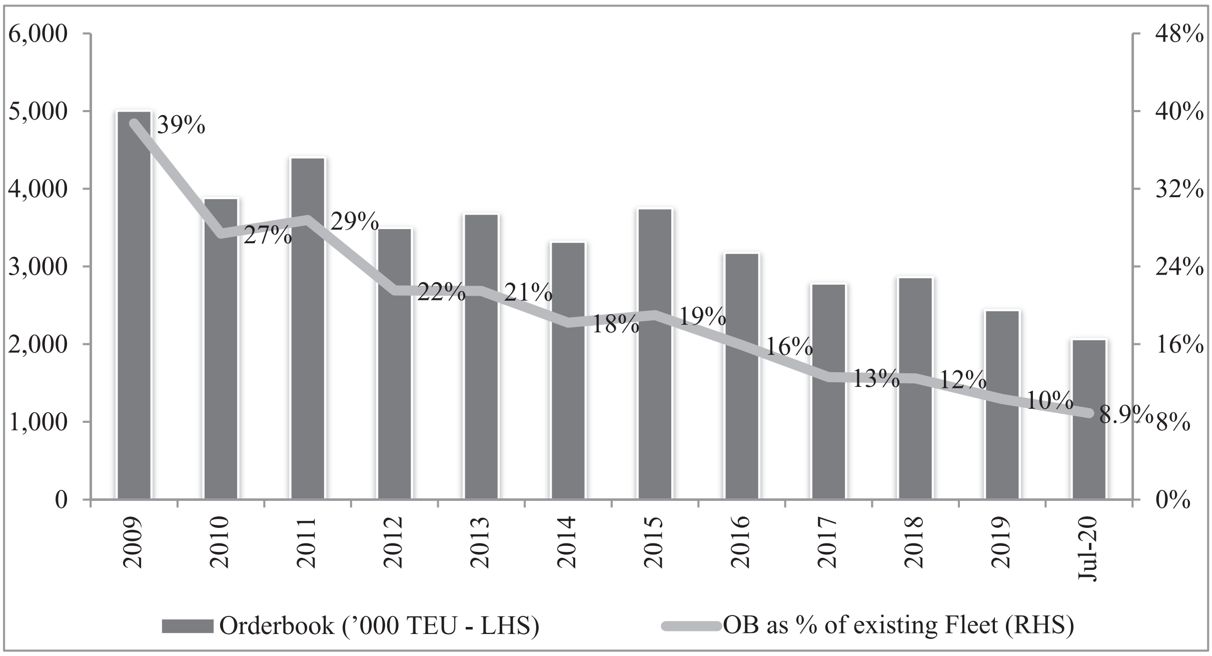
**Containership Orderbook Delivery Schedule, July 2020**

| Vessel Size | Scheduled Year of Delivery | | | | | | | | All Ships on Order | | % of existing fleet |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2023+ | | | | |
| TEU | No | ’000 TEU | No | ’000 TEU | No | ’000 TEU | No | ’000 TEU | No | Total TEU | by TEU |
| 100-2,000 | 57 | 71 | 57 | 74 | 10 | 13 | 0 | 0 | 124 | 158 | 6.5% |
| 2,000-3,000 | 39 | 100 | 40 | 96 | 4 | 8 | 0 | 0 | 83 | 205 | 11.8% |
| 3,000-5,300 | 3 | 9 | 6 | 18 | 0 | 0 | 0 | 0 | 9 | 27 | 0.7% |
| 5,300-10,000 | 1 | 5 | 1 | 5 | 0 | 0 | 0 | 0 | 2 | 11 | 0.2% |
| 10,000-12,500 | 5 | 57 | 23 | 253 | 1 | 11 | 0 | 0 | 29 | 321 | 19.5% |
| 12,500-14,500 (<49m beam) | 5 | 67 | 2 | 26 | 2 | 29 | 0 | 0 | 9 | 122 | 3.8% |
| 13,000-18,000 (>49m beam) | 1 | 15 | 25 | 376 | 7 | 104 | 0 | 0 | 33 | 495 | 49.6% |
| 18,000+ | 8 | 187 | 11 | 257 | 7 | 167 | 5 | 115 | 31 | 726 | 29.0% |
| **Total** | **119** | **512** | **165** | **1,106** | **31** | **332** | **5** | **115** | **320** | **2,065** | **8.9%** |

*Source: Drewry*

Containership orderbook growth has continued to contract since 2015 due to a combination of fewer new orders, orderbook cancellations, slippage and vessel conversions.

**The Containership Orderbook ('000 TEU)—Ratio to Existing Fleet**




*Note—Fleet data is net of vessels scrapped*
*Source: Drewry*

### Deliveries & Slippage

The majority of the containerships on order are scheduled to be delivered during the remainder of 2020 and 2021, but based on past evidence it cannot be assumed that these ships will be delivered on time.

**Containership Deliveries ('000 TEU)**

| Deliveries (in '000 TEU) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 YTD |
|---|---|---|---|---|---|---|---|---|---|
| 100-2,000 | 69 | 51 | 53 | 53 | 52 | 70 | 47 | 106 | 47 |
| 2,000-3,000 | 19 | 22 | 17 | 46 | 43 | 55 | 112 | 61 | 38 |
| 3,000-5,300 | 197 | 259 | 142 | 73 | 8 | 27 | 37 | 25 | 4 |
| 5,300-10,000 | 319 | 524 | 475 | 610 | 195 | 72 | — | — | — |
| 10,000-12,500 | 97 | — | 170 | 133 | 133 | 223 | 199 | 47 | 24 |
| 12,500-14,500 (<52m beam) | 541 | 376 | 366 | 210 | 170 | — | 324 | 197 | 13 |
| 13,000-18,000 (>52m beam) | 16 | 32 | 32 | 212 | 74 | 361 | 60 | 136 | 90 |
| 18,000+ | | 73 | 221 | 339 | 230 | 388 | 549 | 501 | 215 |
| **Total** | **1,258** | **1,337** | **1,476** | **1,678** | **904** | **1,196** | **1,330** | **1,074** | **431** |

*Source: Drewry, Note—2020 YTD data is for January-July 2020*

After remaining high in 2017, slippage (i.e. vessels not delivered according to scheduled delivery at the start of the year) rates have come down in the last two years. Historically, slippage rates were typically less than 10%. Relatively lower slippage rates in 2019 are attributed to lower scheduled deliveries.

**Actual Deliveries and Slippage ('000 TEU)**

| ('000 TEU) | 2017 | 2018 | 2019 |
|---|---|---|---|
| **Due delivery as of 1 Jan** | **1,540** | **1,462** | **1,128** |
| sub 8,000 TEU | 338 | 318 | 313 |
| 8,000+ TEU | 1,202 | 1,145 | 815 |
| **Actual delivery** | | | |
| sub 8,000 TEU | 159 | 197 | 192 |
| 8,000+ TEU | 1,037 | 1,133 | 881 |
| | **1,196** | **1,330** | **1,074** |
| **Year slippage** | **345** | **133** | **54** |
| **Delivery rate** | | | |
| sub 8,000 TEU | 47.0% | 62.0% | 61.4% |
| 8,000+ TEU | 86.2% | 98.9% | 108.2% |
| **Net delivery rate** | **77.6%** | **90.9%** | **95.2%** |
| **Slippage%** | **22.4%** | **9.1%** | **4.8%** |

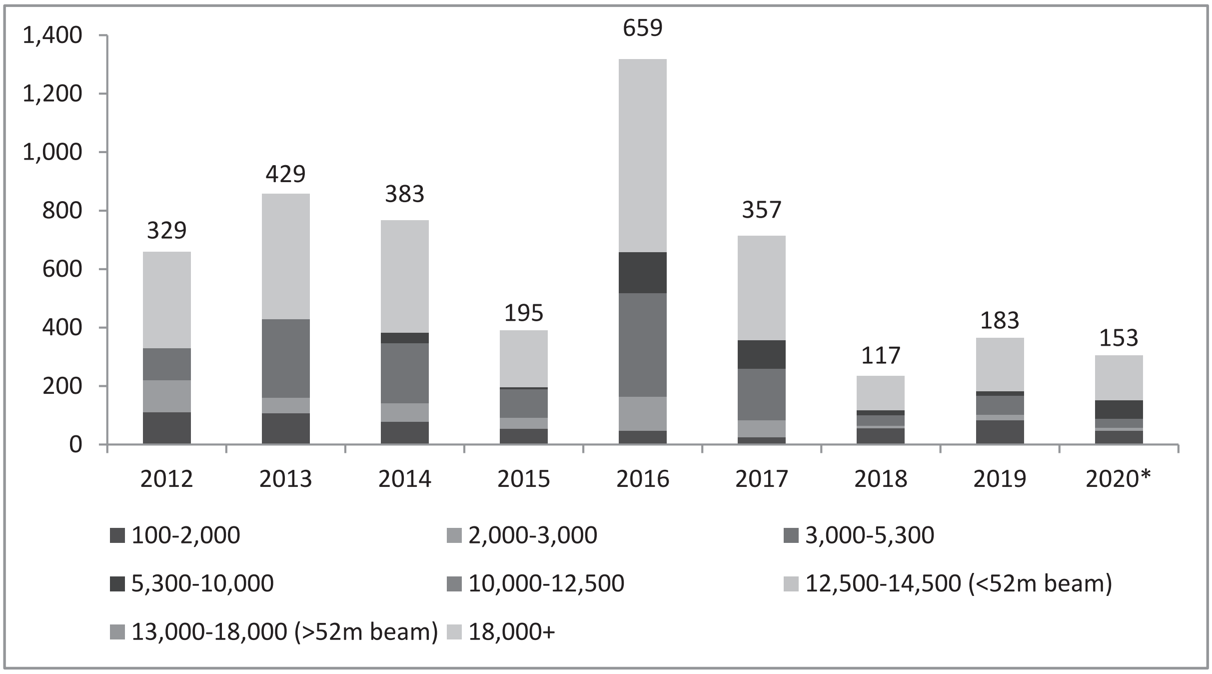
*Source: Drewry*

**Scrapping**

Scrapping of ships increased between 2012 and 2016, driven by the operators' desire to use the most fuel-efficient tonnage, as older containerships were unable to provide owners and operators with the cost savings they required. Besides, the charter market had not recovered meaningfully since 2009 and most tonnage under 4,000 TEU was unable to consistently earn revenue above operating costs. With costly dry-docking required once a vessel reaches 15 years of age, some owners decided to instead realize residual values by scrapping the older portions of their fleet. However, since 2016 and until 2018, scrapping declined because of various factors which include lower steel prices, weakness in Indian currency and a shortage of open non-feeder units. In 2019, there was temporary withdrawal of tonnage during exhaust scrubber retrofits, which tempted owners to drag out the lifespan of the ageing assets.

Two important trends have emerged from demolitions. The first is that the average age of container ships scrapped is falling and the second is that the average size of the ships scrapped is increasing. In 2019, the average age of ships scrapped was close to 23.5 years. This compares to an overall average of close to 30 years, which has been the typical age for scrapped ships between 2006 and 2016. During the same period, the average size of the ship being sent for demolition has increased from 1,200 TEU in 2006 to 2,007 TEU in 2019. As of July 2020, close to 153,000 TEU of capacity was scrapped for the year, compared to 155,000 TEU scrapped during the same period in 2019. IMO 2020 was expected to result in higher levels of scrapping, as the number of unviable ships was expected to increase in a high-fuel cost shipping market. However, the dramatic decrease in bunker prices following the oil price war between Saudi Arabia and Russia altered this forecast. Notwithstanding the low oil price, reduced demand due to COVID-19 has resulted in relatively higher demolition in 2020 YTD compared to 2019. Added pressure on emissions reductions pursuant to IMO 2020 and client expectations is another factor driving increased demolition.

**Containership Scrapping ('000 TEU, 2009-2020*)**

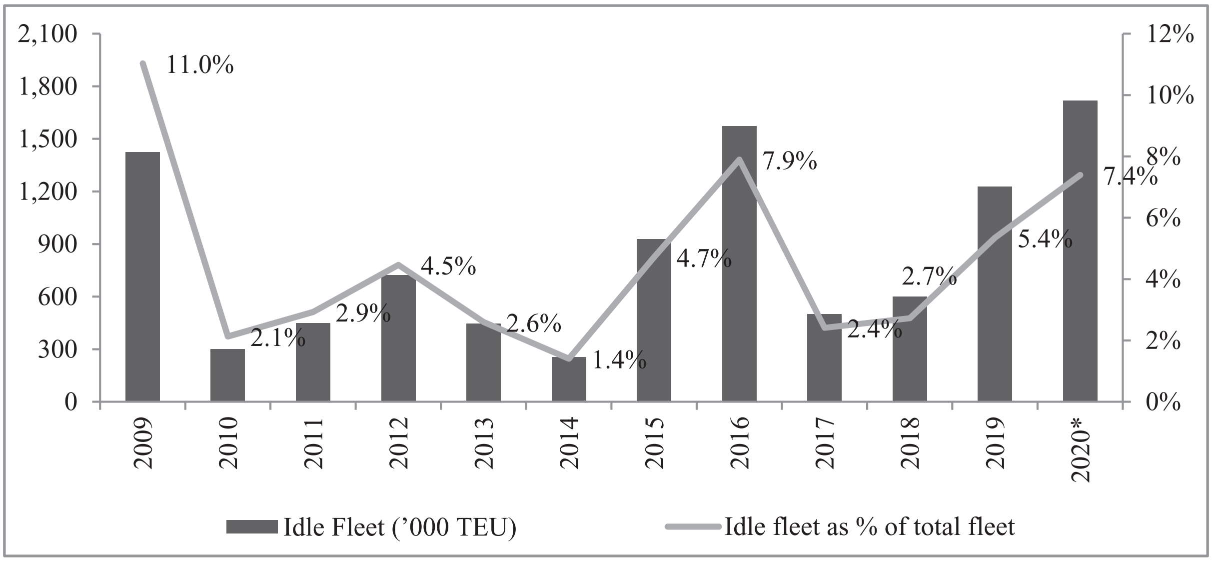



* *Jan- July 2020*
*Source: Drewry*

**Idle Tonnage**

At any point in time, a proportion of the fleet can be idle or inactive, and the volume of idle capacity varies depending on wider market conditions. The peak of idle tonnage in recent years was in 2009, when containership supply and demand were out of line by a large margin. The volume of idle tonnage subsequently declined until 2014 but, as vessel earnings started to weaken further in the second half of 2015, container liners resumed idling their vessels at a rapid pace. The addition of Hanjin's 600,000 TEU capacity artificially increased the idle fleet to 7.9% in 2016 because of the South Korean operator's sudden bankruptcy. With sustained improvement in freight rates helped by strong cargo growth since the last quarter of 2016, the idle fleet declined to 2.4% of the total fleet by the end of 2017. However, as a substantial number of container vessels headed for scrubber retrofits to become IMO 2020 compliant, idle fleet as a proportion of total fleet increased to 5.4% at the end of 2019. The ratio swelled to 7.4% in July 2020 as ships undergoing the process were delayed in Asian yards as a result of COVID-19 work restrictions. Ships being laid-off for lack of gainful employment have also contributed to high idle capacity in 2020. As of September 2020, the ratio decreased to 3.7% on the back of shrinkage in capacity with ships back in high demand.

**Idle Capacity ('000 TEU) as a Percentage of Fleet**




*Source: Drewry, Note—* July 2020*

**Slow Steaming**

Historically, excess shipping capacity and rising fuel prices have prompted liners to reduce vessel operating speeds and thus reduce fuel costs, while at the same time requiring more ships to provide the same level of shipping capacity on a particular trade and, in doing so, absorbing excess capacity within the market.

The impact of reducing sailing speeds on the number of days required to complete a round voyage on the three main trades is shown below.

**Vessel Sailing Times (Sailing Days—Round Voyage)**

| Route | 19.4 Knots | 17.6 Knots | 16.1 Knots | 15 Knots | 23.0 Knots | 17.7 Knots |
|---|---|---|---|---|---|---|
| Asia-Europe | 70 | 77 | 84 | 91 | — | — |
| Transpacific | — | — | — | — | 23.4 | 30.4 |
| Transatlantic | — | — | — | — | 23.4 | 30.4 |
| **Typical No of Vessels Deployed** | **10** | **11** | **12** | **13** | **4** | **5** |

*Source: Drewry*

A typical Asia-North Europe string presently has between 12 and 13 vessels of 16,000 to 19,000 TEU capacities operating with average speed between 15.5 knots to 17.5 knots. By reducing the sailing speed of the vessels to 17.6 knots, an additional ship would be required to provide the same level of service. The cost savings associated with slow steaming are more important in times when bunker prices are high, as was the case in 2013 and 2014. The savings associated with slow steaming are calculated taking into account the additional vessels for the entire loop. The exact savings depend on the technical specifications of the ship, the level of speed reduction and the prevailing fuel price, but a typical 9,000 TEU vessel sailing at 19 knots consumes approximately 128 tons of fuel a day. If the speed is reduced to 16 knots, consumption is reduced by 26% to approximately 95 tons a day.

**Type of Owners**

Containerships are owned by two types of ship owners, (i) liner companies, which own and operate their own and chartered-in ships, and (ii) independent NOOs, which do not operate ships, but instead charter them out to container shipping companies. Of the global fleet in TEU terms, 53% is owned by liner companies, and 47% is owned by independent NOOs. Chartering in tonnage provides a degree of flexibility to the liner companies to adjust shipping capacity to market conditions. This was typically the case during the recent COVID-19 pandemic, where the demand for chartered vessels fell significantly. Moreover, for a liner, it is an "easier" decision to redeliver / not renew maturing charters in order to adapt its fleet to demand rather than idle its owned vessels.

Historically, to ensure the best chances of securing and renewing charter contracts with the liners and carriers, non-operating owners have tended to invest in the most standard sizes or types of container ships and have generally stayed away from investing in route-specific ships or in the large ships, unless backed by long-term charter contracts for such ships with major shipping lines. NOOs have also tended to own a higher proportion of small and average size containerships, whereas liner companies have tended to own a higher proportion of above-average size containerships. More recently, some NOOs have focused on ordering sub-4,000 TEU ships aimed at feeder and regional trades, as the industry stock of vessels of these sizes needs replenishing due to the very elevated scrapping levels in recent years.

The liners are deploying the largest ships possible in each trade route to gain competitive advantages through economies of scale. The deployment of larger ships result in lower slot costs and leads to the cascading of larger ships in feeder routes. There are, however, certain limitations that arise from the deployment of large ships, including the physical infrastructure restraints such as shallow draught.

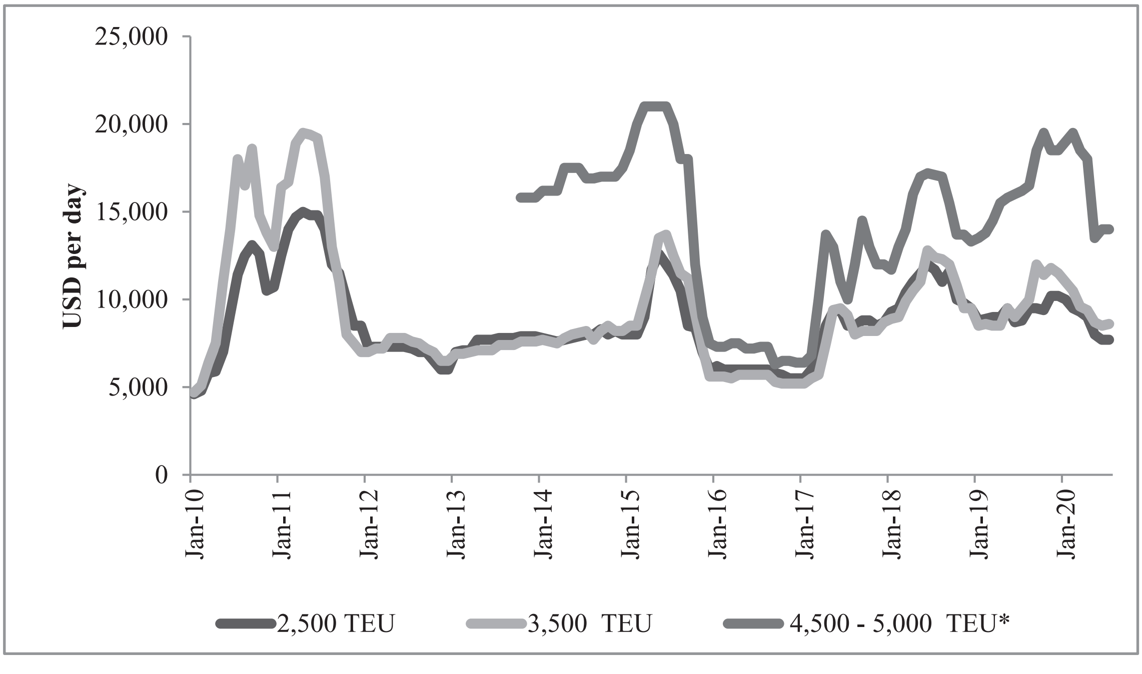
**Containership Time Charter Rates and Freight Rates**

A time charter contract involves the use of a vessel either for several months or years. The charterer pays all voyage-related costs, including bunker, while the owner receives monthly charter hire payments on a per-day basis and is responsible for the payment of operating expenses and capital costs of the vessel. Meanwhile, a bareboat charter usually involves longer periods ranging up to several years. The charterer is responsible for all voyage-related costs including vessel fuel, port dues, and all vessel operating expenses, such as day-to-day operations, maintenance, crewing, and insurance. The owner of the vessel is responsible only for the payment of capital costs related to the vessel and in general receives fortnightly charter hire payments on a per-day basis.

Charter rates are mainly dependent on the prevailing supply and demand dynamics in the sector (especially for shorter contracts) and are affected by the age and characteristics of the ships (including fuel consumption, speed, design, whether geared or gearless and number of reefer plugs). Longer charter periods, from three to ten years, tend to be more stable and less cyclical.

The following chart indicates annual average charter rates for representative containerships from 2010 to July 2020.

**One-Year Containership Charter Rates, (Period averages USD/day)**




*Source: Drewry, Note—*4,500 – 5,500 TEU wide beam*

After the sharp contraction in container trade in 2009, charter rates recovered in 2010 and 2011, partly due to the re-stocking of inventories. They subsequently weakened again in the first half of 2012 as increase in supply outpaced the changes in demand due to the economic recession in Europe and elsewhere. In 2013 and most of 2014, the charter market made no noticeable recovery across most size segments, other than the 4,500—5,000 TEU segments, which experienced a material improvement. There was a small upturn at the end of 2014 and into the first half of 2015, but charter rates were soft and generally well below historical averages for the remainder of 2015 and well into 2016. The re-ordering of many global services in 2017 caused by the new alliance structure led to a greater demand and stronger cargo flows on many routes ensured that daily rates, particularly for ships over 4,250 TEU, improved throughout 2017. Improvement in charter rates during the first half of 2018 lost steam slowly as stable deliveries and uncertainty over the US-China trade war and high bunker prices adversely affected charter rates in the end of 2018.

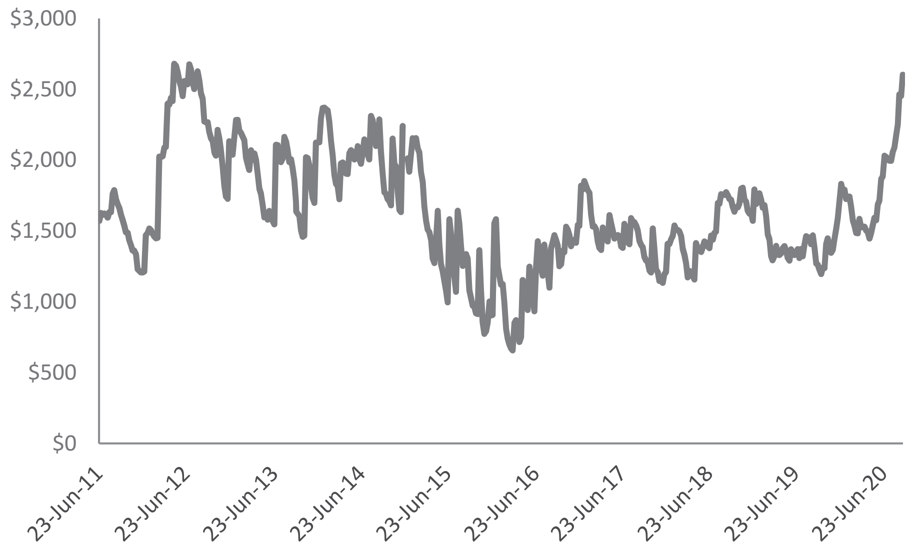
Containership charter rates of 2019 had improved since the fourth quarter of 2018 due to the IMO 2020 regulation and the resulting retrofitting of the scrubbers on the ships. The average one-year charter rate for a 3,500 TEU ship in 2019 was USD 9,900 per day, compared to daily operating expenses of USD 6,450 per day. The year 2019 started with just 10% of the shipping capacity either fitted or scheduled to be fitted with scrubbers. However, as the interest for scrubbers had been steadily increasing, capacity of either scrubbers-fitted or pending retrofitting reached 22% of the total fleet by early December 2019. The interest in retrofitting scrubbers had decreased during the second quarter of 2020 due to very low premium of less than $50 per tons for low sulfur fuel oil over HFO 380 (3.5% sulfur), down from around $300/ton at the start of 2020. Low price differential increases the payback period of scrubbers.

The sudden collapse in demand and utility for large swathes of containerships inevitably resulted in time charter rates plummeting since the outbreak. As per Drewry's monthly average charter rates estimates, charter rates of container ships for non-operating owners tumbled by as much as one-third in May 2020 as compared with those in December 2019. Demand for containerships is slowly returning as lockdowns are lifted and carriers reintroduce ships back to some markets, particularly in the Transpacific. Consequently, things moved positively for charterers from July, and this trend continued in August. The container ship charter rates moved upwards with restricted supply of vessels.

The shipping lines obtain their revenues by charging their users (shippers and receivers) freight rates. These have usually been set to cover the lines' operating costs while respecting the highly competitive market conditions. The freight rates vary across shipping lines, trade lanes, and also depend on prevailing micro- and macro-economic conditions. Overall, the freight rates have traditionally been determined by the balance of supply and demand.

Drewry publishes a composite World Container Index (WCI) covering eight main trade routes. Drewry's composite WCI has been consistently increasing since April 2020. As of the second week of October 2020, the freight rate had increased by over 100% year-on-year as per WCI. This significant increase in freight rates is a result of the container shipping industry's successful capacity management strategy during COVID-19.

**World Container Index—Assessed by Drewry (USD per 40 ft container)**




*Source: Drewry*
*Note: World Container Index is developed by Drewry. It is a composite freight rate index of 40" container of eight trade routes (Shanghai—Rotterdam, Rotterdam—Shanghai, Shanghai—Genoa, Shanghai—Los Angeles, Los Angeles—Shanghai, Shanghai—New York, New York—Rotterdam, Rotterdam—New York)*

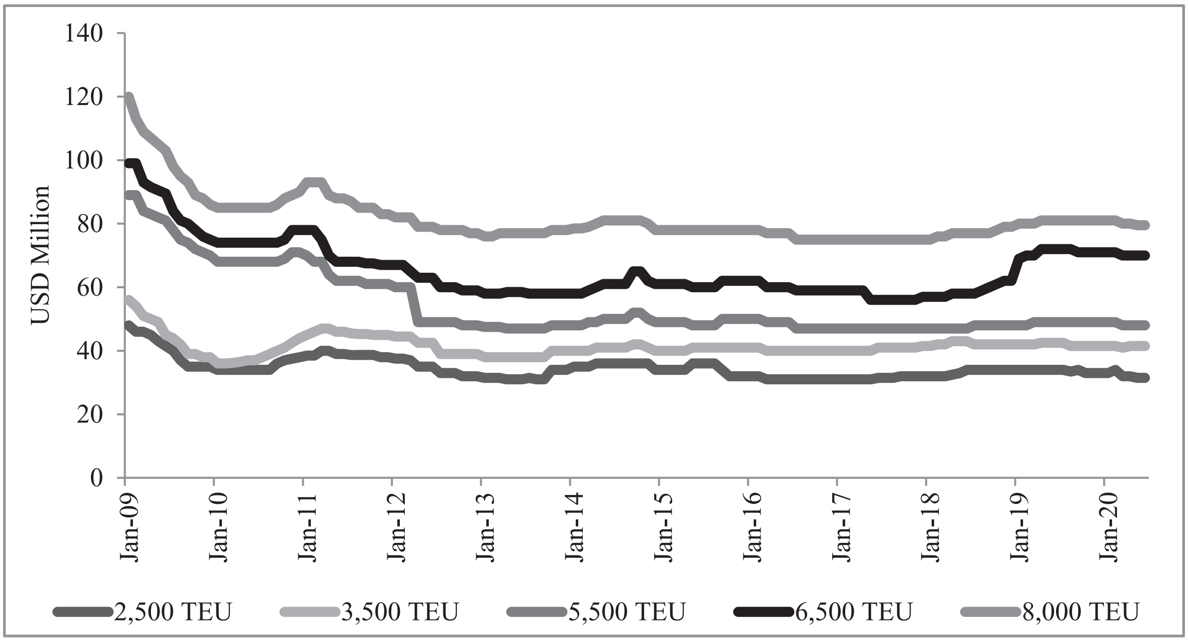
**Containership Newbuilding Prices**

The factors which influence newbuilding prices include ship type, shipyard capacity, demand for ships, 'berth cover', *i.e*., the forward book of business of shipyards, buyer relationships with yard, individual design specifications, including fuel efficiency or environmental features, and price of ship materials, engine and machinery equipment and particularly the price of steel.

The newbuilding prices have decreased across all size segments over the last 10 years. The average newbuilding price of a 2,500 TEU containership declined from $41 million in 2009 to USD 34 million in 2019. Likewise, newbuild prices also decreased from $101 million to $81 million for an 8,000 TEU containership during the same period.

Since the second half of 2008, weak market conditions significantly slowed new ordering to the point that virtually no new orders were placed for containerships in 2009. In 2011, prices declined across all size segments and this weakness continued into 2013, as shipyards were forced to cut prices. Towards the end of 2013, however, there was some evidence to suggest that the price decline had levelled out. In 2014, prices improved only to retreat towards the end of the year, and thereafter declined marginally in 2015 and 2016. Newbuilding prices remained steady in 2017. Newbuilding prices improved in 2018 with a rise in the number of orders. A total of 1.25 million TEU was ordered in 2018, compared with just 0.73 million TEU in 2017. Some operators continued to have discussions with shipyards concerning new ship orders which was partly driven by IMO regulations on ship emissions that took effect in 2020. Owners had to decide whether or not to invest in scrubber technology or dual fuel ships, which affected newbuild prices. In 2019 and the first half of 2020 a steady newbuilding price shared. A total of 350,000 TEU of newbuilds was delivered in the third quarter of 2019, with nearly 40,000 TEU taken out of service via demolition. Newbuild ordering was subdued in the first half of 2020.

**Containership Newbuilding Prices, (USD million)**




*Source: Drewry*

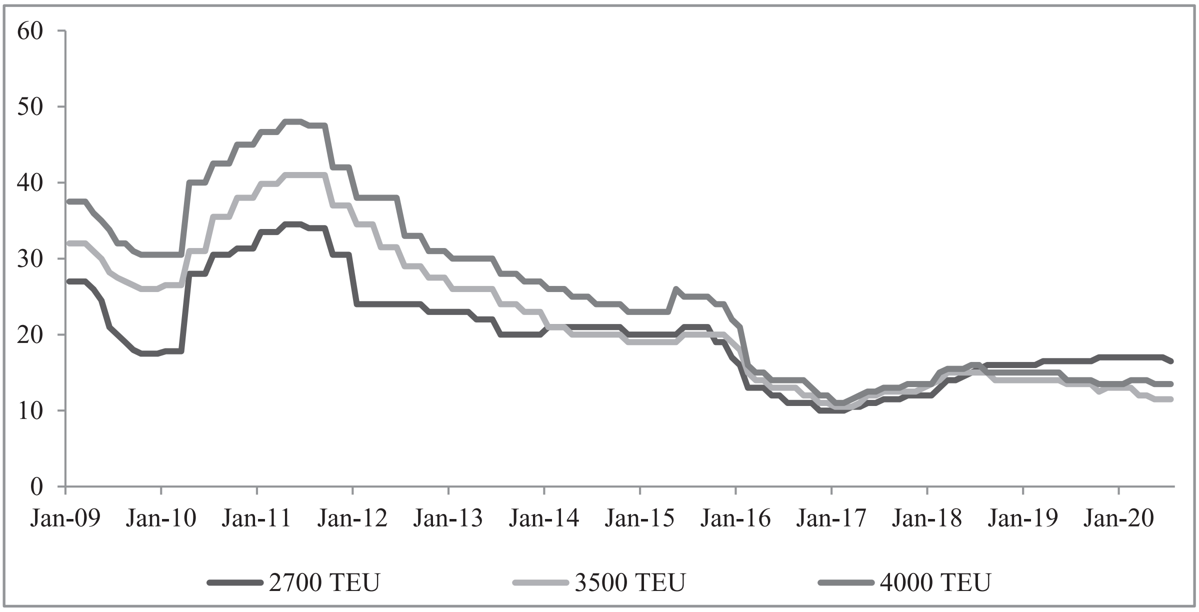
**Containership Second-hand Prices**

Ships are usually sold through specialized brokers who report transactions to the maritime transportation industry regularly. The sale and purchase market for ships is usually quite transparent and liquid, with several ships changing hands on an annual basis. A large part of the interest in second-hand container ships arises from companies wishing to speculate in short term or spot market type opportunities, which is in contrast to newbuildings, where the interest is often long term in nature. Second-hand prices are also influenced if a charter contract is attached to the vessel and the terms of the contract. A second-hand vessel already deployed on a long-term charter with a blue-chip customer at a profitable rate will command a higher price in the prevailing market than a similar vessel with no charter contract.

Second-hand values for containerships collapsed in 2009 due to the economic crisis and the resulting overcapacity in container shipping. Prices recovered partly during 2010 and 2011 as charter rates returned closer to average historical levels, but in 2012 the second-hand values weakened once again in the face of much softer charter rates. In mid-2013, prices for 2,700 and 3,500 TEU ships were approximately 50% below prices at the end of 2007. In 2014, second-hand values for most container vessels were below average values in 2013, and were steady until the fourth quarter of 2015, after which they almost halved as a result of the decline in freight rates. Meanwhile, asset prices have improved since 2017. Strong demand and improved charter rates in 2018 pushed the second-hand prices upwards, to the 2016 level. Lower charter rates led to a decline in second-hand prices in 2019 and 2020 YTD.

Current prices are still below the historical levels, revealing a significant slowdown in second-hand containership resale. The major reason for the decline in the transactions is the implementation of the IMO 2020 regulation and the outbreak of COVID-19. Decline in second-hand asset prices in 2020 is on account of weaker demand.

**Containership Second-hand Prices, (5-Year old, USD million)**




*Source: Drewry*

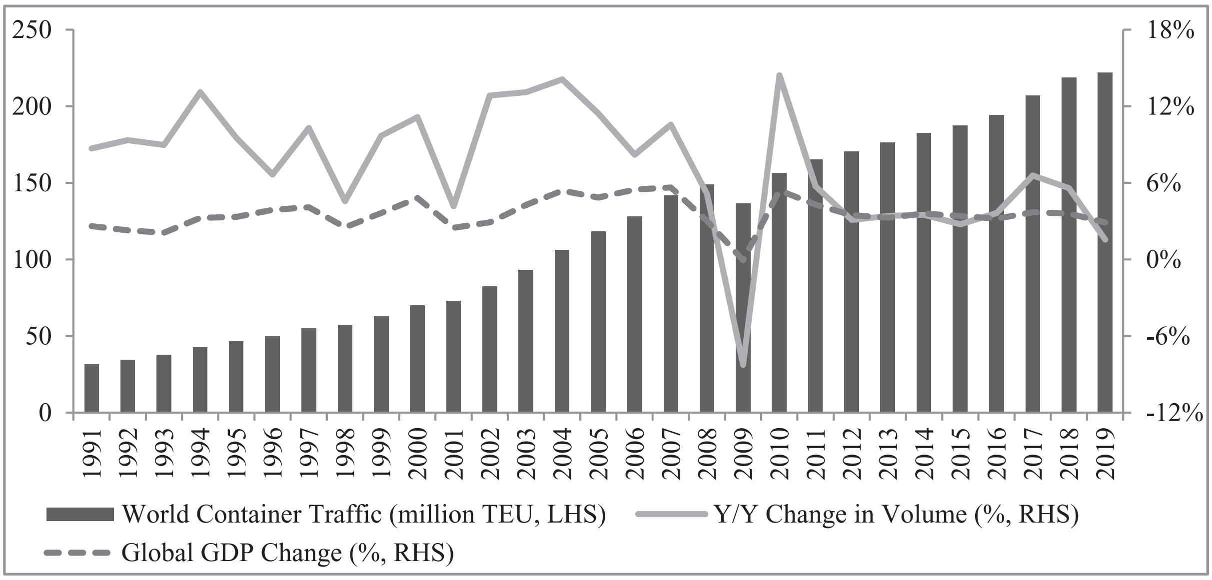
**Containership Demand**

In general, trends in seaborne trade are influenced by the underlying demand for bulk commodities, raw materials, semi-finished goods and finished goods, which, in turn, are influenced by the level of worldwide economic activity. The world container trade growth is thus primarily driven by the growth in economic output, consumption, and changes in global sourcing and patterns of world trade. Generally, growth in GDP and industrial production correlate with changes in the demand for international container shipping and GDP is one of the key indicators of prospective container volumes. Historically, between 1980 and 2007, container trade volumes grew at a multiple of approximately three times the GDP growth. This multiple has been lower since 2008 and 2009 in part due to market changes, as noted below. The GDP growth-container volume growth multiple rebounded somewhat in 2010 on the back of a recovery in container volumes, but this improvement did not hold in subsequent years and the multiplier declined to 0.4x in 2015 and remained below 1x in 2016.

However, it swung back to 1.7x in 2017, pointing to a significant turnaround in global container trade. The 2017 global recovery, which exceeded expectations, was broad-based, with all regions experiencing growth. 2017 was a year of correction when restocking and recovery plays in some previously depressed markets produced a temporary fillip to container handling, boosting it by 6.3% year-on-year (vs. 2.6% in 2016 and 1.5% in 2015). Some of the recovery impetus, however, blew out in the subsequent years as the industry had to deal with many headwinds, including, *inter alia*, IMO 2020 fuel regulations and related investments in scrubbers, the trade war between the US and China and a general slowdown in the world economy.

As such, since 2018 the multiplier has again decreased; it declined to 1.4x in 2018 and further to 0.7x in 2019 as protectionism and a global slowdown took a toll on container trade. With COVID-19 disrupting global economies and trade alike, it is difficult to predict any future trends for containership demand.

**World Loaded Container Volumes**




*Source: Drewry*

One of the reasons for the decline from the long-term average multiple is that the outsourcing trend to China is reaching a stage of maturity. When China joined the World Trade Organization (WTO) in 2001, the outsourcing of manufacturing to China led to a huge boom in trade and a large orderbook for big container ships. However, outsourcing to China has reached a plateau, in part because wage and production costs have increased significantly in China over the last decade. As a result, companies have also shifted their manufacturing activity to new low-cost production centers which are closer to the final point of consumption such as Eastern Europe, Mexico, South East Asia and the Indian Subcontinent.

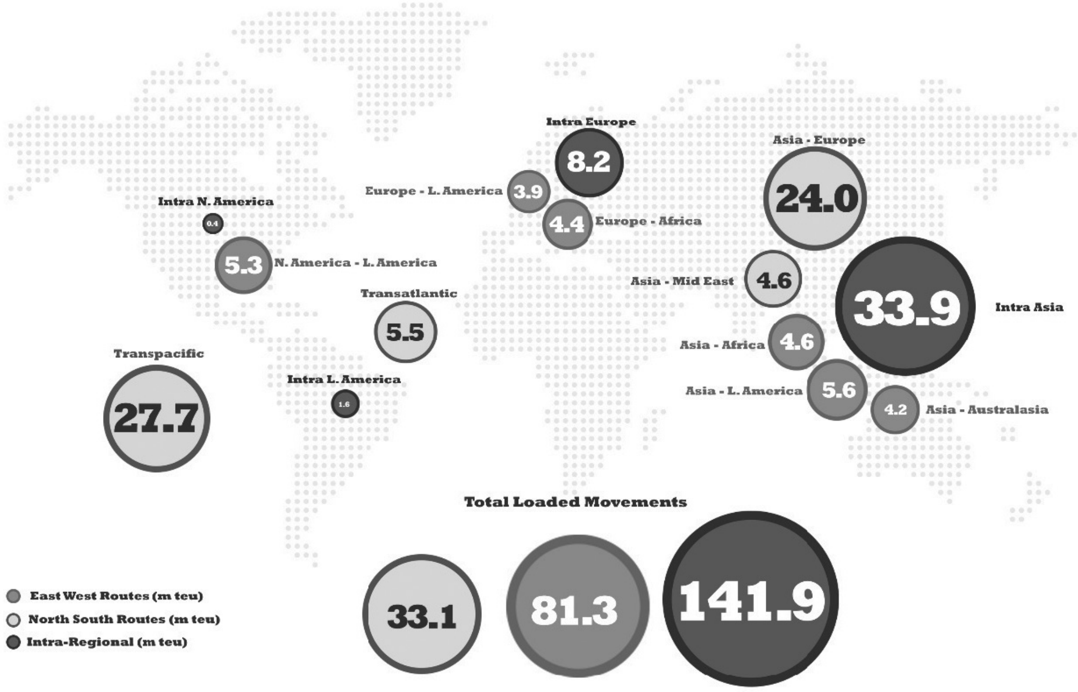
In addition to the levels of economic growth, there are several structural factors that also positively impacted the growth of the global container trade. One important structural factor is the continuing penetration in traditional shipping sectors by container shipping services. These include general cargo and refrigerated cargo markets and, to a limited extent, some dry and wet bulk commodities, which traditionally have been the preserve of the dry bulk carrier and oil tanker markets. Container operators have made significant inroads into the specialized refrigerated market in the last 5 to 10 years, assisted by the lack of investment by general shipping companies in new reefer ships that has provided an opportunity for container operators to invest in the market to help meet demand.

**Main Container Trades**

There are four core trades in the container shipping industry: Transpacific, Transatlantic, Asia-Europe and Asia-Middle East/South Asia trades. These trades are often referred to as the East-West routes. Trade along these routes is primarily driven by the consumer demand from the United States and Europe for products made in Asia. The volume of trade between Asia and the Middle East is now larger than that on the Transatlantic trade and it is now becoming a major East-West trade on which carriers can deploy very large ships. The East-West trades are generally served by the large to ultra large containerships. In 2019, Asia’s exports to destinations on most East-West routes and on North-South trades was weakened by the impact of the US-China trade war.

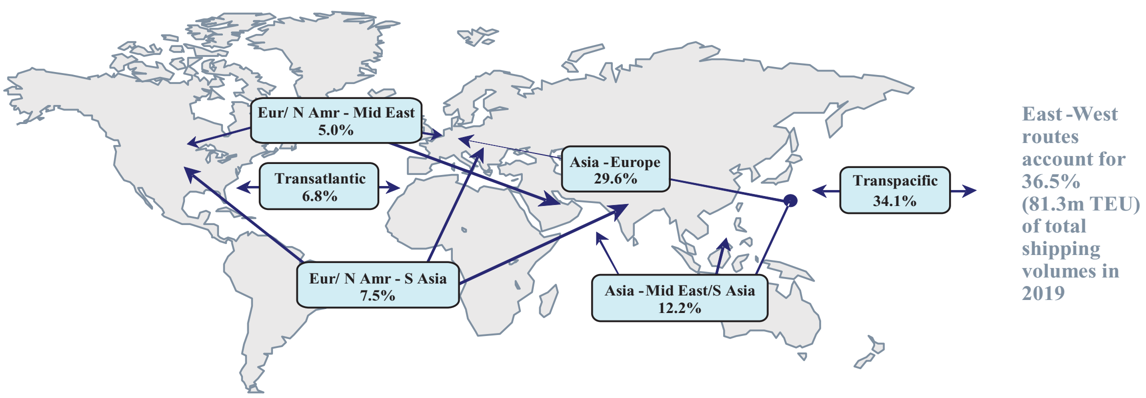
## The Main Container Trades[1]

*(Million TEU)*




*[1] Based on 2019 numbers*
*Source: Drewry*

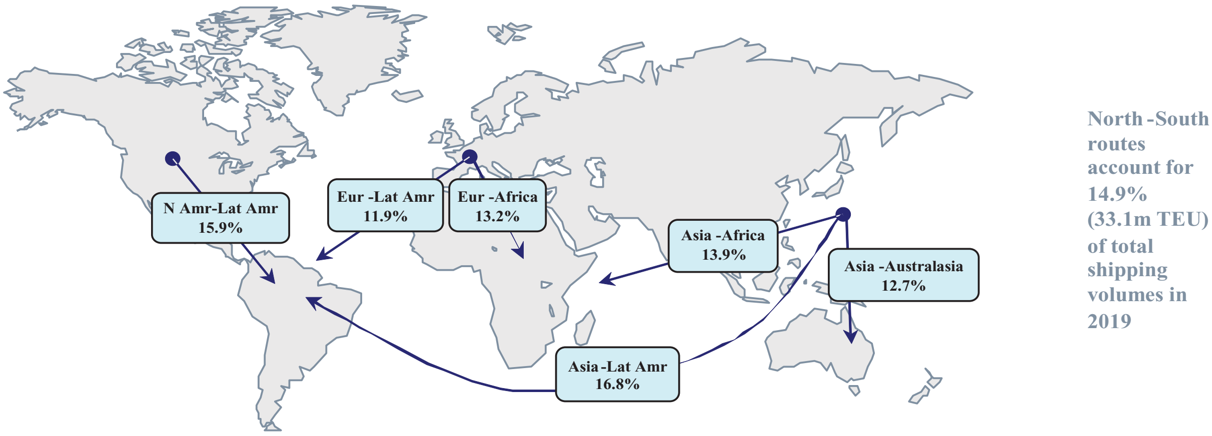
## Containerized Seaborne Trade—Main East-West Routes[2]




*[2] Based on 2019 numbers*
*Source: Drewry*

North South trades are generally totally independent from East West trades and are a network of regional trades, of which the largest is the intra-Asia market. Other regional trades include the Europe-Mediterranean, Caribbean-United States, Asia-Australia and North America-South America trades. The North-South trades are generally served by the Panamax and Post-Panamax containerships although, in the last two to three years, ships of even 14,000 TEU have been deployed in the North-South routes, albeit on only fewer routes. Regional trades are generally served by feeder and Handysize containerships, but lately larger ships up to the Panamax size have been introduced.

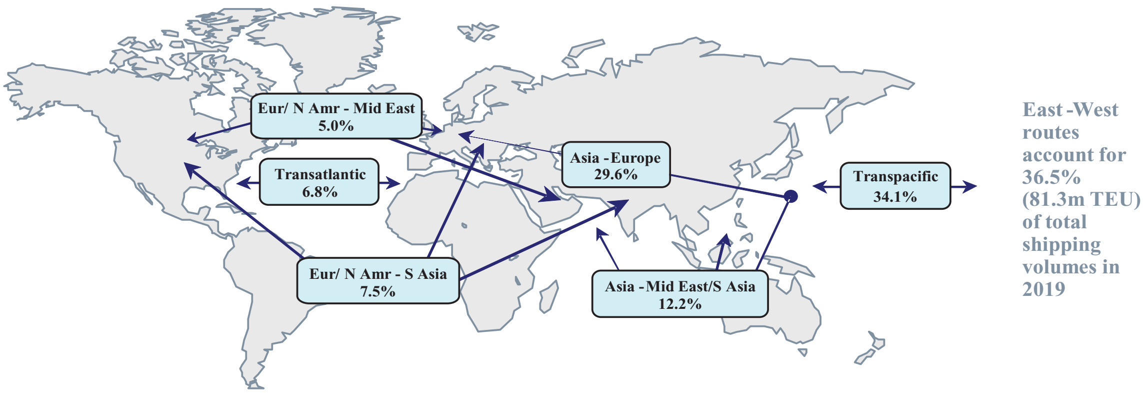
**Containerized Seaborne Trade—Main North-South Routes(3)**




*[3] Based on 2019 numbers*
*Source: Drewry*

In recent years, intra-regional trades, particularly the intra-Asia trade, has continued to experience stronger growth than the rest of the industry. Nonetheless, increasing trade protectionism by developed countries would further restrict trade flows and continue to have a negative impact on international trade and containership volumes.

**Containerized Seaborne Trade—Main Intra-Regional Routes(4)**




*[4] Based on 2019*
*Source: Drewry*

The following table shows the trades on which different sizes of containerships are deployed.

**Containerships—Typical Deployment by Size Category**

| | | Ship Size TEU | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Trades** | **Routes** | **<1,000** | **1,000-1,999** | **2,000-2,999** | **3,000-4,999** | **5,000-7,999** | **8,000-9,999** | **10,000-13,999** | **14,000 +** |
| East-West | Asia-Europe | | | | | | X | X | X |
| | Transatlantic | X | X | X | X | X | X | | |
| | Transpacific | | X | X | X | X | X | X | X |
| | Far East-Mid East | | X | X | X | X | X | X | X |
| | Asia-Red Sea | | | | | X | X | X | X |
| | Asia-Africa | | X | X | X | X | X | X | X |
| Other | Intra-Asia | X | X | X | X | | | | |
| | North-South Routes | X | X | X | X | X | X | X | X |
| | Other Intra-Regional Routes | X | X | X | X | | | | |

** All trade routes contain dedicated loops only*
*Source: Drewry*

### Costs and Profitability

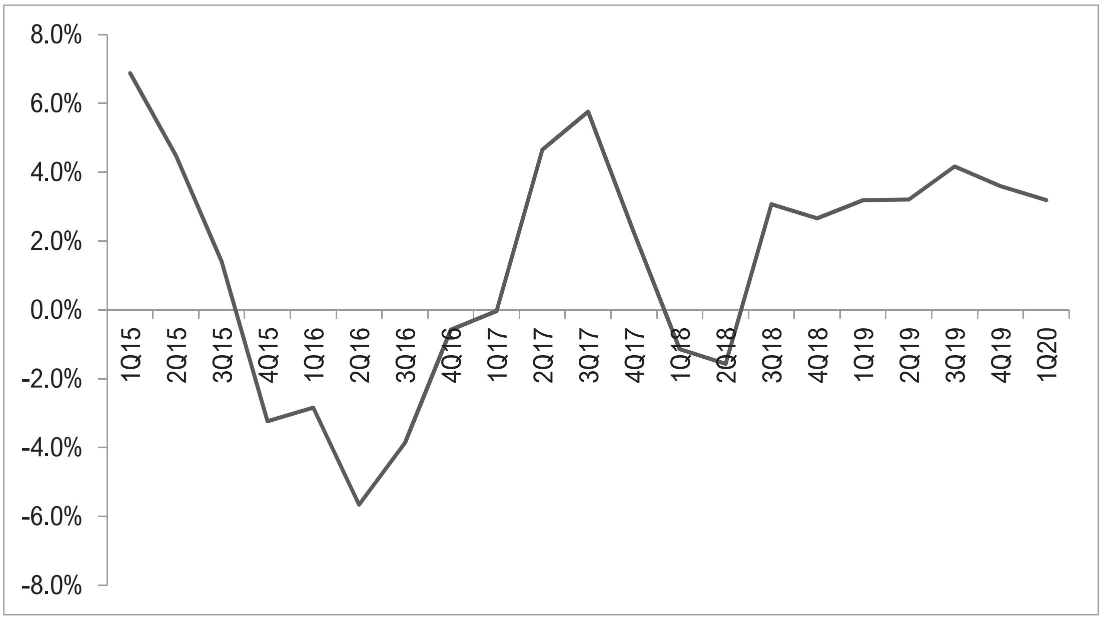
Liner companies were under pressure in 2016 as average revenue per TEU declined year-on-year and despite the cost saving measures by ship operators, they incurred operating losses. In a bid to minimize losses, liner companies reduced operating costs, but abysmal freight rates in 2016 outweighed the decline in costs. Nonetheless, financial performance in 2017 showed a significant improvement as compared to 2016. The majority of players moved firmly back towards profitability. Liners reported an average operating margin of 3.5% in 2019, which is the highest operating margin since 2015. Lines benefited from lower bunker costs and a high idle fleet (assisted by exhaust scrubber retrofits) reduced effective capacity, giving support to freight rates. Rotterdam IFO 380 averaged $279/ton in 2019, 12.2% lower than in 2018. Container lines have continued to benefit from lower fuel cost and high idle fleet in 2020 with most liners reporting better than expected operating results despite demand slowdown. Bunker costs have declined 40.5% through the end of June 2020 compared to the same period last year. Liners also benefited from lower vessel costs (charter-in rates).

**Development of Average Industry Revenue and Operating Cost per TEU**

| **Year** | **Revenue per TEU (USD)** | **Operating Cost per TEU (USD)** |
|---|---|---|
| 2015 | 834 | 816 |
| 2016 | 719 | 742 |
| 2017 | 799 | 773 |
| 2018 | 805 | 798 |
| 2019 | 812 | 783 |
| 1Q20 | 842 | 815 |
| 2Q20 | 879 | 812 |

*Source: Drewry*

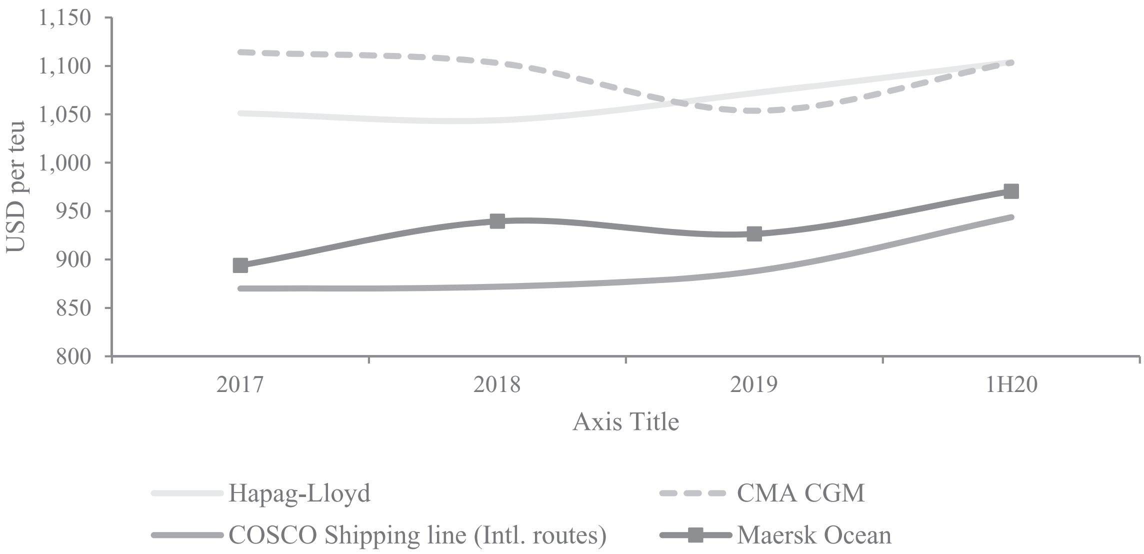
**Estimated Container Shipping Industry Operating Margins**




*Source: Drewry, Note—EBIT margins based on average of sample carriers after currency conversion to US dollars when necessary. Sample consists of APL -excluded post 4Q15; China COSCO (container shipping)—from 1Q19; CMA CGM; Eimskip (Liner services) ; Evergreen Marine Corp; Hanjin Shipping (container)—excluded post 2Q16; Hapag-Lloyd; HMM (container unit only); Maersk Line—excluded post—4Q17; Matson (ocean transportation); Regional Container Lines; Samudera Container Lines; Wan Hai; Yang Ming; ZIM; MOL (containerships), NYK (liner) and K-line (containerships)—excluded post 1Q18*

CMA CGM has consistently generated higher unit revenue compared to its peers. Recent data shows that only Hapag-Lloyd comes close to CMA CGM. The results during the first half of 2020 are remarkable despite an unfavourable container trade environment and loss of volumes. CMA CGM achieved higher unit revenue through effective use of blanked sailings and capacity management, which helped to maintain a positive freight rate environment.

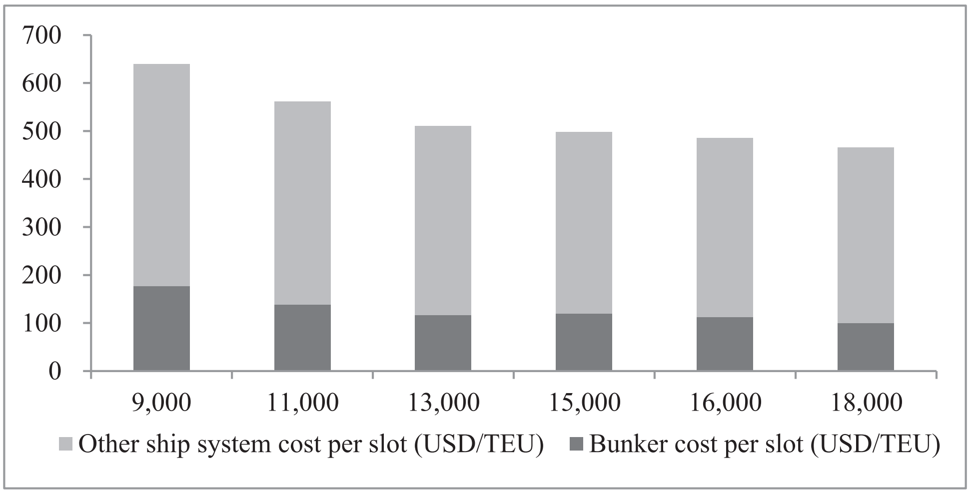
**Revenue per TEU (USD)**




*Source: Drewry*

One of the many ways in which liner companies have been able to reduce costs is by deploying larger, more efficient containerships, not only on the high-volume East-West trades, but also on the North-South routes. In this respect, the bunker fuel cost per TEU for a new 18,000 TEU new-generation containership is estimated to be about 43.5% lower than the equivalent costs for an older 9,000 TEU ship operating on the same route. Total costs per TEU (including non-fuel costs) are also more competitive for the larger ships, as shown in the chart below.

**Unit Costs Asia-North Europe Route (USD/TEU—July 2020)**




* *Slot cost includes charter-in costs, and specific to Asia-North Europe route, which is not comparable with the industry average*
*Source: Drewry*

**Impact of the ongoing trade war**

Since mid-2018 trade war between the US and China has continued and the threat of a full-blown trade war remains. In August 2019, both sides announced extensions to the scope of commodities that would become subject to higher tariffs. Unsurprisingly, there has been an escalation in the US-China trade war since last year. It has been temporarily put on hold after the "phase one" agreement was signed on January 15, 2020 with China promising to boost imported US goods by $200 billion. The escalating trade war may adversely affect the Transpacific container trade volume. Any dispute between the two countries which are the world's two largest economies has far wider ripple effects.

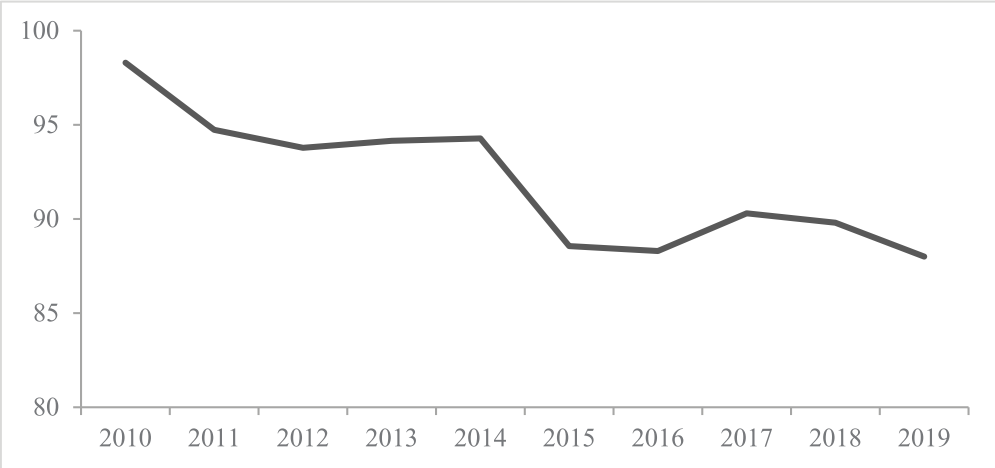
The UNCTAD-Eora database that measures trade in value-added to better apportion individual countries' contribution to trade (something that gets lost in bilateral trade statistics), showed China's share of foreign value-added in gross exports (the amount of value-added upstream in the supply chain previously by other countries) has been shrinking since the start of this decade from 19% in 2010 to 13% as of 2018.

Over the last year and a half, the US and several countries have been increasingly sourcing from Taiwan, Southeast Asia and Europe in an effort to reduce dependence on China. The adoption of a 'China plus one' strategy has gathered momentum and Southeast Asia has become the favoured new location for many multinationals seeking lower-cost production options. China's desire to be the cheap production centre for the world has weakened too and it has steered its offshoring primarily to its closest neighbours in Southeast Asia.

As final goods sourcing moves to countries currently without the same manufacturing eco-system as China, they will require more intermediate inputs, meaning more production fragmentation. Where those links establish will determine how beneficial the process is for shipping lines. More intra-Asia trade will boost demand for shipping services and put a greater onus on smaller feeder ships, whereas greater regional trade in North America and Europe would be less advantageous due to overland opportunities. The US-China trade war simply prompted Chinese companies to fast-track their overseas investments to relocate their production to lower-cost regional economies to circumvent higher tariffs.

**Supply-Demand Balance**

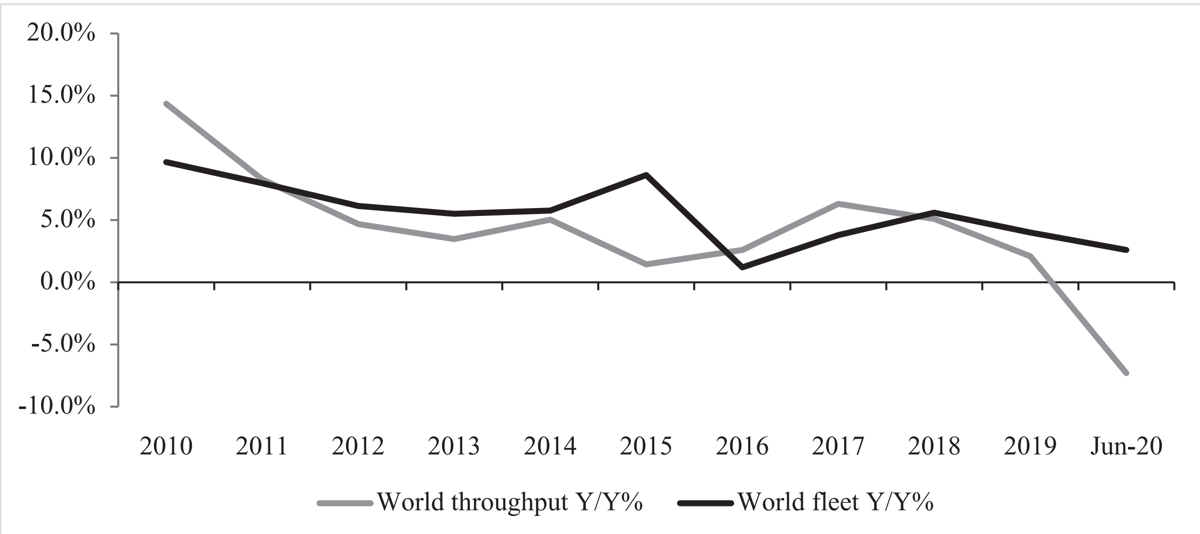
**Drewry Global Supply-Demand Index (1980=100)**




*Source: Drewry*

Drewry's global supply-demand index continued its marginal upward trend in 2017, moving forward to 90.3 from 88.3 in 2016. However, the index slid to 89.8 in 2018 and further decreased to 88.0 in 2019. An index reading of 100 represents supply-demand equilibrium, while anything above 100 means demand exceeds supply and below 100 means supply exceeds demand.

**World Port Throughput and Containership Fleet Growth, % change on the previous year**




*Source: Drewry*

The year 2018 was a turning point as supply outgrew demand, with the trend continuing in 2019. There is expected to be a further increase in oversupply in 2020. For the years 2018 and 2019, demand growth was 5.1% and 2.1% respectively, and supply growth was 5.6% and 4.0% respectively.

Meanwhile, certain factors have the potential to disrupt the demand growth such as trade wars, China's policy on pollution, and the outbreak of COVID-19. When faced with an unprecedented collapse in world trade, including as a result of the outbreak of COVID-19, it is inevitable that carriers would respond in kind with similar capacity reductions. This year carriers faced a tremendously difficult challenge to accurately set capacity levels to highly unpredictable demand. Shippers are dissatisfied that they are paying more while service quality has deteriorated with more rolled cargoes and longer transit times but, in comparison with the airline industry for example (where belly cargo almost disappeared altogether on short notice), the service disruption to container shipping was far less pronounced. An unexpected surge in Asian exports to the United States in late May showed carriers' successful management of capacity to meet future volumes and general uncertainty by developing express services, especially on the Transpacific trade. The primary tool for cutting capacity has been blank voyages and chartered vessel redelivery. In some months of 2020 for Asia-Europe and Transpacific trades, the estimated reduction in capacity was as much as 30%.

Supply-demand dynamics on trade routes at any given time may be different and are reflected in the utilization rates, which thereby influence the trend in freight rates. However, some trade routes may be adversely affected by either low cargo growth or high supply-side pressure, either due to the delivery of newbuild vessels or as the result of the vessel cascading. In these circumstances, major carriers actively trading in the North-South, East-West, and intra-regional trade lanes and with a more diversified portfolio of services will be better equipped to cope with any downturn in individual trade lanes. Supply-demand fundamentals on the headhaul East-West routes were not so strong in the last five years and COVID-19 made it worse in 2020. The average utilization rates increased from 86.7% in 2015 to 88.7% in 2016. There was a continuous decrease in utilization rates post-2016; from 88.1% in 2017, down to 87.0% in 2018, continued down to 86.7% in 2019, and further decreased to 85.5% in the first half of 2020.

**East-West Trades Headhaul Supply-Demand Balance and Utilization Factors 2015-2Q 2020**

| | Capacity* ('000 TEU) | Change | Demand ('000 TEU) | Change | Supply-demand gap | Utilization | Slot/ TEU | TEU/ slot |
|---|---|---|---|---|---|---|---|---|
| 1Q15 | 9,964 | | 8,394 | | | 84.2% | 1.19 | 0.84 |
| 2Q15 | 10,635 | 6.7% | 9,315 | 11.0% | -4.2% | 87.6% | 1.14 | 0.88 |
| 3Q15 | 10,916 | 2.6% | 9,712 | 4.3% | -1.6% | 89.0% | 1.12 | 0.89 |
| 4Q15 | 10,433 | -4.4% | 8,956 | -7.8% | 3.4% | 85.8% | 1.16 | 0.86 |
| **2015** | **41,948** | **12.8%** | **36,376** | **5.2%** | **7.5%** | **86.7%** | **1.15** | **0.87** |
| 1Q16 | 10,314 | -1.1% | 8,697 | -2.9% | 1.8% | 84.3% | 1.19 | 0.84 |
| 2Q16 | 10,906 | 5.7% | 9,442 | 8.6% | -2.8% | 86.6% | 1.15 | 0.87 |
| 3Q16 | 10,744 | -1.5% | 9,945 | 5.3% | -6.8% | 92.6% | 1.08 | 0.93 |
| 4Q16 | 10,377 | -3.4% | 9,474 | -4.7% | 1.3% | 91.3% | 1.10 | 0.91 |
| **2016** | **42,341** | **0.9%** | **37,559** | **3.2%** | **-2.3%** | **88.7%** | **1.12** | **0.89** |
| 1Q17 | 10,356 | -0.2% | 8,874 | -6.3% | 6.1% | 85.7% | 1.17 | 0.86 |
| 2Q17 | 11,293 | 9.0% | 10,050 | 13.2% | -4.2% | 89.0% | 1.12 | 0.89 |
| 3Q17 | 11,453 | 1.4% | 10,511 | 4.6% | -3.2% | 91.8% | 1.09 | 0.92 |
| 4Q17 | 11,416 | -0.3% | 9,785 | -6.9% | 6.6% | 85.7% | 1.17 | 0.86 |
| **2017** | **41,765** | **5.1%** | **39,220** | **4.4%** | **0.7%** | **88.1%** | **1.06** | **0.94** |
| 1Q18 | 11,508 | 0.8% | 9,600 | -1.9% | 2.7% | 83.4% | 1.20 | 0.83 |
| 2Q18 | 12,039 | 4.6% | 10,116 | 5.4% | -0.8% | 84.0% | 1.19 | 0.84 |
| 3Q18 | 12,046 | 0.1% | 10,902 | 7.8% | -7.7% | 90.5% | 1.10 | 0.91 |
| 4Q18 | 11,776 | -2.2% | 10,598 | -2.8% | 0.5% | 90.0% | 1.11 | 0.90 |
| **2018** | **44,449** | **6.4%** | **41,217** | **5.1%** | **1.3%** | **87.0%** | **1.08** | **0.93** |
| 1Q19 | 11,790 | 0.1% | 9,813 | -7.4% | 7.5% | 83.2% | 1.20 | 0.83 |
| 2Q19 | 12,329 | 4.6% | 10,459 | 6.6% | -2.0% | 84.8% | 1.18 | 0.85 |
| 3Q19 | 12,173 | -1.3% | 11,120 | 6.3% | -7.6% | 91.4% | 1.09 | 0.91 |
| 4Q19 | 11,673 | -4.1% | 10,198 | -8.3% | 4.2% | 87.4% | 1.14 | 0.87 |
| **2019** | **47,965** | **1.3%** | **41,590** | **0.9%** | **0.4%** | **86.7%** | **1.15** | **0.87** |
| 1Q20 | 11,196 | -4.1% | 9,037 | -11.4% | 7.3% | 80.7% | 1.24 | 0.81 |
| 2Q20 | 10,694 | -4.5% | 9,653 | 6.8% | -11.3% | 90.3% | 1.1 | 0.9 |

*Trade routes include Asia-N Europe, Asia-Med, Transpacific, and N Europe & Med-N America;*
*Source: Drewry*

The utilization rates of North-South headhaul supply demand balance increased from 66.4% in 2018 to 70.0% in 2019, before tumbling to 60.7% in the second quarter of 2020 as a result of weakened demand caused by the outbreak of COVID-19. The global utilization rate for the industry between 2016 and 2019 remained close to the 2015 levels because the improvement on East-West routes was negated by the decline on North-South routes.

**North-South Headhaul Supply-Demand Balance and Utilization Factors, 2015 – 2Q 2020**

| | Capacity ('000 TEU) | Change | Demand ('000 TEU) | Change | Supply-demand gap | Utilization | Slot/ TEU | TEU/ slot |
|---|---|---|---|---|---|---|---|---|
| 1Q15 | 5,467 | | 4,003 | | | 73.2% | 1.37 | 0.73 |
| 2Q15 | 5,878 | 7.5% | 4,286 | 7.1% | 0.4% | 72.9% | 1.37 | 0.73 |
| 3Q15 | 6,063 | 3.1% | 4,357 | 1.7% | 1.5% | 71.9% | 1.39 | 0.72 |
| 4Q15 | 5,817 | -4.1% | 4,114 | -5.6% | 1.5% | 70.7% | 1.41 | 0.71 |
| **2015** | **22,744** | **n.a.** | **16,759** | **2.3%** | **n.a.** | **73.7%** | **1.36** | **0.73** |
| 1Q16 | 5,836 | 0.3% | 4,074 | -0.1% | 0.4% | 69.8% | 1.43 | 0.70 |
| 2Q16 | 6,225 | 6.7% | 4,296 | 5.4% | 1.2% | 69.0% | 1.45 | 0.69 |
| 3Q16 | 6,228 | 0.1% | 4,355 | 1.4% | -1.3% | 69.9% | 1.43 | 0.70 |
| 4Q16 | 6,091 | -2.2% | 4,290 | -1.5% | -0.7% | 70.4% | 1.42 | 0.70 |
| **2016** | **24,380** | **5.0%** | **17,016** | **2.2%** | **2.7%** | **69.8%** | **1.43** | **0.70** |
| 1Q17 | 6,167 | 1.2% | 4,206 | -1.9% | 3.2% | 68.2% | 1.47 | 0.68 |
| 2Q17 | 6,490 | 5.2% | 4,554 | 8.3% | -3.0% | 70.2% | 1.42 | 0.70 |
| 3Q17 | 6,702 | 3.3% | 4,560 | 0.1% | 3.2% | 68.0% | 1.47 | 0.68 |
| 4Q17 | 6,754 | 0.8% | 4,659 | 2.2% | -1.4% | 69.0% | 1.45 | 0.69 |
| **2017** | **26,113** | **7.1%** | **17,979** | **5.7%** | **1.4%** | **68.9%** | **1.45** | **0.69** |
| 1Q18 | 6,885 | 1.9% | 4,541 | -2.5% | 4.5% | 66.0% | 1.52 | 0.66 |
| 2Q18 | 6,973 | 1.3% | 4,561 | 0.4% | 0.8% | 65.4% | 1.53 | 0.65 |
| 3Q18 | 6,744 | -3.3% | 4,520 | -0.9% | -2.4% | 67.0% | 1.49 | 0.67 |
| 4Q18 | 6,519 | -3.3% | 4,388 | -2.9% | -0.4% | 67.3% | 1.49 | 0.67 |
| **2018** | **27,121** | **3.9%** | **18,011** | **0.2%** | **3.7%** | **66.4%** | **1.51** | **0.66** |
| 1Q19 | 6,216 | -4.6% | 4,234 | -3.5% | -1.1% | 68.1% | 1.47 | 0.68 |
| 2Q19 | 6,371 | 2.5% | 4,496 | 6.2% | -3.7% | 70.6% | 1.42 | 0.71 |
| 3Q19 | 6,477 | 1.7% | 4,539 | 1.0% | 0.7% | 70.1% | 1.43 | 0.70 |
| 4Q19 | 6,290 | -2.9% | 4,489 | -1.1% | -1.8% | 71.4% | 1.40 | 0.71 |
| **2019** | **25,355** | **-6.5%** | **17,758** | **-1.4%** | **-5.1%** | **70.0%** | **1.43** | **0.70** |
| 1Q20 | 6,232 | -0.9% | 4,179 | -6.9% | 6.0% | 67.1% | 1.49 | 0.67 |
| 2Q20 | 6,096 | -2.2% | 3,703 | -11.4% | 9.2% | 60.7% | 1.65 | 0.61 |

*Capacity and demand is annualized for full year and quarterly figure per quarter; Trade routes include Asia-ECSA, Europe-ECSA, Asia-West Africa, N Asia-Oceania; Asia-Mid-East; Asia-S Asia; Europe-Mid-East; Europe-S Asia;*

** Capacity is the deployed capacity and refers to total available slots on a particular trade route*
*Source: Drewry*

**Global Headhaul Supply-Demand Balance and Utilization Factors, 2015- Q2 2020**

| | Capacity ('000 TEU) | Change | Demand ('000 TEU) | Change | Supply-demand gap | Utilization |
|---|---|---|---|---|---|---|
| 1Q15 | 15,431 | | 12,393 | | | 80.3% |
| 2Q15 | 16,513 | 7.0% | 13,598 | 9.7% | -2.7% | 82.3% |
| 3Q15 | 16,979 | 2.8% | 14,070 | 3.5% | -0.7% | 82.9% |
| 4Q15 | 16,249 | -4.3% | 13,074 | -7.1% | 2.8% | 80.5% |
| **2015** | **65,173** | **—** | **53,136** | **2.1%** | **—** | **81.5%** |
| 1Q16 | 16,151 | -0.6% | 12,768 | -2.1% | 1.4% | 79.1% |
| 2Q16 | 17,130 | 6.1% | 13,734 | 7.6% | -1.5% | 80.2% |
| 3Q16 | 16,972 | -0.9% | 14,296 | 4.1% | -5.0% | 84.2% |
| 4Q16 | 16,468 | -3.0% | 13,761 | -3.7% | 0.8% | 83.6% |
| **2016** | **66,721** | **2.4%** | **54,559** | **2.9%** | **-0.5%** | **81.8%** |
| 1Q17 | 16,523 | 0.3% | 13,081 | -4.9% | 5.3% | 79.2% |
| 2Q17 | 17,783 | 7.6% | 14,604 | 11.6% | -4.0% | 82.1% |
| 3Q17 | 18,155 | 2.1% | 15,070 | 3.2% | -1.1% | 83.0% |
| 4Q17 | 18,170 | 0.1% | 14,444 | -4.2% | 4.2% | 79.5% |
| **2017** | **70,631** | **5.9%** | **57,200** | **4.8%** | **1.0%** | **81.0%** |
| 1Q18 | 18,393 | 1.2% | 14,142 | -2.1% | 3.3% | 76.9% |
| 2Q18 | 19,012 | 3.4% | 14,677 | 3.8% | -0.4% | 77.2% |
| 3Q18 | 18,790 | -1.2% | 15,423 | 5.1% | -6.2% | 82.1% |
| 4Q18 | 18,295 | -2.6% | 14,986 | -2.8% | 0.2% | 81.9% |
| **2018** | **74,490** | **5.5%** | **59,228** | **3.5%** | **1.9%** | **79.5%** |
| 1Q19 | 18,006 | -1.6% | 14,046 | -6.3% | 4.7% | 78.0% |
| 2Q19 | 18,700 | 3.9% | 14,955 | 6.5% | -2.6% | 80.0% |
| 3Q19 | 18,651 | -0.3% | 15,660 | 4.7% | -5.0% | 84.0% |
| 4Q19 | 17,963 | -3.7% | 14,687 | -6.2% | 2.5% | 81.8% |
| **2019** | **73,320** | **-1.6%** | **59,348** | **0.2%** | **-1.8%** | **80.9%** |
| 1Q20 | 17,428 | -3.0% | 13,216 | -10.0% | 7.0% | 75.8% |
| 2Q20 | 16,789 | -3.7% | 13,356 | 1.1% | -4.7% | 79.5% |

*Capacity and demand are annualized for full year and quarterly figure per quarter; Trades include Europe-ECSA, Asia-ECSA, Asia-West Africa, N Asia-Australasia, Asia-Mid-East, Asia-S Asia, Europe-Mid-East, Europe-S Asia, Asia-N Europe, Asia-Med, Transpacific, N Europe-N America*

* *Capacity is the deployed capacity and refers to total available slots*

*Source: Drewry*

**Bunker price and New emission regulations—IMO 2020**

The International Maritime Organization (IMO), the governing body of international shipping, has been making a decisive effort to reduce emission from ships. Under MARPOL Annex VI Regulation 14.1, shipowners must mull over the commercial, technical, training and bunkering aspects of their ships and ensure proper procedures are in place to comply with the regulations. Effective in 2015, ships operating within the Emission Control Areas (ECAs) covering the Economic Exclusive Zone of North America, the Baltic Sea, the North Sea, and the English Channel are required to use marine gas oil with allowable sulphur content up to 0.1%.

To reduce the emission of air pollutants from ships in key areas of China, the Ministry of Transport issued stricter emission control area regulations in their territorial waters. Beginning 1 January 2020, ships entering inland waterways, including the Yangtze River and Xijiang River have to adhere to stricter requirements of 0.1% sulphur content. From January 1, 2022, ships will be required to comply with the 0.1% sulphur content requirement when entering the Hainan coastal ECA. Meanwhile, China is considering adopting more stringent emission control requirements, such as to implement the 0.1% sulphur content limit requirement, in all coastal waters beginning January 1, 2025.

The IMO implemented the emission control regulation globally with effect from January 1, 2020. It stipulates that ships sailing outside ECAs will switch to an alternative fuel with permitted sulphur content up to 0.5% or will retrofit scrubbers to reduce emissions. This has created a demand for Very Low Sulphur Fuel Oil (VLSFO) with 0.5% sulphur content. The price of low sulphur fuel oil is considerably higher compared to HFO with 3.5% sulphur content. Some owners of large vessels have also opted for scrubber retrofitting on existing ships in order to continue using HFO (3.5% sulphur). Besides LPG, biofuel, methanol, LNG is another fuel type that complies with IMO 2020 regulation. 33 out of 309 vessels in the current orderbook are dual fuelled (HFO and LNG). 9 of CMA CGM's vessels will use LNG for its propulsion.

As such, the emission regulation may be another factor hastening the eventual demolition of older ships in future. Within the context of the wider market, increased vessel scrapping is a positive development as it helps to counterbalance new ship deliveries and moderates fleet growth.

The price of compliant fuel was initially higher because of limited availability. In January 2020, the price differential between HSFO (3.5%) and VLSFO (0.5%) ranged between \$145 per tonne and \$320 per ton depending on the bunkering location. However, the price difference between HSFO and LSFO narrowed between \$41 per tonne and \$73 per tonne in July 2020 with improvement in LSFO supply and weakening demand. Bunker fuel prices for both HSFO and LSFO have declined amid the COVID-19 crisis on account of weak crude oil prices and lacklustre demand. The improvement in LSFO supply coupled with weak demand has made the switch to IMO-compliant fuel smooth without any major disruption. A dramatic change in the bunker price outlook has hampered the prospects of scrubber fitment as the premium of LSFO prices over HSFO prices has declined drastically.

**Marine Bunker Fuel Prices (USD/Tonne—IFO 380)**


*Source: Drewry*

As of June 2020, 20.9% of the existing containership based on capacity is either already fitted with scrubbers or is awaiting scrubber retrofit. Vessels moving out of the trade to retrofit scrubbers impede supply growth and support freight rates.

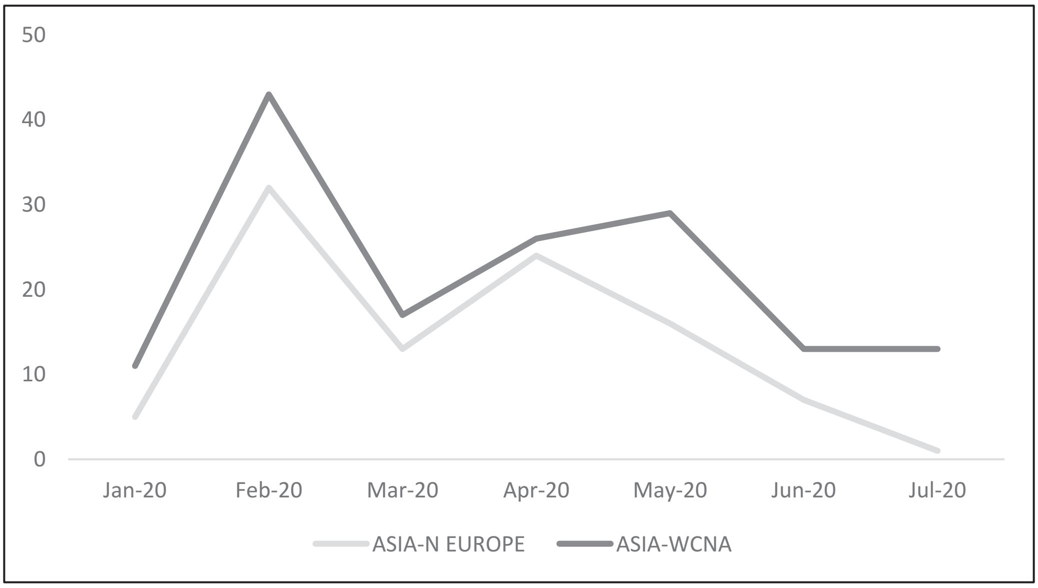
In addition to recently implemented emission control regulation, IMO has been devising strategies to reduce greenhouse gases and carbon emissions from ships. According to the latest announcement, IMO plans to initiate measures to reduce $CO_2$ emissions by at least 40% by 2030 and 70% by 2050 from the levels in 2008. It also plans to introduce measures to reduce GHG emissions by 50% by 2050 from the 2008 levels. These are likely to be achieved by setting energy efficiency requirements and encouraging ship owners to use alternative fuels such as biofuels, and electro-/synthetic fuels such as hydrogen or ammonia. It may include limiting the speed of the ships. Currently, there is uncertainty concerning the exact measures that the IMO will undertake to achieve these targets. Although the current macroeconomic environment constitutes the main deterrent, IMO-related uncertainty is also one of the factors deterring ship owners from ordering newbuild vessels, as these vessels may have a high environmental compliance cost in the future. As mentioned above, some shipowners, including CMA CGM, are ahead of the curve by having ordered LNG-fuelled ships in order to comply with stricter regulations that may be announced in future.

**Impact of COVID-19 on container demand and Container line's response**

The growth in world merchandise trade, which recorded a volume increase of 0.6% year-on-year in 2019 compared with 2018, has been hit further by the pandemic. The COVID-19 pandemic and its uncertain future trajectory constitutes a significant threat to the global economy, including international shipping.

Container lines have used blank sailings as a tool to manage capacity during the COVID-19 crisis. Blank sailings allow lines to maintain demand-supply balance and to reduce costs. Blank sailings were high during 2Q20 but have started to come down.

**Blank Sailings**




*Source: Drewry*

Social distancing and the requirement to work from home during the COVID-19 pandemic has benefited the e-commerce-industry, as an increasing number of consumers are ordering online. Consumer behavior has also changed to some extent from the consumption of travel/ leisure services to buying consumer goods, which further benefits the e-commerce industry. The grounding of aircraft as a result of travel restrictions has led to a shortage of belly capacity on planes, which has created a shift towards ocean services for goods transportation.

Container shipping lines are one of the few sectors that to date have not been materially and adversely affected by the pandemic. Despite a sudden nosedive in demand for their services, container shipping lines are expected to become more profitable this year (as compared with prior years), as their crisis-management strategy in the form of blanked voyages has proven successful. The collapse of the bunker price, which fell by over 40% in the first quarter of 2020 (as compared with the first quarter of 2019), has also contributed to the improved profitability of container shipping lines. Container shipping lines performed well during the first quarter of 2020, although the vast majority of countries did not enter into a full lockdown until towards the end of the first quarter. The second quarter of the year would provide a more accurate reflection of the true impact of COVID-19. Sample data from companies, those which have reported data for the second quarter of 2020, indicate that results were robust and better than expected. CMA CGM reported improved profitability in all its business activities in the second quarter of 2020. Group EBITDA increased 26.3% compared with 2Q19, reaching more than USD 1.2 billion. The EBITDA margin rose to 17.2% and operating margin was 7.6%, in the second quarter of 2020 compared with 12.4% in the second quarter of 2019. Operating income increased to USD 530 million in the second quarter of 2020 compared to USD 286 million in 2Q19. It recorded positive net income of USD 136 million compared with a loss of USD 109 million in 2Q19. AP Moeller Maersk reported group profit of USD 443 million, almost three times the figure in 2Q19, despite a revenue decline of 6.5% year-on-year. AP

Moeller Maersk's ocean business was able to post an EBITDA margin of 20.7% YoY—the highest in many years. ZIM's reported net profit of $25.3 million in the second quarter of 2020 was its highest quarterly net result since 2010. ZIM's net profit increased 5.0x compared with net profit of $5.1 million in the second quarter of 2019. Uncertainties surrounding COVID-19 coupled with the lack of visibility related to the global demand for container transport and logistics are the main challenges in the second half of 2020.

**2Q20 Financials of Selected Companies**

| Figures in USD Mn unless stated | Revenue | | | Operating Profit | | | Operating margin | |
|---|---|---|---|---|---|---|---|---|
| | 2Q19 | 2Q20 | YoY% | 2Q19 | 2Q20 | YoY% | 2Q19 | 2Q20 |
| AP Moller-Maersk (ocean) | 7,196 | 6,570 | -9% | 1,077 | 1,357 | 26% | 15% | 21% |
| CMA CGM | 7,699 | 7,004 | -9% | 286 | 530 | 85% | 4% | 8% |
| COSCO SHIPPING Holdings | 5,198 | 5,184 | 0% | 217 | 239 | 10% | 4% | 5% |
| Hapag Lloyd | 3,569 | 3,322 | -7% | 197 | 387 | 96% | 6% | 12% |

*Source: Company Data, Drewry*

All signs point to operating carriers having not only survived the market shock but even benefited from it. Drewry has also seen response on the supply and cost sides by carriers, prompting significantly inflated spot market freight rates and blank sailings put back on to schedules. Blank sailing is more of a correction to previous capacity projections rather than a sign that market growth is returning with any vengeance.

Carriers are currently managing a trade-off between volume and rate levels to retain a minimum level of revenues in all conditions. This implies that the supply- demand balance is a consequence of, not a factor behind, freight rates. Maintaining the balancing act between capacity deployment and cargo demand will become tougher to sustain as focus switches to chasing returning traffic and the threat to survival recedes. Further, idle vessels still cost money to maintain and, according to Hapag-Lloyd's CEO, Habben Jansen, the saving is approximately 60% of the operating cost of the vessel. Thus, if the vessel is not owned or alternatively, it is not possible to redeploy or redeliver the vessel, each blank sailing announced by its alliance members still costs the carriers about 40%—with no revenue. Accordingly, the maturity spread of the portfolio of charters becomes a differentiating factor for liner companies. Some carriers, such as CMA CGM, idled only seven mid-sized vessels during the peak of the crisis.

In case of a more prolonged downturn, liners and NOOs will have to look to more permanent solutions to fixing the supply-demand balance that will involve far greater demolitions on the part of NOOs and possibly the rescheduling of deliveries, and even cancellations, of existing newbuild contracts. The fall in sales revenue earlier this year raised some fears over carrier liquidity, but the financial hand of the state has been extended to some lines to boost their liquidity. Most notably, Singapore's Pacific International Lines (PIL), has received about USD 110 million funding from an affiliate of Temasek Holdings, the state investment fund and former owners of NOL/APL. The company is discussing with Temasek's affiliate for an investment of around $450 million. In addition, CMA CGM, HMM, Evergreen and Yang Ming have all recently received some form of government assistance, and state support is available for Hapag-Lloyd, although its CEO has indicated a belief that his company will not need it.

**Other influencing factors & trends**

***Digitalization and its impact on container shipping***

Technological advancements have led to rampant digitalization across the globe and this trend is affecting the container shipping industry as well. Liner companies have taken rapid strides and have sought to leverage the digital medium to grow their business at lower costs. For example, in 2017, CMA CGM, Maersk and ZIM signed an agreement with *Alibaba One Touch*, to provide an online platform for customers offering direct booking for shipments.

Over the last few years, Maersk has invested heavily in digital platforms to simplify container transport, cut down on turnaround time, reduce costs and boost transparency for its customers worldwide. As part of its strategy around technology, Maersk's key focus area is to digitize customer transactions for all products and services. In this regard, Maersk launched 'Maersk Spot' in June 2019, which promised guaranteed bookings on their ships with a fixed price. Since then, Maersk Spot has gained traction and accounted for 41% of short-term volume by June 30, 2020.

Similarly, Hapag-Lloyd had outlined in 2018 that it would increase the share of the online business via the web channel to 15% of its overall volume by 2023. Accordingly, the company launched its web channel under the name 'Quick Quotes'.

In April 2019, CMA CGM also announced the launch of CMA CGM eSolutions, an entirely digital eco-system comprising an online agency and other e-commerce channels such as Electronic Data Interchanges (EDI) and Application Programming Interfaces (API). With CMA CGM eSolutions, the group's clients are now able to access all their shipping needs with a single click. Prior to the launch of the ecosystem, the group was already providing a whole set of digital solutions such as schedule research, quotation request, booking, shipping instructions, documentation, shipping dashboard and tracking services through various platforms. For further digital push, CMA CGM has launched a corporate venture structure named as 'CMA CGM Ventures' dedicated to investing in innovative technologies. The venture has already invested in 15 start-ups worldwide, including Nyshex, Traxens and Edray.

In addition to the developments at company levels, digitalization in container shipping has also been boosted by the launch of online digital platforms such as the New York Shipping Exchange (NYSHEX). The platform, whose members include Maersk, Hapag-Lloyd, CMA CGM, ONE, MOL, OOCL and COSCO, connects shippers with ocean carriers. Besides providing benefits such as an option to lock in price and guaranteed space, it is a boon especially for small and medium-sized shippers, who otherwise might get squeezed out by the biggest manufacturers. Not only does it allow buyers and sellers to converge online, it also helps in reducing transaction costs, increasing transparency and reducing information asymmetry. In addition, it could help address the issue of customers failing to show up despite a reservation, and lead to better utilization of space in containers.

New technology has also led to innovations in the container shipping industry. It provides more reliable data on the location and condition of containers, offering the visibility, data and analytics to optimize the supply chain, monitor the quality of cargo, ensure compliance with hazardous cargo regulations, monitor cargo's carbon footprint throughout the journey and adhere to vendor compliance policy by tracking the sourcing locations.

The Internet of Things (IoT) is used in (a) Asset tracking and cargo monitoring, (b) Vessel monitoring, port operations, and route optimization, and (c) Automation by linking IoT / other technologies. Smart container technology allows management of inventory/working capital by analyzing the flow of shipments throughout the journey milestones, including transhipment points, anticipating supply shortages, executing emergency sourcing without disrupting the supply chain and facilitating trade financing with near real-time and reliable data. Meanwhile, blockchain aims to disentangle the administrative processes between different parties within the supply chain and to provide a centralized platform where all parties can submit paperwork. Some of the recent trends are to develop blockchain platforms for the shipping sector (two main initiatives, involving shipping lines, terminal operators and IT companies, are currently under development), to open new processes for regulatory bodies, and to generate global standards for the shipping sector.

***Terminals Owned or Part-Owned by Container Carriers***

Another area affecting costs is the terminal interface, as the top liner companies have access to owned or part-owned container terminals around the world. The liner shipping industry operates on the three main East-West routes in three large alliances (2M, Ocean, and THE). Almost all carriers in these three alliances have terminal portfolios of varying sizes and complexities and naturally a desire to see their terminals called at. Carriers will generally seek to use terminals that they have stakes in, but at the same time, alliance membership means that there have to be many compromises as each carrier in each alliance has its interests. Individual shipping lines are not in complete control of port/ terminal choices due to liner alliances. Also, no matter how large a shipping line's (or alliance's) terminal portfolio is, there will always be many locations around the world where they do not have terminals and so still have to use terminals run by independent operators or other shipping lines. It is a complex set of compromises and requires horse-trading by the players.

Indeed, the top five liner companies alone own or control 166 terminals worldwide (see table below). While some carriers consider terminals to be a standalone business, others have taken advantage of synergies between container shipping and container terminals; this has been particularly the case for transshipment terminals, for which ownership secures favorable, well-timed slots, which enable more efficient use of vessels and faster connections.

**Terminals Owned or Part-Owned by Container Carriers**

| Carrier | Number of Owned/ Part owned Terminals | Main owned/Part owned transhipment terminals |
|---|---|---|
| APM Terminals | 59 | Yokohama, Qingdao, Shanghai, Guangzhou (Nansha), Tanjung Pelepas, Colombo, Salalah, Bremerhaven, Rotterdam, Barcelona, Valencia, Algeciras, Miami, Lazaro Cardenas, Buenos Aires, Santos, Callao, Cartagena, Port Said, Abidjan, Tema, Tanger Med |
| MSC-TIL | 39 | Ningbo, Singapore, Mundra, Abu Dhabi, King Abdullah, Valencia, Sines, Ambarli, Asyaport, Las Palmas, Gioia Tauro, Le Havre, Antwerp, Bremerhaven, Rotterdam, Lome, Port Everglades, Freeport (Texas), Santos, Buenos Aires, Callao, Rodman |
| Evergreen | 12 | Busan, Kaohsiung, Taichung, Osaka, Colombo, Colon |
| CMA CGM Group /Terminal Link | 43 | Busan, Marsaxlokk (Malta Freeport), Le Havre, Antwerp, Miami, Tanger Med, Algeciras, Abidjan, Rotterdam, Zeebrugge, Kingston, Singapore, Mundra, Yokohama, Kaohsiung, Qingdao |
| NYK | 14 | Kobe, Tokyo, Yokohama, Kaohsiung |
| K Line | 7 | Kobe, Osaka, Tokyo, Yokohama, Antwerp |
| OOCL | 4 | Kaohsiung, Ningbo |
| Yang Ming | 5 | Kaohsiung, Antwerp |
| MOL | 11 | Tokyo, Yokohama, Osaka, Kobe, Rotterdam |
| Hanjin* | 6 | Busan, Kwangyang (Gwangyang) |

*Note: *Data pertains to only operational terminals in 2019, and includes Hanjin- owned terminals*
*APMT (Maersk Line) owns Hamburg Süd which has one terminal interest (Itapoa Brazil)*
*CMA CGM includes APL Terminals*
*NYK, K Line and MOL have merged their container shipping businesses, and intend to merge their international (non-Japanese) terminal portfolios*
*Source: Drewry*

In general, the terminal portfolios that are affiliated with shipping lines exist with the primary aim to serve the shipping line (as opposed to being a business in their own right). However, some carriers' terminal portfolios can be categorised as hybrids. Additionally, the positioning of APMT is changing from being a clear stevedore (independent) business to one more closely affiliated to Maersk Line.

**Changing liner strategies**

In recent years, the container shipping industry has been caught in a vicious cycle because of slower global trade growth, a drive towards economies of scale through bigger vessels that has led to the cascading of large vessels onto smaller trades, increasing vessel sizes on most global trade routes and widespread overcapacity and poor vessel utilization. This has led to an erosion of freight rates that have impacted the shipping lines' financial position.

Shipping lines continue to pursue cost leadership through economies of scale by building and deploying bigger vessels. The result is a wave of investments in very large containerships that might make sense from the perspective of an individual company vis-à-vis its main competitors, but less so for an industry as a whole as it results in the growth of global fleet capacity, which is not in line with demand. Before the global economic crisis in 2008-09, which triggered a slowdown of demand growth in the container market, Maersk would first deploy the largest ship in the market, and other lines would eventually respond, maybe after several years. Since 2009, shipping lines have been quicker to respond to a competitor launching a larger ship. In 2017, vessels over 20,000 TEU entered service for the first time; new orders were placed in 2018 by MSC and CMA CGM for vessels of 22,000 TEU; however, the vessels delivered to MSC in 2019 increased nominal capacity to 23,756 TEU by expanding the beam by one row. Recently DNVGL awarded an approval in principle certificate to Hudong Zhonghua shipyard for 25,000 TEU vessel. However, there has not been any newbuild orders for this size of container ship yet.

The global supply of capacity has also been affected by slow steaming and super-slow steaming initiatives as reduced average speed requires more vessels on a given trade to maintain the same schedule. In recent years, global container vessel capacities have increased at a faster rate than the rate at which some container ports have increased their capacities. This has led to considerable delays in the processing of container shipments in affected ports, many of which are unable to accommodate larger vessels. Furthermore, growth in container vessel capacities results in longer loading and unloading times, which might lead to further port congestion.

***Intermodal services as a service differentiator***

Historically, providers of container shipping services have been divided between port-to-port transport providers and door-to-door transport providers. Shipping lines such as CMA CGM and Maersk offer intermodal and inland services as global integrators of container logistics. The extent of inland service, whether it is up to ramp, depot, or door, depends on location and infrastructure as this requires more complex rail connections and inland operations along with increased risk. Efficient inland rail container transport connections (in the US in particular) are a clear differentiator among shippers between top-tier and low-tier liner companies. At the other end, Hapag-Lloyd is focusing on optimizing its core shipping function.

Several liners are trying to widen the scope of services, becoming global integrators of container logistics, connecting and simplifying customers' supply chains. A fall in the bottom line of companies has led them to diversify away from the core shipping business to freight forwarding and other aspects of the supply chain. They provide door-to-door delivery (seller's warehouse to the buyer's warehouse) and connectivity with global inland commercial centres.

Lines have developed various strategies to become supply chain integrators. A.P. Moller-Maersk has merged Damco Supply Chain Services and Maersk Line's Ocean Product, whereas CMA CGM acquired CEVA Logistics in 2019. On the other hand, other liner companies such as Hapag-Lloyd have chosen to remain pure play liner companies. That said, the Swiss global transport and logistics company, Kuehne + Nagel, owns a 30% stake in Hapag-Lloyd, which can be considered as another form of integration.

Traditionally, lines held the contract of carriage and were served by ports, terminals, and inland transport operators. The relationship between lines and Beneficial Cargo Owners (BCOs) is increasingly managed via forwarders. Port authorities combine the role of infrastructure provider, regulator, and granter of concessions with a unique ability to act as a coordinator of a range of stakeholders. The existing relationships are:

- Contract of carriage is between Beneficial Cargo Owners (BCO) and line or Non-vessel operating common carrier (NVOCC); or between line and NVOCC.
- Lines are served by ports, terminals, and inland transport operators.
- Port authorities provide infrastructure to lines (channels), terminal operators (quays and other landside infrastructure, and BCOs and various Logistics Service Providers (LSP) (land, warehousing).
- Port authorities provide services to lines in the form of tugs, pilots, and Vessel Traffic Systems.
- Rail and haulage operators provide services to lines, BCOs, and logistics providers.
- Terminal operators and lines are the key customers for port authorities.

Currently, all main players are seeking to develop direct relationships with BCOs to secure volume and revenue. IT is catalyzing new services and relationships. Port authorities are using IT to expand their coordinating role. Evolving relationships are:

- Terminal operators are extending the service offering to BCOs through the development of inland transport capability and supply chain management IT.
- Lines and forwarders are using IT to bind BCOs closer in total supply chain services.
- Port authorities are becoming coordinators and enablers through the use of IT in various forms of Port Community Systems.

## THE INTERNATIONAL LOGISTICS INDUSTRY

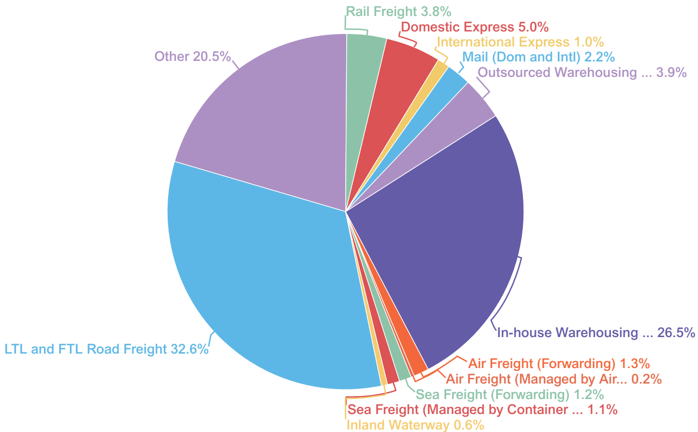
*The information and data presented in this section, including the analysis of the logistics industry, was originally compiled by CEVA and updated by TI. TI has advised us that the statistical and graphical information contained herein is drawn from its database and other third-party sources. In connection therewith, TI has advised us that: (a) certain information in TI's database is derived from estimates or subjective judgments; (b) the information in the databases of other logistics data collection agencies may differ from the information in TI's database; (c) while TI has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures.*

Some of the characteristics of the outsourced logistics industry in which CEVA operates make it an attractive environment for CEVA. It is a large market with an intrinsic growth dynamic, strengthened by further outsourcing trends among customers. In addition, the fragmented nature of the provider landscape gives integrated global players like CEVA the opportunity to increase their market share.

### *Scale*

The Transportation and Logistics industry, in which CEVA operates, was estimated by TI in 2019 to amount to over €6.0 trillion. The breakdown of the total logistics market in terms of size can be viewed as follows:

**Figure 1: Breakdown of Total Logistics Market in 2019 (Ti, 2020)**




Of the various facets of the logistics market, the total global air and ocean Freight Forwarding market outsourced to forwarders was estimated at approximately €153 billion in 2019, of which approximately €79 billion was air freight and approximately €74 billion was ocean freight. TI estimated the global Contract Logistics market to amount to approximately €1.8 trillion in 2019. Contract Logistics outsourced to 3PL suppliers amounted to €230 billion.

### *Growth*

Growth within logistics is firstly driven by intrinsic factors. Because the logistics industry is an enabler of economic development, the industry has experienced steady growth guided by global GDP growth, in particular the manufacturing and consumption components. During the historic phase of fast globalization of supply chains, logistics experienced growth that was a several fold multiple of the growth in the underlying industrial sectors. In an already globalized world and with the service component of overall economic growth dominating, the pace of growth of logistics has slowed down but TI still expects it to continue to grow at a rate above the world GDP growth rates published by the IMF. Prior to the COVID-19 pandemic, TI forecast average annual growth rates in Contract Logistics at 4.1% between 2019 and 2024, air freight at 3.5% and ocean freight at 3.7% in the same period, with geographical variations. Some key drivers of this anticipated growth include:

- Strong economic development in emerging markets with significant infrastructure developments, including a growing middle-class with an appetite for consumption and mobility;
- Urbanization with the logistics of mega-cities becoming a differentiator in supply chains;
- Increasing consumer expectations in terms of new distribution channels (e-commerce), product customization (as is the case in the technology and automotive industries), and immediate availability;
- Reduction in time-to-market (as is the case in the fashion industry);

- Increasing outsourcing of supply chains; and
- Further globalization and constant re-design of supply chains with increasing complexity (mixtures of off- and near-shoring, among others).

Although it is possible to expect that near-shoring could reduce trade flows, especially from emerging countries towards mature markets, the dynamics are more complex as industries, facing proliferation of SKUs (units), redesign their supply chains (notably for parts and components) and further optimize their flows. These changes in configuration and shorter delivery times require more integration and demanding logistics solutions. In pre-COVID-19 forecasts, the IMF predicted that global import and export trade would grow 3.9% and 3.8% respectively in 2024 as compared to 0.8% and 1.0% respectively in 2019. Growth was stated as being primarily driven by emerging markets, which have experienced vast growth in the last decade while growth in developed economies has plateaued as their important suppliers have declined. Therefore, the 3PL industry will have to adjust its geographical network footprint.

*Outsourcing Trend*

In this context, outsourcing to third-party supply chain managers is an ongoing trend. Of the referenced €1.8 trillion size of the Contract Logistics market, TI approximated that only 12.7%, or €230 billion was outsourced to third-party Contract Logistics providers in 2019, evidencing considerable headroom for growth.

Ti estimated that approximately 84.9% of the air freight and 52.7% of the ocean freight markets in 2019 were managed by third-party market providers, such as CEVA. On that basis, growth opportunities remain, although to varying extents. There remain considerable opportunities for growth in sea freight with close to half of all market volumes not yet controlled by the third-party service providers. In air freight, the 15.1% not currently controlled by third-party service providers is managed directly by airlines. This business may prove difficult for third-party service providers to access.

The levels of outsourcing vary significantly between countries. Generally, activities are more highly outsourced in the UK and the U.S. China and India offer significant potential going forward, in terms of growth and outsourcing. The chart below, based on data from Transport Intelligence / Global Supply Chain Intelligence gives an indicative understanding of the relative positions.

While manufacturers concentrate on their core capabilities in design and production of new devices and products, they tend to outsource further components of their supply chain. TI distinguishes them as follows:

(1) Transport;

(2) Warehousing;

(3) Postponed manufacturing;

(4) Inventory management;

(5) Carrier management;

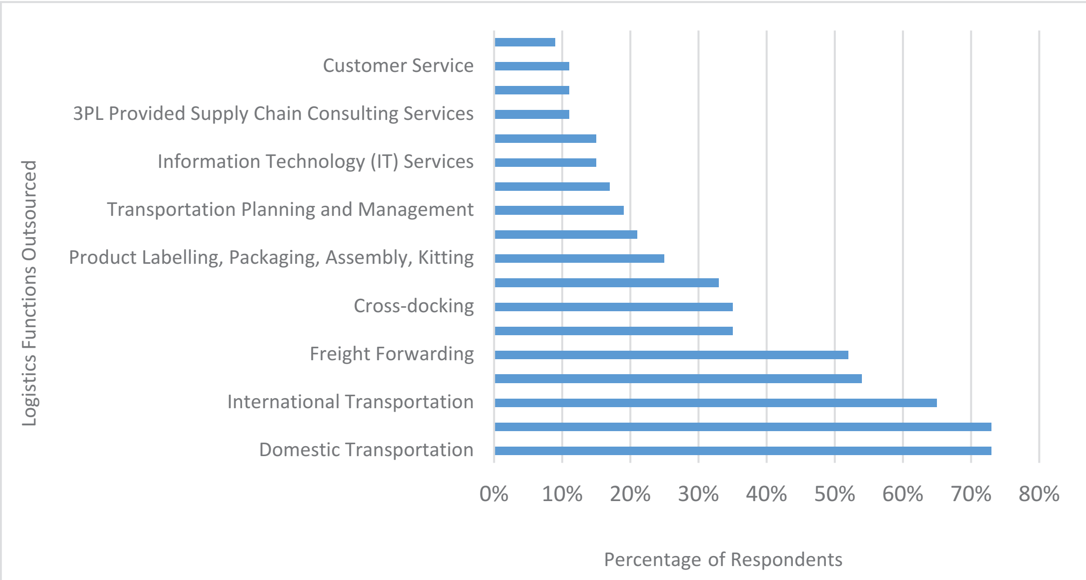
(6) Inventory ownership; and

(7) Customer relationship.

In the current market, many manufacturers outsource stages 1, 2 and 3 of the above spectrum. As a logistics service provider, CEVA is equipped to accommodate postponed manufacturing, inventory management and carrier management, possibly taking it to stage 5. This puts CEVA among the few providers with such a breadth of service offerings.

The table below from Capgemini's 2020 Annual Third-Party Logistics Study (which represents percentages of respondents to a survey and not overall market proportions) is further evidence to corroborate the large potential in logistics outsourcing that is available to be captured by third-party logistics providers such as CEVA.

**Figure 2: Shippers continue to outsource a wide variety of logistics services**




*Source: Capgemini's 2020 Annual Third Party Logistics Study*

The outsourcing of further services requires the ability of providers to offer integrated solutions with high levels of service quality on a global scale. We believe only few providers, including CEVA, can offer these solutions and services consistently.

In addition, we notice a tendency among larger customers to reduce the number of their logistics service providers in order to reduce complexity, ensure consistency of service provision and performance management across geographies, and to benefit from further supply chain optimization opportunities. We believe this tendency benefits larger integrated providers like CEVA.

*Industry Fragmentation—Competition*

The high level of industry fragmentation gives strong global players ample opportunity to grow within the market, notably against a multitude of smaller-scale local providers with limited scope of service offerings. According to TI's Global Freight Forwarding 2020 report, the top ten players in outsourced Freight Management in terms of 2019 revenue represent 43.1% of the total outsourced market. CEVA in 2019 ranked the 14th largest freight forwarder by revenue with 1.4% market share. In 2019, the company also ranked the 8th largest sea freight forwarder by volume with 2.1% market share, and as the 14th largest air freight forwarder with a 1.5% market share. Similarly, according to TI, in 2019 CEVA (with 1.4% market share) is the sixth largest worldwide player in Contract Logistics in terms of revenue, where the top ten players overall only represent 19.9% of the outsourced marked. Global Logistics is still a mostly European-dominated market; however, there are a growing number of Asian and North American providers that are becoming increasingly important and quickly gaining territory in the market. Within the spectrum of logistics players, CEVA tends to recognize major global generalist 3PL and 4PL companies as its peers, including Kuehne + Nagel, DB Schenker (part of Deutsche Bahn), DHL (part of Deutsche Post DHL), XPO and DSV Panalpina A/S (notably following the acquisition of Panalpina in 2019). In addition, in specific products and segments, CEVA competes with DAMCO (part of Maersk Group), Geodis (part of SNCF, the French railway), Expeditors and others. In addition to the global companies mentioned above, there are several regional or specialized players that have a strong market presence in certain geographies or products. Among these, CEVA competes most often with Agility, Kerry Logistics, Yusen Logistics and CH Robinson. Despite new players emerging within the logistics market, it is difficult for these larger regional or specialized players to gain meaningful global-level market share. More established European providers still have a significant advantage through their existing networks and operations and are therefore well-placed to compete globally.

Despite the presence of several large players, the global logistics industry has historically been highly fragmented. In a 2016 report, "Shifting patterns: the future of the logistics industry", PricewaterhouseCoopers recognized that competition was intensifying as large industrial or retail consumers and suppliers become players in the logistics market themselves, not just managing their own logistics but turning that expertise into a profitable business model. This trend has continued at pace with Amazon's provision of air, road and last mile transportation for third-party retailers a prime example.

**Supply Chain Segmentation**

The following four layers of supply chain service integration are commonly recognized in the logistics industry: 1PL, 2PL, 3PL and 4PL. According to the Dictionary of International Trade, 9th Edition, "1PL" denotes: "the logistics handled internally by a company". For example, a manufacturer that owns warehouses for storage and trucks that deliver products to customers. A "2PL" refers to "basic domestic and international transport and warehouse management logistics handled for a company by an outside contractor". Typically, 2PLs include asset-based carriers/transportation providers, including shipping lines, trucking companies and rail operators. In contrast to carriers, "3PL" or third-party logistics providers offer "integration and management of all logistics services of a complex supply chain". This includes storage, transhipment and other value-added services as well as the services of subcontractors. "3PL" companies usually purchase bulk transportation capacity/services from carriers and resell them to their customers in smaller allotments, giving the customer the (partial) benefit of the volume purchase. Finally, a "4PL" is an "integrator that assembles the resources, capabilities and technologies of its own organization and other organizations to design, build and run comprehensive supply chain solutions". "4PL" companies are also called "supply chain solutions" ("SCS") providers or "lead logistics" providers. They usually organize supply chains and flows and tender the various components to 3PLs or carriers through a "control tower" approach.

CEVA has an asset-light 3PL model, providing both third-party logistics services through "Freight Management" (or "Freight Forwarding") and "Contract Logistics" business lines. In addition, CEVA also offers SCS/4PL services. "Freight Forwarding" is typically used when the 3PL provider buys the capacity and the transport services from the carrier and "Freight Management" is typically used when the customer buys the transport capacity and the 3PL provider only manages the flow of goods in exchange for a fee. Unless specified otherwise, throughout this offering circular we use both terms interchangeably to describe both activities.

***Freight Forwarding***

Freight Forwarding providers serve their customers by arranging and overseeing the transportation of products and materials by air, ocean and ground. Freight Forwarding providers organize and consolidate shipments, procure and track transportation, and provide ancillary value-added services, such as preparation and submission of documentation, oversight of customs and other clearance processes, short-term warehousing and auditing of shipments. We believe the main market drivers in Freight Forwarding are global trade volume developments, carrier capacities and oil/fuel prices.

Freight Forwarders charge their customers a fee that is accounted for as revenue. The difference between revenue and the transportation costs the forwarder pays to the transportation carriers is the Freight Forwarder's "gross profit" or "net revenue" (terminology used by CEVA). Such net revenue reflects the value of the services rendered by the Freight Forwarder. There is considerable range in the profitability of the leading Freight Forwarders, ranging from 0% to 11% operating profit margins in 2019. This is driven in part by the reliance on management and staff to buy and sell capacity effectively. An auxiliary factor contributing to this is buying power; for example, a Freight Forwarder with large volumes is able to acquire better rates from a shipping line/airline/ground transporter. In addition, specific trade lane exposure can affect profitability, as some trade lanes face heavy competition whereas others accommodate a built-up customer base or specialty services. Freight Forwarding is a trading business that requires a global network approach, a characteristic usually difficult to replicate by new entrants or players lacking critical size. Typical contractual relationships between a 3PL and a shipper are the result of tenders with a high focus on pricing. These contracts provide a pricing and service level framework, are short-term in nature, and are based on the allocation of transport management on certain trade lanes, often without volume guarantees. Large shippers will allocate their volumes to several 3PLs, to manage their exposure. There is limited system integration between shippers and 3PLs and low barriers to switch providers. We believe the key success factors in Freight Forwarding include:

- A global air and ocean network with stations in key gateways and appropriate (regular) services/capacities between the nodes of such networks;

- Trade lane focus to ensure sufficient volumes and strong procurement and relationships with core carriers to achieve bargaining power;
- Robust and standardized processes, supported by technology;
- Detail-oriented execution and seamless flows with real-time tracking and tracing leading to high reliability and timeliness of deliveries;
- Strong focus on performance management (key performance indicators ("KPIs")) and focus on operational efficiencies and productivity improvement;
- Balanced customer mix comprising large multinational clients and small- and medium-sized enterprises, with adapted pricing strategies to increase profitability; and
- The right volume/density and cargo type mixes in order to succeed in consolidating shipments from various cargo owners in air freight, as well as developing less-than-container load activities in ocean freight.

***Contract Logistics***

Contract Logistics providers manage their clients' supply chain operations, typically under contracts in which the Contract Logistics company's systems and employees are integrated into their clients' supply chain operations and take over responsibility of critical logistics functions. Responsibilities in Contract Logistics include organizing and optimizing warehousing, transport routes and providers—whether inbound, outbound or dealing with secondary market returns—kitting and sequencing unassembled parts, managing vendor inventory, providing support during manufacturing, picking and packing finished goods and providing quality control and other value-added services. Naturally, given the relationship focus of this sector, longer-term contracts afford a host of opportunities unavailable in the short-term, purely transactional relationship. It is thus a major strategic goal of many providers to increase their engagement with clients and deliver the spectrum of integrated solutions. Deeper engagement allows a Contract Logistics provider to better understand the needs of its clients and develop bespoke solutions, thereby de-commoditizing their services to enhance margins.

We believe the market drivers in Contract Logistics are industrial production indices, consumer purchasing and overall economic growth as measured by GDP growth. We believe the market share attributable to third-party Contract Logistics providers will continue to increase as companies look to outsource Contract Logistics services to specialists.

We believe the key success factors in Contract Logistics include:

- Operational capabilities in operating warehouses and providing various services with the flexibility in offering the right space with the right features and equipment with a focus on continuous improvement to bring benefits to the customer;
- Solution design capabilities to develop and implement adaptive solutions tailored to the customer's need and evolving with its growth, with the ability to replicate solutions in various geographies;
- Strong distribution network design and optimization capabilities with a solid mix of experienced internal capacity, supplemented by a flexible subcontractor network;
- Strong processes and KPI-driven performance management with high levels of inventory accuracy and timely delivery;
- Strong labor management capabilities;
- Expertise in the design of contracts with appropriate pricing mechanisms and abilities;
- Versatile and robust IT solutions with integration in the supply chain and enterprise resource planning ("ERP") systems of the customer; and
- Integration in the supply chain of the customer, providing operational improvement benefits to the customer through process improvements and automation.

The typical contractual relationships between a Contract Logistics provider and a customer are location-based and are the result of outsourcing tenders with a high focus on service levels, continuous improvement and pricing. Typically, these are two-to-five year contracts with a high probability of renewal due to the significant system integration developed between the customer and the Contract Logistics provider that creates obstacles to switching providers. In addition, smaller customers usually share the benefits of multi-user facilities, notably in terms of personnel, management and sometimes mutualized distribution. The contractual relationships in this sector can take several forms. On the one hand, contracts can be open book, whereby all costs encountered by the provider are disclosed and a fixed profit margin is set. These contracts are often low margin given the low risk assumed by the logistics provider. Alternatively, contracts can be closed book, whereby a price is set and the provider has to manage the costs. There are also hybrid contracts between open and closed book.

***Selected Industry Themes***

In addition to the outsourcing trend addressed above, the logistics industry is further confronted with several trends and themes which offer significant opportunities for global integrated providers. Some of them nevertheless challenge existing business models and provide new, potentially competing, solution models. This section does not assume to be exhaustive but merely gives a flavor of developments to watch.

***Evolution of Customer Demand***

Political, economic, social and technological factors have facilitated major changes in the way in which multinational manufacturers supply global consumer markets and how retailers source their goods.

The logistics industry was once characterized by single-function transactional relationships; network coverage was largely regional and providers were asset heavy and focused on process execution. The providers were offering a set of logistics services and customers were looking for price optimization of individual services. As a result of a confluence of demand-side and supply-side trends, the outsourced logistics industry is evolving towards the provision of integrated solutions geared towards optimizing overall supply chain costs. Successful providers will evolve from being suppliers of largely commoditized services to partners. More and more, we see that customers require their logistics suppliers to be lean providers, covering the full scope of services and having a broad geographical coverage, providing improvements and innovation. Ultimately, a logistics service provider must demonstrate the ability to reduce the supply chain costs of their customer and accompany them on their growth journey. We observe that customers have shifted their preference to large integrated providers and are increasingly using 4PL or similar services. In the 2017 Logistics report from Eye for Transport (independent providers of Supply Chain and Logistics Business industry news and market research), 55% of surveyed respondents have indicated that it is important to them that their providers offer full-service solutions. This has prompted a response from logistics providers to develop strategic, multi-functional partnerships, providing global coverage in order to be able to accompany their clients on their growth journey into new markets, whether in terms of product or geography. Similarly, 49% of respondents indicated they would like to have a long-term relationship with their logistics suppliers as strategic partners, while 38% emphasize shifting from cost-based choices to solutions integration. Logistics providers, such as CEVA, have also modified their respective strategies with an eye to reduce the capital intensity of their customers. Some traditional customers of the logistics providers are now entering the market, having recognized that the management of the supply chain and the physical delivery of the service is a critical success factor to their business model (e.g., Amazon, Alibaba) or could integrate vertically. This not only presents challenges, but also offers new opportunities for logistics providers like CEVA, notably by supplying logistics and transportation services to these companies.

***Changing Consumer Demand and E-commerce***

Generally, consumers (and business customers) increasingly require customized products to be delivered "instantly", flexibly (in terms of location, timing, etc.) and at an ever-reducing delivery cost, transforming standardized mass-oriented supply chains to agile, always-adapting models. This sets new requirements in terms of optimizing capacity allocation, consolidation, traceability and pricing. Global, integrated providers like CEVA are compelled to have the speed to embrace these increased requirements. E-commerce is attractive for logistics providers, as it shows a higher total logistics spend of 12-25% of sales value than traditional retail and a high need for end-to-end solutions integrating several modes of transport based on a survey of selected retailers (excluding groceries and luxury goods) from the TI Global E-commerce 2020 report. The market size for e-commerce logistics, as estimated by TI amounted to EUR 288 billion in 2019, an increase of almost 16% from 2018, of which EUR 128 billion in Asia (mostly China), EUR 93 billion in North America, EUR 55 billion in Europe, with estimated annual growth rates from 2019 to 2024 of 14.8%, 10.4% and 8.1% respectively.

According to TI, E-commerce has seen double digit growth in most geographies over the last couple of years and is covering a significant part of the consumer's purchases, notably in the U.S. and China. In 2019, it already made up 14.1% of the global retail market according to Statista. As an increasing number of "brick-and-mortar" retailers embrace e-commerce, they will need to bolster their supply chain to provide a successful multi-channel or omni-channel experience. This will increasingly compel logistics providers to add services to their portfolios, notably in fulfilment, and will benefit players that can show global coverage and appropriate solutions and IT systems. In addition, the growth of e-commerce leads to a significant increase in air freight demand throughout the year and reinforces certain "peak season" effects. CEVA, as an integrated provider, has the ability to provide logistics services and optimization to e-commerce platforms and integrate, accompany and shape the e-commerce strategies of our clients in an omni-channel approach. In addition to the growth factors outlined earlier, a significant transformation of consumer demand is taking place, driven by new generations and concepts like the "sharing economy". With the ownership of assets shifting, the requirements are also changing in nature (functionality, personalization, robustness, versatility, among others), which impact the volumes of products, their design and therefore their supply chains. In the "sharing economy", new asset owners can become customers of logistics providers and develop new partnership models.

***Digitalization and Technology Disruption Innovation in the Supply Chain***

The impact of technology on the logistics and supply chain management sector has been profound. Appropriate software and services can amplify the capabilities of smaller organizations into credible players, as well as provide a competitive advantage for larger, more established enterprises. The adoption of newer technological advancements promises lower costs, improved operations and efficiencies and the possibility of transforming the business model and operations of logistics providers. A few examples are listed below. They cover short and longer-term developments. See also "*Risk Factors—Risks Relating to Our Business and Results*" Our success depends to a large extent on IT systems, and these systems may not continue to generate operational efficiencies or we may be unable to develop innovative IT solutions to compete with new developments."

Automation of the physical and decision processes and robotics: robotics have become the standard within fulfilment centers, even in low labor cost countries. Solutions such as 'robotics as a service' (RaaS) have enabled the cost of robotics in the warehouse more feasible as the technology has developed to become more flexible, adaptable and self-learning, used within a multitude of contexts. Similarly, decision processes in air and ocean freight (e.g. pricing) are moving towards Robotic Process Automation (RPA), many freight forwarders are exploring the building of "Control Towers" to monitor and manage supply chain activity. Transport technologies, including self-driving vehicles on land, sea and air (drones), can reduce costs and reliance on drivers. The Internet of Things (IoT) allows for continuous real-time traceability of shipments and goods and therefore increases the safety and predictability of supply chains. Combined with blockchain-based secured ledgers, this can support the full digitization of supply chain documentation with the potential to make more secure and trustable trades of collaborative business throughout a supply chain. Smart contracts can be used to compose the entire transaction process and automatically executed in a cost-effective, transparent, and secure manner for the delivery of products, especially in sensitive industries (pharma, aerospace, among others). Artificial intelligence (AI) combined with IoT technologies allows for better prediction of volumes and flows, the development of adaptive routings, smarter and faster pricing, as well as improved price/time optimizations and more generally, further automation processes, improves the efficiency of the supply chains. 3D printing is widening the scope of potential materials and applications and the technology is stepping forward in reducing printing time and cost. For many industry sectors, the use of 3D printing is already widespread, although largely confined to certain specialist parts of the manufacturing process, thus reducing warehousing space and inventories. These technologies could also drive a possible disintermediation as the value-add of a logistics provider who does not embrace these developments could be limited. As logistics providers operate on a very large and extensive base of data related to their shipments or the flows in or out of their warehouses, the data and the knowledge generated from it could itself turn into new business opportunities.

In addition to these and other developments, new entrants with niche technologies or products have emerged and are seeking to expand their application or footprint. As a result, in recent years large, established logistics providers have made notable progress in the integration of advanced technology solutions into their offers. Those best able to succeed are placing an increased emphasis on customer service and engagement, while also implementing solutions that leverage technical capabilities with truly global network coverage. For example, visibility on capacities and rates as provided by platforms such as Xeneta drives pressure on freight forwarders' margins. These new entrants can provide logistics providers with an opportunity to gain a competitive advantage through partnerships or acquisition. It is anticipated that an increase in partnerships will follow, with alternative models that do not follow simple acquisition or joint venture schemes and redefine collaboration. The IBM—Maersk Line joint venture, CargoSmart's Global Shipping Business Network (GSBN)—a non-for-profit joint-venture with several maritime operators including CMA CGM, Hapag-Lloyd, OOCL, among others—and a recently announced collaboration between FedEx and Microsoft, are examples of this new dynamic. The development of these platforms provides shippers with greater visibility, enabling significantly improved inventory management. This goes a long way to matching, or even surpassing the solutions offered by digital forwarders and marketplaces.

Increasingly, major logistics players understand the value of supply chain data. This is observed both in terms of using pure innovation to gain new business as well as working with existing customers to create business opportunities in new areas. According to Eyefortransport's Supply Chain Hot Trends Report 2020 & Beyond, 63% of LSPs surveyed are currently focusing on investing in warehouse automation technologies, while AI and Machine Learning investments comprised 40% and 17%, respectively, of technology investments amongst LSPs in 2020.

It is to be noted that standardization of protocols as well as the establishment of industry-recognized norms are required for many of the technology-driven developments to up-scale from experimentation to global breakthroughs. Building on robust IT systems and processes, with its agile mindset focused on continuous improvement and a pragmatic approach, CEVA is venturing into technological innovation; for example, through blockchain-based processes, generally in partnership with customers and on very specific business opportunities, enable innovation to be coupled with sound business cases which, if successful, can scale to other operations.

***Consolidation in our Industry***

Consolidation is taking place in the industry at various levels and is expected to continue in the medium-term. Firstly, there has been substantial consolidation in the liner industry, leading to strengthening in the negotiating power of carriers which could adversely affect the profitability of Freight Forwarders. Merger and acquisition transactions over the last few years include the acquisition of Hamburg Süd by Maersk Line, United Arab Shipping Company by Hapag-Lloyd, Neptune Orient Lines by CMA CGM, the amalgamation of China Shipping Group ("CSCL") and COSCO's liner businesses as well as the merger of K Line, MOL and NYK's liner businesses under a new entity called Ocean Network Express (ONE). The top ten carriers owned more than 80% of global TEU ship capacity as of July 31, 2020. For further information on the market share of the shipping industry's three major alliances: 2M, Ocean Alliance and THE Alliance, please see "Industry—Global Alliances."

In the air freight market, consolidation is lower (as of 2018, the top 10 airlines controlled approximately 22% of the freight market on scheduled flights) and the consolidation dynamics are slower. Amongst third-party logistics suppliers, there has also been a wave of consolidation with transactions including the acquisition of Panalapina by DSV to form DSV Panalpina, Asav Lojistik Hizmetleri Anonim Sirketi ('ASAV') by Kerry Logistics Network, the acquisition of Global Freight Solutions AB by Bolloré and the acquisition of Dema Service by C.H. Robinson.

We expect further consolidation in response to changing customer needs outlined above and to increase bargaining power against strengthening liners. Global scale, integrated solutions as well as a critical mass with customers and suppliers (pressure to increase buying power) are driving further consolidation to see additional market leaders emerge and increase their market share.

As outlined in the section entitled "Business", because of its global presence, balanced service and customer portfolio, we believe CEVA is well positioned in this environment. Many segments within the logistics industry are commoditized. Some of the larger companies have sought to address this challenge by making targeted "bolt-on" acquisitions, increasing their exposure to vertical sectors or supply chain segments in which there is less competition. For example, Kuehne + Nagel has been pursuing a series of smaller transactions to establish their position in the perishable logistics market, while UPS has embarked on an acquisition spree to expand its pharmaceutical logistics network. At the same time, they can also leverage their own competitive advantages, such as access to finance, intellectual capital, IT capabilities and global scale. Finally, there is also consolidation happening among the logistics industry's customers, who are becoming larger, more global and reducing their logistics supplier base. For example, the automotive sector has experienced significant restructuring via acquisitions over the past 12 months. We believe this usually benefits global integrated logistics suppliers like CEVA.

## BUSINESS

### Our Company

We are a leading worldwide transport and logistics group offering shipping and logistics services. In terms of shipping capacity, we are the fourth largest provider of container shipping services globally, and in logistics services we are the fifth largest player in contract logistics. We generated revenues of $30.3 billion and EBITDA of $3.8 billion in the year ended December 31, 2019. We offer our services in over 160 countries through a global network of 755 offices, 750 warehouses and over 200 main lines calling at 420 ports.

In terms of shipping, we transported approximately 21.6 million TEU in the year ended December 31, 2019 on behalf of a globally diversified base of more than 70,000 customers. Our customer base includes a mix of retailers and manufacturers from various industries, such as Samsung, Ikea, GM, BASF, Coca-Cola, Renault and Nestlé. Our shipping business generated revenues of $22.8 billion and EBITDA of $2.9 billion in the year ended December 31, 2019.

As of June 30, 2020, our fleet consisted of 500 container ships, of which we chartered 59% and owned or had under finance lease or equivalent arrangements 41%, in each case in terms of capacity. Our fleet had a combined capacity of 2.758 million TEU, an average size of 5,516 TEU and a weighted average age, based on total TEU, of 8.3 years. The market value of our owned vessels, which is assessed every six months by calculating the average of four independent ship brokers' valuations, was $5,811 million as of June 30, 2020.

As of June 30, 2020, we also maintained a 4.0 million TEU fleet of containers (2,452,117 containers), of which over 396,922 TEU consisted of reefer containers representing the second largest fleet of refrigerated containers globally. As of June 30, 2020, the book value of our owned containers was $296.9 million.

Our size and leading market position enable us to take advantage of economies of scale. We have a large and flexible fleet, and we work to manage effectively the allocation and cascading of our operated tonnage across all trade lanes. This enables us to optimize the size of vessels we are using on most of our routes and take advantage of the lower average slot costs incurred by larger vessels. This contributes to significant cost savings and higher profitability.

We are one of the few liners to operate a truly global network and specifically one of the most extensive networks of direct services covering the four major East-West trades: Asia-Europe, Transpacific (Asia-North America), Transatlantic (Europe-North America), and Asia-Middle East but also other trades such as North-South lines (Latin America and Africa). We have also developed a complementary regional network of intra-regional lines in Europe, Asia, Oceania and South America. Our extensive and diversified network allows us to focus both on high-volume markets, such as Asia-Europe, Asia-North America and intra-Asia and niche markets, such as the Caribbean, Baltic Sea and Black Sea.

Our extensive network is further supported by a strategic alliance with other carriers, which allows us to extend the scope and improve the quality of our services while reducing our cost base. We are a founding member (alongside Cosco Shipping, Evergreen Line and Orient Overseas Container Line ("OOCL")) of Ocean Alliance, one of the three major alliances in the container shipping industry. We believe Ocean Alliance, as well as the other main alliances, are positively impacting structural dynamics in the shipping industry, as evidenced by favorable industry trends in the recent period affected by the COVID-19 pandemic. Ocean Alliance started operations on April 1, 2017 and has a ten-year term; it enables members to offer comprehensive and customer-focused service networks covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-US East Coast and Trans-Atlantic trades.

Through our main lines, which are supported by our extensive short sea and feeder lines, and in conjunction with our alliances with other carriers, we have established a diversified market mix, with no single line accounting for more than 3% of our annual volumes transported in 2019. We believe that our broad network and the variety of ports served by our main and short sea lines provide us with a competitive advantage in our key areas of operation and reduce our exposure to declines in demand for container shipping services that are limited to certain regions or certain trades.

In May 2018, we initiated a strategic move towards logistics services through our investment in, and subsequent acquisition of, CEVA Logistics A.G. ("CEVA"). CEVA is one of the leading global asset-light supply chain management companies, with revenues of $7.1 billion and EBITDA of $536.0 million in 2019 and with more than 59,000 employees and temporary workers in over 800 sites spanning 160 countries as of June 30, 2020. CEVA designs, implements and operates end-to-end supply chain solutions for multinational and large and medium-sized companies on a national, regional and global level. This acquisition aims to complement our shipping activity, allowing us to provide our customers with a comprehensive range of solutions and services across the supply chain (including arranging and overseeing transportation of goods by ocean, air and ground (including through end-to-end transportation offerings), ancillary value added services (e.g., custom brokerage or lead logistics (4PL)), and contract logistics services.

We also invest in port terminal facilities where we have significant operations. Through these investments, we gain preferred access to berths and greater control over port activities. We currently have interests in or agreements related to 50 terminals around the world, 47 of which are in operation and three of which are in development or under acquisition, through our wholly owned subsidiary CMA Terminals and our 51% owned joint venture affiliate Terminal Link. In December 2019, we entered into a binding agreement with our joint venture partner China Merchants Port ("CMP") to sell ten terminals held by CMA Terminals to Terminal Link. The transfer of eight of the terminals closed in late March 2020.

Over the past 40 years, we have grown from being a regional Mediterranean carrier with a single ship into a leading provider of global container shipping and logistics services, operating a fully integrated supply chain with a fleet of 500 vessels as of June 30, 2020. We believe that the stability of our efficient, experienced and adaptable management team, combined with our streamlined organization, enables us to make decisions rapidly and efficiently, allowing us to take early advantage of market opportunities and generate higher profitability as compared to our peers. From January 1, 2017 to December 31, 2019, we achieved compound annual growth rates on volumes transported of 11.3%.

**Our Competitive Strengths**

We believe our competitive strengths include:

***We operate in an increasingly resilient and disciplined industry.***

We operate one of the largest global container shipping networks in an industry that has proven resilient in the face of an unprecedented global economic crisis, as well as increasingly disciplined in managing business cycles and supply-demand imbalances. We expect to benefit from supportive long-term growth drivers in our industry, with demand for container shipping expected to resume its long-term growth trajectory in line with robust long-term growth forecasts for global GDP (source: Drewry, September 2020). Notwithstanding the COVID-19 pandemic-driven turbulence in the market in the first half of 2020, the shipping industry in general demonstrated unprecedented resilience in terms of profitability and generally speaking outperformed expectations due to a number of factors, including a strong rebound (following a sharp drop) in the consumption of goods which outpaced the return in demand for services, the growth of e-commerce contributing to inventory expansion and increased demand for shipping services, the slow recovery of air freight driving high demand for express and premium shipping services and the growth of inter- and intra-regional trade. The leading industry experts are forecasting volume growth in all main shipping lanes in 2021 (e.g., a range of 2.5%-13.3% for the four major trade routes (Transatlantic, Asia-Middle East/South-Asia, Asia-Europe and Transpacific), according to Drewry).

The global shipping industry has experienced significant consolidation in recent years, which we believe is contributing to greater stability and, in particular, more disciplined capacity management. The market share of the top five container liner shipping companies, in terms of fleet capacity, increased from 32% in 1998 to 64% as of September 2020 (source: Alphaliner). In addition, the global container shipping industry now features alliances of shipping liners, with the three largest alliances representing an aggregate share of the container shipping market of approximately 85% as of June 30, 2020. We are a founding member of the largest container shipping liner alliance, Ocean Alliance, which operates 40 services on the East-West trades and has an aggregate 34% market share on the four major East-West Routes. We believe our relationship with Ocean Alliance not only improves our service offering and increases our market reach, but also enables us to implement capacity adjustments more efficiently in order to adapt to changes in the shipping business cycle.

The structural industry changes of consolidation and alliances have contributed, we believe, to its ability to respond effectively to cyclical supply-demand changes by implementing measures such as idling and blank sailing, as well as nominal capacity adjustments through the variable use of charters. The historically low level of the industry's order book as compared to the current fleet size also augurs well for continued positive supply to demand balance. The better management of this balance has been reflected by declining freight rate volatility in recent years and, most recently and significantly, by the 43% year-on-year increase in the Shanghai

Containerized Freight Index ("**SCFI**") monthly average between August 2019 and August 2020, notwithstanding the COVID-19 pandemic's depressing effect on demand.

***Our position as a global leader in container shipping is underpinned by our extensive network and comprehensive commercial offering.***

We are a global leader in the container shipping industry, operating one of the largest global container shipping networks. We are the fourth largest provider of container shipping services in the world in terms of capacity (total fleet capacity of 2.8 million TEU as of June 30, 2020). Our operating fleet of 500 vessels represented more than 11% of the total capacity of the world fleet of fully cellular containerships as of September 2020 (source: Alphaliner Monthly Monitor, July 2020). We deploy vessels across 273 lines, comprised of 117 deep sea lines and 156 short sea and feeder lines, and call at 420 ports in 160 countries. We have a substantial fleet of ultra-large container vessels ("**ULCVs**"), which will be further strengthened by deliveries of vessels in our current orderbook, including a new class of nine 23,000 TEU LNG-powered containerships, the first of which (the CMA CGM JACQUES SAADE) was delivered on September 22, 2020.

Our shipping network combines the benefits of global breadth and local depth. We operate one of the most extensive global and local networks of direct shipping services covering the four major East-West trade lanes: Asia-Europe, Transpacific (Asia-North America), Transatlantic (Europe-North America), and Asia-Middle East, which accounted for 10.9%, 20.4%, 4.3% and 9.8% of our shipping volumes for the twelve months ended June 30, 2020, respectively. We also service other trade lanes, such as Asia-Red Sea and intra-Asia, and niche markets, such as the Caribbean, Black Sea and Africa. In addition, we have substantially expanded our intra-regional lines organically and through targeted acquisitions in recent years, including those of Mercosul (intra-Brazil) in 2017 and Containerships (intra-Europe) in 2018, increasing significantly our market share on short sea trades. We believe the scale and reach of our network is a key factor in our customers choosing to work with us.

Our global leadership in the container shipping industry is bolstered by our membership in Ocean Alliance, which serves to increase our market reach. Our membership in Ocean Alliance allows us to build on our comprehensive and customer-focused service network by allowing our customers to take advantage of higher sailing frequencies, better transit times and greater coverage in terms of loops, ports of call and port pairs to more efficiently and reliably transport their goods. Ocean Alliance operates 40 services on the East-West trades, which makes it the leading alliance in terms of services and overall coverage. Ocean Alliance operates a highly efficient fleet of 325 vessels, with approximately 38 million TEUs in total annual capacity and the largest market share of any shipping alliance on the Transpacific trade and the second largest on the Asia-Europe trade, both of which showed the most resilience in 2020 in terms of volumes (source: Drewry, September 2020). We are the main contributor in terms of deployed capacity to Ocean Alliance, deploying a fleet of 112 vessels with a 34% capacity share. The term of Ocean Alliance was recently extended through to 2027, which we believe demonstrates the good operating relationship among its members and shared optimism in the potential for further growth.

We have cultivated a number of higher value niche business lines that support our profitability. For example, we have the second-largest fleet of reefer containers in the world, which allows us to address a distinct customer base that needs transportation of perishable goods, pharmaceuticals, frozen food and wines and spirits. Since our acquisition of NOL in 2016, we have maintained a contractual relationship with U.S. authorities and have the certification to carry U.S. governmental cargo with nine of our vessels sailing under the U.S. flag. We recently developed, through our new "CMA CGM+" program, 16 new products and services designed to enhance our customer centricity strategy by protecting cargo and expanding our customers' business; service features such as "Seapriority Go", a new solution that guarantees priority transportation of goods (which has seen particularly high demand during the COVID-19 pandemic as air freight supply has been more limited), and "Delay In Transit", which permit the temporary storage of containers in a dedicated hub until they are ready to arrive at the designated final destination. In addition, we continue to identify and cultivate ancillary revenue streams for activities related to our core container shipping business, such as pre- and post-shipping intermodal transportation, charges for detention and demurrage in the case of delays and documentation fees, among others. These revenues are not dependent on vessel freight rates, and thus provide sources of revenue that help to reduce our revenue volatility and exposure to changes in freight rates. We offer a full-service offering to our customers, which includes leadership in niche markets and cross-selling of end-to-end logistics services. Further, our end-to-end global logistics network complements our shipping network and the integration of CEVA provides us with significant cross-selling opportunities across the whole value chain, further distinguishing us from other major container shipping companies that largely rely on third-party logistics suppliers. This comprehensive service portfolio has positioned us to become the provider of choice for complex, integrated, end-to-end supply chain solutions.

We believe our broad market reach, route diversity and flexibility position us as a global leader in our industry. We believe these strengths have enabled us to outpace industry growth in terms of volume. From 2017 to 2019, we achieved a compound annual growth rate, in terms of volumes transported, of 11.4% (including the effect of our acquisitions during the period), as compared to an industry compound annual growth rate of 3.4% (source: Drewry, September 2020). In addition, we have demonstrated resilience through our diversified revenue stream, with no single trade representing more than 15% of our annual volumes transported in 2019, and significant ancillary revenue streams for activities related to our core container shipping business.

***We serve a diversified and loyal customer base, which was further enhanced by our acquisition of CEVA.***

Our diversified and loyal customer base is founded on dedicated commercial services and a strong reputation. We have a global shipping customer base of over 70,000 customers, to whom we are frequently marketing CEVA's logistics service offering. Our customer portfolio in our shipping business is highly diversified by both geography and industry sector and includes important customer relationships with both direct shippers, such as Samsung, Ikea, GM, BASF, Coca-Cola, Renault and Nestlé, and leading freight forwarders, such as DHL, Kuehne + Nagel, Schenker, Expeditors and Panalpina. In 2019, the volumes transported for our top 20 shipping customers by volume represented 15.7% of total volumes carried (16% in the six months ended June 30, 2020), and no customer accounted for more than 2.5% of total volume.

The combination of our pre-existing shipping clients with CEVA's logistics clients has further strengthened and diversified our customer base. CEVA has a diverse client base of more than 15,000 customers. CEVA's top 30 customers accounted for approximately 40% of its revenue for the year ended December 31, 2019, with its single largest customer accounting for less than 4% in the same period. CEVA has a particularly strong presence in the consumer and retail industry, which accounted for approximately 27% of standalone revenues in 2019. CEVA also has a strong presence in the aerospace, automotive and technology sectors, which accounted for 25%, 23% and 17% of standalone revenues in 2019, respectively, and is showing particularly promising growth in e-commerce and pharmaceuticals. CEVA's top 20 customers in 2012 all remain significant customers in 2020, again highlighting the customer loyalty that exists in our business.

Similarly, our top 20 shipping customers in 2005 all remain significant customers in 2020, which highlights the strong, long-term customer relationships that we have built in the shipping industry. Our operations are supported by an extensive global network of 193 shipping agencies operating through more than 755 offices worldwide. These agencies act as our local sales, marketing and customer service representatives. Our shipping and logistics services enable cross selling, with complementary shipping and value-added logistics service offerings. We believe our reputation for quality and reliability, our ability to offer clients tailor-made and innovative transportation solutions, together with our global reach and leading market position, give us a competitive advantage. This is further recognized by the number of accolades we have received, including the "Shipping Company of the Year Award" at the SeaTrade Maritime Awards Asia 2020 in Singapore.

***Our business model is built around a modern, flexible and valuable asset base of vessels and containers, as well as complementary logistics and infrastructure assets.***

We have a comprehensive, modern and diverse asset base that is highly integrated and complementary, with our terminal and logistics assets providing valuable support services and allowing us to optimize the use of our vessel and container assets. This diversified, but complementary, asset base also increases our revenue diversification, helping to reduce volatility and our reliance on freight rates, and enhances our operational and financial performance.

We operate a large and flexible fleet of modern vessels. As of June 30, 2020, our fleet consisted of 500 container ships with a total capacity of 2.8 million TEUs, of which we owned or operated under financial lease or equivalent arrangements 149 vessels, or 41% of our fleet by capacity, and chartered the remaining 351, or 59% of our of our fleet by capacity. Within our chartered fleet, 233 vessels, or 71.6% of our chartered fleet by capacity, had a remaining charter duration of less than one year, which among other things enables us to react efficiently to changing market conditions and supply-demand dynamics. We also maintain a large and diverse fleet of containers, totalling 4.0 million TEUs as of June 30, 2020, of which we leased 86.4% under operating leases and owned the remainder. The composition of our fleet provides us with a significant degree of flexibility in our operations, allowing us to adapt the size of our vessels in accordance with demand on our various trades, as demonstrated in 2020 where we decreased our overall fleet deployed capacity by 1.7% between December 2019 and April 2020 and then increased our capacity by 3.7% between April 2020 and July 2020. Moreover, the increasing efficiency of our vessel fleet as a result of increasing size (40% of our fleet capacity was comprised of vessels larger than 10,000 TEUs as of June 2020), age (the average age of our vessels was 8.3 years as of June 2020), technological advancements, retrofitting and our operational efficiency efforts have helped us to control our operating costs and improve our profitability. Our well-invested fleet had a market value (owned vessels based on the average of four independent ship brokers' valuation) of $5,811 million as of June 30, 2020.

We are also growing in line with our sustainability strategy and efficiency targets, with existing orders benefitting from the latest technology and powered by environmentally friendly energy sources. For example, in September 2017, we entered into shipbuilding contracts for the delivery of nine 23,000 TEU vessels, which will benefit from new technology and be powered by LNG. The first vessel in the new class of 23,000 TEU LNG-powered containerships, the CMA CGM JACQUES SAADE, delivered on September 22, 2020, is equipped with the latest technology, including a smart system to manage ventilation for the reefer containers carried in the hold. Three further vessels are scheduled to be delivered in 2020 and the remaining five vessels are scheduled for delivery in 2021. These vessels are expected to replace smaller vessels on our Asia-Europe trade, allowing us to take advantage of the per-unit cost savings associated with larger vessels and ensure that we have sufficient capacity to accommodate future growth in demand on this trade. We will then be able to cascade the vessels that they replace to other trades, which will thereby increase the average size of vessels in use and the cost efficiency across our network. We will continue to deploy such vessels in accordance with demand fluctuations. See "*Business—Services—Shipping—Current Order Book—Current Order book.*"

Our asset base also includes important strategic and complementary terminal and logistics assets. We have invested in a number of port terminal facilities around the world where we have significant operations. We currently have interests in, or agreements related to, 50 terminals around the world, of which 47 are in operation and three are in development or under acquisition. CEVA operates an asset-light business model with low capital intensity, relying on a comprehensive global network of long-term leased warehouses. This model allows us to scale our operations and adapt quickly to changing conditions in the logistics industry. We are able to carefully manage composition, financing and operational deployment of all our assets. We are able to extract value quickly from our terminal and logistics assets while keeping a part of the ownership (majority or minority) stake to secure operational needs. Leveraging our shipping volumes, we have proven our ability to turn greenfield or underperforming brownfield assets into mature and profitable terminals representing significant potential for cash proceeds in case of potential disposals. We have also shown a consistent ability to refinance our fleet of containers and vessels, illustrating continued market appetite for our prime assets, such as large vessels, niche vessels with high reefer capability and reefer containers.

***Our ability to capitalize on industry trends and drive improvements in our cost base are key structural drivers of improved profitability.***

We have successfully capitalized on industry trends, such as demand for value-added services, to drive revenue growth and diversification, while at the same time continuously improving our cost base in order to drive improved profitability. We believe this approach has helped us to outperform the industry in terms of profitability, as shown by our Core EBIT for the twelve months ended June 30, 2020, which exceeded the industry benchmark.

As the fourth largest container shipping company worldwide, we benefit from significant economies of scale, increased bargaining power when negotiating contracts, rebates and discounts. We have the resources to serve large customers requiring global coverage and the means to meet their specific needs by transferring perishable goods in reefers, for example, and we also have the ability to optimize the use of our assets, all of which positively contribute to our operating margin. We have invested in ULCVs that enable us to serve trade lines, predominantly the major East-West trade lanes, more efficiently than fleets that use smaller vessels. For example, the bunker fuel cost per TEU for a new 20,000 TEU new-generation containership is estimated to be about 25% lower than the equivalent costs for an older 14,000 TEU ship operating on the same route, so our ability to cascade larger vessels helps us to reduce our operating costs per unit. When we replace our ships serving main lines with ULCVs, we expect to cascade replaced ships to secondary trade lines where they will in turn replace smaller tonnage.

We have successfully implemented initiatives to improve our cost base, including both cost savings and margin improvement measures. Since 2016, we have annually implemented a comprehensive plan, that we call

“Agility”, involving a broad range of cost reduction and efficiency measures across our organization aimed at reducing our per-unit costs, thereby improving our profitability and increasing the resilience of our business in cyclical downturns. We are continuing systematically to implement further cost savings and margin improvement measures. Such measures, combined with both the capacity management initiatives implemented in response to demand reductions in the COVID-19 pandemic context and bunker price decreases, helped us to reduce our overall operating expenses from $13.4 billion for the six months ended June 30, 2019 to $12.0 billion for the six months ended June 30, 2020. Our reduced cost base also contributed significantly to improved profitability, going from a net loss of $153.7 million for the six months ended June 30, 2019 to a $195.2 million net profit for the six months ended June 30, 2020. These successes in controlling costs and improving profitability across our organization, despite the volatile market conditions in 2020, demonstrate the ability of our management to successfully implement an effective cost control strategy. We have demonstrated that substantial structural improvements can lead to improved profitability, as evidenced by decreasing cost per unit (excluding bunker) in recent periods in spite of depressed volumes, from $962 per TEU in the six months ended June 30, 2019 to $922 per TEU in the six months ended June 30, 2020, while revenue per unit (revenue/ TEU) slightly increased over the same period from $1,097 per TEU to $1,116 per TEU. An example of a cargo selection, and hence cost-reduction measure, is our optimization of the mix of headhaul and backhaul in our operations, from headhaul of 66.3% in 2017 to 64.5% in the six months ended June 30, 2020 and from backhaul of 33.7% in 2017 to 35.5% in the six months ended June 30, 2020. CEVA has also put in place its own cost reduction initiatives as part of the IMPACT 2020 turnaround plan, designed to help CEVA to make positive contributions to group profitability in the future.

***Our management benefits from a long experience in aptly navigating market cycles with a distinctive entrepreneurial spirit.***

We benefit from what we believe to be one of the most highly qualified and experienced management teams in the container shipping industry. Mr. Rodolphe Saadé is our Chairman and CEO and is supported by an experienced senior management team. Our five most senior operational executives have on average over 18 years of experience within the industry. They have weathered previous challenging industry troughs as well as turned around loss-making acquired companies such as NOL. In addition to promoting managers from within, we also selectively hire senior managers from outside the Company to provide our management team with new views, ideas and skills. Following the acquisition of CEVA in 2019, we hired an experienced team of logistics executives to help support our plan to fully integrate and turnaround CEVA.

We believe that our ability to react quickly represents an agility that gives us a significant strategic advantage over our competitors. For example, our management team demonstrated an entrepreneurial and flexible decision-making process through its acquisition of CEVA in 2019. Furthermore, our management team has shown dexterity in navigating the Company through the turbulent first half of 2020. The quick decision-making process has enabled us to adapt our capacity to evolving market demand and enhance our profitability.

***We are focused on operational excellence, sustainability and digital innovation.***

We believe our operational excellence, focus on sustainability and digital innovation are key drivers of the success of our business.

Our sustainability investments, together with our investments in digitalisation, are key components of our commitment to operational excellence. These investments have optimized our trade lines, routing and bunker fuel consumption and improved our overall operational efficiency. For example, the use of a central, real-time supervision centre and retrofitting and maintenance initiatives have helped us to reduce our bunker fuel consumption from 413kg per transported TEU in 2017 to 357kg per transported TEU in the six-month period ended June 30, 2020. Our three navigation and port operations centres in Singapore, Marseille (France) and Miami (U.S.) further ensure the safety of our seafarers, fleet and customers’ cargo worldwide by leveraging data (such as on currents, waves, weather and vessel positions) from various third parties as well as using in-house data (such as live vessel feeds). The expert teams in each of our operations centres are empowered to assess, anticipate and mitigate any navigation related risks to our vessel operations.

We recognize digitization will continue to play a crucial role in the future of the shipping and logistics industries and we are making important investments to develop a strong digital culture. We have made significant investments in our information technology systems and our data management and analysis systems to ensure optimization of lines, routing and bunker fuel consumption. For example, we have invested in the Marseille-based startup, Traxens, which has developed smart containers to optimize customers’ supply chain management through the use of technology and trackers that are fitted to containers to provide a unique level of traceability. Separately, we launched ZEBOX in 2018, a startup incubator and accelerator, which allows us to work alongside startups, corporate partners and academics who are developing vertical technologies, including artificial intelligence, robotics, cybersecurity, blockchain, augmented reality and IoT. The ZEBOX incubator programme is supported by CMA CGM Ventures, which is an investment fund that invests in 10 to 20 startups. Overall, we have built a truly global ecosystem to foster innovation and digitization and monitor innovative projects at all stages of development: from prototype to incubation & acceleration (via ZEBOX), to equity investment (CMA CGM Ventures), to industrial deployment (Traxens) for our industrial benefit. We increasingly seek to emphasise the development of our e-commerce platforms. See "*Business—Information Systems and Logistical Processes*." As a result, we believe we are well positioned to anticipate customer demands, take advantage of our fast-growing e-commerce business and be a driving force for digital innovation in the industry.

In recent years, we have made significant investments in environmentally friendly technology to improve our sustainability. We are at the forefront of the industry as the first to order and deploy very large LNG-powered ships. Our investment in LNG includes our order of nine 23,000 TEU LNG-powered containerships (the first of which, CMA CGM JACQUES SAADE, has just entered our fleet), a long-term charter of ten 15,000 TEU new build vessels powered by LNG or equipped with hybrid scrubbers, substantial retrofitting of existing owned vessels with hybrid scrubbers and the entry into long-term LNG supply agreements with Total for the LNG-propelled vessels entering our fleet. LNG is a clean energy that goes beyond the requirements set by the IMO 2020 regulations by reducing emissions of sulphur oxides and fine particles by 99.99%, nitrogen oxides emissions by up to 85% and carbon dioxide emissions by around 13% (including methane slip). In addition, to further improve the environmental performance of the nine 23,000 TEU vessels, the hull forms have been hydrodynamically optimized. Our customers expect us to follow environmental, social, and corporate governance ("**ESG**") principles that foster sustainability and our focus on LNG is a response to this expectation.

## Our Strategy

Our key strategic objectives are as follows:

***Leveraging the size and global presence of our shipping business to develop cross selling and increase CEVA's revenues.***

We intend to leverage the global scale and leading market position of our shipping business, which provides services to over 70,000 customers worldwide, to cross-sell logistics services and drive revenue growth at CEVA. We are one of the few liners to operate a truly global network, with one of the most extensive networks of direct services covering the four major East-West trade lanes. We also hold a market-leading position in the Transpacific trade route, which has not only proven to be resilient in a volatile market, but also represents a significant growth opportunity. We are executing a strategy to use these strengths in our shipping business as a springboard for global growth in our CEVA logistics business.

Our acquisition of CEVA in 2019 was part of our strategy to expand and diversify our commercial offering with complementary value-added services. We are now able to have global supply chain discussions with some of our key customers, which we believe positions us well in comparison to competitors that offer more commoditized standalone shipping services. We seek to leverage the logistics capabilities of CEVA, and its existing diversified customer portfolio, to upsell our expanding shipping service offering.

At the same time, we intend to capitalize on the size and global presence of our shipping business to develop cross-selling opportunities for logistics services to drive CEVA's top-line growth. We aim to grow the share of non-freight related revenues in our total revenue mix by further developing value-added services that often command premia such as pre- and post-shipping intermodal transportation, detention and demurrage in the case of delays and priority handling at origin or destination and guaranteed availability of container equipment. We have also recently developed, through our new "CMA CGM+" program, consisting of 16 products and services designed to enhance our customer centricity strategy by protecting the cargo and expanding the business of our customers, service features such as "Seapriority Go", a new solution that guarantees priority transportation of goods, and "Delay In Transit", which allows the temporary storage of containers in a dedicated hub until they are ready to arrive at the designated final destination. We believe these products and services will facilitate our cross-selling efforts with a view to increasing CEVA's revenues. Conversely, CEVA is enabling us to offer additional valuable services to our existing shipping customers. For example, at the height of the COVID-19 crisis we were able to offer existing shipping clients ad hoc air charters in order to transport masks and other crucial medical supplies. We intend to continue developing our air freight expertise alongside CEVA in a manner complementary to our shipping operations.

***Evolving and adapting alongside our clients' supply chains and sourcing patterns.***

Our flexible business strategy enables us to adapt both to our customers' supply chain and sourcing needs as well as emerging trends in global trade and the geopolitical climate. One such emerging and growing trend is an increase in intra-regional trades in response to growing demand for supply chain diversification and changing consumer behavior toward local consumption. For example, the intra-Asia trade has evolved as manufacturers and importers adopt a "China plus one" supply chain strategy in response to the maturing Chinese manufacturing market (e.g. rising wages) and ongoing trade tensions between the U.S. and China. We have adapted to align our business to these trends by consolidating and rebranding our intra-Asia shortsea service, "CNC", with positive results. We intend to continue to leverage this strong brand to satisfy evolving client demand in this market.

We will continue to carefully evaluate our operations in order to allocate resources towards the services that are most valuable to our clients, which we believe will contribute to improved profitability. For example, in the context of the COVID-19 pandemic which has led, among other things, to reduced air freight capacities , we have reinforced our pre-existing express service, EXX, with another express service to offer our clients direct services with minimal transit time and, subject to the payment of a premium, guaranteed delivery time. Globally, we have pursued significant cargo selection efforts across our lines since late 2019, focusing on the most profitable transported volumes to improve overall profitability. In line with the evolution of customer demand we have also targeted: (i) direct shippers, where a growing number of large clients value the addition of our logistics offering, and (ii) optimizing backhaul, which has grown from 33.7% in 2017 to 35.5% in the six months ended June 30, 2020. Both of these are linked to value-added services and niche businesses for which we increasingly cater. We will continue these efforts to identify the most profitable portions of our business in order to cultivate and grow them.

Furthermore, we will continue to evaluate our e-commerce strategy in order to grow this business to capitalize on the increasing use of e-commerce by our clients and their end-users, in particular since the outbreak of the COVID-19 pandemic. In April 2019, CMA CGM announced the launch of CMA CGM eSolutions, an entirely digital ecosystem comprising an online agency and other e-commerce channels, such as Electronic Data Interchanges (EDI) and Application Programming Interfaces (API). With CMA CGM eSolutions, our clients can access all their shipping needs with a single click. During 2019, our e-Commerce platform, delivered 46% of our total bookings, evidencing both the emerging importance of e-commerce to our industry and our ability to adapt to satisfy the needs of evolving technological trends. We constantly invest in our e-commerce platform and digital transactions with our customers as part of our "Digital Agency Strategy."

More generally, we have embarked on a brand rationalization strategy designed to offer enhanced visibility to our clients. The rationalization strategy has resulted in the creation of: (i) a unique global carrier for intercontinental routes under the CMA CGM brand; (ii) regional specialists for short-sea and/or door-to-door offers (Mercosul, CNC, ANL and Containerships); and (iii) shipping experts for niche markets (e.g., the APL brand will be used solely for U.S. government cargo).

***Continuously implementing efficiency and cost improvement measures to enhance overall profitability.***

We will continue our approach in recent years to focus on systematically reducing costs to increase the profitability of our operations while enhancing our financial strength. We have fostered a permanent culture of cost reduction measures and successfully implemented broad-based plans over the last five years, under the umbrella name of "Agility" that in particular achieved annual run-rate cost savings of approximately $1 billion by the end of the 2016-2019 period. With a view to further reduce our costs, we foster a culture of permanent cost discipline aimed at improving our margins and countering the effects of potential price increases on our operating expenses. These plans involve network optimization, brand rationalization, fuel efficiency, procurement initiatives including contract renegotiations, SSC development and various other cost-reduction initiatives. Moreover, we are deploying a systematic turnaround plan for CEVA ("**IMPACT 2020**") that includes both cost-reduction aspects designed to bring CEVA's profitability level in line with that of its peers by 2023/2024 as well as business development and expansion aspects.

***Leveraging industry dynamics to foster further organic and inorganic growth.***

We plan to continue to grow organically by increasing the frequency of the container shipping services that we offer on existing lines, expanding into new lines and new geographic regions and expanding our business into related markets and services. We will continue to reinforce our logistics activities both through organic growth and selective acquisitions in the logistics sector, including both contract logistics and freight management to keep supporting our clients' international supply chains and continue our diversification. We will also continue to invest in selected strategic assets throughout the end-to-end shipping and logistics chain, such as the largest vessels, dry ports, terminals (for example, during the last five years, our projects in Kingston, Jamaica and Kribi, Cameroon) and various logistics assets as illustrated by our proposed limited investment in TTIA in Algesiras, which plays an integral role as a transhipment hub located at the centre of containerized cargo flow in the strategic Gibraltar area. We believe that continuing to invest strategically in the logistical chain, with investments that may be structured in the form of wholly owned subsidiaries, majority stakes, or strategic minority positions, will help us maintain our cost structure while supporting revenue diversification.

In terms of fleet management, owned versus chartered vessels composition and the timing profile of our chartered-in fleet, we will continue to invest selectively in new vessels as well as take advantage of chartering arrangements to secure new vessels while limiting invested capital. Our new shipbuilding orders will continue to focus on strategic and sustainable assets such as ultra large container vessels ("**ULCVs**") to take advantage of economies of scale and maintain competitive unit costs in the context of industry trends towards increasing volumes and scale or small vessels with unique features and providing a competitive advantage to the fleet such as Guyanamax vessels specifically designed with large hulls to enter coastal waters with limited draught possibility.

In terms of inorganic growth more broadly, we will remain attentive to opportunities that present a strategic fit or a diversification potential, as demonstrated by our acquisitions of Containerships and CEVA in 2017 and 2019, respectively. Our key evaluation criteria for any acquisition proposal, which may include substantial acquisitions as well as "bolt-on" transactions, will include growth potential, financial attractiveness and manageable execution risks, while maintaining a balanced financial policy consistent with our deleveraging roadmap (see "*Description of Certain Financing Arrangements—Key Financial Ratios*"). We are regularly and actively monitoring potential acquisition targets that may fit the criteria noted above. As a result, we could seize opportunities at any time. See "*Risk Factors—Our results and financial condition could be affected by acquisitions and other growth initiatives and by difficulties in managing them*."

***Reinforcing our digital presence to improve our service offering and foster cost reduction.***

We have an ambition to become the industry leader in new digital solutions in order to meet the needs of our customers, who are increasingly seeking more transparency, speed, interaction and visibility. Our level of investment demonstrates our ambition; for example, in the first six months of 2020, we dedicated $23.6 million of expenses to digital investments.

Our partnerships with Infosys, IBM, our ZEBOX incubator and the CMA CGM Ventures investment fund will provide the means to achieve this strategic aim of digital transformation. With a view to improving our performance and efficiency, we are developing a combination of short-term and structural long-term projects; many such projects are with startups affiliated with our ZEBOX incubator program. These startups look beyond the maritime shipping industry and seek to develop cutting edge tools and technology for our customers across various industries. Fundamental solutions are being developed, including machine learning, big data and robotics. We have already launched certain initiatives such as Reeflex (an advanced solution for the transportation of liquids), Aquaviva (line of containers that is designed for the transportation of live aquatic animals by sea), Climactive (technology for the transportation of highly sensitive fruits, vegetables and flowers) and Traxens (smart containers designed to optimize customers' supply chain management by providing, for example, notifications in case of humidity or an abnormal rise in temperature). We are interested in how future technologies may shape the shipping and logistics industries; for example, we are using blockchain to offer secure and paperless bills of lading, which is a crucial document in the shipping industry that will help to make the shipping administrative process far more efficient for our customers. We are also exploring augmented reality as a team training aid and as a predictive maintenance tool to anticipate problems on our ships.

As part of our strategy, we will continue improving our technological infrastructure to support our shipping agencies, individual lines, logistics activities and various head office departments. We hope to leverage the effects of digitization to identify and exploit opportunities to spread best practices across our operations and streamline our operations to reduce overall costs. We will seek to use artificial intelligence and big data to improve operating efficiency, identify and capture opportunities for growth and provide access to valuable information for our customers to provide a differentiated service. We have developed and deployed a global information system that consolidates data from across all our operations using real-time internet-linked technologies and a common software platform, allowing our employees access to the most up-to-date shipping information available. As part of that global information system, in 2019 we launched CMA CGM eSolutions, which is an entirely digital ecosystem comprising an online in-house agency and other e-commerce channels that digitize the customer experience. CMA CGM eSolutions offers ePricing, eBooking, eBill of Lading, eTracking, ePayment and eCharges. This is complemented by the deployment of new IT tools for CEVA, including the ongoing deployment of myCEVA, which will allow customers to manage efficiently their freight from end-to-end with real-time rates and quotes through a quick and simple booking process. See "*Business—Information Systems and Logistical Processes.*"

***Growing "green" / Sustainable growth***

We have a sustainable and environmentally friendly growth plan to support new requirements of various government regulations and of our clients as well as to ensure corporate social responsibility. Besides meeting the new emission requirements set by the IMO 2020 regulations, in effect from January 1, 2020, we have set for ourselves the ambitious goal of reducing our carbon dioxide emissions by 50% by 2030 (compared with our 2008 levels). We are intent on developing one of the most efficient and environmentally friendly fleets in the shipping industry with a balanced consumption of LNG, HSFO (with retrofitting) and LSFO. This is evidenced by, among other things, our $1.4 billion investment in nine 23,000 TEU vessels powered by dual fuel LNG to be delivered this year and next; our entry into a long-term charter agreement for ten new-build 15,000 TEU vessels, half of which will be powered by dual fuel LNG engines and the other half will be fitted with hybrid scrubbers, to be delivered in 2021 and 2022; our order of six LNG vessels of 1,400 TEUs (the remaining two vessels to be delivered in January and April 2021; our order in November 2019 for six dual fuel/LNG 15,000 TEU vessels; and our investment in the most technologically advanced hybrid scrubbers, which meet regulatory standards worldwide and offer the cleanest solution to removing exhaust gases and harmful substances, while giving us the option to use high sulfur fuel oil (generally less expensive than low sulfur fuel oil). When delivered, our LNG-propelled vessels will lower our carbon emission by 14% (net of methane slip impact) and our sulfur emission by 99.99% on a per vessel basis. Finally, in terms of fuel sources, we have commenced testing biofuel in 2020 as a means to further decrease our carbon emissions in the future and are targeting to renew such testing program in 2021. In this respect, we have approached our major customers through a working group in order to analyse different biofuel types and needs as well as identify the main technical constraints with a view to further reducing our carbon footprint. We have also developed solutions and services for our customers to facilitate their efforts to monitor their own carbon footprints and reduce their greenhouse gas emissions, including through the use of carbon calculator software. We have also taken several commitments to improve our ecological footprint such as pledging not to use the Northern sea routes and cleaning up the plastic in our oceans; in partnership with the Ocean Cleanup, we hope to recycle one million plastic bottles by 2021.

We are equally committed to improving our carbon footprint in our logistics business. We hope to reduce current levels of paper consumption by 20% by 2021. Our executive vehicles are exclusively hybrids and electric vehicles. We are also introducing green electricity into CEVA's warehouses.

We are committed to gender and cultural diversity throughout our organization. Our goal is for women to comprise at least 20% (currently 11%) and culturally diverse people to comprise 50% (currently 43%) of our 100 most highly compensated employees by 2025. We aim to offer healthcare to 100% of our employees by 2022 and, depending on the further course of the COVID-19 pandemic, to have at least 10% of our workers on a remote working basis in 2021. We are also focused on developing a sustainable supply chain, with the aim of assessing 10,000 of our suppliers by 2025 (currently at 1,959). Finally, we aim to introduce a code of ethics for all of our employees and develop low emissions alternative routes, which will become operational by 2021.

***Preserving a balanced financial policy, maintaining a strong liquidity position and reinforcing a cash culture.***

Notwithstanding recent trends in the shipping industry (consolidation and alliances in particular and capacity management initiatives more generally) tending to foster lesser volatility of freight rates in the shipping market and intrinsically more stable or predictable earnings of the logistics business, we will continue to focus on improving our balance sheet profile and maintaining a strong liquidity position while also ensuring we have flexibility to invest in strategic assets to improve our long-term profitability and growth perspectives. We will also continue to seek greater centralization of assets within our group, which provides us with the support of a strong balance sheet and facilitates potential leveraging of these assets in financial operations. Our management team has a proven ability to implement an agile and efficient financing strategy, to mobilize and leverage our assets and to maintain flexibility throughout the business cycle, including in the recent turbulent period marked by the COVID-19 pandemic.

In particular, our management team has a sharp focus on cash flow generation with cautious cash management and has instilled a culture of cash preservation and generation across the organization in order to reinvest in our business and fully capitalize on our orderbook. Our positive cash flow generation, driven by improving profitability, supports our robust liquidity position. Our free cash flow for the first six months of 2020 was $473 million, compared with $40 million for the first six months of 2019. This is particularly due to laser focus on maintaining and increasing liquidity. As an example, we have long had and will maintain a policy to have our subsidiaries distribute as much of their net income as possible up to the parent company in order to strengthen our financial position. As another recent example, we are successfully implementing a divestment and liquidity enhancement program to reinforce the group's capital structure and liquidity position by divesting certain of our assets (with the aim of raising $2.1 billion) and refinancing certain of our debt obligations. As part of this program, the group recently closed the sale of a $814.8 million portfolio of terminals to Terminal Link, along with several sale-and-leaseback transactions generating approximately $769.7 million in cash between July 2019 and December 2019. Further, we rolled over to 2023, $535 million of unsecured revolving credit facilities maturing in 2020. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Divestment and Liquidity Enhancement Program*." We will also continue to explore a variety of funding sources to support our liquidity position, including through debt capital markets transactions and leasing transactions, leveraging our strong relationship with our core banks and our securitization program reinforced by the addition of CEVA.

**History**

CMA (*Compagnie Maritime d'Affrètement*), one of our predecessor companies, was founded in 1978 by Mr. Jacques R. Saadé, when he initiated a regular line between the west Mediterranean, Lebanon and Syria from CMA's base in Marseille. Subsequently, CMA began regular services between North Europe and the Middle East, thereafter making inroads into Asia and particularly into China, where we are now established as one of the largest container carriers in terms of capacity. On June 25, 2018, Mr. Jacques R. Saadé passed away, months shy of CMA CGM's 40$^{th}$ anniversary. Our history is a testament to his pioneering spirit, innovation and vision.

In November 1996, CMA acquired CGM S.A., a state-owned French operator. The two companies contributed complementary routes to the newly formed CMA CGM, as CMA historically operated within the Asia-Europe and Transatlantic markets and CGM S.A. focused on selected lines between France and its former and current territories in Africa, the Caribbean and South America.

In 1998, we acquired ANL Singapore in order to establish ourselves in the Australasia market.

In December 2002, we acquired MacAndrews, a short-haul carrier based in the United Kingdom, which operates container shipping services to Spain, Portugal and ports around the Baltic Sea, as well as shipping agencies in each of these markets.

In January 2006, we acquired Delmas, a company based in Le Havre, France, which primarily operated container shipping services to Africa from Europe and Asia, as well as shipping agencies in Africa.

In March 2007, we purchased a majority interest in Taiwan's Cheng Lie Navigation, a leading container transportation company active in the intra-Asian market. In addition, in May 2007, we acquired Compagnie Marocaine de Navigation ("Comanav"), the former Moroccan national shipping company.

In January 2011, the Turkish company Yildirim subscribed (via its subsidiary Yildirim AM) for $500.0 million of ORA, corresponding to a 20.0% stake in the Company upon conversion in December 2015.

In January 2013, Yildirim AM subscribed for $100.0 million of ORA, corresponding to a 4.0% stake in the Company upon conversion in December 2015.

In June 2013, BPI subscribed for $150.0 million aggregate principal amount of ORA, corresponding to a 6.0% stake in the Company upon conversion in December 2020.

In July 2015, the Company, via its subsidiary MacAndrews, completed the acquisition of the German carrier OPDR, reinforcing our presence in the intra-European short sea market.

In April 2015, the Company, via its subsidiary CMA CGM Logistics, acquired a strategic stake in LCL Logistix, one of India's logistics leaders.

In June 2016, the Company took control of NOL, then the world's 12th-largest shipping company, which operates under the APL brand. The acquisition reinforced our position in worldwide shipping with the complementary geographical strengths of the lines, while also boosting its competitive edge with substantial economies of scale.

In November 2016 the Company, COSCO Container Lines, Evergreen Line and OOCL signed definitive agreements to form the Ocean Alliance. The Ocean Alliance, which, as of the date of these listing particulars has a ten-year term from its commencement on April 1, 2017, covers the totality of the East-West trades. Together, the members operate 38 services using 325 container ships representing an estimated carrying capacity of around 3.8 million TEUs, allowing the alliance to comply with the requirements of global supply chains in providing higher sailing frequencies, better transit times and greater coverage.

In November 2017, the Company announced its decision to equip nine of its future ships of 23,000 TEUs, which are to be delivered in 2020 and 2021, with engines using LNG. CMA CGM will become the first shipping company in the world to equip giant containerships with this type of motorization, thus enhancing its firm commitment to the protection of the environment and to ocean conservation. The first of these vessels, our flagship vessel CMA CGM JACQUES SAADE, was delivered on September 22, 2020.

In December 2017, the Company completed the acquisition of Mercosul Line, one of the leading players in Brazil's domestic container shipping market. Mercosul Line serves more than twelve ports with a fleet of five vessels, representing a capacity of 11,700 TEUs.

In May 2018, we initiated a strategic move towards expanding our logistics services through the acquisition of a 25% stake in CEVA at the time of its initial public offering. Through various transactions, we gained control of CEVA as of January 4, 2019, and we consolidate it in our financial statements as from such date. We caused CMA CGM Logistics to merge into CEVA in May 2019. Through additional transactions, we acquired nearly all of CEVA's share capital and effected the cancellation of the remaining shares and their delisting as of October 2019.

In October 2018, the Company completed the acquisition of Containerships, a Finnish full-service container-transportation and logistics company, operating primarily in the Baltic Sea. This acquisition enhanced our presence in the intra-European short-sea market and reinforced our door-to-door abilities. On December 30, 2019, we merged MacAndrews and former OPDR activities into Containerships to forge a new leading intra-European short sea operator.

## Services

### *Shipping*

Container shipping is our core business and, together with its related services, accounted for 75% of our revenues in 2019.

We ship a variety of containerized products such as low/middle market consumer goods, raw materials and agricultural products, luxury goods or temperature-controlled products through an extensive and diversified network serving both high-volume markets, such as the Asian-European, Asian-North America and intra-Asian markets and niche markets, such as the Caribbean, Black Sea, intra-European, Oceania and Brazilian markets.

Typically, the journey of a container will start at the sender's designated address, when an empty container is delivered to our customer's premises. Once the sender has filled the container with cargo, the container is transported by truck, rail, barge, or a combination of the three, to a container port, where it is loaded onto a container ship. The container is shipped either directly to the destination port or via a hub, where it is transferred, or "transshipped," to another ship. When the container arrives at the final destination port, it is off-loaded from the ship, and delivered to the recipient's premises via truck, rail or barge or a combination of the three.

When our service consists of solely providing container shipping activities, our responsibility is generally limited to the ocean leg of the container's journey, with customers or intermediaries arranging and executing the inland legs. However, with our offering of a wide range of value-added services and our acquisition of CEVA, we are gradually shifting into an integrated end-to-end supply chain management model. See "—*Services—Logistics*."

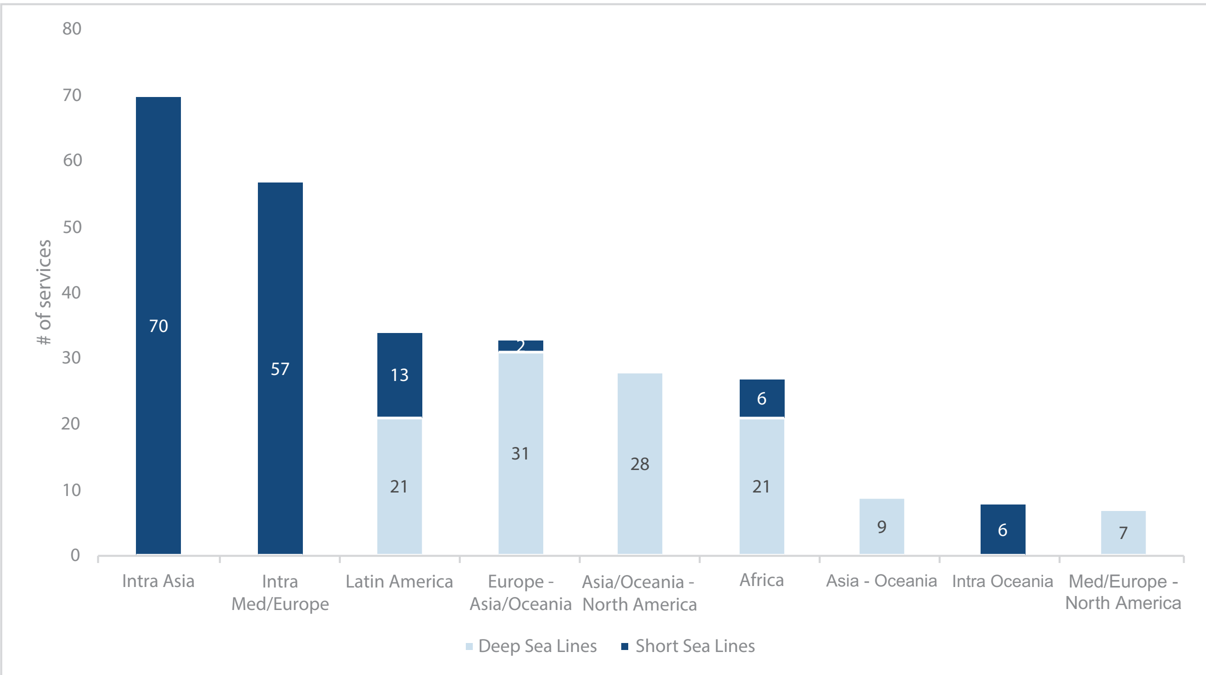
***Our Network***

We believe we are one of the few liners to operate a truly global network and specifically one of the most extensive networks of direct services covering all four major East-West trades: Asia-Europe/Mediterranean, Transpacific (Asia-North America), Transatlantic (Europe-North America), and Asia-Middle East but also other trades such as North-South lines (Latin America, Africa and Oceania) and several intra-regional lines. Our extensive and diversified network allows us to focus both on high-volume markets, such as the Asian-European, Asian-North America and intra-Asian markets and niche markets, such as the Caribbean, Black Sea, intra-European, Oceania and Brazilian markets.

We operate our container shipping services through various lines that we classify into two categories:

- *Deep Sea Lines*, which represent services operating intercontinentally; and
- *Short Sea Lines,* which represent regional end-to-end services transporting their own cargo between smaller ports, as well as feeder lines, which represent small non-intercontinental services that operate for purposes of connecting with main lines for most of their cargo and only to a very limited extent for their own purpose on regional routes.

The diagram below shows the total number of services we operated through our two lines categories as of December 31, 2019.




The chart below illustrates the volumes we transported in our principal markets, as well as through our two line categories, for the year ended December 31, 2019.

| | Volume per Market in 2019 (TEU) | | |
|---|---|---|---|
| **Market** | **Deep Sea Lines** | **Short Sea Lines** | **All Lines** |
| Gulf & ISC | 2 160 232 | 29 836 | 2 190 068 |
| Asia Europe | 2 323 632 | 0 | 2 323 632 |
| Asia Med | 1 207 355 | 0 | 1 207 355 |
| US | 5 312 444 | 0 | 5 312 444 |
| Africa | 1 929 301 | 34 307 | 1 963 608 |
| Latin America | 2 752 748 | 109 108 | 2 861 856 |
| Oceania | 1 618 532 | 0 | 1 618 532 |
| Intra Regional | 0 | 4 078 990 | 4 078 990 |
| **Total** | **17 304 244** | **4 252 240** | **21 556 484** |

*Deep Sea Lines*

Our Deep Sea Lines, which operate intercontinentally, represent the main part of our service offering with 117 services. Deep Sea Lines rely on our largest vessels, with an average vessel size of 7,409 TEU as of June 30, 2020.

Our Deep Sea Lines cover the four major East-West trades: Asia-Europe, Transpacific, Transatlantic and Asia-Middle East, as well as the following North-South lines: Latin America , Africa and Oceania.

Our strong position on the Transpacific and Asia-Middle East trades was reinforced by our acquisition of Singapore-based Neptune Orient Lines (NOL) in June 2016, which was Southeast Asia's largest container shipping company and the twelfth-largest liner globally in terms of transport capacity at the time of the acquisition. This acquisition substantially increased our scale and reinforced our geographic coverage, allowing us to become the leader in Transpacific trade in terms of volumes carried.

*Short Sea Lines*

Short Sea Lines are regional end-to-end services calling at smaller ports and operating for their own purpose for most of their cargo. We operate 156 short sea line services, using smaller vessels with an average vessel size of 1,965 TEU as of June 30, 2020.

Short Sea Lines are an important component of our containership business and we continue to pursue a strategy aimed at expanding and densifying our regional networks with an ability to offer containerized door-to-door transport by short sea, rail, road and inland waterway to our clients, including through the addition of multi-modal logistics solutions to support and supplement such networks. See *"—Services—Logistics*."

We entered the Short Sea Lines business in 2002 by acquiring MacAndrews, and then we acquired CNC Line in 2007. We accelerated our expansion into this business over the last five years with the acquisitions of OPDR in 2015 (which we merged with MacAndrews in January 2018), Mercosul (in 2017), Sofrana (in 2017) and Containerships (in October 2018, into which we merged MacAndrews in 2019).

As a result of these acquisitions, we are a leading player in the intra-European, intra-Asian, Brazilian and Pacific Islands regional transport services markets.

*Change in Branding*

From October 2019, we embarked on a new strategy of brand rationalization to improve our visibility to clients through the identification of only one brand per operated trade. The CMA CGM brand became the sole commercial carrier of the group, operating in the Transatlantic, Asia-Europe, Asia-Mediterranean, Asia-Caribbean, Europe-India and Middle East trades. With effect from October 2020, CMA CGM will also become our exclusive commercial carrier on the Transpacific trade. In addition, we will continue to build upon the strong reputation and rich heritage of certain of our other brands. Relying on its history of U.S. flag-ship operations and service to the U.S. government, APL will be our single expert carrier for U.S. government cargo. It will also be our brand for the Guam-Pacific trade, which will serve to strengthen our position in the Far East—North America trade. CNC will be our group's intra-Asia shortsea specialist, Mercosul Lines will be our group's Brazilian cabotage expert and Containerships will be our group's multimodal transport provider in Europe.

Finally, our regional office in Singapore will be rebranded from October 1, 2020, and our NOL brand will be changed to CMA CGM Asia Pacific Limited. This Singapore-based hub will drive CMA CGM's development in the Asia-Pacific region with a focus on delivering end-to-end shipping and logistics solutions. ANL Singapore, which runs services in the Oceania and will continue to do so, will become a subsidiary of CMA CGM Asia Pacific Limited.

***Operations***

*Vessel Fleet*

As of June 30, 2020, our fleet consisted of 500 container ships for a combined capacity of 2.758 million TEUs and an average size of 5,516 TEUs, of which (i) we owned or operated under financial lease or equivalent arrangements 149 vessels for a combined capacity of 1,133 million TEUs, or 41% of our fleet by capacity (with an average size of 7,601 TEUs and a weighted average age of 8.4 years (based on total TEUs)) (hereinafter, the

"Owned Vessels"), and (ii) we chartered 351 vessels for a combined capacity of 1,626 million TEUs, or 59% of our fleet by capacity (with an average size of 4,631 TEUs and a weighted average age of 8.2 years (based on total TEUs)) (hereinafter, the "Chartered Vessels").

As of June 30, 2020, the capacity of our Owned Vessels decreased by 0.1% on a year-on-year basis and the average vessel size of our Owned Vessels decreased by 2.0% on a year-on-year basis. As of June 30, 2020, the capacity of our Chartered Vessels increased by 0.3% on a year-on-year basis and the average vessel size of our Chartered Vessels increased by 8.9% on a year-on-year basis.

Among the 149 Owned Vessels, as of June 30, 2020, (i) 37 vessels or 31% of our fleet by capacity (with an average size of 9,395 TEUs and a weighted average age of 6.7 years (based on total TEUs)) were financed under bank debt, (ii) 76 vessels, or 51% of our fleet by capacity (with an average size of 7,649 TEUs and a weighted average age of 8.9 years (based on total TEUs)), were financed through finance lease arrangements, and (iii) 36 vessels, or 18% of our fleet by capacity (with an average size of 5,656 TEUs and a weighted average age of 9.9 years (based on total TEUs)), were owned free of any encumbrance (and are hence potentially available for re-leveraging operations).

Among the 351 Chartered Vessels, as of June 30, 2020, (i) 41 vessels, or 15.2% of our fleet by capacity, have a remaining charter duration of more than five years, (ii) 60 vessels, or 17.6% of our fleet by capacity, have a remaining charter duration ranging between one and five years, and (iii) 250 vessels, or 26.1% of our fleet by capacity, have a remaining charter duration of less than one year.

As of June 30, 2020, our entire fleet had a combined capacity of 2.758 million TEUs, which decreased by 0.1% on a year-on-year basis. The weighted average age of our vessel fleet was 8.3 years (based on total TEUs) as of June 30, 2020. As of June 30, 2020, the average size of our vessels was 5,516 TEUs, which increased by 5.5% on a year-on-year basis. On our main liner trades, the average size is 7,409 TEUs; on our short sea lines, the average size is 1,965 TEUs, and on our feeder services, the average size is 1,739 TEUs.

We generally utilize our larger vessels on our intercontinental lines to achieve greater operational efficiencies and economies of scale, whereas we operate smaller and more flexible vessels on our Short Sea Lines. For large vessels, we are currently focused on purchases or long-term financed charter arrangements. For smaller vessels, we favor chartering as the offer of smaller vessels is significant in the chartering market. Chartering also allows us greater flexibility in the management of our fleet to rapidly adjust our fleet capacity to prevailing market conditions. We sometimes charter or sub-charter our vessels to other parties.

We have significant relationships with a number of different charter companies, from whom we charter vessels to allow us greater flexibility in the management of our capacity. The chartering agreements that we enter into have varied maturities, which provides us with both flexibility and commitment in respect of more strategic vessels. Our principal charter company counterparties are Danaos Shipping, Reederei Claus-Peter Offen and GSL. We have an historical relationship with GSL, including a current shareholding of 11% after several dilutive transactions in recent years. See "*Related Party Transactions*." The container charter market continues to recover from a significant fall in demand during the first half of 2020, with charter rates in many cases returning to their pre-COVID-19 level (source: Drewry, July 2020).

The following chart sets out both the size and capacity of our owned and long-term chartered vessel fleet as of June 30, 2020 and the size and capacity of our owned and long-term chartered vessel fleet that we expect to have by the end of 2020 as a result of our existing ship acquisition program and charter plans as set out above:

| | **Container vessel fleet as of June 30, 2020** | | **Projected container vessel fleet as of December 31, 2021(3)** | |
|---|---|---|---|---|
| | **Ships** | **TEUs** | **Ships** | **TEUs** |
| *Owned(1)* | 149 | 1,132,541 | 160 | 1,342,341 |
| *Long-term chartered(2)* | 41 | 418,983 | 51 | 570,629 |
| *Total owned and long-term chartered* | 190 | 1,551,524 | 211 | 1,912,970 |

(1) Owned vessels including vessels financed through finance lease or equivalent arrangements.
(2) Vessels governed by a charter agreement with a remaining term longer than five years.
(3) Illustrative only and subject to change. Based on order book as of the date of these listing particulars This includes the five 23,000 TEU vessels that we currently expect to receive by December 2020.

When we replace our ships serving main lines with new larger ships, we are usually able to cascade replaced ships to lines where they will in turn replace smaller tonnage. Cascading of ships therefore provides economies of scale down the chain of lines. We expect that the ongoing replacement of vessels in our major markets, and the subsequent transfer of the replaced vessels to main lines of a lesser capacity, will have the effect of improving the efficiency and capacity of our services beyond the lines which are the direct beneficiaries of the new replacement ships.

***Current Order book***

*Purchases*

As of June 30, 2020, we had the following vessels under order: nine vessels with an average size of 23,000 TEU and two vessels with an average size of 1,400 TEU.

We ordered nine 23,000 TEU vessels from Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd. and certain other shipbuilders in September 2017. These vessels will be powered by dual fuel LNG engines, allowing for a significant reduction in carbon dioxide, sulfur, fine particles and nitrogen oxides emissions. The first vessel, the CMA CGM JACQUES SAADE, was delivered on September 22, 2020. Three further vessels are scheduled to be delivered in 2020 and the remaining five vessels are scheduled to be delivered in 2021. Upon delivery, these vessels will be deployed on our Asia-Europe trade. The purchase price per vessel amounts to $157 million for a total of $1.4 billion, with 75% of such purchase price payable upon delivery of the vessels. The financing was signed in December 2018 for an aggregate amount of $1.05 billion and with a maturity of 12 years. As of June 30, 2020, the total outstanding amount under the shipbuilding contract was $1.05 billion.

We ordered six 1,400 TEU vessels from Guangzhou Wenchong Shipyard Co. Ltd. in December 2016. These vessels are powered by dual fuel engines. Four of them were delivered in December 2018 and May, August and December 2019, respectively. The remaining two vessels are scheduled to be delivered in January and April 2021. Upon delivery, these vessels will be deployed on our intra-European trades and will be financed through long-term bareboat charter agreements. The purchase price per vessel amounts to $32 million for a total of $64 million for the vessels yet to be delivered. As of June 30, 2020, the total outstanding amount under the shipbuilding contracts for the two vessels to be delivered in 2021 was $54 million.

The estimated date of delivery for the above vessels may vary depending on external factors such as yard construction delay or weather conditions. We may also request the yard to delay the delivery of some vessels in order to adjust to our operational constraints.

*New Chartered Tonnage*

We are also committed to receiving the following new chartered tonnage.

In March 2019, we ordered ten 15,000 TEU vessels from Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd. and Jiangnan Shipyard (Group) Co., Ltd. Five of these vessels will be powered by dual fuel engines, three of which are scheduled to be delivered in 2021 and two in 2022. These vessels will be deployed on our Asia-Mediterranean trade. The other five vessels will be equipped with hybrid scrubbers, allowing for the elimination of sulfur and fine particles emissions, and deployed on our Asia-North America East Coast and West Coast trade. Four of these vessels are scheduled to be delivered in 2021 and one in 2022. The vessels will be chartered for a duration of 15 years. We have either the option, or are required, to buy the vessels upon expiry of the lease.

In November 2019, we ordered six vessels via a third party with an average size of 15,000 TEU with the Korean shipyard Hyundai Heavy Industries. One vessel is scheduled for delivery in 2020, three in 2021 and another two in 2022. All vessels will be powered by dual fuel/LNG engines. Once delivered, they will first be assigned to our Asia-North Europe trade and, as of 2021, to our Asia-Mediterranean trade. The vessels will be chartered for a duration of 15 years. In the 14th year of the lease, we will have the option to purchase the vessels at fair market value from the non-operating owner, Eastern Pacific Shipping.

***Container Fleet***

As of December 31, 2019, we owned and leased a container fleet of 4,0 million TEU (2,452,117 containers), of which over 396,922 TEU of reefer containers representing the second largest fleet of refrigerated containers in the world. With an average age of seven years, our reefer fleet is one of the youngest in the container shipping industry. We transported more than 20 million containers in 2019.

Reefer containers, designed for the transport of perishable goods in temperature-controlled environments, are equipped with the latest technologies and allow the transport of various products such as fresh produce, pharmaceuticals, frozen food, wines and spirits and cut flowers at temperatures ranging from -35°C to +35°C within a humidity-controlled environment.

We have introduced innovative solutions for specific travel needs within our reefer fleet. Examples include (i) the Reeflex line of containers, which uses new technologies for the transportation of beverages, (ii) the Aquaviva line of containers, which is specifically adapted for transporting live aquatic animals by sea, (iii) the Pharma Premium package, which is dedicated to the pharmaceutical industry, and (iv) Climactive, which uses advanced technologies for the transportation of highly sensitive fruits, vegetables and flowers.

Because reefer goods require use of specific containers, expertise coupled with additional oversight throughout the journey (including timely management of the logistic chain) are essential. The gross margin of reefer containers is usually higher than that of dry containers.

Our dry and reefer containers fleet includes different sizes ranging between 20’, 40’ and 45’, which allows us to transport a wide variety of goods. In addition to conventional containers (standards, reefers, open top), we offer specialized containers adapted to specific goods such as autotainers for the transportation of vehicles and GOH containers for the transport of garments on hangers.

As of June 30, 2020, the composition of our container fleet was as follows:

| Container Type | TEU |
|---|---|
| 20-foot | 881,561 |
| 40-foot | 3,040,288 |
| 45-foot | 100,824 |
| **Total** | **4,022,673** |

The following table defines the size of containers available within our fleet, according to their type:

| | 20’ - 8’6’’ | 40’ - 8’6’’ | 40’ - 9’6’’ | 45’ - 9’6’’ | 45’ PW - 9’6’’ |
|---|---|---|---|---|---|
| General Purpose | X | X | X | X | X |
| Reefer | X | | X | | X |
| Open Top | X | X | | | |
| Flat Rack | X | X | | | |
| High Cube Pallet Wide | | | X | | |
| Tank | X | | | | |


General purpose containers | Reefer containers | Open top Containers | Flat-rack Containers | High cube palletwide Containers | Tank containers

General purpose containers, which are totally enclosed and weatherproof with a rigid roof and rigid side walls, are by far the most common type of containers. They are suitable for the carriage of most types of “dry” goods, including those packed in boxes, cartons, cases, bags, bales, pallets, drums, etc. Reefer containers, which serve the purposes described above, are equipped with an electrical appliance (mechanical compressor) that permit cooling or heating the air within the container. Open top containers are primarily used to carry heavy and/or bulky finished products, whose handling and loading can only be performed with a crane or a rolling bridge. Flat-racks are dedicated for the carriage of items which are heavy, bulky and overheight and/or overwidth. High cube pallet wide units were specifically designed in accordance with the 1.2 standard European pallet as specified by the European Pallet Association (Euro-pallet). They have a 2.45m internal width, which ensures optimum utilization of space and allows shippers to load more euro pallets than they would in a standard container. Finally, tank containers are used to carry hazardous or non-hazardous liquids and are equipped with accessories to facilitate filling and emptying such liquids as well as safety devices.

As of June 30, 2020, 87.6% or approximately 3.5 million TEU of our container capacity, was obtained through operating leases. We owned the remaining 12.4% of our container capacity, corresponding to 497,325 TEU. While we believe that owning containers is generally less expensive than hiring them under operating leases, operating leases enable us to adjust our container fleet in response to changing market conditions or changing requirements of specific lines.

In 2019, we transported approximately 1,659,720 TEU of reefer containers. Our top ten reefer customers, including, for example, Kuehne + Nagel, Dole, UGP BAN, EFBS Seafrigo, accounted for 10.1% of our reefer volume.

We manage our container fleet for the entire group from our headquarters in Marseille. In particular, we manage the movements of empty containers' through day-to-day reports provided by our shipping agencies throughout the world. We also monitor vessels in order to permit filling empty slots with empty containers and to minimize the need to reposition these containers to new locations to be filled with cargo. Empty containers are generally stored in depots, which are managed by third parties. In addition, after we deliver a shipment, our customers sometimes retain empty containers for a period exceeding the agreed shipping terms. When this happens, we normally charge customers a daily fee, called demurrage, until the container is returned to us. When the opportunity arises, we sometimes also coordinate with other carriers, either directly or through brokers, to exchange empty containers in various locations in order to avoid the need to reposition them.

***Cooperation with other shipping companies***

Alliances and other cooperation agreements are vital for us in order to provide a global network of client services. Introduced in the mid-1990s, global alliances have now become a major feature of container shipping, with around 80% of the principal East-West trades covered by carriers that form part of three global alliances: Ocean Alliance (of which we are a member), 2M Alliance and THE Alliance. Alliances are considered tools that allow carriers to achieve economies of scale as well as offer a more comprehensive global shipping network to their customers.

*Ocean Alliance*

In September 2016, we signed a master agreement along with Cosco Shipping, Evergreen Line and OOCL to establish the main terms of the Ocean Alliance, which enables its members to offer comprehensive service networks covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Transpacific, Asia-U.S. East Coast and Transatlantic trades. The agreement provided for an initial period of five years as from April 1, 2017; in January 2019, the term was extended to 10 years (i.e., until 2027). In July 2018, Cosco Shipping acquired OOCL, but OOCL remains a standalone company and the transaction therefore did not alter either partner's participation in the Ocean Alliance.

Each member of the Ocean Alliance provides ships for the services covered by the Ocean Alliance's operating agreement and agrees to share capacity on its ships with the other members of the Ocean Alliance, while each member continues to own or charter and operate the vessels deployed. Ships are matched to routes on a "best ship for the loop" rationale, which considers a number of factors of each vessel to determine which vessel is best suited for each service. In return, each member of the Ocean Alliance is allocated slots on vessels contributed by other members of the Ocean Alliance. Together, the members operate 38 services on the East-West trades with 91 ports of call and almost 800 port pairs. Supported by a highly efficient fleet of 325 vessels with approximately 38 million TEU in total annual capacity, the Ocean Alliance complies with the requirements of global supply chains while providing higher sailing frequencies, better transit times and greater coverage in terms of loops, ports of call and port pairs. The Ocean Alliance provides our customers with an increased number of weekly sailings, comprising six fixed-day weekly services on the Asia-Northern Europe trade, four fixed-day weekly services on the Asia-Mediterranean trade, twenty fixed-day weekly services on the Transpacific trade (including U.S. east coast) and three fixed-day weekly services on the Transatlantic trade.

As the main contributor to the Ocean Alliance, we have the largest share within it, deploying a fleet of 112 vessels with a 34% capacity share. Our participation in the Ocean Alliance allows us to lower our cost base by improving slot utilization, expand our use of slow steaming and expand our service without requiring us to make additional investments in vessels. Below are some of the main benefits we derive from being a member of the Ocean Alliance:

- the service and deployment of a large and far-reaching network;
- capacity sharing and adjustment in line with the carriers' demand;
- unused capacity may be sold or sub-chartered to third parties;
- substitution of containerships for regular and ad-hoc maintenance and repair;
- capacity adjustment during slack periods;

- financial compensation schemes (e.g., for void voyages during slack periods); and
- joint terminal selection and negotiation where legally permissible and focus on productivity gains in ports, shore/yard operations and inland rail operations.

See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Operational Alliances."*

*Cooperation Agreements*

We operate most of our main lines in cooperation with other carriers, and in some cases, the services we offer are provided entirely on the vessels of another carrier. The carriers, with whom we have cooperation arrangements, are Cosco Shipping, OOCL and Evergreen Line, Maersk Line, MSC, Hapag-Lloyd and Hamburg Süd. These cooperation agreements allow us to enhance our service on the applicable lines, maintain our flexibility and reduce costs associated with establishing new lines while preserving autonomy in non-core activities such as sales and marketing. Where the economic benefits justify the capital investment, we generally prefer contributing owned or chartered ships into vessel-sharing agreements, rather than use slot purchase or swap agreements, as we believe that lower costs can be achieved by operating our own ships compared to chartering space from other carriers. Moreover, we aim to enter into vessel-sharing agreements only where our position in the relevant market enables us to have a decisive influence on the operation of the service, such as investments in new ships and service schedules. Generally, under the terms of vessel-sharing, slot purchase and swap agreements, carriers are permitted the additional benefit of using any space on their own vessel allocated to, but unused by, the other party. Most of our cooperation agreements have a term ranging from three months to two years, except for the Ocean Alliance, which, as of the date of these listing particulars has a ten-year term based on two five-year periods.

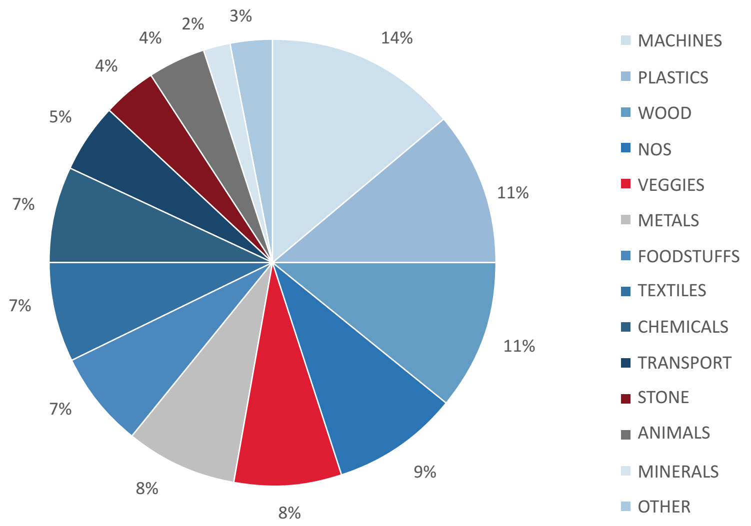
***Customers and Goods***

We have two types of customers: direct shippers, comprising exporters and importers; and intermediaries, also known as freight forwarders.

Exporters include a wide range of enterprises, from global manufacturers to small family-owned businesses that may ship just a few TEU each year. Importers are usually the direct purchasers of goods from exporters but may also comprise sales or distribution agents and may or may not receive the containerized goods at the final point of delivery.

Freight forwarders act as agents for direct shippers, performing a range of duties that would otherwise be part of our door-to-door service, such as documentation processing, insurance, customs clearance, inland transportation, warehousing and container tracking. Alternatively, freight forwarders may independently purchase transport services from carriers and sell them bundled with other services. Our top ten freight forwarder customers, including, for example, Kuehne + Nagel, Bolloré, Schenker, DSV, DHL and CEVA, accounted for approximately 10.2% of our volume during the six months ended June 30, 2020. Freight forwarders usually receive fees from their customers and commissions and volume discounts from the third-party carriers they use. The commissions we pay to freight forwarders generally range from nil to 5% of ocean freight. Following our own expansion into logistics services via CEVA, we have inherited a significant freight forwarding businesses, which helps us to develop cross-selling opportunities and offer a fully integrated supply chain service to our customers. Our freight forwarding business includes the provision of international and domestic air and ocean freight management, international and domestic ground transportation, customs brokerage and other value-added services. See "*—Services—Logistics—Freight Management."*

We carry a diverse range of goods for our different types of customers. We had approximately 70,000 customers in 2019, including 149 companies we consider strategic customers, such as Wal-Mart Group, Hyundai Motor Group, Ikea, Nike and Dow Du Pont. In 2019, the percentage of volumes transported for our top 20 customers by volume represented 15.7% of total volumes carried, and we had no customer that accounted for more than 2.5% of total volume. The following diagram breaks down our transportation volumes in 2019 by commodity based on the declarations of our clients:




Since our acquisition of NOL in 2016, we have maintained a contractual relationship with the U.S. government through APL Marine Services, Ltd and participated in the U.S. Maritime Security Program (the "MSP"), administered by the Department of Transportation through the Maritime Administration. Participants in the MSP are committed to making their covered U.S. flag vessels available to the U.S. Department of Defense during national emergencies. In addition to receiving funding that helps to partially offset the higher cost of operating U.S. flag vessels, participants also receive compensation for any vessels or vessel capacity furnished to the U.S. Department of Defense when required. We currently operate 9 ships under our contract with the U.S. government with a total capacity of 45,224 TEU. The U.S. government business accounted for 0.5% of our total transported volume in the year ended June 30, 2020.

Due to price competition, to the extensive geographical needs of large-scale shipping customers, and to the focus of our large cumtomers on diversifying their supply chain risks, our customers generally do not enter into exclusive shipping relationships with us. Instead, customers maintain relationships with several carriers, although customers who ship large amounts of freight are increasingly consolidating their supply relationships to focus on a few core carriers, which benefits carriers such as us. Large customers will sometimes invite several carriers to tender for their business. If our response to a tender is accepted, the terms we offered in the tender serve as standards for each individual shipment carried out under the tender. These terms become part of the bill of lading for the particular shipment of cargo. Customers' primary criteria in selecting a carrier, depending on the cargo, include amongst other factors geographic coverage, price, a carrier's punctuality, frequency of service, length of transit times and its ability to offer door-to-door and other value-added services. More recently, customers have been giving additional weight to a carrier's ability to demonstrate its willingness to develop digitalization and new technologies. Most of our customers are already extensively using our http://www.cma-cgm.com website to place their orders, track the status of their shipments and/or deal with subsequent documentation.

The price terms that we are willing to offer to a potential customer depend upon the volumes the client is shipping, the type of cargo being shipped, our available capacity on the applicable lines and the degree to which its shipping needs are global or regional. We often offer key clients—i.e., those shipping large volumes and which have a widespread presence along our various lines—specially tailored rates. Our key accounts management team negotiates these rates, which are usually fixed for a specific period of time and may include specially tailored container usage rates, demurrage and provisions for potential surcharges (e.g., fuel price increases or war risk insurance premium increases).

We have written service contracts with our customers in limited circumstances. In certain regions and with our key clients, the use of contracts to guarantee at least fixed price terms is prevalent and, in some cases, mandated by regulation. In the United States, for example, liner cargo must be rated at either (i) the carrier's applicable tariff rate or (ii) the rate contained in an applicable service contract that has been filed with the U.S.

Federal Maritime Commission, and such contracts must contain minimum quantity commitments by shipping customers. For more information on this requirement, see "*Regulatory Matters—Maritime, Safety and Competition Regulations*." We also commonly use written contracts for the provision of our specialized services, such as our banana shipping services, which require refrigeration. By contrast, in Asia and certain other regions, and with freight forwarders, the use of written contracts is unusual. In Asia, the conventional method, depending on market conditions, is to quote price terms at the "current month plus two," which means the customer has the ability to rely on the price term for three months after it is quoted, or three months after the most recent shipment we provided at that price. An increasing number of our customers, particularly large direct shippers, have asked us to enter into longer-term service contracts in recent years. Where we use such contracts, we typically have service contracts reflecting fixed prices and a limited set of other terms for periods of one year and, in rare cases, longer than one year. All our shipments are covered by the basic contractual terms of the bill of lading that accompanies the shipment.

***Management and Operations***

*Line Management*

Each of our lines is administered by a line manager, along with four deputy managers: the trade manager, the operation manager, the cargo flow manager and the business controller. Each line manager works to optimize the mix of loads from the various ports on a line. The trade manager primarily manages the balance of cargo to maximize the line's commercial benefit, the operation manager ensures that the vessels remain on schedule, the cargo flow manager ensures that containers move seamlessly from their origin to their destination, with the right succession of ships and transhipment ports while balancing the filling of the vessels, and the business controller ensures both compliance with our procedures and controls and the correct profitability vision. Together, this team is responsible for ensuring that quality and profitability targets are met for its line. Our policy is to ensure that there is a large degree of overlap in the capability of our management team. As a result, with relatively few exceptions, we believe we could operate our business without significant disruption despite the loss of any particular line or deputy line manager.

*Shipping Agencies*

Our operations are supported by a network of 193 shipping agencies worldwide with more than 755 offices. We own or have a majority stake in 155 of these shipping agencies, which accounted for approximately 98.5% of the carried volumes as of June 30, 2020. The shipping agencies that we own cover most of our principal locations.

We rely on our shipping agencies, which we staff primarily with local residents, to perform most of our sales and marketing functions and to manage customer relationships on a day-to-day basis. These shipping agencies are responsible for soliciting cargo within their defined area of representation, promoting our services within the guidelines set by our Marseille-based Communication department, preparing and processing bill payments and acting as customer service representatives handling complaints and queries. In addition, our shipping agencies are generally responsible for supervising port operations with respect to the import, export and transhipment of containers, monitoring the status of containers en route, managing the storage, maintenance and logistical movements of containers, documenting shipments and obtaining local permits and other necessary authorizations.

Shipping agencies are also generally responsible for bill collection on the transactions they have conducted. We have implemented and continue to update a global electronic financial system across all our shipping agencies to replace monthly general account reports in paper form. This system allows us to collect accounts data in a uniform, efficient manner, as well as enables the head office to more closely monitor and control cash remittance. We generally require shipping agencies that we do not control to provide us with a bank guarantee insuring the performance of their financial obligations to us.

We typically grant our shipping agencies exclusive rights within a particular area of representation. In turn, we require them to represent us exclusively on the lines that we operate.

The commission system historically remunerates both owned and third-party shipping agents and is based on various factors, including freight rates, transhipment fees, container control fees, attendance fees, lump sum payments for communication expenses, container damage recovery fees, demurrage collection and miscellaneous collection commissions. Nevertheless, in order to ensure a greater operational effectiveness within the group, the remuneration model is gradually being shifted into an OECD-type of cost-plus method whereby some of the shipping agents will receive a remuneration calculated by reference to the costs they bear for providing services to the carrier.

We monitor and control all our shipping agencies on three primary levels: credit control, accounting and cost control. Our credit control department reconciles payments due from shipping agencies and aims to ensure that shipping agencies pay us freight charges on the date these charges are due. Our accounting department is responsible for ensuring that all of the manifested freight revenue and all expenses are recorded in the monthly statement balancing the positions of the shipping agency and the Company. Our cost control department is responsible for ensuring that the shipping agency complies with our supplier payment, customer charging and head office procedures. In addition, our internal auditors regularly audit all our shipping agencies. Our owned shipping agencies also provide us with monthly income and volume reports.

*Ship Management*

The ship management of most of our vessels is performed by our wholly owned French subsidiary, CMA Ships SAS, either directly or through subcontracting agreements with our subsidiary, CMA CGM International Shipping Company Pte. As of June 30, 2020, this arrangement applied to 160 of our vessels. Under the ship management agreements, CMA Ships SAS is entitled to receive a monthly management fee for the execution of the service, while all running costs of the vessels are re-invoiced at cost to CMA CGM or the subsidiary that owns the vessel.

Our U.S. flag vessels are managed independently by APL Maritime Ltd, USA, whereas our Brazilian vessels are managed by Mercosul; both benefit from the support and expertise of CMA Ships SAS.

In addition to the foregoing, for historical reasons or benchmarking purposes, some of our vessels are managed by independent ship managers. In such circumstances, CMA Ships SAS or a CMA CGM group affiliate, as the case may be, enters into a management agreement with one of our three traditional external ship managers, which are all German-incorporated entities: NSB, Nordic and Bernard Schulte. As at June 30, 2020, eight vessels of the CMA CGM group were managed by NSB while four vessels were managed by Nordic and four by Bernard Schulte.

In addition to ship management, CMA Ships SAS performs several other services for CMA CGM. Such additional services include new building supervision, dry dock supervision (including maintenance capex and retrofit operations such as scrubber implementation), research & development for the fleet and energy efficiency optimization. CMA Ships SAS thus provides a fully integrated chain of services from construction to management.

***Competition***

The container shipping industry is highly competitive. Although, as of September 2020, the world’s top 20 carriers by capacity controlled approximately 88.8% of global container capacity, with the top ten controlling approximately 82.1% and the top five approximately 64.0% (source: Alphaliner, September 2020), there are numerous smaller participants, with over 400 carriers operating worldwide (source: Alphaliner, July 2020).

Globally, market shares (based on capacity) remain widely dispersed. As of September 2020, the largest single carrier (APM-Maersk Line) had a market share of 16.8% of global container capacity (including order book). The next two largest single carriers, MSC and Cosco Group, had market shares of 15.9% and 12.4%, respectively. As the fourth largest single carrier, we had a market share of 11.7%. The fifth, sixth and seventh largest carriers had a market share of 7.2%, 6.4% and 5.2%, respectively, whereas the market share of the eighth to twentieth largest carriers in terms of capacity ranged from 2.6% to 0.4% (source: Alphaliner, September 2020).

The following table sets out the market share evolution of the top seven liners between 2011 and 2020 in terms of global container capacity:

| Company | 2011 | 2020 |
|---|---|---|
| APL | 4% | n / a |
| Evergreen | 4% | 5% |
| ONE | n / a | 6% |
| Hapag-Lloyd | 4% | 7% |
| CMA CGM | 8% | 12% |
| COSCO | 4% | 12% |
| MSC | 13% | 16% |
| Maersk | 16% | 17% |
| **Total** | **53%** | **76%** |

*Source: Alphaliner (September 2020)*

The wave of industry consolidation, which began in early 2016, has stabilized in the last couple years. The Chinese carriers, Cosco Shipping and China Shipping, merged in early 2016 and later acquired OOCL in July 2018. Hapag-Lloyd and United Arab Shipping Company (UASC) merged in May 2017. Later that year, we acquired NOL (in June 2017), and Maersk Line acquired Hamburg Süd (in November 2017). In April 2018, the container liner divisions of Japan's three largest shipping groups, Kawasaki Kisen Kaisha (K Line), Mitsui OSK Lines (MOL) and Nippon Yusen Kaisha (NYK), created a joint venture operating under the name "Ocean Network Express" (ONE). The market has reached a new stage of maturity with the top five carriers now representing approximately 64% of total market capacity against 47% as of October 2015 (source: Alphaliner, September 2020).

We compete with a wide range of global, regional and niche carriers on the lines we serve. Global carriers generally deploy significant capacity and operate extensive networks of lines in the major markets. These carriers typically organize their networks using a hub-and-feeder system and participate in operating alliance systems, mainly on East-West routes. Global carriers that compete with us include Maersk Line, MSC, Cosco Shipping, Evergreen Line, ONE and Hapag-Lloyd. Regional carriers generally focus on a number of smaller lines within the major markets. These carriers tend to offer direct services to a wider range of ports within a particular market than global carriers. Examples of regional carriers that compete with us include Wan Hai, SITC, Zhonggu Logistics on intra-Asian lines, Unifeeder, X-Press Feeders on intra-European lines, Log-In Logistica and Aliança in Brazil and Mariana Express, Swire Shipping in the Pacific Islands. Niche carriers are similar to regional carriers but tend to be even smaller in terms of the amount of slot capacity and the number and size of the markets they cover. Niche carriers often provide an intra-regional service, focusing on ports and lines that are not served by the larger carriers. In these niche markets, we compete with niche carriers; however, other competitors are niche operations of other global and regional carriers, such as the ones listed above.

The competitive environment also reflects the existence of cooperation agreements (or alliances) between shipping companies, involving the sharing of container vessel capacity among alliance members, across specific or multiple trades, but especially on East-West lines. As of today, there are three main alliances controlling the shipping industry: Ocean Alliance, of which we are part (see *"Business—Services—Shipping—Cooperation with other shipping companies—Ocean Alliance*"), the 2M Alliance, comprising Mediterranean Shipping Company (MSC) and Maersk Line, and THE Alliance, comprising Ocean Network Express (ONE), Hapag-Lloyd and Yang Ming Marine Transport Corp. (Yang Ming). Hyundai Merchant Marine (HMM) recently left the 2M Alliance to join THE Alliance as from April 1, 2020. See "*Industry Overview—International Container Shipping Industry*."

### *Logistics*

#### *Overview:*

In addition to our container shipping services, we offer freight management and contract logistics services. These services allow our customers to outsource non-core activities and improve their supply chain management. Historically we had carried out logistics and supply chain activities to complement transportation services and generate additional revenue for the group as well as to provide additional services to clients through our subsidiary, CMA CGM Logistics, which was present in more than 70 countries and operated through a combination of its own offices and third-party suppliers. In May 2018, we initiated a strategic move to establish ourselves as a leading provider of a comprehensive offer of freight management and contract logistics services through the acquisition of a 25% stake in CEVA at the time of its initial public offering. Through various transactions, we gained control of CEVA as of January 4, 2019 and we consolidate it in our financial statements as from such date. CMA CGM Logistics merged into CEVA in May 2019. Through additional transactions, we acquired nearly all of CEVA's share capital and effected the cancellation of the remaining shares and their delisting as of October 2019.

CEVA is one of the world's leading third-party logistics companies with, as of December 31, 2019, approximately 78,554 employees (including temporary/third-party agency workers and joint-venture employee) in over 800 sites (spanning 159 countries). In 2019, CEVA revenues amounted to $7.1 billion and an EBITDA of $494 million on a standalone basis.

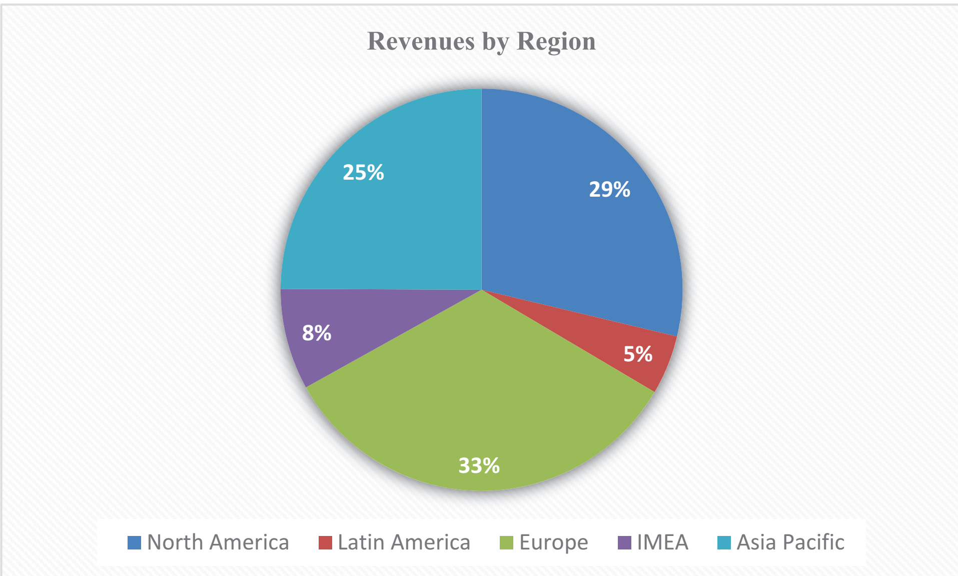
With the acquisition and consolidation of CEVA, we now design, implement and operate end-to-end integrated supply chain solutions for multinational, medium and small-sized companies on a national, regional and global level, using a combination of domestic and international air, ocean and ground freight forwarding as well as contract logistics services, which we classify into two business segments: Freight Management and Contract Logistics. Our comprehensive service portfolio and skilled workforce position us to achieve our goal of being the provider of choice for complex, integrated, end-to-end supply chain solutions. We have strong, long-term relationships with our diversified blue-chip customer base across key industry sectors, including consumer and retail, automotive, industrial and aerospace, technology, healthcare and energy. Our flexible, asset-light business model with low capital intensity allows us to scale our operations and adapt to changing conditions quickly.

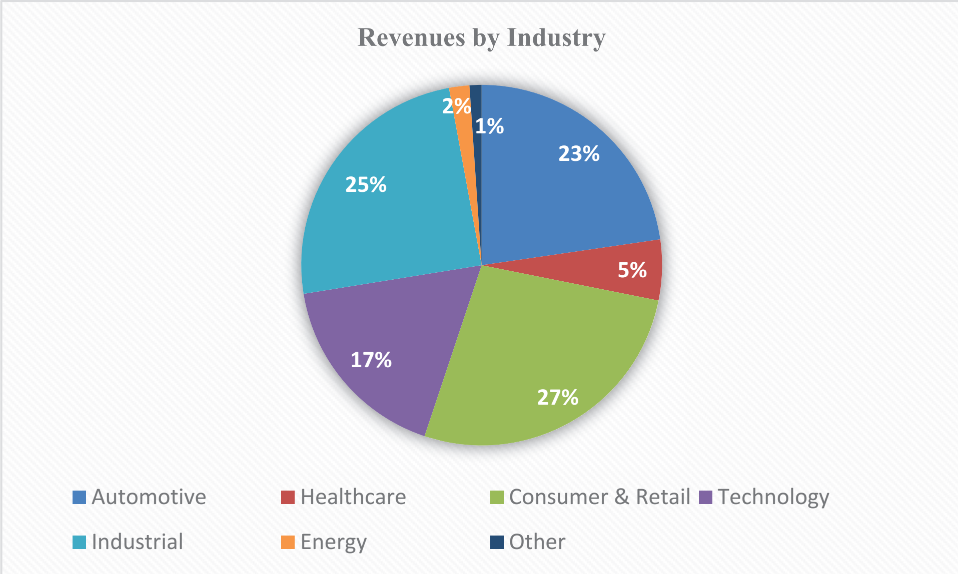
***Service Offering:***

We have a broad logistics service offering, which we organize around two principal businesses: Freight Management (which includes the transport of goods domestically and/or internationally by air, ocean and/or ground, as well as customs brokerage and other ancillary services) and Contract Logistics (which includes the provision of inbound logistics, warehousing, manufacturing support, outbound, distribution and aftermarket logistics).

For the year ended December 31, 2019, 49.7% of the revenue of our Logistics segment was generated by our Freight Management business and 50.3% was generated by our Contract Logistics business. Together, these two businesses have a resilient portfolio in terms of geographies covered (approximately 33% Europe, 8% Middle East and Africa, 34% Americas, 25% Asia Pacific) as well as industry verticals (27%% consumer & retail, 25% industrial & aerospace, 23% automotive, 17% technology, 5% healthcare, 2% energy and 1% other), balancing the exposure to cyclical and less cyclical sectors.

The charts below depict our 2019 logistics revenues by geography and industry.






***Freight Management:***

Freight management, also called "freight forwarding" in the industry, consists of arranging and overseeing the transportation of products and materials by air, ocean and ground. Freight forwarding providers organize and consolidate shipments, procure and track transportation, and provide ancillary value-added services, such as preparation and submission of documentation, oversight of customs and other clearance processes, short-term warehousing and auditing of shipments. We believe the main market drivers in freight forwarding are global trade volume developments, carrier capacities and oil/fuel prices.

Freight forwarders charge their customers a fee that is accounted for as revenue. The difference between revenue and the transportation costs the forwarder pays to the transportation carriers is the freight forwarder's "gross profit" or "net revenue" (terminology used by CEVA). Such net revenue reflects the value of the services rendered by the freight forwarder.

In our Freight Management business (ranked number 14 for 2019 globally according to a 2020 report by the Transport Intelligence (TI)), we arrange and oversee transportation solutions that optimize for cost, speed, reliability and security. Key services include international and local air- and ocean-freight, customs brokerage and lead logistics services. Additionally, we operate an expedited ground transportation network in the U.S. and provide ground transportation in certain other geographies, covering domestic and cross-border services. The average term of our Freight Management contracts is approximately one year, and such contracts may impose volume commitments on the customer.

Our global coverage and comprehensive solutions portfolio position us to address complex customer requirements. We are among the leading global providers of air and ocean freight services, providing seamless end-to-end solutions to customers in 159 countries as of December 2019. On the same date, we operated through our network of more than 240 Freight Management locations (which do not include our agents) across six continents, and we are represented by approximately 87 independent agents in 106 countries throughout the world. According to a 2020 report by TI, we rank 13th in air freight based on volumes and 8th in ocean freight based on volumes.

For the year ended December 31, 2019, we handled more than 415 thousand tons of international air freight and 1,045 thousand TEU of ocean freight, while our U.S. ground network transported more than 2.4 million shipments and our ground network globally (including the U.S.) transported 2.6 million shipments in total. As of December 31, 2019, our Freight Management business employed 11,182 employees and temporary workers, including specialists from various industry sectors in each geography in order to offer appropriate products, taking into account industry-specific requirements and regulations.

In Freight Management, our key customer sectors based on 2019 revenues are industrial & aerospace (30%), consumer & retail (28%), technology (24%), automotive (10%), energy (3%) and healthcare (4%). By geography, our Freight Management revenues were accounted for as follows: Europe and Middle East and Africa (26%), the Americas (39%) and Asia Pacific (35%).

Freight Management contracts with customers are usually annual rate agreements in which we commit to service levels and rates for estimated volumes on selected routes with some criteria that can lead to the adaptation of the rates during the year (e.g., peak season surcharges or fuel surcharges) under certain conditions. Customers may commit to volumes, but usually purchase the transportation services in the context of the contract with individual purchase orders. Sometimes the annual rate agreements are set in the context of multiannual or evergreen framework arrangements. In turn, we acquire transport capacity from air or ocean carriers with a mix of long-term (annual) block space agreements with variable levels of flexibility as well as medium-term commitments (3-6 months) and purchases on the spot market. When required, we also purchase air charter capacity.

Freight volumes are highly seasonal and driven by, among other factors, the festive seasons for consumer & retail goods, as well as investment cycles in the industry. Cost of transportation services that carriers provide to us is further impacted by fuel price and freight rate fluctuations. Due to these seasonal and cyclical characteristics of supply and demand, driving profitability throughout the year requires highly skilled and experienced trade lane managers. A close relationship with the customer and the analysis of patterns drives the planning accuracy, which is crucial for us to offer solutions to optimize the customer's supply chain, notably by adapting the routings or the mode of transport.

*Air and Ocean Freight:*

In air freight, we offer a broad range of services from expedited to more economical multi-modal solutions, coordinating the door-to-door journey of the cargo. We have a strong position in the trans-Pacific and the eastbound trans-Atlantic trade lanes and a growing position in intra-Asia, with the Asia-Europe trade lanes representing a significant opportunity. We serve air freight customers in all industry verticals, notably technology and consumer & retail, the latter having seen strong growth recently, driven by e-commerce. Through a core carrier procurement strategy and attention to volume/density optimization, we have been able to increase the quality of the air freight service while offering more competitive solutions to our customers. Revenues in 2019 in air freight were $1.3 billion.

In ocean freight, we offer pure freight management services but also act as a non-vessel operating common carrier (NVOCC) through our wholly owned subsidiary, Pyramid Lines. Our most important customer sector in ocean freight is consumer & retail, followed by automotive. Our ocean freight services are predominantly focused in the trans-Pacific eastbound and Asia to Europe trade lanes. Revenues in ocean freight in 2019 were $1 billion (excluding CC Log contribution).

Both air and ocean freight shipments are operated worldwide on a standardized basis through our global MatrixTM OFS platform, which offers tracking visibility and data exchange/system integration with our customers and carriers. In both ocean and air freight, we are able to provide competitive end-to-end solutions for cargo owners with high service quality and reliability.

As a freight forwarder, we typically carry full loads, but also partial loads where we act as a freight consolidator, which means we obtain shipments from our customers, consolidate shipments bound for a particular destination, determine the best route for the shipments to their destination, select the carrier on which the consolidated lot is to move, and then tender each consolidated lot as a single shipment to the carrier for transportation to a destination. Carriers are selected for a shipment based on route, service capability, available cargo capacity and cost. We purchase capacity in the belly of passenger flights, on cargo aircraft and vessels depending upon seasonality, freight volumes and other factors either through medium or long-term contracts with or without volume commitments or on the spot market. At the destination, we or our agent receive the consolidated lot, break it into its component shipments and distribute the individual shipments to the consignees. Whether acting as a consolidator or agent, we leverage our scale, global network and local knowledge to provide our customers with optimal transportation execution in terms of cost, speed, reliability and security.

According to data compiled by the International Air Transport Association and Drewry, the table below shows the volume evolution in both air and ocean freight for us and the market during the last four years:

| | **Air Freight** | | **Ocean Freight** | | |
|---|---|---|---|---|---|
| | **IATA FTK, YoY growth** | **CEVA Tonnes, YoY growth** | **Seabury TEU** | **Seabury TEU, YoY growth** | **CEVA TEU, YoY growth** |
| 2019 | -3.3% | -12.8% | 152.522541 | 1.7% | 32.9% |
| 2018 | 3.6% | -0.7% | 149.998636 | 4.1% | 7.9% |
| 2017 | 9.0% | 11.6% | 144.039849 | 4.7% | 4.7% |
| 2016 | 3.6% | 6.6% | 137.621862 | 2.0% | 4.2% |

We manage our air and ocean freight business with a comprehensive set of KPIs, of which the most important are volumes, net revenue per unit of volume or shipment, EBITDA and total FTEs, Freight Management EBITDA conversion rate (EBITDA before specific items and share based compensation divided by net revenue before specific items). Other indicators we monitor include direct operating expenses per shipment (files), and volumes (shipments or files) per FTE.

Key to the success in air and ocean freight is a robust procurement strategy, where we have established a core carrier program with strong relationships using joint scorecards and global incentive schemes.

*Ground and other:*

Our ground business comprises road transport solutions that are organized according to an asset-light model, with the actual provision of services outsourced to third-party providers working for CEVA on an exclusive or non-exclusive basis using their own equipment. We own a limited portion of the fleet of trucks and trailers that we operate. This segment comprises the North America ground network (approximately 82% in terms of global ground revenue in 2019), other ground business outside North America represents approximately 18% in terms of global ground revenue in 2019. In addition, we coordinate multi-modal transport solutions, and offer dedicated rail transport services, notably between China and Europe.

We offer ground transportation services in several countries and regions, in particular in the U.S. where we have been managing our own network since 1994, which covers domestic services but also cross-border transportation to and from Mexico and Canada. We believe we are among the largest heavyweight forwarders in the U.S. with a unique, expedited network offering speed, flexibility and value through 6 hubs and 52 stations, fully linked with the international air and ocean freight in and out of the U.S. In 2019, the U.S. ground network transported more than 2.4 million shipments. The U.S. ground network carries full truckloads and less than truckloads, offers specialty services like final mile distribution and some white-glove delivery services, reverse logistics, consolidation and cross-docking solutions. Approximately 60% of the volumes are related to business-to-business transactions. In addition to the ground network in the U.S., we operate ground transportation networks in Turkey (where we are a leading provider of ground transport services), the UK and China, notably through our ANJI-CEVA joint venture (as discussed below). We also offer ground transportation services covering more than 40 countries in multiple geographies, including Europe, the Middle East, Latin America and Asia, where we have developed innovative cross-border solutions (for example, our leading ASEAN-China lines). Ground transport volumes outside the U.S. reached more than 187,000 shipments in 2019 and generated revenue of $132 million. In 2019, on a global basis, our ground transportation networks (including the U.S.) transported 2.6 million shipments.

As part of our Freight Management offering, we also provide worldwide customs brokerage and a variety of other ancillary services (approximately 9% in terms of global Freight Management revenue in 2019) such as the preparation and submission of documentation, packing / repacking and cross-docking. In our capacity as a customs broker, we provide key services that include preparing and filing formal documentation, facilitating customs bonds and facilitating the payment of duties and collection of refunds. Our customs brokers and support staff have substantial knowledge of the complex tariff laws and customs regulations in their respective jurisdictions.

***Contract Logistics:***

Contract Logistics providers manage their clients' supply chain operations, typically under contracts in which the Contract Logistics company's systems and employees are integrated into their clients' supply chain operations and take over responsibility of critical logistics functions.

Our Contract Logistics services can be categorized as follows:

- *Inbound Logistics*, which involves optimization of our customers' collection routes, reduction of their inventory through warehouse management and consolidation and enhancement of their production efficiency by kitting and sequencing their unassembled parts, along with quality control and other value-added services.
- *Manufacturing Support*, which involves management of our customers' inventory to maintain optimal stock levels for manufacturing and supporting product line replenishment and feeding procedures. We also provide customized solutions to package finished goods and to facilitate their safe transport.
- *Outbound/Distribution Logistics*, which involves dedicated warehousing tailored to individual customer needs and management of multi-user solutions focused on industry-specific requirements. It also includes arranging transport between customer locations and coordinating the distribution of our customers' finished products to end customers, typically using third-party local operators as well as related services such as picking and packing, home delivery and installation of large items.
- *Aftermarket/Reverse Logistics*, which involves providing spare parts warehousing and forward stock locations to support aftermarket activities such as swaps, returns and repairs. We also manage call centers that perform diagnostics and coordinate distribution and collection services.

Naturally, given the relationship focus of this sector, longer-term contracts afford a host of opportunities unavailable in the short-term, purely transactional relationships. It is thus a major strategic goal of many providers to increase their engagement with clients and deliver a full spectrum of integrated solutions. Deeper engagement allows a Contract Logistics provider to better understand the needs of its clients and develop bespoke solutions, thereby increasing the value-added of their services to enhance margins.

In our Contract Logistics business (ranked sixth for 2019 as reported by TI), we provide inbound logistics, manufacturing support, outbound distribution logistics and aftermarket as well as reverse logistics. We rely on proprietary information systems, industry knowledge, and a culture of operational excellence to deliver what we believe are best-in-class supply chain solutions to our customers. Our asset-light business model operates almost exclusively using leased or customer-owned facilities. We generally seek to structure our arrangements with third parties on a back-to-back basis with the related customer arrangements—for example, by entering into lease agreements with durations and termination rights that are coterminous with the duration of the customer contracts that the leased property is used to service—or otherwise seek to require our customers to assume these costs and commitments if they prematurely terminate their contracts with us. CEVA is recognized as a global leader in Contract Logistics, in particular for the automotive sector, offering a full spectrum of product services and integrated solutions to address complex customer requirements.

While we manage more than 700 locations in over 40 countries and territories worldwide and approximately 46,000 employees and temporary workers were involved in the Contract Logistics business segment in almost all regions of the world as of December 31, 2019, our business is primarily considered local as most of the operations are bound to the location of the particular warehouse(s). Nevertheless, our customers require global expertise to provide the right solutions, which we meet by leveraging a centralized operational and functional support team with specialists in each of our largest industry sectors. We believe that our strength across multiple geographies is a critical advantage in winning new business, given the increasingly global nature of our industry.

Our Contract Logistics business generated revenue of $3,583 million in 2019. The key industry sectors contributing to this revenue are automotive 34%, consumer & retail 26%, industrial 19%, technology 11%, healthcare 6%, energy 1% and other 2%. Europe, Middle East and Africa accounted for 53% of revenue, the Americas 26% and Asia-Pacific 21% (excluding the ANJI-CEVA joint venture). In 2019, we handled approximately 51 million order lines and shipments per month.

Our contracts are typically large with 74% of the revenue generated from contracts with over $5 million in annual revenue. The table below shows the distribution of contracts for the provision of Contract Logistics services as of December 31, 2019.

| | |
|---|---|
| Above $5 million | 74% |
| Between $1 million and $5 million | 20% |
| Below $1 million | 6% |

In addition, our contracts are typically for multiple years, usually two to five, but ranging up to ten years, with high retention rates (above 80% for Contract Logistics as of December 31, 2019).

We deliver services mainly through the provision of people, technology and systems and we typically work on leased or customer-owned premises with modest capital expenditures tied to new contract wins. Approximately 57% of our Contract Logistics facilities were dedicated to a single customer. The majority of the locations dedicated to a specific customer is leased on a concurrent basis with our customer contracts. We endeavor to maintain long-term engagement with clients in order to deliver the entire spectrum of integrated solutions.

We seek to establish a culture of operational excellence and a disciplined approach to performance management with modern IT tools (including a comprehensive, easy-to-implement and robust suite of warehousing management tools, to enhance efficiency and deliver customer benefits (see "*Business—Information Systems and Logistical Processes*"), allowing us to provide our customers with process excellence and effective solutions. Our Contract Logistics organization is based on industry verticals to take into account specificities. We have deployed a Business Process Excellence ("BPE") team of senior lean experts with global reach driving operational performance improvements and ensuring best practices are applied across the platform. Among the metrics we monitor are on-time performance, productivity measured by number of labor hours, safety and margins.

In order to win and operate large and complex contracts, we rely on our pool of senior solution design engineers, combining strong institutional and operational knowledge with the newest techniques for innovative and cost-competitive customer solutions. These engineers have in-depth sector expertise and work together with the BPE teams to ensure continuous learning and improvement. Continuous improvement serves the strengthening of profitability on a contract-by-contract basis, but is also accompanied by global procurement and management initiatives.

Process excellence involves continuous improvement of existing operations, which requires efficient development and low investment. Increasingly, we introduce revenue share agreements with the customers, where the customers share the economic benefits of our operational improvement.

***Diversified Customer Portfolio with strong, long-term relationships:***

We enjoy a largely blue-chip but well diversified customer portfolio in our Logistics segment. Our top 100 customers accounted for 61% of 2019 revenue, with no single customer accounting for more than 4% of 2019 revenue.

We believe we have strong, long-term relationships with our diversified blue-chip customer base across key industry sectors, including automotive, technology, consumer & retail, industrial & aerospace, healthcare and energy. Traditionally anchored in the automotive and technology sectors, we have achieved gradual diversification. The consumer & retail sector grew from 23% of revenue in 2014 to 27% in 2019; industrial & aerospace grew from 20% to 25%; automotive remained at 24%; healthcare grew from 4% to 5%; while technology decreased from 20% to 17% and energy from 6% to 2%.

Our top 30 customers, who represented 40% of 2019 revenue, have an average relationship with us of 20 years, and include companies such as General Motors, Dell, 3M, ABF, Medtronic and Nike. We serve 24 of these customers in at least 10 countries, and we serve 28 out of 30 in both Freight Management and Contract Logistics, which evidences our ability to expand with our customers globally and effectively cross-sell.

Our go-to-market approach includes a differentiated account management strategy for our largest multinational accounts (approximately 50 in total). We service these accounts with executive sponsorship through a dedicated single point of contact that can offer both Contract Logistics and Freight Management services, enhancing our ability to cross-sell and provide comprehensive solutions to complex logistics challenges.

Large customers have very high competencies in supply chain and logistics, often deploying 3PL or 4PL activities themselves, and a global deployment that reflects their global needs and expectations. The solutions offered to these customers are often highly integrated and include a network dimension where value is created through responsiveness, agility and the ability to manage overall flows and offer proactive solutions (such as ahead of a new product launch or seasonal peaks in demand). Consistently high service levels and flawless execution (in routine processes, but also in new project launches) are preconditions to being eligible to serve such customers.

In addition, the globalization of the world economy in the 20th and early 21st centuries has significantly widened the geographical footprint of smaller enterprises. From being synonymous with "local", it is now common that they have suppliers on various continents and serve customers all over the world. Especially in Freight Management, smaller customers complement our key account customers as they offer us the limited, flexible volumes that bring consolidation and volume/density mix to fruition, thus enhancing the yield on the various trades. We offer executional assistance to our customers in dealing with shipments and supporting customers' service centers where, as much as possible, we allocate contact respondents who know their customers' businesses and their needs.

***Other Investment: ANJI-CEVA joint venture***

CEVA has a strong position among global logistics providers in Greater China (including Hong-Kong and Taiwan). In Contract Logistics, this was achieved through the Anji-CEVA joint venture, which we consolidate under equity method. In parallel, CEVA is also a significant player in Freight Management, through a fully owned network of Freight Management locations.

ANJI-CEVA Logistics is a joint venture between CEVA and the Shanghai Automotive Industry Sales Corporation ("SAIC"), the largest automotive manufacturer in China. It was established in 2002, for a 15-year period, which was renewed in 2017 for a further 15 years. The joint venture operates as a limited liability company named as "ANJI-CEVA Logistics Company Limited" ("ANJI-CEVA"), in accordance with the law of the People's Republic of China on Equity Joint Ventures Using Chinese and Foreign Investment, with each of SAIC and CEVA owning 50% of the equity.

ANJI-CEVA is governed by a seven-member board of directors of which four (including the Deputy Chairman) are appointed by ANJI Logistics and three (including the Chairman, who is the legal representative of the company) by CEVA. Furthermore, each party has the right to appoint one supervisor who oversees the activities of the ANJI-CEVA joint venture and its board of directors. The financial results of ANJI-CEVA are consolidated within the SAIC group accounts; as noted above, we account for CEVA's interest in the joint venture under the equity method. Most matters are approved by the board of directors upon an affirmative vote by a simple majority of all the attending directors then in office, and a unanimous vote of all directors is required for certain matters, including but not limited to: (i) approval of the five-year business plan of ANJI-CEVA, (ii) extension of the term of the ANJI-CEVA joint venture agreement, (iii) change in the registered capital, (iv) merger or dissolution of ANJI-CEVA, and (v) material capital expenditures. A deadlock provision applies to such reserved matters.

The principal activity of ANJI-CEVA is to provide Contract Logistics services (including warehousing, distribution, transportation, domestic freight, technical consulting and training) in Greater China, as well as air and ocean freight services related to automotive parts that are transported from/to mainland China. ANJI-CEVA is a leading automotive parts logistics provider in China with an approximately 15% market share in 2019. In particular, the activities of ANJI-CEVA joint venture cover:

- *Automotive parts logistics* which include (i) inbound logistics, where ANJI-CEVA supports the production of more than 4 million vehicles per annum with advanced service, including pre-assembly, for companies such as General Motors and Volkswagen as well as for certain Chinese automotive manufacturers, (ii) aftermarket logistics, including warehousing and distribution to the dealers/repair centers throughout the country, (iii) a unique, extensive and fully controlled ground transportation network, covering, as of December 31, 2019, more than 300 cities in 30 provinces in China, managing more than 3000 trucks, and (iv) some air and ocean freight of automotive parts from/to mainland China, (totaling around 95% of the joint venture's 2019 revenues);
- *Non-automotive warehousing and distribution activities* in sectors including industrial, consumer & retail and technology (approximately 5% of the joint venture's 2019 revenues).

The ANJI-CEVA joint venture agreement gives ANJI-CEVA exclusive rights for Contract Logistics operations (warehousing, distribution related to warehousing, ground transportation and value-added services) both for automotive parts and non-automotive products (except ground transportation) in China including Hong Kong and Taiwan, and neither CEVA nor SAIC is permitted to engage in activities in competition with ANJI-CEVA in these territories without the other party's consent.

While its business model is asset-light in its operations (in particular, the transportation activities are managed from outsourced providers), the joint venture owns certain properties and pieces of equipment as it is customary in China. As of December 31, 2019, ANJI-CEVA employed more than 14,000 employees and temporary and agency workers and managed more than 4 million square meters of warehousing space.

*Other Investment: AMI Worldwide*

CEVA Logistics has acquired a 70% shareholding in AMI Worldwide, a third-party logistics provider with an extensive network in East and Southern Africa, which has more than 100 years of expertise in the region. Effective July 1, 2020, the AMI Worldwide office network in 12 countries in East and Southern Africa and its almost 1,000 employees joined the CEVA global network. They will provide a platform for further investment and expansion throughout the continent, with the objective of offering CEVA's customers a seamless network, facilitating cargo movement within Africa and strengthening trade ties with the rest of the world.

***Terminal Facilities***

We have contractual arrangements to use terminal facilities in the ports that we use around the world. Access to terminal facilities in each port is necessary for the operation of our business. We have not experienced any difficulty in contracting for sufficient capacity at appropriate terminal facilities in the past years. We also own or have substantial investments in port facilities which we hold through our wholly owned subsidiary, CMA Terminals, and through a joint venture with China Merchant Ports (CMP) called Terminal Link. We have made these investments so as to support and enhance our operations and to turn a profit. Among other things, these investments allow us to gain "most favored nation" status at these multi-users' terminals, which in turn provides preferred access to berths, limits any increases in our port charges and affords us greater control over port activities and laborers, including stevedores. We currently have interests in, or agreements related to 50 terminals around the world, 47 of which are in operation and three are in development or under acquisition. Of these, interests in 26 terminals are held through our wholly owned subsidiary, CMA Terminals, or via affiliates of the group, and interests in 21 terminals are held through Terminal Link. We recently completed the disposal to Terminal Link of our stake in eight port terminals and are currently in the process of transferring to Terminal Link our stake in two additional terminals as further described below.

***CMA Terminals***

CMA Terminals holds interests in terminals in Marseille (France), Lattakia (Syria), Long Beach, Los Angeles and Dutch Harbor (United States), ZeeBrugge (Belgium), Guadeloupe and Martinique (French Antilles), Remire-Montjoly (French Guyana), Logoni (Mayotte), Le Port (Réunion), Kribi (Cameroon), Kaohsiung (Taiwan), Yokohama (Japan), Seville (Spain), Natal and Fortaleza (Brazil), Helsinki and Kotka (Finland), Tripoli (Lebanon), Nouadhibou (Mauritania) and Saint-Petersburg (Russia). CMA Terminal also continues to hold interests in the Gemalink terminal in Cai Mep (Vietnam) and the Mundra terminal (India), pending completion of the regulatory and lenders approvals required for the transfer of these interests pursuant to the Terminal Link Transaction (as defined below).

Most of the CMA Terminals investments have long been held by CMA CGM. The remainder were either (i) acquired as part of the NOL Acquisition in 2016, which comprised several of the ports in Asia and the ports in the United States or (ii) made in recent years via brownfield investments designed to enhance the value and potential of underperforming assets via concentration of CMA CGM volumes locally. In 2017, we sold a 90% interest in the port in Long Beach, California, and concurrently entered into an agreement to remain a major long-term user of the facility.

Significant terminal investments and developments in recent years within the current CMA Terminals portfolio are described below.

*Kribi (Cameroon)*

In 2015, we won a bid in Cameroon alongside our partners, Bolloré and China Harbour Engineering Company Ltd ("CHEC"), to develop a new terminal in Kribi, Cameroon. The new terminal commenced operations in early 2017. 60.45% of the shares in the terminal are owned by a 50-50 joint venture that we entered into with Bolloré, 20% of the shares are owned by Wide Resources Limited, a company controlled by CHEC, and the remaining 19.55% is held by Cameroonian nationals. This terminal is the only deep-sea terminal in Cameroon; it is expected to become the gateway for imports/exports and is already one of the main transhipment hubs in the area. By the end of its development, the terminal will have total capacity of at least 1.3 million TEUs. The parties funded $108 million for phase 1 ($86 million through equity contributions and the remainder either by external loans or shareholder loans) of the development, which was completed in mid-2017. Operations started in 2018 and phase 2 of the development, which consists primarily of the furnishing of new port equipment, is currently expected to be delivered in the next few years.

*Puerto Antioquia (Colombia)*

Puerto Antioquia is a greenfield multipurpose port terminal (containers, bulk, Ro-Ro and general cargo), which is strategically located as Colombia's closest port to the Atlantic Coast. It is geographically positioned to capture a large share of dry containers traffic coming from important economic regions of Colombia, including Medellin, Bogota, the Coffee Axis and other remote regions on the Northern coast of the region of Antioquia, Colombia. The port terminal should also foster the logistics development of the Uraba/Medellin and Uraba/ Bogota corridors.

The project is owned by us, Eiffage S.A, a top tier construction company, Puertos Inversiones y Obras S.A.S., an experienced Colombian port owner and operator, and a private consortium of banana producers and exporters. As of closing, which is expected to happen in the second half of 2020, we will have 10% of the shares in the project company in return for an obligation to invest $12.1 million and $13.1 million in 2021 and 2022, respectively. The concession agreement was signed in March 2019 for a 30-year term. The target capacity of the terminal in terms of containers is 610,000 TEU, which is expected to be achieved approximately five years after the closing date.

*Total Terminal International Alegeciras (Spain)*

Together with our minority financial partner DIF, an infrastructure fund manager, we entered into an agreement with HMM to acquire a 50% (minus one share) stake in Total Terminal International Algeciras (TTIA) for €22.1 million. The remaining equity and majority shareholding will be held by HMM via its ownership of a special purpose company, HT Algeciras. We believe that TTIA has high potential for future growth and development as a transhipment hub given its strategic geographic location in the bay of Algeciras at the Strait of Gibraltar, which is directly on the main shipping routes for containerized cargo flow to Asia, Europe, the Mediterranean, North and West Africa as well as North and South America. TTIA has a current capacity of 1.6 million TEU, but there is possible scope for further expansion up to 2.8 million TEU. The transaction is expected to complete in the fourth quarter of 2020, pending regulatory approval. Joint operations will commence with HMM after the transaction closes.

***Terminal Link***

We own 51% of Terminal Link; the remaining 49% is owned by CMP, the largest public port operator in China. We account for Terminal Link under the equity method. This ownership results from a 2013 transaction in which we sold 49% of Terminal Link to CMP for a consideration of $528.0 million. We also agreed to guarantee a certain level of dividends payable to CMP irrespective of the capacity of Terminal Link to pay them. The estimated fair value of this guarantee was $107.7 million as of December 31, 2019. The final settlement of this first guaranteed return mechanism was approved end of July 2020. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Divestment and Liquidity Enhancement Program"*. At the time of the transaction in 2013, we entered into separate relationship agreements with Terminal Link and CMP pursuant to which each committed to provide us with competitive rates, provide various guarantees of services (and in the case of the relationship agreement with Terminal Link, long-term rebates and discounts and direct access to road and rail) in exchange for our commitment to direct our ships to terminals in which Terminal Link or CMP have invested (and for certain efforts on our part to favor use of these terminals by other liner services). The separate relationship agreements were renewed in December 2019 concurrently with the Terminal Link Transaction (as described below).

Terminal Link seeks to invest in and secure access to terminal facilities in ports where we have significant operations. Effective management of the loading, off-loading and transhipment of cargo requires a high level of coordination among the various port terminal actors, including ship schedulers, stevedores and haulers of containers pre- and post-journey. Terminal Link invests in facilities within ports pursuant to joint venture arrangements with partners that have experience in operating port facilities and that contribute necessary on-shore equipment.

Prior to the Terminal Link Transaction described below, Terminal Link held investments in the following ports: Antwerp (Belgium), Dunkirk, Le Havre, Fos, Montoir de Bretagne (France), Malta, Thessaloniki (Greece), Casablanca, Tangier (Morocco), Abidjan (Ivory Coast), Pusan (South Korea), Miami and Houston (United States).

On December 20, 2019, we entered into an agreement to sell to Terminal Link our shareholding (through CMA Terminals) in (up to) ten port terminals for a maximum aggregate consideration of $968.0 (including sales proceeds of USD 955.0 million and an upstream loan of $13.0 million) million payable in cash at closing (the "Terminal Link Transaction"). On March 26, 2020, we closed the first part of the Terminal Link Transaction, which consisted of the transfer of our stakes in eight port terminals (Umm Qasr (Iraq), Rotterdam (the Netherlands), Odessa (Ukraine), Kingston (Jamaica), Ho Chi Minh City (Vietnam), Laem Chabang (Thailand), Qingdao (China) and the CMA CGM PSA Lion Terminal CPLT (Singapore)) for a cash amount of $814.8 million. The two terminals covered by the Terminal Link Transaction that remain to be transferred are Cai Mep (Vietnam) and Mundra (India)). Payment of five percent of the value of the eight stakes transferred was deferred until completion of the additional sale of either of the remaining two terminals, which is subject to receipt of pending approvals from local authorities, port authorities and lenders. (For further details regarding the Terminal Link Transaction, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Divestment and Liquidity Enhancement Program"*).

A significant terminal development in recent years within the current Terminal Link portfolio is described below.

*Kingston Container Terminal*

In April 2015 Kingston Freeport Terminal Limited (KFTL) (initially a wholly owned subsidiary of CMA Terminals, which was later transferred to Terminal Link as part of the Terminal Link Transaction), entered into an agreement with the Port Authority of Jamaica ("PAJ") for a 30-year concession of the Kingston container terminal. This terminal constitutes a strategic hub following the widening of the Panama Canal and serves an important role in our transhipment operations between Asia, South America, North America and Europe. The handover of the terminal's operations from PAJ occurred in June 2016, and the terminal is now able to handle large vessels following a recently completed development plan. The current capacity of the Kingston container terminal is 3.2 million TEUs, but there is an optional mid-term expansion program to increase capacity up to 3.6 million TEUs by 2026.

***Inland Facilities***

In light of structural port congestion in emerging market countries and the growing needs of our clients for flexible logistics solutions, we have been developing since 2015 CMA CGM Inland Services ("CCIS"), a fully owned subsidiary of CMA CGM dedicated to the development and management of inland facilities worldwide. CCIS is a logistics operator with a developed infrastructure, offering reliable inland services in Africa through a network of logistics platforms. CCIS also acts as an agent/supplier of CMA CGM Lines or servicing merchants. The services provided include container depot (transfer, storage, stuffing, un-stuffing, dressing, etc.), inland transportation (rail, road, barge, combined) and container services (port formalities, customs clearance). CCIS holds interests in numerous inland facilities and operates more than 60 sites, including in Benin, Burkina Faso, Cameroon, Egypt, Ivory Coast, Madagascar, Mali, Morocco, Mozambique, Nigeria, South Africa, Chile, Mexico, Turkey, China, India, Malaysia, Indonesia, Thailand and Russia.

**Information Systems and Logistical Processes**

***CMA CGM***

Our information systems and logistical processes are key operational and management assets that support many of our business units, including shipping agencies, individual lines and various head office departments, through a mixture of purchased software packages, third-party providers and systems developed in-house.

The ability to process information quickly and accurately is fundamental to our position in the container shipping industry, which is characterized by constant movement of thousands of individual items across a global network of sea and inland routes. We have developed and deployed a global information system that consolidates information from across all our operations using real-time internet-linked technologies and a common software platform, allowing all our employees access to the most up-to-date shipping information available. The following are the major applications of the shipping information system:

- *LARA*. Through Lines and Agents Real Time Application, or "LARA," our core system for the management of shipping agency activities, most of our shipping agencies are connected in real time to the relevant departments in our Marseille headquarters, sharing the same database that has been designed to manage all of the different aspects of sales administration and shipping documentation management. For example, LARA provides customers with information on all our lines, schedules and calls, provides quotes, handles bookings, processes documentation and invoicing, tracks the movement of containers, handles customs-related matters for the release of containers upon their arrival and keeps track of information that is relevant for financing and accounting purposes. Shipping agencies covering more than 98.0% of our volume are deployed with LARA.

- *LISA Shipping*. Currently being rolled out globally for all major carriers (CMA CGM, ANL Singapore, CNC and APL/NOL), LISA Shipping covers lines operations such as advanced schedule management, partnership agreement processes, customer allocation and cargo flow management, as well as intermodal planning and execution and equipment processes (*i.e*., depot and forecast management for our container fleet). This application is based on the partnership established with SAP France S.A. ("SAP") in 2013 to co-develop a dedicated software for the shipping industry, now released by SAP under commercial name of "SAP CSL (Container Shipping Liners)."
- *NOVA*. Customer service management tool based on Salesforce.com application, currently being deployed globally. This application is a unique communication and collaboration tool for all brands and all departments (for example, shared service centers and agencies), which brings significant change in customer communication trends, reduces customer effort, improves our overall customer management process (through better root cause identification and actionable plans) and provides strong and consistent analytics tools.
- *DIVA/SAFRAN*. Our business intelligence tools support corporate management and operational decisions by providing operational and financial/contribution reports.
    - *OCEAN/LOAD/SAGE/FNCA*. Through the Group Centralized Accounting Network, or OCEAN and SAGE, our financial reporting systems, we fully streamline internal financing reporting and budgetary processes for all our businesses (carrier-module), in addition to cash remittance management and accounting monitoring from agencies to headquarters (agencies-module). NOL still currently relies on its historical information systems, FNCA based on SAP. The historical information systems will be migrated over time to a global CMA CGM financial system, LISA Finance, which remains under construction.
    - *HFM*. The group consolidation tool, which is the basis of the preparation of the quarterly and annual group consolidated IFRS financial statements.
    - All maritime functions, such as vessel chartering and monitoring, on-board cargo planning or third-party logistics are managed through a mix of custom and off-the shelf specific software.

We have developed institution-wide logistical skills in order to establish and maintain our global network of lines, as well as the technological systems and transportation infrastructure necessary to support those lines. These skills are integral to our ability to service a widely dispersed customer base at a local level while maintaining a global network. Our customers expect us to provide "just-in-time" inventory shipping services, to be flexible with respect to last minute shipment changes, delays and fluctuating shipment sizes and to be able to address these logistical challenges while keeping our vessels on schedule. Information exchange with respect to items such as booking procedures, administrative documents, invoicing and tracking is continuous among our different locations, customers and suppliers and is a key element in the quality of our customer service.

In 2013, we entered into an agreement with SAP for the development of a new information system tailored specifically for container shipping activities and intended to replace and improve a large part of our then-existing IT systems (the "SAPHIR Project"). There are certain legacy IT systems, however, that have been upgraded and now co-exist with the new system designed by SAP, as discussed above. Our overriding strategy is to move away from a monolithic architecture with a single integrated system to a more modular and integrated system with web services and application programming interface ("API"). This strategy will facilitate flexibility in the management of our applications, as our business continues to evolve. We spent €480 million on development of the new system over 2013 to completion in mid-2020. See "*Management's Discussion and Analysis—Liquidity and Capital Resources—Capital Expenditures*." We believe that our new system provides us with greater efficiency and operational flexibility. All in-scope SAP applications have been developed and deployed, including the "Line Operations," "Intermodal" and "Equipment Management" applications. The following in-scope SAP applications were developed and deployed between 2015 and 2019: "Identity Management," "Governance, Risk and Compliance," "Customer Relationship Management," "Schedules and Partnership Management."

In September 2017, CMA CGM signed a seven-year services partnership with Infosys and IBM to accelerate the simplification and transformation of our application portfolio, support our operations with guaranteed service continuity for the business and leverage next-generation IT solutions. Such partnership provides new, high value-added technologies, which allow us to remain at the forefront of an industry that increasingly requires technological differentiation. In addition, this partnership allows us to further streamline our IT systems and to generate savings by reducing on-going operating costs. The IBM transformation has facilitated productivity gains and a reduction in costs related to basic administrative tasks. As of January 31, 2020, the savings generated by this contract amounted to €6.6 million (for the contract duration expected savings are approximately €26 million).

CMA CGM's shipping information systems remain separate from CEVA's equivalent systems due to the differing nature of activity and business processes. However, some joint initiatives and synergies have been undertaken on infrastructure and digital so as to mutually benefit from the expertise available at both companies. For instance, CMA CGM is currently renewing its network with SD-WAN with support from CEVA for its site deployment.

***CEVA***

CEVA's information systems landscape is tailored to the main business line within CEVA, Freight Management (Air & Ocean), Ground and Contract Logistics, which is supported by the corporate functions. The CEVA's information systems are "branded" under the CEVA Matrix suite. CEVA Matrix offers customers a suite of supply chain tools, which are either custom developed or are purchased third-party applications that have been tightly integrated into the suite. Through CEVA Matrix technology and its underlying architecture, we offer a common platform for the efficient function of key business processes across CEVA's supply chain, fulfilling the purpose of creating value for customers and stakeholders across the globe. The following are the major applications of the logistics information system:

***Freight Management (FM) (Air & Ocean):***

- CSP (Customer Service Portal) is the main source of operational tasks for booking, service & status.
- OFS (One Freight Solutions) drives the operational control of shipment execution, gateway management, invoicing and job costing.
- RMS (Rate Management System) controls available services, charge lines and rates for a quote, booking or shipment.
- CWO (Cargo Wise One) Brokerage, solutions integrated with the full FM solution stack design to provide customer visibility.
- Service Apps (*i.e.*, Workflow, Docgen, OneID, ONEScan, Reporting) are mostly hidden from the end user but provide particular needs in the FM value chain.

A program will be initiated in September 2020 to replace the existing FM landscape with CargoWiseOne (CWO) globally. CWO will be implemented in three to four years, including 15-month build, and rolled out in three pilot countries before parallel cluster deployments. Deployment will be a partnership between a dedicated global team and dedicated country resources. The program budget is $70 million.

Upgrading CEVA's FM systems is required to improve our data quality and productivity by deploying an "industry standard." The Freight Forwarding system will be used to manage our transactions efficiently. It will be integrated into our new digital platform and our backend system including BigData and Analytics.

In May 2020, CEVA launched a new digital platform—"myCEVA." This all-in-one platform will enable our customers to easily manage their freight from end to end, including real-time rates & quotes, quick and simple booking journey, visibility all the way and a single point of contact along the entire duration of the shipment. "myCEVA" leverages digital capabilities to enhance our customers experience and help them navigate through a complex and dynamic logistics environment.

***Ground/Lead Logistics:***

The Matrix TMS (Transport Management System) and Matrix SCM (Supply Chain Management) solutions span the following three domains/areas:

(a) GSN (Ground Shared Network): is a sector agnostic multi-customer, country-based transportation network. GSN is a network of multiple customer or multiple stations/hubs. Service offerings include pickup and delivery, home delivery, white glove delivery, custom installs, linehaul & cluster or country ground network offerings. The solution offerings include Standard and Advanced GSN. It has been deployed in Chile, Peru, Mexico, China, USA, South Africa, Indonesia, The Netherlands and many other countries. The strategy is to further deploy this corporate solution in countries managing ground transportation activities, in replacement of local TMS systems or in place of semi-automated solutions in locations where ground transportation activities are growing. The aim is to reduce the number of TMS solutions in use and provide consistency in the way CEVA manages this Business across its geographies.

(b) Contract Logistics Transport: our solution offerings include Managed Transportation and Dedicated Delivery. Our customers include, among others, Walmart, MyChemist, Honda Motors and Toyota Motors.

(c) SCS (Supply Chain Solutions): provides the operational infrastructure, processes, global control towers and technology to execute end-to-end services for our customers. Our solution offerings include lead logistics provider (LLP) and fourth-party logistics (4PL) services. Our customers include, among others, Rolls-Royce, Amazon, General Motors, Hyster-Yale and Eaton.

***Contract Logistics***

Matrix WMS (Warehouse Management System). The Matrix WMS manages all aspects of warehouse planning and operations, providing all functionalities required to run a business. This system can be configured upon customer needs. It is based upon world-wide consistent best practices and processes embedded managing all aspects of warehouse planning and operations powered by Blue Yonder's (formerly JDA Software Group) world class warehouse management technologies.

Proven and consistent evolution towards best-in-class operations and services with a consistent growth path. End-to-end solution templates and pre-defined building blocks based on CEVA's warehousing know-how for rapid, best practice solutions. Currently over more than 200 customers have been implemented on this platform. In 2020 we aim to deploy more than 100 new sites/customers in Matrix WMS. The unique selling point of CEVA's solution is that the platform receives 2 updates per year with enhanced functionalities, which benefit all customers on the platform.

Recognized by Gartner as CEVA's strength when CEVA posted as a Leader in its Magic Quadrant in 2019 and 2020.

***Corporate Solutions & Shared Capabilities***

Business Development, standardized on C-View, which is based upon SalesForce CRM platform. Investments are being made to implement SalesForce for Customer Care.

HR, standardized on C-People, which is based upon SAP Success Factors with in-country payroll solutions.

Finance, standardized on JDEdwards, which is the global finance system for all entities. HFM is being used to consolidate at group level.

Infrastructure and Application Support are fully standardized and supported from 3 IT Shared Service Centers (main one in Manila with Madrid and Mexico as satellites) to cover for the main time zones. All backend servers and infrastructure have been consolidated into global data centers in both Europe and the Americas. The overall program to consolidate all the data centers is expected to be completed by the end of 2021.

**Shared Service Centers**

We consolidate certain transactional and operational support functions, such as payroll, procurement (procure to pay function), customer orders (order to cash activity), documentation (record to report process), and certain aspects of information technology and logistics, at our captive shared service centers in India, China, Estonia, Latvia, Ireland, Costa Rica, the Philippines and Mexico, with the objective of standardizing processes and reducing operating expenses across all of our business segments.

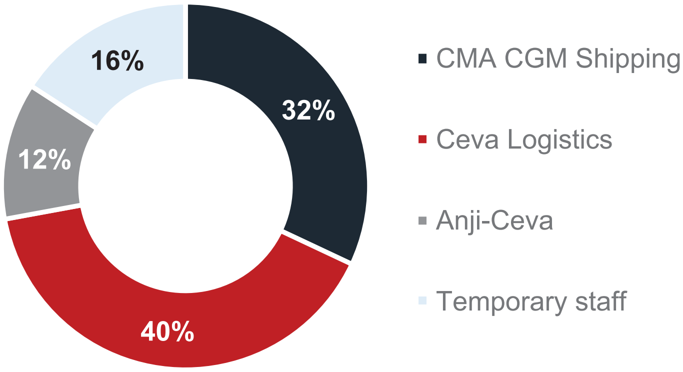
As of June 30, 2020, 6,901 of our full-time equivalent employees worked at these centers.

Additionally, with a view to improving the group financial systems and processes while containing our support function costs, we have developed a dedicated finance expertise center in Malaysia, Ficom, where we have outsourced specific corporate finance processes such as IFRS 16 commitments monitoring, partial financial controlling, treasury and working capital management monitoring. As of June 30, 2020, approximately 130 employees worked at this center.

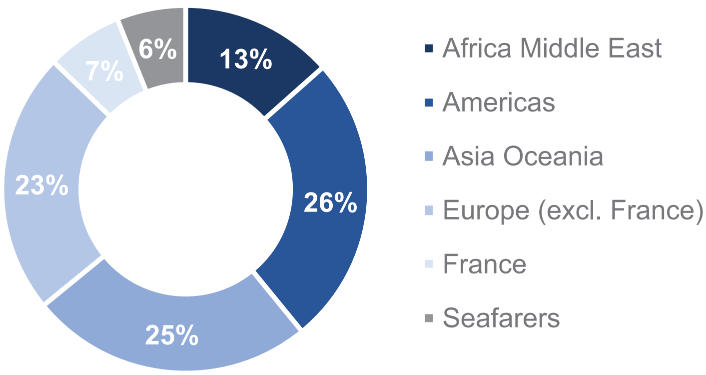
**Employees**

As of June 30, 2020, we had 111,347 employees working across our different segments worldwide (shipping, logistics and terminals including our JVs). This represents a 200.2% increase as compared with December 31, 2018, when we had a total of 37,092 employees. The substantial increase is due to our acquisition and consolidation of CEVA in 2019, which added 75,716 employees to our employment base, including employees from the ANJI-CEVA joint venture and temporary staff.

The following diagram shows the breakdown of our employees by entity as of June 30, 2020.




The following diagram shows the breakdown of our 80,286 CMA CGM Shipping & CEVA employees by geographic location as of June 30, 2020.

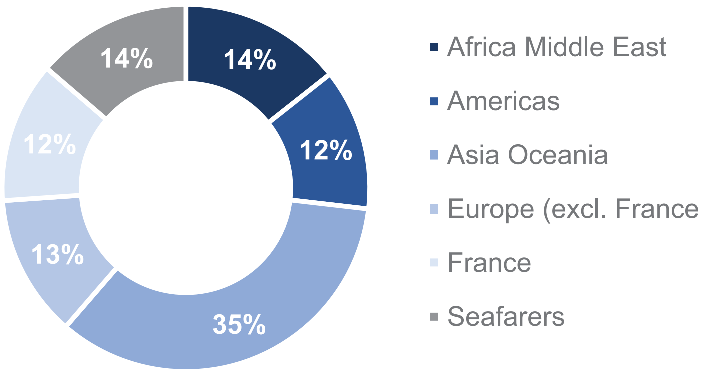



All our employees in France and some of our employees in other countries are employed under collective bargaining agreements. We have not recently encountered any material union difficulties or strike actions involving our employees and believe that our relations with our employees and the unions of which our employees are members continue to be solid.

***CMA CGM Shipping***

As of June 30, 2020, 30,753 employees, or approximately 86% of our total workforce, performed land-based functions across our global network and at our corporate headquarters in our sales and marketing, operations, documentation, finance, human resources and other administrative departments, and 4,878 employees, or approximately 14% of our total workforce, were seagoing staff employed on our vessels. We do not directly employ any agency staff other than the staff of our owned agencies. The employees of these owned agencies are generally supervised by the central management of their respective shipping agencies on a country-by-country basis.

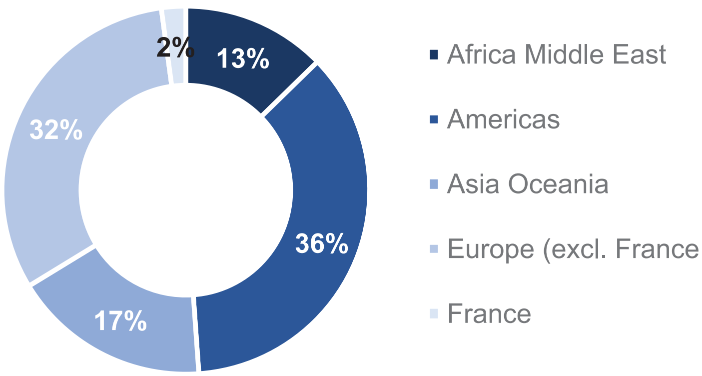
The following diagram shows the breakdown of our employees by geographic location as of June 30, 2020.




***CEVA***

As of June 30, 2020, CEVA employed a total of 44,655 employees of which 22,196 or approximately 50% of its total workforce performed contract logistics operations, 9,495 employees or approximately 21% of its total workforce performed freight management operations over air, ocean and ground, while 12,964 employees or approximately 29% of its total workforce performed support functions across the network and at our corporate headquarters in our product operations, sales and marketing, finance, human resources and other administrative departments.

The following diagram shows the breakdown of our employees by geographic location as of June 30, 2020.




As of June 30, 2020, ANJI-CEVA employed a total of 13,429 employees.

In addition to our full-time employees, we hire temporary employees (including on a daily or hourly basis), particularly for warehousing and delivering activities as part of our contract logistics business. As of June 30, 2020, our temporary employees represented a total of 17,632 full-time equivalent employees, of which 78% were employed by CEVA and 22% by ANJI-CEVA.

**Properties**

We own, lease or have rights to use, approximately 539 properties globally, either directly or through one of our subsidiaries.

We have two flagship properties in Marseille, and in Norfolk, Virginia (USA). The CMA CGM headquarters building in Marseille, known as the "Tour Jacques SAADE" (previously known as "CMA CGM tower"), consists of a modern-glazed building designed by architect Zaha Hadid. The tower is 147 meters high with 33 floors, with capacity for 2,700 people and a gross floor area of 64,000 square meters. The building is at the core of the development plan for Marseille's international business district. The construction of this building was financed through a secured credit facility, of which $90.984 million continued to be outstanding as at June 30, 2020. The Norfolk building houses office facilities for our U.S. operations and is owned by our subsidiary CMA CGM (America) Inc. It consists of 90,000 square feet of office space. The acquisition, construction and equipment of this office building was internally financed.

In September 2019, we sold our initial headquarters building in Marseille, a 1970's-era seven-story building with a gross floor area of 7,056 square meters, to a company owned 60 % by CMA CGM and 40 % by a third party. The sale is in view of the building being reconstructed and then sold to a third party which will be responsible for the commercial leasing of the building, including in part to CMA CGM.

We also carry out our operations from another office building that we own in Le Havre, France. The building has a gross floor area of approximately 9,704 square meters with capacity for 600 to 620 people.

As of March 31, 2020, we controlled more than 155 shipping agencies around the world. Most of such controlled shipping agencies lease small offices for performing their activities (including sales, administration and management functions). We do not consider any specific leased location to be material to our operations.

We believe that our properties are in good condition and are adequate for our current needs. We evaluate our needs periodically and relocate or acquire additional facilities when considered necessary or when cost-cutting or commercial opportunities arise.

CEVA uses more than 9 million square meters of warehousing, yard and manufacturing space for Contract Logistics, Freight Management and Ground Logistics operations in more than 1,000 different locations. The vast majority of them, around 700 locations for more than 5.5 million square meters, are leased while the remaining locations are customer-owned or third-party sites with a right of use as part of a logistic service agreement. Only a few locations are owned by CEVA, of which the most relevant are: Pila in Poland (21,236 sqm), Gravatai in Brazil (17,600 sqm) and Seseña in Spain (5,604 sqm).

**Insurance**

We maintain insurance policies to cover risks related to:

(1) Loss and physical damages (Hull & Machinery and Increased Value covers), including war, piracy and acts of terrorism (War Policy) to our owned ships and ships' equipment, other equipment (such as containers, chassis, terminal equipment and trucks) and properties. We also subscribe to an "extra war risk" insurance coverage for our owned ships transiting through high risk areas excluded from basic war policy.

 (i) We insure each owned ship for at least its market value and, for financed ships, up to the value stipulated in the financing agreement if higher than the market value.

 (ii) When we are subject to "extra war risk" premiums, we may pass on the additional costs of these premiums to customers. See *"Risk Factors—Risks Relating to the Shipping and Logistics Industries—Political, economic, social, natural and other risks in the markets where we have operations could cause serious disruptions to our business*."

 (iii) Damage to chartered ships are covered by their owners' insurance policies unless CMA CGM is responsible for such damage under the charter-party, in which case such damage would be covered under the CMA CGM Charterers Liability/Damage to Hull & Machinery cover, as set out in paragraph (2) below.

(2) All our owned fleet is insured through group insurance programs, including but not limited to protection and indemnity policies—"P&I" policies, through P&I Clubs (member of the IG group) which cover the following liabilities:

 (i) third-party and contractual liability claims arising from the carriage of goods, including loss or damage to cargo;

 (ii) claims arising from the operation of our owned ships and shore side equipment, including injury, illness or death to crew, passengers, or other third parties;

 (iii) excess collision liabilities (primarily covered under H&M cover) and wreck removal costs;

 (iv) costs incurred resulting from the quarantine of the vessels;

 (v) pollution arising from oil and other substances and salvage; and

 (vi) other related costs.

For chartered ships, we take out a liability insurance policy, which notably covers our liability as ship charterer for any loss to cargo or other damages for which we would be found liable, such as damages to the chartered ships, damages to a third party or pollution risks. The current limit of cover is $750.0 million per incident. This cover is taken out for both CMA CGM and CEVA.

We also maintain insurance cover called "shipowner's liability" ("SOL"), covering the Company for liability arising from (i) loss of or damage to "rare and valuable cargoes"; (ii) a contractual agreement that exceeds CMA CGM's liability as per the standard CMA CGM bills of lading terms and conditions and/or the applicable laws; or (iii) an accidental breach of a warranty contained in the P&I policy causing such claim to fall outside the scope of P&I cover. This comprehensive SOL insurance is limited to U.S. $50.0 million per policy year. It should be noted that carriage of "rare and valuable cargo" may be subject to the customer agreeing to take out an "all risks insurance" policy, which includes a waiver of subrogation against group entities.

In addition to the foregoing policies, we currently maintain loss of hire insurance for some of our owned ships. This insurance covers loss of earnings for ships that are taken out of service for repairs or detained by pirates. Some affiliated companies do not purchase such cover (APL, COMANAV, CNC, MERCOSUL).

CEVA has taken out a comprehensive Freight Service Liability Insurance covering the following risks:

- liability as freight forwarder and or carrier (air, road, land or combined);
- liability as customs clearing agent;
- liability as warehouse operator;
- liability incurred resulting from the provision of integrated freight management services; and
- contractual liability towards cargo while the cargo is under CEVA's care and duty.

CMA CGM and CEVA also maintain various other insurance policies to cover a number of additional risks related to their business. These policies are either integrated policies covering both CMA CGM and its subsidiaries and CEVA and its subsidiaries or are specific to each entity. These policies are:

- Directors' and officers' liability insurance;
- Employers' practice liability cover;
- Chassis, containers and handling equipment cover;
- Property damage and business interruption worldwide insurance program;
- General liability insurance program including, but not limited to:
  - Public and product liability;
  - Ship agent liability;
  - Freight forwarding liability;
  - Terminal operator liability for our owned or controlled terminals; and
  - Logistics activities;
- Repatriation cover for our crew and expatriates;
- Chassis road liability cover for our operations in the United States;
- Inland environmental risks cover;
- Political violence insurance policy;
- Crime and cyber insurance policy. Such cyber insurance does not cover physical loss caused to our assets and/or vessels as this is, per industry standard, excluded from the marine policies;
- Workers' compensation and/or employers' liability; and
- Auto liability.

For the avoidance of doubt, all our subsidiaries are coinsured under all of the insurance policies referred to above, although group policies may only intervene in case of difference in conditions or in limits of local policies implemented in some countries due to local regulations.

We renew most of these policies annually. Most of our insurance expenses are denominated in either U.S. dollars or Euros, and our insurance programs are mainly managed by Marsh, with Willis Towers Watson/Grass Savoy managing a smaller part of our portfolio.

Our premiums under these policies are directly linked to the number and amount of claims that we and other carriers suffered during preceding periods. As a member of P&I Clubs, we could sometimes be subject to supplementary calls for additional payments that may not be connected to our own loss records (mutuality principle).

We believe that the types and amounts of insurance coverage that we currently maintain are consistent with our risks, the customary practice in the international container shipping industry and are adequate for the conduct of our business.

All insurance policies placed by CMA CGM and CEVA at the group level are rated by S&P with A or above. As a matter of policy, underwriters with a S&P rating lower than BBB are not permitted to subscribe or renew one of our policies. In case an underwriter is downgraded in the course of a policy year to a S&P rating below BBB, such underwriter will be replaced at the earliest possible opportunity.

**Environment, Quality, Safety and Sustainability**

Our commitment to sustainability is underpinned by our corporate social responsibility, and is integrated into our business strategy. Senior management is committed to sustainability principles and plays a pivotal role in defining the group's sustainability objectives and strategies, integrating our corporate responsibility principles into all of our activities and applying them to the entire value chain. Our corporate social responsibility ("CSR") is based on three pillars: *Acting for People*, *Acting for the Planet* and *Acting for Responsible Trade*. Each pillar covers several key areas for action, aligned with the United Nations' Sustainable Development Goals. As a global company, we also apply the highest standards in relation to ethics and compliance, and always strive to have a positive influence throughout our entire value chain.

In this respect, in 2019, we obtained for the fifth consecutive year and with a substantially higher rating the "Gold Recognition Level" by EcoVadis, the first collaborative platform providing Supplier Sustainability Ratings for global supply chains. The sustainability rating firm highlighted two major strengths: a structured, well managed CSR approach rolled out into action plans and key performance indicators ("KPIs") and a documented framework of CSR subjects defined in conjunction with human resources.

We have recently developed a new sustainability policy that uses an objective approach and is measured by strategic KPIs. In addition, we have put in place a new governance structure to monitor the implementation of our new sustainability policy across the group. The new structure is composed of three main bodies:

- *The Sustainability Advisory Committee*, which has not yet been convened, will be composed of board members, independent experts and executive committee members, with an operational organization yet to be finalized. It aims at positioning our sustainability policy at the highest level of decision-making within the group.
- *The Sustainability Executive Committee*, which is composed of executive committee members, directors of the group's main regional offices and CEOs of our main subsidiaries. It aims at defining the strategic objectives of the group's sustainability policy and making propositions to the Sustainability Advisory Committee. The Committee is also responsible for monitoring progress on the KPIs and ensuring the proper implementation of our sustainability policy across the group.
- *The Sustainability Steering Committee*, which is composed of local referents across various geographies. The committee holds regular meetings to ensure that the group's sustainability policy is carried out across the group as a whole, and to receive on-the-ground feedback from across the network. The committee reports to the Sustainability Executive Committee.

***Acting for the Planet:***

Environmental protection is a key focus of our group's commitment to sustainable and responsible development. Our environmental policy relies on three strategic axes: Air (energy and climate change—air pollution), Ocean (ocean preservation and marine biodiversity) and Innovation (innovative and environmentally-friendly solutions).

***Climate Change***

Although maritime transport remains by far the transport method that produces the lowest amounts of greenhouse gas emissions per ton of merchandise transported, reducing energy consumption has always been a core focus of the group. In this respect, our objective is to be carbon neutral by 2050.

In recent years, the group has conducted several initiatives to reduce fuel consumption, which include renewing the fleet, reducing bunker consumption, diversifying bunker sources towards cleaner ones, reducing speed, optimizing routes and improving propulsion and hydrodynamic technology (through, for example, the retrofit of our ships' bulbous bow and propeller). Most ships in our fleet have benefited from these investments and improvements, and we plan to pursue our efforts in this respect.

In 2019, our fleet cut its global $CO_2$ emissions to 24.29 million tons (a 6% decrease in comparison to 2018 levels), and significantly improved its performance with an 11% reduction year-on-year in $CO_2$ emissions per container shipped. Since 2008, we have reduced our $CO_2$ emissions by 48% per TEU-km, in line with our voluntary target of reducing greenhouse gas emissions by 50% by 2030. Several factors contributed to our positive performances; in particular, we began renewing our fleet ten years ago through the acquisition of newer and more energy efficient vessels equipped with the latest eco-technology. We have also optimized the management of our assets by adapting our fleet operating policy (with, for instance, the use of slow steaming), and taking advantage of the growing importance of alliances.

***Air quality***

We have adapted our vessel fleet to meet the IMO 2020 regulation that came into effect on January 1, 2020. In addition, we opted for LNG, currently the best option on the market for air pollutants reduction (99% reduction in sulfur oxides and fine particles emissions, and 85% reduction of nitrogen oxides), to power our new vessels. To this end, we entered into two LNG supply agreements for the supply of approximately 300,000 tons of LNG per year for a duration of 10 years (starting in 2020) to fuel vessels on our Europe-Asia trade; and for approximately 270,000 tons per year for a duration of 10 years (starting in 2022) to fuel our vessels on our Mediterranean-Asia trade. Our LNG technology will allow us to comply with upcoming air pollution regulations such as NOx Tier III, new ECA and SECA zones (see "*Regulatory Matters—Environmental Regulations—International*"). We aim to have 20 LNG-powered vessels in our fleet by 2022, including the nine 23,000 TEU ships (with a total capacity of 380.000 TEU) currently on order; the first vessel of the series, the CMA CGM JACQUES SAADE, was delivered on September 22, 2020.

In addition, we are implementing the "cold ironing" system, which mainly consists of plugging vessels into onshore power supplies to reduce exhaust emissions, thus enabling vessels calling at ports to shut down their auxiliary engines while still getting the power they need, particularly to maintain controlled temperatures in refrigerated containers ("Reefers"). Our vessels practice cold ironing in California, in compliance with local regulations, and on a voluntary basis in various ports that offer cold ironing services, mainly in China and Europe. This technology has prevented 20,000 tons of $CO_2$, 10 tons of Sox, 355 tons of NOx and 24 tons of PM10 from being released into the atmosphere in 2019.

***Biodiversity Protection***

Preserving ocean biodiversity is also one of our key priorities. To this end, we have put in place a set of operational and inspection procedures to prevent marine pollution:

*Preventing Marine Pollution*. Spills, particularly oil spills from group vessels or terminals, are one of the greatest environmental risks we face. To mitigate such risk, we have implemented a set of measures in connection with our fleet maintenance, routine drills and simulations (both onboard and onshore), and have adopted a strong crisis management policy. In addition, 57 vessels of our fleet are equipped with the Fast Oil Recovery System ("FORS"), a reliable safe system for managing oil spills, which makes it possible to quickly recover bunker oil through a system of standardized connectors.

*Abandoning the Northern Sea Route*. At the G7 summit in Biarritz in August 2019, our CEO Rodolphe Saadé announced the historic decision that none of the group's vessels would use the Arctic sea route that has opened up to traffic recently due to the melting of polar ice, in order to help preserve the Arctic's unique and fragile ecosystems.

*Protecting marine biodiversity from invasive species*. In 2015, we began equipping our vessels with an innovative ballast water treatment system using UV light, a system which filters out any living organisms that might impact marine biodiversity locally.

*Reducing vessel speeds in whale breeding areas*. On the east coast of the United States and Canada, our vessels reduce their speed to 10 knots when navigating in the breeding areas of cetaceans and marine mammals, in order to reduce the risk of collision. We apply similar measures during our journeys on the west coast, which has resulted in an award from the port of Long Beach, California, for reducing the speed of our container vessels with nearly 100% compliance.

*Implementing high standards for dismantling vessels.* We use dismantling sites that comply with the Hong Kong convention's health, safety and environmental standards. The group audits these dismantling sites itself and uses third-party organizations to monitor procedures on a daily basis. In 2019, the group sent three vessels to be scrapped. In addition, the group joined the Ship Recycling Transparency Initiative ("SRTI") in 2019.

***Waste Management***

Our group is also committed to an innovative and environmental-friendly approach for the recycling and treatment of solid waste on board of our owned vessels. The group has implemented a new waste sorting policy in the Marseille Head office, which it plans to roll-out worldwide by 2021. We are also targeting a 20 % reduction of paper consumption in our offices by 2021 worldwide.

***Trainings and Customer Solutions***

We invest in training courses designed to make environmental protection an integral part of business activities. Upon hiring, all the group's new employees receive safety and environment training for their particular job. Depending on the job, every employee then has to attend specific training modules for their field.

We have also developed solutions and services for our customers to aid in their efforts to monitor their carbon footprints and reduce their greenhouse gas emissions, including carbon calculator software and personalized carbon reduction, reporting and monitoring.

*Certifications and Environmental Initiatives*

Both our ship management activity and our logistics activity are certified according to the ISO 14001 standard on Environmental Management. We have extensive procedures designed to ensure that our fleet of owned vessels complies with all applicable international, regional and local environmental regulations, and we deploy state-of-the-art technology in the design of our new build vessels.

We are also a member of the "Clean Cargo Working Group" ("CCWG"), a business-to-business initiative that consists of multinational manufacturers, retailers as well as ocean carriers and logistics service providers representing over 80% of container shipping capacity. The group develops and promotes the use of tools and methods to address the environmental and social impacts of transporting products.

In addition, we formed the "Coalition for the Energy of the Future" along with eleven major international companies to accelerate the energy transition in transport and logistics thus furthering our committed stance for the environment. This group's ambition is to achieve genuine technological breakthroughs with tangible results by 2030, in order to unlock a more extensive portfolio of clean energy sources, reduce energy consumption per kilometer-equivalent of goods transported and eliminate a substantial portion of emissions linked to transport and logistics.

CEVA is also member of SAFA (Sustainable Airfreight Alliance), a buyer-supplier collaboration between shippers, freight forwarders, and air freight carriers to track and reduce carbon dioxide emissions from air freight and promote responsible freight transport.

***Acting for People: Social and Societal Commitments***

***Ethics and Compliance***

We strive to be exemplary and to adopt the highest standards in terms of integrity in the way we conduct business and through strict compliance with applicable laws and regulations. As such, we have made continuous efforts to strengthen our anti-corruption compliance program (especially following the entry into force of the French "Sapin II" law), and to revise or create specific compliance procedures within the group. For instance, we launched an Ethics Hotline in 2019 that allows group employees and third parties to address questions to the Compliance Department as well as report acts of fraud, corruption, human rights violation, unfair practices or any other breach of the group's policies. The group has also established a Third-Party Code of Conduct, serving as a key guide for all staff members, which defines the minimum non-negotiable standards (in terms of human rights, labor standards and business integrity, amongst other factors) required of our third-party contractors when entering into a contractual relationship with us or acting on our behalf. Furthermore, we have implemented a personal data protection policy within our information systems, which extends to subcontractors and subsidiaries, to guarantee compliance with the European personal data protection standard worldwide.

In addition, we take part in joint initiatives with other shipping companies to promote ethical conduct in our line of business. For example, we are a long-standing member of the Maritime Anti-Corruption Network ("MACN"), a global business network working towards the development of a maritime industry free of corruption. In 2019, the network included over 100 members from the maritime industry working collectively to identify and mitigate the root causes of corruption and improve the operational environment.

***Commitment to our Employees***

We consider our employees as our most important asset. As a result, we constantly strive to improve the quality of their working conditions, and to enable them to find fulfilment and training throughout their professional career. One of our key strategies lies in the continued promotion of cultural and gender diversity of our employees and thus we strive to give everyone equal opportunities. Our group's workforce consists of people from over 149 nationalities, of which 45% are women. Within our upper management level, 14% are women and 45% come from culturally diverse backgrounds. Our aim is to increase these levels to 20% and 50%, respectively, by 2025.

Programs are deployed within the group to promote diversity and gender equality, such as our "We are Shipping" program which is devoted to the development of female leadership and aims to support women in their professional development through training workshops and networking opportunities.

We have also taken several steps to ensure better quality of life at the workplace, work-life balance and health and financial support for our employees. Working time arrangements have been instituted in some areas to enhance the work-home life balance and best meet the needs of customers. Moreover, we had already explored a remote working pilot program in 2018 which enable us to handle the lockdown caused by the COVID-19 pandemic in 2020. In light of our successful use of remote working technologies, we have decided to continue this practice with at least 10% of employees located in France working from home in 2021. This will be extended worldwide and to CEVA employees shortly thereafter.

The COVID-19 pandemic has prompted us to accelerate the development of our benefit entitlements which aim to ensure that our people have access to top level medical treatment and financial protections in case of unexpected life events. As at 30 June 2020, 85% of our employees have health coverage and our objective is to reach 100% (including CEVA and seafarers) by 2022. We have also set up a Special Provident Fund with a budget of €1.5 million to provide emergency financial support to our employees and their families in the case of unexpected life events.

***Global and Local Societal Engagement***

As a global business, we put our industrial facilities and the expertise of our employees at the service of major humanitarian causes. We are strongly committed to advancing the social and economic growth of the countries where we do business by making investments to create jobs and new opportunities. We are also actively engaged in improving local communities through the provision of financial and in-kind support to NGOs and local associations, via the CMA CGM Foundation, as well as through employee initiatives. For instance, the CMA CGM Foundation launched the "Containers of Hope" campaign in 2012, which provides NGOs with maritime transport for around 100 containers per year on the group's ships to deliver aid to populations in conflict zones or areas exposed to health and humanitarian threats. Since the launch of this campaign, more than 1,000 containers and 8,000 tons of humanitarian equipment have been shipped through partner organization programs.

In addition, we seek to help improve local communities through voluntary initiatives (one-off or recurring) that are carried out by our group entities and/or employees in relation to various environmental, social or societal themes. Actions in this respect vary in scope and purpose. For example, through APL, we have donated a 40-ft container library for the benefit of 800 students and villages in Malaysia. We have also organized the first ocean waste collection race in Marseilles. We are proud to have been involved in 61 local initiatives across 23 countries in 2019, representing 17% of countries with which we are associated. Our objective is to engage in at least one local action in 70% of the countries with which we are associated by 2021, and 100% by 2023.

We also take part in solidarity initiatives during natural or other calamities through the implementation of emergency actions. For instance, we launched a humanitarian relief campaign named "A Humanitarian Ship for Lebanon", led by the CMA CGM foundation in partnership with the French Ministry for Europe and Foreign Affairs' Crisis and Support Center, to ship aid to Lebanon following the devastating blast at the Port of Beirut in early August 2020. Our ship Aknoul transported more than 2,500 tons of reconstruction equipment, essential foodstuffs, hygiene products, rescue vehicles and medical equipment.

***Acting for Sustainable Trade: Quality, Safety and Security***

***Quality***

We strive to add value across the entire value chain. Customer satisfaction is the key driver in our vision of quality, and we also place fundamental importance on establishing a stable and long-lasting relationship with our suppliers.

Our ship management activities are certified according to the International Standards Organization's ISO 9001 standard on Quality Management since 2016, and some of our business units and affiliates have developed their own quality management system according to applicable international standards.

In addition, CEVA has implemented an overarching quality management system, which is also certified under the ISO 9001 standard, encompassing all of its locations and services, and providing the capability to insert other standards in a modular way. Furthermore, four of CEVA's data centers and seven of its corporate sites are certified according to the ISO 27001 standard on Information Security.

The structure of our quality management system enables effective performance monitoring of our targets and implements the continuous improvement principle. Senior management is responsible for ensuring that the demands of our quality management system are met. Internal and external audits are regularly performed on board and ashore to verify the effectiveness of our quality management system.

We adopt a "customer-centric" approach by working closely with our customers and providing them innovative solutions tailored to their needs. We carried out an annual survey in late 2017 whereby we gathered the opinions of over 23,000 customers in 180 countries. Based on the results of such survey, we carried out a more thorough analysis of customer expectations via 1,700 interviews conducted in 2018. Service indicators have been established and dashboards are now used to provide greater visibility on our customers' requirements and preferences.

On the procurement side, we created a Supplier Risk Committee to enhance the coordination of procurement risks within the group and monitor the actions put in place. In addition to all operational representatives from the purchasing department, the Committee aggregates key stakeholders working in the relevant area of expertise (legal, compliance, audit and risk, human resources and CSR departments). In 2018, we carried out a mapping of "procurement risks" at the group level using the risk assessment methodology developed by our group's Risk Management department. This mapping exercise has allowed us to (i) outline the purchasing areas and regions, (ii) assess the risks in terms of, among others, corruption, economic sanctions, human rights, health and safety, environment, etc. (iii) classify the risks into segments associated with a given category of suppliers and intermediaries, and (iv) determine the action plans to reduce risk levels. An overall supplier and intermediary assessment system has been established. Since January 2018, the group's Central Purchasing Department has worked on developing a specific procedure aimed at strengthening the steering of supplier risks. This procedure relies on a classification of the purchasing categories based on three risk levels (high, medium, low).

We completed the assessment of 348 suppliers in 2019, and an additional 1,959 suppliers in the first seven months of 2020. Our objective is to complete the assessment for 10,000 suppliers by end of 2021, and for all our suppliers (100%) by 2025. This will be extended to CEVA's suppliers shortly thereafter.

***Safety and Security***

Employee health and safety is a major priority to the group. Some operations and jobs represent significant risks, particularly onboard vessels, as well as in the terminal and warehouse operations. Our safety policy is designed to avoid accidents which may result in injuries or the loss of human life, whether to employees at sea or on land, or major damage to the vessels, goods or the environment. This is achieved through a set of procedures in an Integrated Management System (IMS) which are periodically assessed and revised. The Security, Safety and Environment Department analyzes and prevents risks inspects and implements technical and organization procedures in accordance with the regulations in force. Every year, the department conducts audits onboard the vessels and on land, to verify that the CMA CGM safety policy is properly applied. It is also in charge of operational coordination in the event of a major crisis.

Although the our safety management procedures are mainly preventive, the group also has a comprehensive plan for managing crisis situations. This plan contains responses to emergency situations onboard ships as well as at the branches and terminals. The plan is tested at least once per year and routine training sessions are conducted to improve the response capabilities of the crisis management teams. In addition, the group carries out regular drills in conjunction with the authorities to prepare for potentially dangerous events that include pirate attack simulations, emergency towing, fires and pollution.

Our group is commissioned to transport a wide variety of cargo that range from consumer products to dangerous goods, whether manufactured or not. Some cargo can represent a danger during transport, so the group put in place a dedicated organization to inspect, analyze and prevent risks related to the carriage of goods. For this purpose, the group divides goods into three categories: (i) goods qualified as dangerous by international regulations (International Maritime Dangerous Goods (IMDG) code) or national laws (CFR49—Code of Federal Regulations) that impose strict regulations on transport (packaging, segregation, temperature, stowing, etc.); (ii) potentially dangerous goods that require recommendations: chemicals in reefers, loading and admissibility of heavy goods, etc.; and (iii) controlled goods subject to regulations on stopping or limiting motion (including waste and protected species). To manage dangerous goods, the group has a dedicated department (Dangerous Goods) providing support to our organization worldwide on a 24-hours-a-day, seven-days-a-week basis. We also have dedicated computer application which is connected to the global booking IT system and which electronically incorporates the international regulation applicable to help determine the way dangerous goods are declared then packaged and stowed in the container. In addition, we are a founding member of the Cargo Incident Notification Network (CINSNET), which is a network of around ten major liner shipping companies, accounting for around two-thirds of all global container traffic, allowing its members to share information on incidents relating to dangerous goods.

Further, 23 of our Logistics segment facilities globally are certified according to the Transported Asset Protection Association (“TAPA”) certification. We are also certified according to the Customs Trade Partnership Against Terrorism (“CTPAT”).

**Intellectual Property**

CMA CGM has an extensive intellectual property program and takes all appropriate measures to protect and defend its intellectual property rights throughout the world. As a leading international player in its field of activity, CMA CGM owns a wide variety of intellectual property rights, including copyrights on its website and advertising materials, patents, trademarks, trade and corporate names and domain names. Its main intellectual property assets consist of the “CMA CGM” trademarks and trademark applications, and related trademarks and trademark applications such as “CMA CGM LOG”, “CMA TERMINALS”, “TERMINAL LINK”, colors and logos in the field of maritime transportation and related activities, including logistic activities and maritime terminal and ship management. CMA CGM has registered these trademarks with the relevant intellectual property offices in all the countries in which it operates under its brand. In addition, through its subsidiaries, CMA CGM owns, among others, the “APL”, “CNC”, “MERCOSUL”, “MAC ANDREWS”, “CONTAINERSHIPS”, “ANL” trademarks, colors and logos in the field of maritime transportation and the “CEVA” brand name and related trademarks in the logistics sector.

**Legal Proceedings and Government Investigations**

***Antitrust matters***

The Competition Commission of South Africa (“CCSA”) carried out in September 2016 unannounced inspections at the Durban office of CMA CGM South Africa and other carriers’ local offices in order to investigate customer complaints about alleged anti-competitive practices. No communications have been received to date from the CCSA in this respect. The maximum exposure for cartel conduct is a fine of up to 10% of the South African derived turnover of the firm concerned, together with a criminal fine of R500,000 (approximately \$30,000) maximum and/or 10 years of imprisonment maximum. No provision is recorded in this respect in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

In November 2015, the Chinese National Development and Reform Commission (“NDRC”) carried out unannounced inspections at the premises of ten carriers in China for the following three main reasons:

(i) conferences or rate agreement organizations are not exempted from Chinese Anti-Monopoly Law due to non-compliance with procedural requirements, (ii) carriers collecting Terminal Handling Charges ("THC") is illegal and (iii) carriers collecting THC from shippers under FOB terms is not lawful. An antitrust investigation was initiated, and risk was assessed at a maximum of 10% of the revenue of the business in question. CMA CGM initiated a settlement process with NDRC and offered mitigation measures, including in particular a revised THC structure. On February 24, 2017, the NDRC accepted the mitigation measures offered by CMA CGM and APL and decided to suspend the case without recognition of liability. CMA CGM has implemented the mitigation measures. CMA CGM's application for official termination, made in April 2018, remains pending. No provision is recorded in this respect in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

On June 30, 2020, the Korean Fair Trade Commission ("KFTC") conducted an unannounced investigation at the premises of CMA CGM's South Korean shipping agent, CMA CGM Korea. This investigation is an extension of a previous investigation of carriers launched in 2018 by the KFTC, to which CMA CGM was not subject, for alleged cartel activities with respect to the operation of scheduled shipping services on the Southeast Asia line. The investigation is ongoing and CMA CGM is cooperating fully with the KFTC. While CMA CGM cannot provide assurances with respect to the outcome of this matter, CMA CGM intends to vigorously defend itself.

***Asbestos work-related matters***

We have historically been party to two types of legal actions in respect of asbestos work-related matters:

***Compensation for emotional distress***

Claims have historically been filed against us in France by seafarers with various local administrative authorities (*Directions Départementales du Territoire et de la Mer*) alleging emotional distress over the possible consequences of past asbestos exposure. These claims are not for actual physical illness but rather the fear of becoming ill due to prior asbestos exposure. No such claims are currently pending.

***Compensation for illness and wrongful death***

Vessels built in the 1970's and 1980's often used asbestos in the construction process. Until 2011, seafarers could not, under French law, bring asbestos-related claims against shipping companies. This changed in 2011 due to decisions of the French Constitutional Court (*Conseil Constitutionnel*) and Supreme Court (*Cour de Cassation*) making it possible for seafarers to sue their employers based on a theory of gross negligence (*faute inexcusable*). To obtain compensation in asbestos related matters, a French seafarer must first make a declaration of a work-related illness to the relevant French social security authority, the ENIM (*Etablissement National des Invalides de la Marine*). The ENIM then investigates and determines the amount of disability compensation, if any, to be paid by social security. Such compensation indemnifies the employee solely for economic losses by increasing the invalidity quotient used by social security to determine the amount of the pension. In addition, under certain circumstances, the claimant may also bring an action before a specialized tribunal against its employer (based on gross negligence (*faute inexcusable*)) to obtain damages for the prejudice suffered and the additional costs incurred due to the illness. Twelve such cases are currently pending against us by French seafarers formerly employed by shipping companies that we acquired in the past (such as CGM or DELMAS) seeking compensation for asbestos exposure in excess of the amounts already paid by French social security. The French Supreme Court (*Cour de cassation*) issued several decisions in October 2017 that claims for compensation on the ground of CMA CGM's gross negligence (*faute inexcusable*) must be brought within two years from the date of a medical statement or certificate establishing that the disease is work-related. Accordingly, nearly all the pending proceedings against CMA CGM are time-barred. A provision of approximately $2.7 million is recorded in this respect in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

Regarding such claims, a few decisions have been rendered requiring CMA CGM to reimburse ENIM for the compensation paid to the plaintiffs. The appeals are pending before the courts of appeal or the French Supreme Court (*Cour de cassation*). The scope of potential claimants includes all seafarers who were employed in the 1970's and 1980's by us or by companies we since acquired. At this stage, we estimate that the potential number of such claimants could be approximately 14,000 employees (seafarers and a limited number of shore-based workers) who may have been exposed to asbestos. Our overall exposure will depend on the number of claims filed and on the outcome of upcoming court decisions that will determine substantive issues and set benchmarks for the quantum of compensation. In light of these outcomes as well as the existence of the statute of limitations, we will adjust our existing reserves to the extent appropriate and establish calibrated provisions going forward as and if further claims are made.

In addition, there are four petitions from former seafarers or shore-based personnel of CMA CGM or its subsidiaries pending before both the general and marine branches of the social security administration (CPAM & ENIM) to recognize their diseases as work-related.

***APL asbestos matters***

APL was previously named as a defendant in over 67 lawsuits alleging injuries caused by asbestos exposures on or around APL vessels. Those cases were consolidated before a U.S. federal court in Ohio. In those proceedings APL was joined by co-defendants that included other vessel owners and asbestos manufacturers. Most of the cases were eventually dismissed for lack of personal jurisdiction over APL, based on the issue of time-bar, or for some other reason. Some appeals from those dismissals are still pending. APL currently has 48 such lawsuits open and pending with a reserve balance of approximately $1.5 million as of June 30, 2020.

APL is also named as a defendant in a body of other lawsuits (pending in other U.S. jurisdictions) brought by longshoremen, shipyard workers, shore side sailors and others claiming to have been injured by asbestos exposures on or around APL vessels. The majority of these suits consist of low-level asbestosis claims, but there are also some cases involving more serious alleged injuries such as lung cancer or mesothelioma. Most cases are negotiated to settlement by APL's defense counsel, after the completion of some discovery and motion practice, but in the relatively rare instances where no reasonable settlement is obtainable, cases are litigated to final judgment. APL currently has 21 such lawsuits open and pending with a reserve balance of approximately $1.1 million as of June 30, 2020.

***Other disputes and potential claims***

***DIPCO Litigation***

The Damietta International Port Company ("DIPCO") is a greenfield terminal project located near the entrance of the Suez canal in Egypt. KGL International for Ports and Warehousing and Transports ("KGL") was awarded a 40-year concession and incorporated DIPCO. Through our then wholly owned subsidiary and currently 51% owned equity-method accounted joint venture affiliate Terminal Link, we acquired a 20% equity stake in DIPCO for $40 million. In June 2007, DIPCO entered into a construction contract with a joint venture owned by Archirodon Construction (Overseas) and Arab Contractors SAE ("AAC").

Construction started in 2007 after a preliminary financial closing of $200,000,000 in equity, and DIPCO signed a financing agreement for $480,000,000 with a pool of lenders. However, DIPCO was unable to comply with all conditions precedent to funding and was then unable to pay and fulfill its obligations under the construction contract. The project's construction was interrupted due to lack of funds in February 2009.

On March 14, 2013, Terminal Link transferred its interest in DIPCO to CMA Terminals, an indirect wholly-owned subsidiary of CMA CGM.

On July 18, 2013, the International Chamber of Commerce ("ICC") Paris arbitration tribunal, in an arbitration brought by AAC, ordered DIPCO to pay approximately $140 million to AAC. On December 8, 2015, AAC filed a lawsuit against DIPCO and the Damietta Port Authority ("DPA"), requesting the Mansoura Economic Court to declare DIPCO bankrupt as of June 16, 2014. On February 29, 2016, the Mansoura Court dismissed the case. On May 15, 2016, AAC lodged an appeal against the Mansoura Court's ruling and attempted to convince the Court to pierce DIPCO's corporate veil and to extend liability to the shareholders and board members based on Egyptian Trade Law and a provision governing bankruptcy by fraud in the Penal Law. On June 26, 2016, the Second Circuit of the Mansoura Economic Court in charge of Civil Appeals rejected AAC's appeal and upheld the judgment of the first instance court. To date there have been no further proceedings in the matter. It should be noted that other creditors could also conceivably seek to pierce the corporate veil in a bankruptcy or other proceeding. CMA CGM estimates DIPCO's outstanding debt to be in excess of $500 million, but does not have reliable and current information in this respect. No provision is recorded in respect of this litigation or potential contingent liability in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

On August, 31, 2015, the DPA terminated DIPCO's concession due to its alleged failure to comply with its obligations thereunder. On September 21, 2015, DIPCO filed a request for arbitration before the ICC, seeking damages for wrongful termination by DPA of the concession agreement and DPA counterclaimed for breach of contract. DIPCO argued that the DIPCO shareholders contributed over $200 million in equity and secured a $480 million loan facility, and that DPA had failed to cooperate and acted unreasonably and in bad faith, including by improperly stopping work several times, thus causing significant delays and driving up costs. It further argued that DPA made any cooperation conditional on the consortium signing abusive settlement agreements that imposed waiving penalties and shifted costs and liabilities onto DIPCO. On February 9, 2020, the International Court of Arbitration of the ICC in Paris rendered a final award in this arbitration, ruling as follows:

- non-enforceability of a settlement agreement entered into between DPA and DIPCO that had modified certain concession terms,
- illegality of the termination of the concession agreement;
- rejection of DPA's counterclaims;
- award of the following compensation to DIPCO:
  - $303.8 million for the costs and liabilities incurred by DIPCO in the project (including the above-referenced $140 million award to AAC) with interest of 5% annually (accruing as from the date of the filing of the arbitration, i.e. September 21, 2015),
  - $120 million for DIPCO's lost profits, with interest of 5% annually accruing as from 30 days from the issuance date of the final award and until full payment, and
  - Payment of DIPCO's arbitration costs, with interest.

DIPCO has not yet moved to enforce the award in Egypt against DPA. DPA has filed a lawsuit before the Cairo Court of Appeal (Circuit No. 1) with a view to annul the ICC's award; the first hearing is now scheduled for October 7, 2020. DPA has requested a stay of execution of the award.

***Algerian Monetary Foreign Exchange Control***

CMA CGM is potentially exposed to liability arising out of two separate investigations by the Algerian Central Bank (the "ACB") of the accounts held by CMA CGM Algeria ("CCA") as agent of CMA CGM with respect to vessels calling in Algerian ports between (a) 2000 and 2010 and (b) 2013 and 2014. The ACB alleges that CCA infringed the Algerian foreign exchange control laws when transferring to CMA CGM the funds related to the *compte d'escale* (i.e., money collected and paid on behalf of CMA CGM in relation to its vessels' calls in Algeria). The amount of the infringement alleged by the ACB is $102 million for the 2000 to 2010 period and an investigation is ongoing by the Algerian investigating judge. In theory the penalty could amount to four times the infringement amount. CCA is cooperating with the ongoing investigation and believes it has strong defenses against the allegations. For the second period from 2013 to 2014, CCA was found liable to pay a fine of $2.4 million by the Court of First Instance of Algiers which was confirmed on appeal on October 2, 2016. CMA CGM has lodged an appeal to the Supreme Court. The proceedings remain pending. No provision is recorded in this respect in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

***Turkish Cigarettes***

In 2017 and 2018, bookings were made by a freight forwarder with CMA CGM's agency in Turkey for the carriage of 14 containers from Gebze to Rotterdam, under two bills of lading said to contain "glasswares" in accordance with shipping instructions. At the freight forwarder's request, CMA CGM amended the place of delivery from Rotterdam to Antwerp. In February 2018, CMA CGM was informed by the Belgian customs authorities that contraband cigarettes had been found in containers shipped under one of the bills of lading. The goods were seized before leaving the terminal in Antwerp. Subsequently, an investigation was launched by the European Anti-Fraud Office ("OLAF") which revealed that a previous shipment of cigarettes had not been identified by the Belgian customs authorities. That shipment would have been effected under the other bill of lading.

CMA CGM has filed an action against the Belgian State seeking to nullify the official report of the Belgian customs authorities. An investigating magistrate was appointed in November 2019 to carry out the necessary investigations and civil proceedings have been commenced in Brussels before a tax magistrate.

The Belgian customs authorities are seeking to hold CMA CGM and its agents CMA CGM Belgium ("CC Belgium") and CMA CGM Turkey ("CC Turkey") liable for illegal import pursuant to the EU Customs Code that recently entered into force. Specifically, on January 8, 2020, the Belgian customs authorities commenced an action against CC Belgium, CC Turkey and CMA CGM seeking (i) the payment of criminal fines amounting to between around €625 million and €1.25 billion, (ii) the payment of customs fees and import dues amounting to approximately €40 million plus interest, and (iii) confiscation for the value of the cargo which was not seized, amounting to €4.4 million. The first hearing has been set for October 6, 2020. CMA CGM intends to defend itself vigorously in this matter, and believes it has strong defenses. No provision is recorded in this respect in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

***NSC vs SAN***

In March 2001 the Nigerian Shipper's Council ("NSC") and the Shipping Association of Nigeria ("SAN") signed a Memorandum of Understanding ("MOU") listing the local shipping charges that the lines' agents could bill to customers including terminal handling charges ("THC").

Prior to 2006, the container handling services were charged by the port authority to the agents which in turn charged the receivers and added their own costs all under the name of THC. From 2006 and the privatization of Apapa Port, the terminal operators started charging the container handling fees directly to the receivers. It was then decided between terminal operators and agents that terminals would bill the receivers with an equivalent of 70% of the old version of the THC calculation while agents would bill their own costs for the equivalent of 30% of the old version of the THC and under a new name "SLAC".

In October 2014 the NSC, alleging authority to regulate economic actors of the ports of Nigeria, sent a notice to SAN with a new tariff regime to be effective on November 2014, and drastically reduced revenues of the shipping lines. SAN lodged an action before the Federal High Court of Lagos challenging the power of NSC to unilaterally set tariffs related to the services provided. In December 2014 a decision was rendered to the effect that NSC was legitimate to regulate ports' charges, and that the SLAC is illegal as not listed in the 2001 MOU. SAN appealed the decision and requested a stay of execution.

In June 2017, the court of appeal held that NSC did not have regulatory authority over the shipping charges applicable on the port of Lagos, but that the SLAC was indeed illegal and had to be refunded by shipping agents from 2006. This represents an overall principal amount of $88 million for CMA CGM Nigeria, increased to $488 million with the 21% interest ordered by the court of appeal. SAN appealed the decision before the Supreme Court and, in July 2017, a stay of execution was filed before the court of appeal.

In August 2018, NSC indicated they would be willing to settle the claim for ₦30 billion (approximatively $83.3 million) payable by the defendants based on their market share, which would amount to approximatively $14 million for CMA CGM's share. There have been no further developments regarding a settlement or the Supreme Court case's progression.

A provision has been recorded in respect of this matter in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

***APL ENGLAND***

On May 24, 2020 the MV APL England (bareboat chartered by APL with Singaporean flag) and time chartered by APL to ANL Singapore encountered very heavy weather and seas off the coast of Sydney, New South Wales ("NSW"), Australia while on the Asia to Australia trade. During the period of the heavy weather and seas the vessel lost propulsion in her main engine for a short time, which resulted in the loss of 50 containers overboard the vessel and the collapse of another 48 containers on the deck of the vessel, out of two bays of the vessel.After the incident the vessel was able to proceed on her own means to the nearest safe port of refuge in Brisbane, Queensland. At the Port of Brisbane, the damaged containers were removed from the vessel and temporary repairs were effected to the vessel. The Australian Maritime Safety Authority ("AMSA") subsequently inspected the vessel, which was detained for breaches of Australian and international regulations and requirements—including the Navigation Act (2012) Cth and SOLAS. AMSA identified a number of operational deficiencies on the vessel including cargo lashings, general maintenance of deck sockets and deficiencies in lashing equipment.

The master of the vessel has been charged with breaches of Australian legislation, specifically the Navigation Act and the Protection of the Sea (Prevention of Pollution from Ships) Act. He has been released on bail to attend court at a date which has yet to be fixed. No other charges have been laid against any other parties at this time.

Once the vessel had been safely discharged of damaged cargo and temporary repairs made, she sailed from Australia and is currently undergoing repairs in China.

In addition to the events in Brisbane, significant amounts of debris from the containers lost overboard have continued to wash up on the shores along the NSW coast in the vicinity of Sydney and over a coastline of 190 NM. Some 15 containers lost overboard have also washed ashore leaving 35 containers unaccounted for. Actions have been taken by ANL Singapore to engage contractors to conduct beach cleaning operations. Debris clean-up operations are continuing and are likely to continue as required in the following months or years.

AMSA and the NSW authorities have both required security to be provided for estimated pollution damage and potential search and recovery of the unaccounted 35 containers overboard. The security provided by the P&I Clubs of CMA CGM (i.e. Steamship Mutual (P&I)) is $16 million to AMSA and $1.144 million to the NSW authorities. The estimations of potential cargo claims and costs in relation with the event amount to $32.6 million while $485,000 has been provisioned as the aggregate of the various insurance deductibles to be applied.

APL has commissioned a search company to commence searching for the 35 unaccounted containers from the vessel while the beach clean-up operations will continue as required.

APL' s financial liability for environmental damages and loss to cargo is covered by its P&I Club.

***CIL-Related Proceedings***

CIL Limited (formerly CEVA Investments Limited, or "CIL"), the former parent of CEVA Group Plc, is involved in a consensually filed liquidation proceeding in the Cayman Islands and an involuntary Chapter 7 proceeding in the Bankruptcy Court for the Southern District of New York. The Trustee in the Chapter 7 proceeding, acting for the benefit of CIL's creditors, filed a claim against CIL's former directors, CEVA Group Plc, and affiliated entities relating mostly to CEVA's recapitalization in 2013. The Trustee's claims relate primarily to the dilution of CIL's equity ownership in CEVA Group Plc at the time of the recapitalization. The Trustee seeks to recover CEVA Group Plc equity value that the Trustee alleges CIL held at the time of the recapitalization (i.e. allegedly as much as €295 million). Another claim by the Trustee relates to certain cash pooling agreements, the sums of which were deposited by or for the benefit of CIL and now are allegedly owed to CIL by one or more CEVA entities in the amount of approximately €14 million. In 2015 the defendants filed motions to dismiss certain of the claims asserted by the Trustee, and in January 2018, the Bankruptcy Court issued an order granting in part and denying in part the defendants' motions including dismissing the disputed payable claim against one of the defendants for lack of personal jurisdiction. In July 2018, the Trustee filed an amended complaint as well as a new action in the Netherlands related to the disputed payable claim against the entity that had been dismissed from the Bankruptcy Court action, and other CEVA affiliated entities. The defendants and the Trustee have filed motions for summary judgment in the Bankruptcy Court action which have been fully briefed. CEVA has filed its statement of defense in the Netherlands; a hearing is pending. In April 2019, Cyrus, the primary creditor in the bankruptcy proceeding, filed a separate claim in New York against CEVA Logistics AG, as successor in interest to CIL, related to CEVA's 2013 recapitalization and seeking to recover the value of the same debt instruments that are at issue in the bankruptcy proceeding. This new proceeding has been stayed by agreement of the parties pending the Bankruptcy Court's ruling on the pending motions for summary judgment. The Company cannot provide assurances regarding the outcome of this matter and it is possible that if the Trustee were to prevail on his claims, the Company could incur a material loss in connection with this matter, including the payment of substantial damages and/or the unwinding of the recapitalization in 2013. However, the Company believes the claims are without merit and intends to vigorously defend itself.

Separately, a former CEVA employee and CIL shareholder has asserted a putative class action against CEVA Group Plc, among others, in a U.S. District Court in the Middle District of Florida. Plaintiff, who no longer worked for CEVA at the relevant time, claims that CEVA Group should have treated him equally as then current employees who held CIL shares in connection with the 2013 restructuring. In January 2019, CEVA Group filed a motion to dismiss based on, among other things, the expiration of the statute of limitations, which the court has ordered to be re-filed as a motion for summary judgment. While CEVA cannot provide assurances with respect to the outcome of this matter and it is possible that CEVA could incur a material loss, CEVA intends to vigorously defend itself.

***Premium Net employees labor claims***

CEVA contracted with a third party, Premium Net, for it to provide and oversee labor workforces at certain sites across CEVA's Italian operations. Premium Net's "perimeter" employees (the "Plaintiffs") have jointly sued, as the case may be, Premium Net, CEVA and CEVA's customers, alleging that the entities are jointly liable for damages under certain Italian labor protection regulations. The Plaintiffs seek alleged unpaid severance, remuneration for alleged work performed outside the scope of their assigned classification, or both.

Several hearings have been held in each individual case and our co-defendants (Premium Net and individual sub-suppliers) have defended on several grounds, including reliance on the statute of limitations, the legal forfeiture of rights or the favorable application of the burden of proof. A provision in respect of this matter is included in the 2019 CMA CGM Audited Consolidated Financial Statements.

***Provision for litigation***

A provision for litigation of $166.9 million was recorded as of June 30, 2020 in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements. This relates, in addition to the matters noted above, to cargo-related and other claims incurred in the normal course of business, including for CEVA. None of these claims taken individually represent an amount that is material for the group.

## REGULATORY MATTERS

Our operations are materially affected by government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the ships operate, as well as in the country or countries of their registration. Because such conventions, laws and regulations are subject to change, we cannot predict the continuing cost of compliance with such conventions, laws and regulations, the impact thereof on the resale price or useful life of ships or on business operations. Additional laws and regulations, environmental, security-related or otherwise, may be adopted and could increase our costs or limit our ability to service particular areas. See "*Risk Factors—Risks Relating to Our Business and Results*." We summarize in this section the conventions, laws and regulations that we consider to be the most significant for our business; the summary below does not purport to be exhaustive or complete.

### Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. Subject to the discussion below and to the fact that the kinds of permits, licenses and certificates required for the operation of owned, chartered or leased vessels, as well as permits, licenses and certificates required for shipping and other related services, will depend upon a number of factors, we believe that we have been and will continue to be able to obtain all permits, licenses and certificates material to the conduct of our operations.

### Maritime, Safety and Competition Regulations

#### *France*

We are subject to wide-ranging laws and regulations regarding maritime operations, most of which are set forth in the French Maritime Divisions, French Code of Transportation (*Code des transports*), and in particular in Articles L. 5000-1 *et seq.*, and in the French Customs Code (*Code des douanes*).

27 of the container ships we own, including our flagship vessel CMA CGM JACQUES SAADE delivered on September 22, 2020, fly the French flag (*Registre International Français, "RIF"*). Under Article 219 of the French Customs Code (*Code des douanes*), the main requirements for a vessel to be registered under the French flag are the following:

(1) the vessel must have been built in the territory of a Member State or have paid applicable import fees and taxes in one of these countries; and

(2) (a) the vessel must be at least half-owned or will be half-owned following the exercise of a purchase option under a financial lease agreement: (i) by nationals of France or another EU or EEA member state, who, if they reside in France less than six months per year, must elect domicile in France with regard to any administrative or judicial affairs related to ownership of the vessel (if the vessel is co-owned, each owner must reside in France, or if they reside in France less than six months per year, must elect domicile in France); (ii) by a company that is headquartered in France, or in the territory of another EU or EEA member state (provided in the latter two cases that the vessel is controlled and managed from a French permanent establishment); or (iii) by a company which is not headquartered in the European Union or in the EEA, provided that pursuant to an agreement between France and the country in which such company is headquartered, a French-registered company may legally conduct business and be headquartered in such country, and provided that the vessel is controlled and managed from a French permanent establishment; (b) either be bareboat chartered by: (i) a natural person who satisfies the nationality and residence requirements set out above; or (ii) a company complying with the conditions of nationality, registered office or permanent establishment aforementioned; or (c) the vessel's nautical management is (i) operated from France by a permanent establishment of the owner or by a French company contractually bound to the owner for the purpose of the performance of such nautical management; or (ii) operated by a vessel manager, holding appropriate documentation, in compliance with the ISM Code (as defined below) and fulfilling the nationality, registered office and principal place of business criteria as set out above.

In order to enhance the competitiveness of the French flag, Law No. 2005-412 of May 3, 2005 (now codified under Articles L. 5611-1 *et seq.* of the French Code of Transportation) created a French International Register (*Registre international français*), pursuant to which vessels may be registered subject to certain conditions. The related legal regime provides for, among other advantages, certain tax exemptions in respect of crew salaries. French safety and environmental law is applicable. Crew residing outside the French territory are subject to a specific labor and welfare regime. For a vessel to be registered on the French International Register, Article L. 5612-3 of the French Code of Transportation provides for the following conditions:

(1) 35% of the crew (safe manning) must be EU, EEA or Swiss Confederation nationals, or nationals of any country which is party to any international convention having the same scope with regard to residency and labor laws, this proportion being lowered to 25% if the vessel does not benefit—or no longer benefits—from the tax exemption scheme available upon its purchase; and

(2) the vessel's captain and the first officer on the vessel must be French, EU, EEA or Swiss Confederation nationals, or nationals of any country which is party to any international convention having the same scope with regard to residency and labor laws. The captain and the first officer must hold certain professional qualifications and have sufficient knowledge of the French language and shipping-related legal matters to exercise the power of a public authority granted to the captain and the first officer.

***European Union***

In the European Union, we are subject to competition rules set forth in the Treaty on the Functioning of the European Union ("TFEU"), mainly Articles 101 and 102, and in the implementing Council Regulations (EC) 1/2003 and (EC) 246/2009. Article 101 TFEU generally prohibits and declares void any agreement or concerted actions among competitors which adversely affect competition, in particular if they lead to the formation of cartels or anticompetitive foreclosure. The abuse of a dominant position held by one or more (shipping) companies is prohibited by Article 102 TFEU. However, certain joint operation agreements (also referred to as a "consortium") in the liner shipping industry such as vessel sharing agreements, slot swap agreements are block exempted from certain prohibitions of Article 101 TFEU by Commission Regulation (EC) No 906/2009, as amended by Commission Regulation (EU) No 697/2014 and No 2020/436 ("Commission Regulation (EC) No 906/2009").

Since the Council abolished a carriers' right to set common prices and to limit capacities on shipping services to or from ports of the European Union in 2008, agreements or arrangements between carriers that restrict competition, in particular those pertaining to price fixing, capacity limitations or market allocations, are prohibited and subject to sanctions by the European Commission. The European Commission may impose fines on carriers engaged in anticompetitive practices. It may also impose remedies or render legally binding the commitments offered by companies in order to address certain competition concerns.

The Commission Regulation (EC) No 906/2009 sets out rules applicable to shipping companies' consortia or "alliances" that provide a conditional exemption from certain antitrust rules. Consortia are forms of operational cooperation between liner shipping companies with a view to providing a joint maritime cargo transport service. Liner shipping carriers transport cargo, in practice mostly by container, on a regular basis and on the basis of advertised timetables to ports on a particular geographic route. The Commission Regulation (EC) No 906/2009 acknowledges that consortia allow the rationalization of carriers' activities, economies of scale, and more efficient use of vessel capacity and therefore enable customers to benefit from cost synergies, higher frequencies, and wider coverage of ports. The cooperation within a liner shipping consortium must be limited to operational cooperation. The consortium members are therefore required to market and price their services individually. Consortia whose members' combined market share in the relevant market does not exceed 30 % are presumed not to restrict competition. Other consortia are subject to carriers' more detailed self-assessment of market conditions to verify that they do not restrict competition. The current Commission Regulation applies until April 25, 2024, following the adoption of Commission Regulation (EU) No 2020/436 which has extended this block exemption regime for an additional four-year period.

In the EEA we were until recently subject to compulsory rules relating to future price announcements via mass communications for ocean shipping services on EEA trades. We and other carriers were the subject of a European Commission decision involving specific behavioral commitments in this respect that came into force in 2016. The commitment decision lapsed on December 7, 2019, but we have decided to continue implementing the substance of the commitments and remain in line with their spirit.

***United States***

Our carrier operations serving U.S. ports are subject to the provisions of the Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998 and by the Federal Maritime Commission Authorization Act of 2017 (the "Shipping Act"). Among other things, the Shipping Act confers immunity from U.S. antitrust laws for certain agreements between ocean common carriers operating in the United States foreign commerce, provided that the agreement has been filed with the U.S. Federal Maritime Commission (the "FMC"), and has become effective in accordance with the Shipping Act. The most common types of carrier agreements are slot exchange agreements, whereby carriers share space on each other's ships, and discussion agreements, in which carriers may discuss rates and other terms of service in the covered trades and voluntarily adopt recommended ocean freight rates and charges and other terms and conditions of service. We refer to these types of agreements as co-operation agreements. To receive a U.S. antitrust exemption, these co-operation agreements must be filed with the FMC and must become effective in accordance with the terms of the Shipping Act. In the normal course, a carrier agreement will become effective 45 days after filing, or 30 days after publication of the agreement in the Federal Register, whichever is later; the review period may be shortened if it qualifies for "expedited review" or falls within specified categories, such as a "low market share agreement." This review process may be extended if the FMC requests additional information from the parties to the agreement. If the FMC determines that the agreement is "substantially anti-competitive," a court injunction may be sought to prevent the parties from operating under such agreement. Under the Shipping Act, ocean common carriers serving U.S. ports may offer container shipping to customers either through semi-confidential service contracts or through publicly available tariffs. The Shipping Act requires carriers to publish their tariff rates and certain service contract terms (other than the contract rates) electronically to allow public Internet access. The Federal Maritime Commission Authorization Act of 2017, which was signed into law on December 4, 2018, provides for additional safeguards against anti-competitive behavior within the shipping industry and, *inter alia*, (i) provides for annual FMC oversight and review of the impacts on competition of alliances between ocean carriers, to be reported to the U.S. Congress on an annual basis, (ii) prohibits ocean carrier alliances from collectively participating in negotiations with terminal service providers, if such participation would likely result in excessive anti-competitive impacts, (iii) grants the FMC and U.S. courts specific tools and remedies to enforce the provisions precluding anticompetitive behavior of regulated entities and (iv) prohibits common carriers from participating in both rate discussion and vessel sharing agreements regarding the same trade if such participation would likely result in a reduction in service or increase in transportation cost. Our liner services to U.S. ports are subject to Shipping Act and FMC regulatory requirements relating to carrier agreements, tariffs, and service contracts and civil penalties may be imposed for any failure to adhere to these statutory and regulatory requirements. Currently, penalties of up to $12,219 may be imposed for non-willful violations and up to $61,098 for each willful or knowing violation of a FMC regulation or order. The maximum amount for civil penalties is adjusted for inflation annually, with the last adjustment occurring in January 2020.

***China***

There is a mandatory filing mechanism for rates and surcharges to the Shanghai Shipping Exchange and an obligation to set up the THC amount directly based on costs.

***South Korea***

The South Korean Government has very recently reintroduced the mandatory filing mechanism for rates and surcharges.

***Vietnam***

The Vietnamese Government has adopted a decree introducing a mandatory filing system for rates and surcharges as from July 1, 2017.

***Russia***

On July 3, 2016, the Russian authorities adopted a law introducing a mandatory filing system for rates and surcharges as from January 1, 2017.

Many countries also have national regulations similar to the Commission Regulation (EC) No 906/2009 mentioned above detailing rules applicable to shipping companies' consortia, regulating the validity of operational maritime agreements in each concerned country. This is, for example, the case in Singapore with a dedicated Block Exemption Order, the renewal of which is currently being discussed and, we understand from recent information from the Competition and Consumer Commission of Singapore, will cover operational arrangements among competing carriers.

### *International*

The International Maritime Organization ("IMO") is the United Nations agency responsible for maritime safety and the prevention of maritime pollution by ships. The IMO has adopted stringent safety standards as part of the International Convention for the Safety of Life at Sea ("SOLAS"). Among other things, SOLAS, which is applicable to our vessels, establishes vessel design, structural, materials, construction, life-saving equipment, safe management and operation, and security requirements to improve vessel safety and security. The SOLAS requirements are revised from time to time, with the most recent modifications being phased in such as Electronic Chart Display and Information System ("ECDIS"), lifeboat release and retrieval systems, bridge navigational watch alarm system, verified gross mass, etc.

In 1994, SOLAS was amended to incorporate the International Safety Management Code (the "ISM Code"). The ISM Code provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code became mandatory for container vessel operators in 2002. Our operations comply with the ISM Code and all our vessels have obtained the required certificates demonstrating compliance with the ISM Code.

SOLAS was amended to integrate the International Code for Ships Operating in Polar Waters (the "Polar Code"), which became mandatory on January 1, 2017. The Polar Code sets forth safety and environment related provisions (ship design, construction and equipment, operational and training aspects, search and rescue, marine environment) regarding navigation in waters surrounding the two poles. The Polar Code is not applicable to any of the trades provided by the Company and therefore does not affect any of the Company's vessels.

Our vessels are regularly audited or inspected by flag states or their approved representative body, as well as other national and international authorities acting under the provisions of their international agreements related to port state control authority, the process by which a nation exercises authority over foreign vessels when the vessels are in the waters subject to its jurisdiction.

The ISM Code requires that each vessel is in possession of a safety management certificate ("SMC"). This certificate evidences the compliance of a vessel with all procedures related to safety and environment protection according to the ISM Code and as laid down in the company's safety management system which is approved by an authorized body (*e.g.*, Det Norske Veritas (Norway)/ Germanischer Lloyd). Furthermore, the responsible company must be certified and hold a Document of Compliance ("DoC"), issued by the flag state administration, under the provisions of the ISM Code. In case the company's DoC is rendered invalid, all SMC's of vessels for which the company is responsible, will be rendered invalid as well. Our operations comply with the ISM Code and all of our vessels have obtained the required certificates demonstrating compliance with the ISM Code.

We believe that we are in substantial compliance with all requirements of SOLAS and the ISM Code applicable to our operations.

Our business is also very sensitive to political developments, and we have to adapt our operations very quickly in order to ensure compliance with the multiple international and domestic regulations that apply to us. As a result, we have developed a strict internal policy and we use our best efforts to ensure compliance with all applicable national and international standards, including, but not limited to, those adopted by the United Nations, the European Union and the United States of America. An in-house Economic Sanctions Desk has been created to supervise all economic sanctions compliance matters relating to sanctioned countries. We screen all new partners and run daily automatic analyses of our worldwide bookings database against sanctions databases.

### *Security*

Following the terrorist attacks on September 11, 2001, the U.S. Government adopted certain measures to improve security at various U.S. ports and with respect to vessel and cargo movements to and from the United States. On December 2, 2002, the U.S. Customs Service (now U.S. Customs and Border Protection) implemented what is sometimes called the Advance Manifest Rule, designed to enable Customs to evaluate the risks associated with certain shipments, and to screen cargo as necessary, before it is loaded onto vessels for importation to U.S. ports. The rule applies to all containerized cargoes, as well as break bulk cargoes unless specifically exempted. This rule requires carriers to submit expanded documentation regarding a vessel's cargo at least 24 hours before they begin loading a ship in a foreign port and prescribes penalties for carriers that fail to do so. This information must be submitted electronically through the automated manifest system (the "AMS"). In addition, crew and passenger information must also be submitted electronically at least 96 hours before entering the first U.S. port, with certain exceptions for voyages of less than 96 hours. Failure to comply with these requirements may result in a vessel's entry into a U.S. port being delayed or denied or the assessment of penalties.

We participate in the U.S. Customs Trade Partnership against Terrorism ("C-TPAT") initiative, a voluntary supply chain security program led by U.S. Customs and Border Protection ("CBP") that we joined in 2002. The purpose of C-TPAT is to partner with the trade community for the purpose of protecting the U.S. and international supply chains against possible intrusion by terrorist organizations. C-TPAT requires us to document and validate our supply chain security procedures in relation to existing CBP C-TPAT criteria or guidelines as applicable. CBP requires that C-TPAT company participants develop an internal validation process to ensure the existence of security measures documented in their Supply Chain Security Profile and in any supplemental information provided to CBP. As a part of the C-TPAT process, CBP and the C-TPAT participant jointly conduct a validation of the company's supply chain security procedures, and the participant is issued a certificate of compliance.

We have imposed a surcharge on cargo traveling to or through the United States to reflect the increased costs we incur under the notification and monitoring program. U.S. authorities have also increased container inspection rates. This is partly due to legislation passed in 2006 (the "SAFE Port Act") mandating that, by the end of 2007, all containers entering the 22 highest volume ports be screened for radiation, and by the end of 2008, all containers entering all U.S. ports be screened for radiation. The SAFE Port Act contains other initiatives, including a plan for increased random inspections of container contents, the inspection of high-risk containers in foreign ports, and the implementation of an automated targeting system for high-risk cargo, all of which may further increase inspection and monitoring costs for carriers. The U.S. inspection, notification and monitoring programs may, in the future, be expanded and may also be followed by the implementation of similar or more intrusive and costly notification, monitoring and inspection programs in other countries where we operate.

As part of the initiatives undertaken to enhance vessel and cargo security, the U.S. Congress enacted the Maritime Transportation Security Act of 2002 (the "MTSA"), which became effective on November 25, 2002. To implement certain portions of MTSA, the U.S. Coast Guard issued regulations in July 2003 specifying certain security procedures and requirements that must be observed by shoreside facilities and vessels operating in waters subject to the jurisdiction of the United States effective July 1, 2004. Similarly, in December 2002, the IMO amended SOLAS to include special measures to enhance maritime security and adopted the International Ship and Port Facility Security Code (the "ISPS Code") which imposes various detailed security obligations on vessels and port facilities effective as of July 1, 2004. MTSA implements the ISPS Code in the United States. The ISPS Code requires, among other things:

- onboard installation of automatic identification systems to permit tracking of the vessels;
- onboard installation of ship security alert systems;
- development of ship security plans; and
- compliance with flag-state security certification requirements.

The U.S. Coast Guard regulations, which are generally consistent with the international requirements, exempt foreign-flag vessels from the MTSA requirements to submit a security plan to the United States for approval, provided such vessels have on board a valid International Ship Security Certificate demonstrating the vessel's compliance with the ISPS Code. As part of its port-state control program, the U.S. Coast Guard conducts verification examinations and inspections to verify ISPS Code compliance. Failure to comply with these requirements may result in a vessel being assessed penalties, detained, denied entry into port, or expelled from port. Moreover, our vessels call at U.S. ports which are subject to both the MTSA and the U.S. Coast Guard's security regulations. In rare instances, operations at these ports may be significantly curtailed or shut down by the U.S. Coast Guard for security reasons beyond our control.

Since January 1, 2011, any goods entering or transiting the territory of the European Union must have been declared in advance to customs via electronic declaration at least 24 hours prior to the departure from the port of loading. In addition, the events of September 11, 2001 led to the enactment of Regulation 2004/725/EC of the European Parliament (amended by Commission Decision 2009/83/EC and Regulation 2009/219/EC) and of the Council on enhancing ship and port facility security and of Directive 2005/65/EC of the European Parliament and of the Council on enhancing port security.

Furthermore, we have been a certified Authorized Economic Operator ("AEO") within the EU since December 7, 2010. The creation of the AEO concept is one of the main elements of the security amendment of the EU customs rules that was enacted in 2005 and is now set out in the Union Customs Code (Regulation 952/2013 and its Delegated and Implementing Regulations). This concept aims at heightening security along the international supply chain, implementing the Framework of Standards to Secure and Facilitate Global Trade established by the World Customs Organization (WCO). On the basis of Article 39 of the Union Customs Code, Member States can grant the AEO status to any economic operator meeting the following common criteria: customs and tax compliance, appropriate record-keeping, financial solvency, practical standards of competence or professional qualifications and, where relevant, security and safety standards. We hold the AEO Certificate "Customs Simplifications/Security and Safety" ("AEO-F"). The AEO status entitles us to benefits in the course of customs clearance.

The Maritime Labour Convention 2006 ("MLC") came into force as from August 20, 2013, one year after thirty member states with a total share in the world´s gross tonnage of ships of 33% had ratified the MLC in August 20, 2012. The MLC was developed by the International Labour Organization ("ILO") to ensure a worldwide similar standard of work and living conditions for seafarers on board of seagoing ships. As the MLC is only the "umbrella regulation," all flag states are obliged to implement the necessary provision into their national legislation.

To ensure compliance with the MLC requirements, inspections had to be performed at the latest by August 20, 2014 on board of all ships, resulting in the issuance of the Maritime Labour Certificate ("ML Certificate"; *Seearbeitszeugnis*) with a validity of five years. The ML Certificate approves the compliance with all requirements according to flag state law. All our vessels are in compliance with MLC requirements and hold the necessary ML Certificate.

## Environmental Regulations

### *International*

The IMO has adopted several international conventions that require measures to improve safety and security at sea and prevent marine pollution. The International Convention for the Prevention of Pollution from Ships ("MARPOL"), is the main international convention imposing requirements to prevent pollution by ships due to operational, intentional or accidental causes. Technical standards are set forth in six annexes to the convention that deal, respectively, with the prevention of pollution by oil (Annex I), noxious liquid substances (Annex II), harmful substances in packaged forms (Annex III), sewage (Annex IV), garbage (Annex V) and air emissions (Annex VI). We believe that all our ships, whether owned or chartered, comply with all of the applicable material provisions of MARPOL as adopted by their respective flag States.

In 2008, the IMO adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone-depleting substances, which entered into force on July 1, 2010, in an effort to significantly improve air quality in order to reduce the harmful impacts of the shipping industry on the environment, by introducing a global limit for sulfur content of ships' fuel oil, with tighter restrictions in designated emission control areas. In particular, the amended Annex VI aims to reduce air pollution from vessels by, among other things, implementing a progressive reduction of sulfur oxide emissions from ships by reducing the global sulfur fuel cap from 4.50% m/m to 3.50% m/m (which was in effect from January 1, 2012 to December 31, 2019) and to the currently applicable cap of 0.50% m/m (effective since January 1, 2020), and in the more stringently regulated designated Emission Control Areas ("ECA"), to 0.10% m/m (effective since January 1, 2015). These measures are expected to affect more than 50,000 vessels industry wide. In order to meet these standards, ships may be equipped with exhaust gas cleaning systems (or "scrubbers") which clean the emissions before they are released into the atmosphere; this requires dry-docking and capital expenditure. Carriers may instead opt to use low-sulfur compliant (*i.e.*, 0.5%) fuel oil; such fuel oil is substantially more expensive than "regular" fuel oil. Finally, carriers may opt to use liquefied natural gas ("LNG") as the fuel; this requires specific configuration in the construction phase (and hence higher newbuild cost) as well as securing sufficient sources of LNG. The group has been deploying all three options. First, it is using 0.5% fuel oil (representing 78% of fuel oil consumption in the first half of 2020). This is resulting in substantially higher operating expenses, which the group is successfully passing on to customers through various contractual and commercial mechanisms such as its "Low Sulphur Surcharge (LSS20)" for short-term contracts (up to a three-month duration) and its updated "Bunker Adjustment Formula" based on 0.5% fuel oil prices in contracts with a duration of over three months; see *Management's Discussion and Analysis of Financial Condition and Results of Operations – Fluctuations in Bunker Fuel Rates and Efficiency in Bunker Fuel Consumption*. Second, the group has 16 LNG-powered ships currently on order, including the nine 23,000 TEU vessels that it ordered in 2017 and that will be fully delivered by the end of 2021, with its first LNG-powered 23,000 TEU to be delivered on September 22, 2020. Third, the group is installing scrubbers on its vessels, with a target of more than 56 vessels in our owned fleet equipped by the end of 2020; as of June 30, 2020, 43 vessels in our fleet (including 21 chartered vessels) had been so-equipped. In addition, the IMO established new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. Since January 1, 2016, any newbuild ship must meet the MARPOL Tier III NOx standard when operating in either the North American or U.S. Caribbean ECAs. Finally, ships built on or after January 1, 2021, and operating in the North Sea and the Baltic Sea will have to comply with NOx tier III.

The IMO has also adopted several other conventions relating to marine pollution. These include the International Convention for the Control and Management of Ships' Ballast Water and Sediments, which was approved on February 13, 2004, that became effective from September 8, 2017 and was amended in April 2018. In addition, the IMO's International Convention on Civil Liability for Bunker Pollution Damage (the "Bunker Convention") imposes, subject to limited exceptions, strict liability on vessel owners for pollution damage in jurisdictional waters of ratifying States, which does not include the United States, caused by discharges of "bunker oil." The Bunker Convention also requires owners of registered vessels over a certain size to maintain insurance for pollution damage in an amount generally equal to the limits of liability under the applicable national or international limitation regime. The IMO also adopted a convention on the removal of wrecks (the "Nairobi Convention"), applicable since April 14, 2015, which requires all vessels to have insurance cover arrangements which meet the requirements of the convention and a certificate from a governmental entity attesting that such insurance is in force. Other IMO conventions relate to the elimination of tin-based anti-fouling paint on ships' hulls, ship recycling (such convention not yet entered into force), and transportation of dangerous goods and marine pollutants.

Responsibility for the enforcement of IMO conventions is primarily left to the flag States. However, under national (*e.g.*, the U.S. Coast Guard) or regional port State control initiatives (*e.g.*, for the European coastline, the Paris Memorandum of Understanding (the "Paris MOU")), port State authorities are empowered to inspect vessels to verify the condition and acceptability of foreign vessels using their ports. These schemes are designed to target substandard ships and could result in detention in port or expulsion from port.

Further, in 2011, the IMO adopted mandatory technical and operational energy efficiency measures in order to significantly reduce the amount of greenhouse gas emissions from ships. These measures were included in Annex VI and entered into force on January 1, 2013. These include the introduction of the Energy Efficiency Design Index ("EEDI") for specified types of newly built ships and the Ship Energy Efficiency Management Plan ("SEEMP") for all ships. The EEDI for newly built ships must achieve a carbon dioxide ("$CO_2$") reduction level over EEDI reference value calculated for the individual ship design (phase 1 provided for a 10% improvement target for ships built between 2015 and 2019; phase 2 provides for a 20% improvement target for ships built between 2020 and 2024; phase 3 provides for a 30% improvement target from 2025). In May 2019, however, IMO's Marine Environment Protection Committee approved, for adoption in 2020, bringing forward phase 3 from 2025 to 2022 for container ships and several other ship types and significantly strengthening the requirements for container ships, depending on their size (for example, reduction rate increased to 50% instead of 30% for large container ships of 200,000 deadweight tonnage and above). The SEEMP for new and existing ships aims at providing shipowners with incentives to implement a more energy efficient performance of ships without imposing an obligation to reduce emissions. The SEEMP also requires implementation of the IMO Data Collection System on Fuel Consumption, with the first reports submitted in March 2020 for calendar year 2019. These measures apply to ships with a registered tonnage of 400 gross tons and above and leave room for the competent state authorities to exempt certain ships from these requirements under specific circumstances. Where applicable and as per the regulation, our owned vessels have an appropriate EEDI issued by the classification society concerned.

In April 2018, the IMO adopted an initial strategy on the reduction of greenhouse gas emissions from ships, with the ultimate goal of eliminating greenhouse gas emissions from international shipping as soon as possible during this century. More specifically, under the identified "levels of ambition," the initial strategy provides for the halt of the growth in greenhouse gas emissions from international shipping as soon as possible and then the reduction of the total annual greenhouse gas emissions by at least 50% by 2050 compared to the 2008 levels, and for the reduction of CO2 emissions/ton-nautical miles of 40% in 2030 and 70% in 2050 compared to 2008 level. In 2019, the IMO launched a project for an initial two-year period to initiate and promote global efforts to demonstrate and test technical solutions for reducing greenhouse gas emissions and improve energy efficiency throughout the maritime sector.

The Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships, adopted in 2009, ensures that ships do not pose any unnecessary risk to human health and safety or to the environment when being recycled after reaching the end of their operational lives.

***Greenhouse Gas Regulation***

In 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "Kyoto Protocol") entered into force. Pursuant to the Kyoto Protocol, countries which are party to the Kyoto Protocol are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases. The emissions of greenhouse gases from international shipping have not yet been made subject to the Kyoto Protocol which, at the end of the 2012 United Nations Climate Change Conference in Doha, was extended to 2020. At the Paris climate conference in December 2015, 195 countries adopted a new international framework governing greenhouse gas emissions (the "Paris Agreement" which is a separate instrument under the United Nations Framework Convention on Climate Change (UNFCCC), rather than an amendment to the Kyoto Protocol). The Paris Agreement deals with greenhouse gas emissions mitigation, adaptation and finance and sets out a global action plan to limit global warming to below 2°C above pre-industrial limits, starting in 2020, and to pursue further efforts to limit the increase to 1.5°C by aiming to reach a global peak in greenhouse gas emissions as soon as possible. The Paris Agreement took effect from November 4, 2016. Shipping emissions are not directly included in the Paris Agreement. However, in order for countries to meet their national contributions under the Paris Agreement, they may adopt restrictions on shipping emissions. Moreover, future amendments to the Kyoto Protocol or a new agreement may also include restrictions on shipping emissions. In this respect, in October 2016, the Marine Environment Protection Committee of the IMO approved a roadmap (2017 to 2023) for developing a comprehensive IMO strategy on the reduction of greenhouse gas emissions from ships, which led to the adoption in 2018 of the aforementioned initial greenhouse gas emissions strategy. For the obligations to reduce greenhouse gas emissions from ships introduced under the auspices of the IMO, please refer to the section on MARPOL above.

***European Union***

The European Union has been empowered to enact legislation on maritime safety and environmental protection under the co-decision procedure since the passage of the 1992 Maastricht Treaty. The TFEU provides that the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may lay down appropriate provisions for sea and air transport. The bulk of this legislation aims at implementing IMO conventions in a harmonized way in order to enhance safety and pollution prevention standards and monitoring procedures.

Directive 96/98/EC and its subsequent amended directives provided for the uniform application of the relevant international conventions relating to the safety of on-board equipment in order to achieve a high standard of quality and ensure the free movement of such equipment within the European Community. Directive 96/98/EC has been repealed by Directive 2014/90/EU on marine equipment since September 18, 2016. Directive 2014/90/EU aims at enhancing safety at sea and preventing marine pollution through the uniform application of the relevant international instruments relating to marine equipment to be placed on board EU ships, and at ensuring the free movement of such equipment within the Union.

Directive 2008/106/EC amended by Directive 2012/35/EU consolidates prior European legislation on the minimum level of training of seafarers with the objective of enhancing maritime safety and pollution prevention at sea, notably by removing substandard crews and guaranteeing effective oral communication relating to safety between members of the crew. Directive 2001/96/EC establishes harmonized requirements and procedures for the safe loading and unloading of bulk carriers, in order to reduce the risk of structural damage to the ship due to improper loading or unloading. Directive 2000/59/EC aims at enhancing the availability and use of port reception facilities for ship-generated waste and cargo residues in EU ports. Regulation 2006/336/EC of the European Parliament and of the Council, of which Appendix II relates to the form of documents of compliance and safety management certificates, has been amended by Regulation 540/2008/EC, implementing the International Safety Management Code of the IMO.

Implementation of safety and pollution prevention standards are also governed by three directives and regulations. Directive 2009/15/EC, which established the fundamental principles governing the investigation of accidents in the maritime transport sector, was repealed by Directive 2019/883/EU, which aims to protect the marine environment against the negative effects from discharges of waste from ships using ports located in the Union, while ensuring the smooth operation of maritime traffic, by improving the availability and use of adequate port reception facilities and the delivery of waste to those facilities. Regulation 391/2009/EC, on providing common rules and standards for ship inspection and survey organizations, establishes measures to be followed by the Member States and organizations concerned with the inspection, survey and certification of ships for compliance with the international conventions on safety at sea and prevention of marine pollution. Regulation 788/2014/EU lays down detailed rules for the imposition of fines and periodic penalty payments and the withdrawal of recognition of ship inspection and survey organizations pursuant to Articles 6 and 7 of Regulation (EC) No 391/2009. Directive 2009/16/EC, as amended by Directive 2013/38/EU, and Regulation 1257/2013/EU on ship recycling set harmonized Member State port control rules as to inspection rates, targeting, inspections procedures, port access refusal, rectification of deficiencies and detention of ships. This Directive and Regulation are based on the Paris MOU, and both documents are kept equivalent through a policy of conforming changes. Directive 2013/38/EU extends the scope of port State control to various labor law issues.

In the wake of the Erika tanker sinking in 1999, the European Union passed three sets of legislation known as Erika I, Erika II, and Erika III designed primarily to reinforce oil tanker safety rules. Erika II included Directive 2002/59/EC, as amended several times, most recently by Directive 2014/100/EC (modification of Appendix III relating to electronic messages and the Union Maritime Information and Exchange System—SafeSeaNet), setting up a vessel traffic monitoring and information system aiming to give Member States rapid access to all important information relating to the movements and cargo of ships carrying dangerous or polluting materials. It also included Regulation 1406/2002/EC, as amended, which set up a European Maritime Safety Agency designed, among other things, to monitor the overall functioning of the European Community port State control arrangements by means of visits to the Member States. Regulation 911/2014/EU addressing multiannual funding for the activities of the European Maritime Safety Agency in the field of response to marine pollution caused by ships and oil and gas installations grants a financial contribution of the Union to this Agency with the aim of financing actions in the field of response to marine pollution caused by ships and oil and gas installations. The European Union passed additional pieces of legislation as part of Erika III. Notable among this package of legislation are Directive 2009/21/EC, which aims to ensure that Member States effectively and consistently discharge their obligations as flag States in order to enhance safety and prevent pollution from ships flying the flag of a Member State, and Directive 2009/20/EC, which sets forth rules on certain aspects of the obligations of shipowners' insurance for maritime claims. After the Prestige tanker sinking in 2002, the European Union passed Directive 2005/35/EC, amended by Directive 2009/123/EC, on ship-source pollution, introducing penalties for infringement.

The European Commission adopted a White Paper "Roadmap to a Single European Transport Area—Towards a competitive and resource efficient transport system" on March 28, 2011. The European Commission aims to further develop the current European platform for maritime data exchange, SafeSeaNet, to become the core system for ensuring maritime safety and security and the protection of the marine environment from ship-source pollution. This may, for example, entail stricter controls of vessels and more rigid enforcement practices.

Directive 2016/802/EU, amending Directive 2012/33/EU and Directive 1999/32/EC, completed by other regulation, introduces more rigid requirements for the sulfur content of marine fuels under MARPOL to the complete area under EU jurisdiction, regardless of whether a Member State is a signatory to MARPOL, by:

- limiting the sulfur content of marine fuels used in the territorial seas, exclusive economic zones and pollution control zones falling within sulfur oxide Emission Control Areas to 0.1%;
- limiting the sulfur content of marine fuels used in the territorial seas, exclusive economic zones and pollution control zones to 0.5% as from January 1, 2020; and
- limiting the sulfur content of marine fuels used at berth within the territory of Member States to 0.1% by mass, allowing sufficient time for the crew to complete any necessary fuel changeover operation as soon as possible after arrival at berth and as late as possible before departure.

As an alternative to complying with the thresholds, ships may use specific emission abatement methods.

Commission Recommendation 2006/339/EC of May 8, 2006 promotes shore-side electricity for use by ships at berth in European Community ports. It recommends Member States to install shore-side electricity for use by ships at berth in ports and to offer economic incentives to operators to use such electricity. Currently, in ports, ships use their auxiliary engines inter alia to produce electricity and thus generate greenhouse gas emissions. One measure to reduce such emissions is to provide ships with shore-side electricity. According to experts, the supply of electricity to berths would significantly reduce emissions of particulate matter, volatile organic compounds, nitrogen oxide and sulfur oxide. The European Commission calls on Member States to work within the IMO to promote the development of harmonized international standards for shore-side electrical connections. Directive 2016/802/EU obliges Member States, as an alternative solution to using marine fuels complying with the sulfur thresholds for reducing air emissions, to encourage the use of onshore power supply systems by docked vessels. Should the use of onshore power supplies eventually be enacted into mandatory legislation, it will entail additional expenses for making vessels fit for such connection. Directive 2014/94/EU on the deployment of alternative fuels infrastructure provides that Member States shall ensure, by means of their national policy frameworks, that an appropriate number of refueling points for LNG are put in place at maritime ports, to enable LNG inland waterway vessels or seagoing ships to circulate throughout the TEN-T Core Network by December 31, 2025. Member States shall ensure, by means of their national policy frameworks, that an appropriate number of refueling points for LNG are put in place at inland ports, to enable LNG inland waterway vessels or seagoing ships to circulate throughout the TEN-T Core Network by December 31, 2030. Member States shall cooperate with neighboring Member States where necessary to ensure adequate coverage of the TEN-T Core Network.

Regulation 1257/2013/EU, amended by Decision 2018/853, on ship recycling (the "Ship Recycling Regulation") aims to reduce the negative impacts linked to the recycling of EU-flagged ships, especially in South Asia, without creating unnecessary economic burdens. It brings into force an early implementation of the requirements of the 2009 Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships, therefore contributing to its global entry into force. The Ship Recycling Regulation provides for a system of survey and certification applicable to large commercial ocean going vessels that fly the flag of a Member State, covering their whole life cycle from construction to operation and recycling. According to these rules, the installation or use of certain hazardous materials (*e.g.*, asbestos, ozone-depleting substances, polychlorinated biphenyls, perfluorooctane sulfonic acid, anti-fouling compounds and systems) on ships are prohibited or restricted and each new European ship (or a ship flying a flag of the third country calling at EU port or anchorage) are required to have on board an inventory of hazardous materials. The Ship Recycling Regulation also provides that European shipowners have to ensure that ships are only recycled in ship recycling facilities that meet certain environmental and safety requirements and are included in a list published by the European Union.

Regulation (EU) 2015/757 of April 29, 2015, which entered into force on July 1, 2015, establishes a system for monitoring, reporting and verification ("MRV") of $CO_2$ emissions from maritime transport, as a first step towards a global MRV system. Regulation (EU) 2015/757 applies to the owner of a ship or the person or organization who has assumed the responsibility for the operation of the ship (in the context of owned and chartered vessels), above 5000 GT, for the $CO_2$ emissions during their voyages from the last port of call to a port under the jurisdiction of a Member State and from a port under the jurisdiction of a Member State to their next port of call, as well as within ports under the jurisdiction of a Member State (at sea and at berth). This required establishment and implementation of a detailed and externally verified monitoring plan by companies; which includes monitoring of $CO^2$ emissions for each ship on a per-voyage and an annual basis, and submission to the European Commission and to the flag Member States concerned of an externally verified emission report. The European Commission must make the data collected under the MRV Regulation publicly available by June 30 of each year. The group has submitted the required reports in 2020 covering calendar year 2019.

***REACH Regulation***

The EU Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No. 1907/2006), ("REACH"), as amended, imposes significant obligations concerning chemical substances. Most of the burden of complying with REACH is on the chemical industry and the carriage of dangerous substances and of dangerous mixtures by inland waterways and sea is excluded from its scope. REACH does, however, include a number of restrictions on the use of chemicals and requirements for authorization to use certain chemicals which may affect the ability to use certain substances or require the need for substitutes authorized in the EU for the construction of new ships, repair of existing ships and for the type of equipment used on board.

***France***

French laws and regulations implement the safety and environmental rules applicable to container shipping as determined at the international and European levels and are mainly codified in part 5 of the French Code of Transportation (*Code des Transports*). The provisions of Articles L. 5241-1 *et seq.* of the French Code of Transportation, grant powers to maritime administrators to investigate and record infringements of international conventions and national legislation on maritime safety and pollution prevention, and set the relevant criminal penalties. Decree no. 84-810, as amended, sets the conditions under which French vessels are granted the international security and pollution prevention certificates required by IMO conventions, and implements the applicable port State control rules. Provisions to be met by the vessels, their equipment and cargo are specified by the administrative order dated November 23, 1987 relating to security on vessels.

Law no. 2016-1087 ("*la reconquête de la biodiversité, de la nature et des paysages*") sets forth an additional liability regime in the case of environmental damage.

Law no. 2008-757 on environmental liability introduced, mainly in the French Code of Environment (*Code de l'environnement*), a specific liability regime in order to prevent and remedy environmental damage caused notably to protected species and natural habitats. Under this liability regime, operators carrying out dangerous activities, including the maritime transport of dangerous or polluting goods, fall under strict liability for damages caused to the environment in the course of their business without need to proof fault and operators carrying non dangerous listed activities are liable for fault-based damage to certain protected species or natural habitats. The operators held liable must pay for the prevention costs as well as for the costs related to the corrective measures implemented to remedy the pollution. In a decision dated September 25, 2012 relating to a civil liability claim, the French Supreme Court (*Cour de Cassation*) recognized the existence of a "pure ecological damage" distinct from "traditional damages" (damages to property, economic loss, personal injury) in the case of maritime pollution and held that the owner of the ship, the charterer and the classification societies could be held liable for such damages caused by the pollution. The concept of ecological damage has been codified by Law no. 2016-1087 in Articles 1386-19 *et seq.* of the French Civil Code (*Code civil*).

French law also contains specific provisions applicable to oil-related pollution. French ships or ships leaving a French port must subscribe to an insurance policy covering the risk related to oil pollution damage by ship fuels (Articles L. 5123-1 to L. 5123-7 and Articles R.5123-1 to R.5123-5 of the French Transportation Code (*Code des transports*)). Sanctions may be applied in the case of non-insurance of the vessels (Articles L. 5123-5 and L. 5123-6 of the French Transportation Code). The owner of the vessel shall be held liable for non-tanker ships' oil pollution. Criminal legislation is also provided by Articles L.218-10 *et seq.* of the French Code of Environment (*Code de l'environnement*), imposing severe fines and imprisonment for ship-source pollution. Penalties differ depending on the size of the vessel.

***United States***

In the United States, shipowners and operators are subject to a number of federal and state laws and regulations with respect to protection of the environment in the course of ship operations in U.S. waters. The primary laws are the Oil Pollution Act of 1990 (the "OPA") with respect to oil spill liability, the Comprehensive Environmental Response, Compensation and Liability Act (the "CERCLA") with respect to spills or releases of hazardous substances, the Federal Water Pollution Control Act, also called the Clean Water Act (the "CWA"), the National Invasive Species Act of 1996 (the "NISA"), with respect to ballast water management, and the Clean Air Act (the "CAA"), with respect to air emissions.

Under the OPA, shipowners, operators and bareboat charterers are deemed "responsible parties" and are jointly, severally and strictly liable for all removal costs and damages caused by oil spills from their ships. Damages can include natural resource damages and assessment costs, real and personal property damage, net loss of taxes, royalties, rents, fees and other lost revenue, lost profits or impairment of earning capacity, and the net cost of public services necessitated by a spill response. Although the Oil Pollution Act is primarily directed at oil tankers, which we do not operate, it also applies to non-tanker ships, including container ships, with respect to the fuel carried on board. The OPA generally limits the liability of non-tanker owners to a specified amount, which is periodically updated for inflation. The liability limits most recently were raised effective November 12, 2019. In addition, the liability is not limited if the responsible party fails to report the oil spill or fails to cooperate with the response action or comply with a removal order. The OPA also imposes civil and criminal penalties relating to certain spill incidents.

CERCLA governs spills or releases of hazardous substances other than petroleum, natural gas, and related products. CERCLA imposes strict and joint and several liability on the owner or operator of a ship, vehicle or facility from which there has been a release, as well as other responsible parties. Spills or releases could occur during shipping, land transportation, terminal or other transport-related operations. Damages may include removal costs, natural resource damages and economic losses, without regard to physical damage to a proprietary interest. CERCLA generally limits the liability of vessel owners to a specified amount.

The U.S. Coast Guard's regulations require all responsible parties to establish and maintain evidence of financial responsibility sufficient to meet the maximum liability to which it could be subject under the OPA and

CERCLA. Financial responsibility may be established by any combination of the following: evidence of insurance, surety bond, guarantee, letter of credit, qualification as self-insurer or other evidence of financial responsibility. The U.S. Coast Guard will issue a Certificate of Financial Responsibility to the vessel operator once financial responsibility is established to the U.S. Coast Guard's satisfaction. Although we believe that we have sufficient insurance under our three protection and indemnity policies to cover damages that might arise under the OPA, there can be no assurance that such insurance will be sufficient to cover all such risks or that any such claims will not have a material adverse effect on our business, operations or financial condition. For information on our insurance policies, see "*Business—Insurance*." In addition, the Oil Pollution Act specifically preserves state law liability and remedies, whether by statute or at common law. Some U.S. states have enacted legislation providing for unlimited liability for oil spills both in terms of removal costs and damages. As such, overall liability under certain U.S. state laws for a spill is virtually unlimited, and could theoretically exceed our available insurance coverage in the case of a catastrophic spill.

In addition, Title VII of the Coast Guard and Maritime Transportation Act of 2004 (the "CGMTA") amended the OPA to require the owner or operator of any non-tank vessel of 400 gross tons or more that carries oil of any kind as a fuel for main propulsion to prepare and submit an oil spill response plan for each vessel by August 2005. Previously, U.S. law required response plans only for oil tankers, which we do not operate. The response plans must include detailed information on actions to be taken by vessel personnel to prevent or mitigate any discharge or threat of discharge of oil from the vessel. We have prepared the necessary plans to comply with the CGMTA and the Oil Pollution Act.

The CWA prohibits the discharge of "pollutants," which includes oil or hazardous substances, into navigable waters of the United States and imposes civil and criminal penalties for unauthorized discharges. State laws for the control of water pollution also provide varying civil, criminal and administrative penalties in the case of discharges of petroleum or hazardous substances. The CWA complements the remedies available under the OPA and CERCLA discussed above. In addition, when our vessels are operating in the navigable waters of the United States, we are also subject to liability for discharges of oil, hazardous substances, and other pollutants under the Refuse Act and the Act to Prevent Pollution from Ships, which requires specific pollution prevention equipment and operating and recordkeeping procedures; both of those laws provide for substantial administrative and civil fines, as well as criminal sanctions for violations.

The U.S. Environmental Protection Agency (the "EPA") regulates the discharge in U.S. ports of ballast water and other substances incidental to the normal operation of vessels. Under EPA regulations, commercial vessels greater than 79 feet in length are required to obtain coverage under the Vessel General Permit (the "VGP") to discharge ballast water and other wastewater into U.S. waters by submitting a Notice of Intent ("NOI"). The current VGP, which EPA issued in 2013, requires vessel owners and operators to comply with a range of best management practices and reporting and other requirements for a number of incidental discharge types and incorporates current U.S. Coast Guard requirements for ballast water management, as well as supplemental ballast water requirements. Although EPA had been scheduled to issue a new, more stringent VDP, in December 2018 Congress enacted the USCG Authorization Act of 2018, which included the Vessel Incidental Discharge Act ("VIDA"). Under VIDA, the EPA was designated the government agency responsible for establishing standards for U.S. ballast water regulations, with national standards of performance to be issued by December 2020, and the U.S. Coast Guard was assigned the responsibility for implementing, monitoring and enforcing those standards, pursuant to regulations to be developed by two years thereafter. In the meantime, the current VGP and regulations remain in effect. VIDA reduces the scope of the VGP and is expected to align state and local discharge standards with federal standards. Ultimately, under VIDA, the discharge of ballast water in the navigable waters of the United States will no longer subject to the VGP or the CWA. We have submitted NOIs under the current VGP for our vessels operating in U.S. waters. In addition, various states have also enacted legislation restricting ballast water discharges and the introduction of non-indigenous species considered to be invasive. Permit requirements could force us to incur substantial costs to install equipment on our vessels to treat ballast water before it is discharged or could restrict some or all our vessels from entering U.S. waters.

NISA was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. NISA established a ballast water management program for ships entering U.S. waters calling for mid-ocean ballast water exchange, retention of ballast water onboard the ship or the use of environmentally sound alternative ballast water management methods approved by the U.S. Coast Guard. The Coast Guard subsequently issued regulations implementing the NISA requirements. These regulations not only established penalties for ships entering U.S. waters that fail to submit ballast water management reports, but also promulgated an extensive regime of ballast water retention and exchange procedures that must be completed outside 200 nautical miles from the United States. In addition, these regulations require vessels to maintain a ballast water management plan that is specific to the vessel and assigns responsibility to the master or appropriate official to understand and execute the ballast water management strategy for the vessel. Noncompliance with ballast water management reporting and recordkeeping requirements may result in the imposition of a civil penalty for each violation (each day of a continuing violation constitutes a separate violation). Knowing violations are subject to criminal penalties, including fines and imprisonment. We believe that we are in substantial compliance with all such material regulatory requirements.

In addition, the EPA has enacted stringent regulations governing air emissions from ships, including emissions standards for marine diesel engines, pursuant to the CAA with regard to air emissions. The EPA has implemented rules comparable to those of MARPOL Annex VI (as discussed above) to require certain new marine-diesel engines installed on U.S. registered ships to meet lower NOx standards. The newly built engine standards that became effective in 2011 require more efficient use of current engine technologies, including engine timing, engine cooling, and advanced computer controls to achieve a 15% to 25% NOx reduction below previous levels. Effective beginning in 2016, the use of high efficiency emission control technology such as selective catalytic reduction was required to achieve NOx reductions 80 percent below the pre-2016 levels. Moreover, since January 1, 2015, the low sulfur fuel limit currently applicable to vessels before entering the North American Emission Control Area (extending 200 nautical miles from U.S. coastlines), and the United States Caribbean Sea Emissions Control Area, was reduced from 1.0% to 0.1%.

Individual states have been adopting or considering their own restrictions on air emissions from engines on vessels operating within state waters. For example, California requires certain ocean-going vessels operating within 24 nautical miles of the California coast to use marine distillate grade fuel with a maximum sulfur level of 0.1% while operating auxiliary diesel and diesel-electric engines, main propulsion diesel engines, and auxiliary boilers. Notwithstanding the federal ECA low sulfur requirement now in effect, in January 2020 the California Air Resources Board issued a notice that the separate California regulation is in some cases more stringent – for example, it does not allow compliance via scrubbers – and remains in effect. Furthermore, since 2014, vessels calling at California ports (Ports of Los Angeles, Long Beach, Oakland, San Diego, San Francisco and Hueneme) have to turn off auxiliary engines in port and connect the vessel to shorepower, a process known as cold ironing. As of January 2020, vessel operators are required to use shore-side power for 80% of their at-berth electricity needs.

**Inspection by Classification Societies**

Our vessels are registered with internationally recognized classification societies, such as Bureau Veritas or DNV GL. The principal purpose of these classification societies is to provide objective and independent confirmation to all parties involved in the shipping industry, including insurance underwriters, that ships are being maintained to the standards that are considered appropriate to minimize claims on underwriters. A beneficial by-product of the activities of classification societies is to provide reassurance to owners and others with a financial or other interest in those ships that the ships are being regularly surveyed and properly maintained.

Every ocean-going vessel must be "classed" by a classification society that has been approved by the vessel's flag state. Classification societies certify that a vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society. Also, flag states often delegate to classification societies the authority to conduct vessel safety inspections that are required by international conventions, by corresponding laws and ordinances of the flag state, or by additional regulations and requirements independently issued by the flag state.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as in class by a classification society which is a member of the International Association of Classification Societies (the "IACS"). Each of our vessels is class-certified by a member of the IACS. All vessels we purchase, including second-hand vessels, must be class-certified prior to delivery.

Classification societies inspect vessels during and immediately after construction and issue an initial "in class" certificate if the society's rules are met. To maintain "in class" status, a vessel must undergo regular inspections to assess its structural strength and integrity and the reliability and function of main and essential auxiliary machinery, systems and equipment, including, among others, the propulsion system, steering system, and electrical plant. These inspections, referred to as surveys, typically involve a classification society surveyor visually examining various parts of the vessel and witnessing tests, measurements and trials where applicable. After the initial certification, surveys are conducted on a five-year cycle as follows:

***Annual Surveys***

Approximately once every twelve months, a classification society surveyor must conduct a general external inspection of the vessel's hull, equipment, and machinery. Annual surveys typically take one day, but in some cases, they may require several days to complete.

***Intermediate Surveys***

Extended annual surveys, referred to as intermediate surveys, are conducted between two to three years after the initial class certification and between two to three years after each class renewal survey. The intermediate survey replaces the annual survey that would have occurred that year. During an intermediate survey, a *classification* society surveyor conducts a more extensive inspection of the vessel's hull, equipment, and machinery, and may also include ultrasonic thickness measurements of the hull in some cases (upon request and for older vessels). Drydocking is required for intermediate surveys in order to thoroughly examine the vessel's hull and is generally replaced by a diving inspection instead of a drydock inspection, as allowed by SOLAS.

***Class Renewal Surveys***

Class renewal surveys, also known as special surveys, must be carried out every five years. The class renewal survey replaces the annual survey that would have occurred that year. Class renewal surveys include extensive in-water and out-of-water examinations to verify that the structure, main and essential auxiliary machinery, *systems* and equipment are still in compliance with the classification society rules. The survey is intended to assess whether the structural integrity remains effective and to identify areas exhibiting corrosion, deformation, fractures, other damage, or other forms of structural deterioration. The propeller shafts, stern tube bearing, boilers, and thermal oil heaters are also inspected. Drydocking is required for class renewal surveys in order to thoroughly examine the vessel's hull. Class renewal surveys may take several weeks to complete while vessels are in operation.

***Continuous Survey Hull/Machinery***

The vessel owner/manager may agree with the classification society to implement a continuous survey system on the vessel by arranging a continuous survey cycle for the vessel's hull and/or machinery, in which every part of the vessel would be surveyed within a five-year period. Therefore, the required class renewal inspections are split into an agreed schedule to extend over the entire five-year period.

***Non-periodic or occasional Surveys***

Additional surveys may be required to assess damage or suspected damage and to evaluate repair, renewal, alteration, or conversion work. Surveys may also be required if a vessel changes ownership or changes its flag state.

If any defect is found in a classification society survey, the classification society will issue a "condition of class" or "recommendation." Conditions of class and recommendations require a ship's owner to carry out specific measures, repairs, or additional inspections within prescribed time limits in order to maintain the vessel's class certification. Compliance with conditions of class may involve extensive repairs and lengthy drydocking, which would adversely impact our revenue and require us to incur substantial costs. In particular, if a classification surveyor finds that the thickness of the hull or other structures of any of our vessels is less than required by the classification society rules, the classification society will require steel renewal. Aging vessels and vessels experiencing excessive wear and tear may require extensive steel renewal as a condition of class. Steel renewal is expensive and may involve lengthy drydocking. If steel renewal is required for any of our vessels, we would incur substantial costs in order to continue using those vessels. During inspections, classification societies also assess vessel compliance with international conventions and applicable flag state laws and regulations. If our vessels are not in compliance with these requirements, our "in class" certification could be revoked and we could be required to carry out lengthy and costly repairs. Accordingly, our policy is to keep our vessels "in class" and fitted for service at any time.

If any of our vessels do not maintain "in class" status, those vessels will be unable to trade between ports and we will therefore not be able to employ them. This could substantially decrease our revenue and cause us to incur substantial costs. Moreover, we could be in violation of certain covenants in our bank loan agreements as a result.

Classification society rules do not cover every structure or item of equipment on a vessel and do not cover operational elements such as crew training. Activities that fall outside the scope of classification society rules include such items as: design and manufacturing processes; choice of type and power of machinery; number and qualification of crew; cargo carrying capacity; maneuvering performance; hull vibrations; spare parts; life-saving equipment; and maintenance equipment. The classification societies that inspect and certify our vessels do not guarantee the safety, fitness for purpose or seaworthiness of those vessels. However, in addition to classification society rules, vessels are subject to safety regulations and inspections of their flag states, which often cover those items not covered by classification society rules, including those relating to the safety, fitness for purpose and seaworthiness of the vessels.

**Logistics**

Our logistics business, substantially expanded through our acquisition of CEVA, is subject to a complex set of multinational, national and regional regulations covering trade, customs, security and environment, among other areas.

The air freight business is subject to commercial standards set forth by the International Air Transport Association, US federal regulations issued by the Transportation Security Administration and Federal Aviation Administration, and comparable regulations in other jurisdictions. The ocean transportation business is subject to regulation by the IMO and national regulations in many jurisdictions, as described in the present section. The ground transportation business in the U.S. is subject to the broad regulatory powers and safety and insurance requirements prescribed by the Federal Motor Carrier Safety Administration, and by various state agencies, and our ground transportation business in other jurisdictions is also subject to similar regulations around driver and vehicle safety, licensing, and insurance requirements.

The import- and export-related operations, including our customs brokerage operations, are subject to customs and agency regulations throughout the world that include significant notice and registration requirements. For example, CEVA is a customs broker in the U.S. licensed by CBP and also participates in a number of government-business supply chain security programs such as CBP's "Customs-Trade Partnership Against Terrorism" program in the U.S., the EU Authorised Economic Operator program, Canada's Partners in Protection program, and Singapore's Secure Trade Partnership. Being international in nature, the operations are affected by a wide variety of government and other regulations, including regulations issued by the US Department of Commerce, the U.S. Department of State, the U.S. Department of Justice, OFAC, ITAR, CBP and analogous agencies of the European Union and various other countries, including sanctions and embargo regulations and other trade, export and import laws and regulations. Logistics providers like CEVA whose operations involve contracts and business with the U.S. or other governments are subject to various government contracting, acquisition and procurement regulations.

Logistics companies are subject to a broad range of foreign and domestic environmental and health and safety requirements, including those relating to the discharge of hazardous substances into soils and waters, emissions of toxic air pollutants, and the generation, handling, disposal, storage and release of solid and hazardous substances and wastes, and human health and safety.

National and transnational laws and initiatives (such as, for example, environmental laws in the EU impacting ship operator costs) to reduce and mitigate the effects of climate change, such as the Kyoto Protocol, could significantly impact transportation modes and the economics of the transportation industry. Governments around the world are increasingly taking a keen interest in transport, owing to the level of emissions for which the sector is responsible. In the EU, transport is second only to the energy sector in its emission of 27% of the greenhouse gases, of which road transport accounts for 72%. A variety of policies have been enacted in the EU and elsewhere to reduce emissions, ranging from the broadening of Emissions Trading Systems to setting targets for the level fuel consumption from vehicles.

In addition, logistics providers are subject to antitrust and impacted by anti-money laundering legislation in various jurisdictions in which they operate as well as anticorruption laws and regulations, including the French "Sapin II" law, the Foreign Corrupt Practices Act in the U.S., the UK Bribery Act, and similar legislation in other jurisdictions.

Logistics providers must also comply with various regulations of the US Department of Homeland Security and other governmental agencies, both in the U.S. and abroad, regarding safety, security and antiterrorism measures. Securitization of supply chains and national security concerns led to increased requirements in terms of cargo documentation and verification (*e.g.*, container weighing) as well as supply-chain traceability (including pre-notifications, etc.). It can also impose constraints on the routing or the design of routes as well as restrict choices in terms of suppliers or partners.

Data protection regulations (like the European GDPR which came into effect as of May 25, 2018) increase the complexity of data storage, exchange and handling and thus put higher requirements on the systems used and processes applied by the logistics suppliers.

## MANAGEMENT

### Board of Directors and Other Key Management

#### *Board of Directors*

The following table sets forth the name, age and position of each of the members of our Board of Directors.

| Name | Age | Position |
|---|---|---|
| Rodolphe Saadé | 50 | Chairman and Chief Executive Officer |
| MERIT CORPORATION SAL | | Director |
| Represented by Tanya Saadé Zeenny | 52 | Executive Officer |
| Naïla Saadé | 78 | Director |
| Véronique Saadé | 45 | Director |
| Farid T. Salem | 81 | Director |
| Sarah Salem | 80 | Director |
| Pierre Mongin | 66 | Director (Independent) |
| Mathilde Lemoine | 51 | Director (Independent) |
| Robert Yüksel Yildirim | 60 | Director |
| Evren Õztürk | 39 | Director |
| Denis Ranque | 68 | Director |
| BPIFrance Investissement Represented by José Gonzalo | 64 | Director |
| Badis Zaiane | 47 | Director (representing the employees) |
| Mireille Trabuc | 43 | Director (representing the employees) |

*Rodolphe Saadé* was appointed as a Director from the candidates proposed by Merit. He became Executive Officer and a member of the Board of Directors of CMA CGM in 2010 and Vice-Chairman in 2014. He has been appointed as Chief Executive Officer of CMA CGM since February 8, 2017 and as Chairman of the Board of Directors since November 24, 2017. Prior to this, he was Chief Executive Vice President and a member of the Executive Board as of 2004 and was a member of the Supervisory Board from 2001 to 2004. He became the Transatlantic and Transpacific line's Central Director in 2002, after having been appointed Director of the line in 2000. Previously he served as a line manager between 1997 and 1999 for various lines. Before that, he served as a trainee at CMA in New York from 1994 to 1995, and he previously served as Chief Executive Officer of Dynamics Concept in Lebanon, which he founded. In April 2019, Rodolphe Saadé became Chairman of the Board of CEVA Logistics A.G.. Rodolphe Saadé obtained a Bachelor of Commerce degree from Concordia University in Montreal (Canada). He is Jacques R. Saadé and Naïla Saadé's son and Tanya Saadé Zeenny's brother.

*Tanya Saadé Zeenny* has represented Merit in her capacity as a Director since August 2014. She became Executive Officer on May 23, 2014 and was a member of the Board of Directors in her personal capacity from January 2010 to August 2014. Prior to this, she was a member of the Supervisory Board beginning in 2001 with the position of Vice-Chairman from 2006 to 2010. She joined the group in 1995 to set up the Corporate Communications department. She has held the position of Vice President, Corporate Communications of CMA CGM since September 1999 and prior to that held the same position in CMA. She was also responsible for communications in relation to the merger process of CMA and CGM, starting in 1998. Previously, she was the Director of Corporate Communications for both CMA and CGM from 1996 to 1998. In 2005, she was appointed Vice-President of the CMA CGM Corporate Foundation. In 2010, she was placed in charge of Administration & Facilities Management of the group and in March 2011, she became General Secretary of the group. Tanya Saadé Zeenny is a graduate of the American Business School in Paris. She is Jacques R. Saadé and Naïla Saadé's daughter and Rodolphe Saadé's sister.

*Naïla Saadé* was appointed as a Director from the candidates proposed by Merit. She has been a member of the Board of Directors since June 28, 2013. Naïla Saadé is the President of the CMA CGM Corporate Foundation, which she founded in 2005 to support projects relating to children with disabilities and illnesses. In 2012, Naïla Saadé decided to put CMA CGM's expertise at the service of major French NGOs (*Action contre la Faim* and *Médecins Sans Frontières* since 2012 and *Croix Rouge Française* and *Handicap International* since 2014) through a program dedicated to humanitarian operations in Africa, Containers of Hope, offering the transport of three hundred 20-foot containers. Naïla Saadé is the widow of Jacques Saadé and the mother of Rodolphe Saadé and Tanya Saadé Zeenny.

*Farid Salem* was appointed as a Director from the candidates proposed by Merit. Farid Salem has been with the group since its origins. Born and educated in Beirut, Lebanon, he holds a master's degree in Law and

Economics and began his career as a director and partner of the Lebanese company Packfreez in 1964. He successfully headed the importation and distribution activity of food products in Lebanon and then the industrial fishing operations in Madagascar. In 1974, following the Madagascar government's nationalization of fishing companies, he founded Polyfreez to focus on the importation and distribution of seafood products in Lebanon. In 1976, he broadened the company's activity in Kuwait, where he was Director of Fisheries for United Fisheries of Kuwait, with a fleet of 50 freezer trawlers. Contacted by Jacques Saadé in 1978, Farid Salem helped create and launch CMA (Compagnie Maritime d'Affrètement) in Marseille. In 1986, Jacques Saadé appointed him Chief Executive Vice President of CMA, and then, in 1999, of CMA CGM group, following the merger with Compagnie Générale Maritime. In 2010, Farid Salem was appointed an Executive Officer of CMA CGM and a Director of the Board. He was appointed Special Advisor to the Chairman and CEO on September 1, 2018. He is now retired. He is Naïla Saadé's brother, Jacques R. Saadé's brother-in-law and Rodolphe Saadé and Tanya Saadé Zeenny's uncle.

*Véronique Saadé* was appointed as a Director from the candidates proposed by Merit. She has been a member of the Board of Directors since May 2017. She currently serves as Deputy CEO of Ponant, where she has worked since 2004. Before that, she worked in the International Marketing Department at L'Oréal between 2000 and 2003 and in the International Marketing Department at the LVMH Group between 1997 and 2000. Véronique Saadé is a graduate of the University of Paris Dauphine. She is Rodolphe Saadé's wife.

*Sarah Salem* was appointed as a Director from the candidates proposed by Merit. She has been a member of the Board of Directors since May 2017. She is Naila Saadé's sister.

*Pierre Mongin* is an independent Director who was appointed from the candidates proposed by Merit. He has been a member of the Board of Directors since June 2012. A graduate of *École Nationale d'Administration*, he began his career in 1980, holding a variety of positions in the French prefectural corps. In 1987, he was appointed Head of Cabinet to Yves Galland, the Minister of Local Authorities. In 1993, he was appointed Chief of Staff to French Prime Minister Edouard Balladur. From 1995 to 2004, he successively served as Prefect of Eure-et-Loire (1995-1999), Vaucluse (1999-2002) and the Auvergne region and Puy-de-Dôme (2002-2004). In 2004, he was named Head of Cabinet to Interior Minister Dominique de Villepin, who kept him as his Head of Cabinet (2005-2006) when he became Prime Minister. From 2006 to April 2015, Pierre Mongin was Chairman and Chief Executive Officer of the Régie Autonome des Transports Parisiens (RATP), the Paris metropolitan transit system. Mr. Pierre Mongin joined ENGIE (previously named GDF SUEZ) on May 1, 2015 as Executive Vice President and was appointed General Secretary on July 1, 2015. He left his position July 1, 2019 and joined Greenhill & Co. International LLP in February 2020.

*Mathilde Lemoine* is an independent Director who was appointed from the candidates proposed by Merit. She has been a member of the Board of Directors since May 2017. Mathilde Lemoine is Group Chief Economist of Edmond de Rothschild. She is also an independent Director of Carrefour group and member of its Audit committee, as well as Director of the *École Normale Supérieure*. As an expert on European fiscal policies, she has been appointed as member of the French High Council of Public Finances, created in 2013 to provide independent and authoritative analysis of public finances. Since 1997, she has been Professor of macro-economy at *Sciences Po* in Paris. After having been a teacher-researcher for the French National Political Science Foundation (*Sciences Po Paris*), she was economic advisor (international macro-economy and in charge of WTO negotiations) to several French ministers of economy and finance. Subsequently, she served the French Prime Minister Dominique de Villepin as economic advisor on macroeconomics and tax affairs. From 2006 until 2015, she led the Economic Studies and Market Strategy Department for HSBC France and for HSBC Global Research.

*Robert Yüksel Yildirim* was appointed as a Director from the candidates proposed by Yildirim. He has been a member of the Board of Directors since January 27, 2011. He serves as the Chief Executive Officer and President of Yildirim Group. Mr. Yildirim has been involved in the family companies and businesses for over 16 years. He is responsible for Yildirim Group's foreign trade activities, financing (trade and project) and investments in new projects (such as container terminal design, shipbuilding and acquisitions of companies). Prior to that, he spent over four years at Paceco Corp., in San Mateo, California as a design and project engineer for ship-to-shore gantry cranes, rubber-tired gantry cranes, and container handling equipment. He was awarded a bachelor's degree and a master's degree in mechanical engineering from Istanbul Technical University and Oregon State University, respectively.

*Evren Õzturk* was appointed as a Director from the candidates proposed by Yildirim. He has been a member of the Board of Directors since January 27, 2011. Mr. Õzturk has been the Chief Financial Officer–Finance Director of Yildirim Holding Inc. since 2004. He has a bachelor's degree from Marmara University in Istanbul and master's degrees in Strategy of Management, Financial Markets and Investment Management, and Economy from Gebze Institute of Technology, Marmara University, and Yidiz Technical University, respectively. Mr. Õzturk also has a PhD in Finance and Accounting from Marmara University.

*Denis Ranque* was appointed as a Director from the candidates proposed by BPI. He has been a member of the Board of Directors since June 28, 2013, prior to which he was an independent member of the Board of Directors from 2010 to 2012. As from March 2020, he becomes an independent Director appointed from the candidates proposed by Merit. An engineering graduate of the *École polytechnique* (1970) and *Corps des Mines*, Denis Ranque began his career at the French Ministry for Industry where he held various positions in the energy sector. He joined the Thomson Group in 1983. In January 1998, Denis Ranque was made Chairman and CEO of Thomson-CSF, which became Thales in 2000 due to the merger with Dassault Électronique and the takeover of British firm Racal Electronics. It was a position he would hold until May 2009. From February 2010 to June 2012, he was Chairman of the Board of Technicolor. He was also Director of France's BPI *(Fonds Stratégique d'Investissement;* today, *BPI*) board from 2011 to 2012, and Director of CGG Veritas from 2010 to 2012. Denis Ranque is now Chairman of the Board of Airbus SE, and a member of the Board of Directors of Saint Gobain.

*Badis Zaiane* was appointed as a Director representing the employees. He has been a member of the Board of Directors since September 2015.

*Mireille Trabuc* has been appointed as a Director representing the employees on July 8, 2020. Mireille Trabuc currently holds the position of Purchasing Manager in the Energy Department of CMA CGM, where she has been working for 19 years.

*BPIFrance Investissement*, a company incorporated under the laws of France and fully owned by BPI, has been appointed on March 25, 2020 as a Director, represented by José Gonzalo, from the candidates proposed by BPI. José Gonzalo is a graduate of Sciences Po Paris and the University Paris Dauphine. He has 25 years of experience in mergers and acquisitions: after starting his career in the mergers and acquisitions department of La Compagnie Financière Rothschild, he joined the Orange Group where he held the positions of Director of Development and Director of Mergers and Acquisitions in subsidiaries and at headquarter level. He then joined Capgemini in 2009 as Head of Mergers and Acquisitions before joining Bpifrance. Until today, he was a member of the management committee of Mid & Large Cap and co-head of the ETI 2020 fund, for which he led investment operations such as Eren, Quadran, Sandaya, Inseec, Medipole and Les Petits Chaperons Rouges. In October 2016, José Gonzalo became Executive Director at Bpifrance, Mid & Large Cap division. Since August 1, 2018, he has also been Executive Director in charge of SME equity capital activities. He led the transaction to buy out the State Equity Agency's (APE) stake in PSA.

For the purpose of these listing particulars and for listing purposes, all members of the Board of Directors elect domicile at the address of the registered office of the Company.

***Other Key Management***

The following table sets forth the name, age and position of each of the members of our other key management.

| Name | Age | Position |
|---|---|---|
| Thierry Billion | 58 | General Secretary |
| Christine Cabau Woehrel | 56 | Executive Vice President Assets Group |
| Xavier Eiglier | 47 | Managing Director of ANL Containers Lines Pty Ltd |
| Mathieu Friedberg | 50 | Chief Executive Officer of CEVA |
| Olivier Nivoix | 46 | Executive Vice President Lines |
| Nicolas Sartini | 59 | Executive Vice President ports and terminals |
| Michel Sirat | 59 | Executive Vice President and Chief Financial Officer |

*Thierry Billion* was promoted as General Secretary in March 2017. He joined CMA CGM in 2005 as Senior Vice President Human Resources. He has spent most of his professional career in human resources management. Before joining CMA CGM, he was director of human resources of the 9 TELECOM Group. Prior to that, Thierry Billion held various human resources roles within companies such as Rhodia Group (HPCII & Food) and Omya. He is a graduate of ICG (Business and Management School—ESG Paris) and has a DEA—post-graduate diploma in Private Law, Taxation and Economics from Lyon III University.

*Christine Cabau Woehrel* joined CMA CGM in March 2019 as Executive Vice President of the Assets Group, having started her career in maritime transport in 1987 when she first joined CMA CGM as a line manager. In her current role, she oversees the Operations, Logistics, Chartering, Energy and Research and Development departments. In 2014, she was appointed as the Director of the largest French port, Marseille-Fos, as well as Chairwoman of the Intermed Association. In 2012, she was appointed Chief Executive Officer of the Port of Dunkirk by ministerial decree. Before leaving CMA CGM in 2011 to become a consultant in the shipping industry, she oversaw the management of several lines within the group: Asia-Mediterranean and Asia-Middle East.

*Xavier Eiglier* was appointed as managing Director of ANL Containers Lines Pty Ltd in January 2018. Previously, he supervised the North South Lines and Emerging Markets since March 2017. He joined CMA CGM in 2007. He assumed a variety of line management responsibilities on the African, Antilles Guyana and Oceania trades until 2015, following which he became Vice President for Latin America Lines and, from 2016 until March 2017, Vice President Asia and India Europe Lines. Before joining CMA CGM, he held logistics positions in the group Compagnie Fruitière. Xavier Eiglier has a DESS—post-graduate diploma in Business & Management from *IAE Aix-Marseille University*.

*Mathieu Friedberg* was appointed as Chief Executive Officer of CEVA Logistics A.G. in January 2020. He previously served as Senior Vice President in charge of the Commercial and Agencies Network since March 2017. He joined CMA CGM in 1995 as corporate controller. He assumed a variety of finance and then operational line management responsibilities, in particular on the African trades. He was Vice President Freight Forwarding & Logistic Activities until March 2017. Mathieu Friedberg holds degrees from *Institut d'Études Politiques de Paris* and *INSEAD*.

*Olivier Nivoix* has served as Executive Vice President of all of CMA CGM's lines since June 2019. In September 2018, he was promoted to Senior Vice President of CMA CGM Lines, having previously been appointed in April 2017 to manage all of the lines that operate within the Ocean Alliance. Olivier was appointed Vice President of North America Lines in 2014. Olivier Nivoix had joined CMA CGM in October 2010 as Deputy Vice President- Caribbean Lines—Latin America. Between 2006 and 2010, Olivier Nivoix oversaw the Sales Department for France's SMB Market in IBM's Hardware Division. From 1999 to 2004, he worked at IBM France as a commercial engineer. Olivier obtained an engineering degree at the *École Française d'Électronique et d'Informatique* in 1997.

*Nicolas Sartini* was appointed in January 2020 as Executive Vice President, ports and terminals, effective in March 2020. He was previously Chief Executive Officer of CEVA Logistics A.G. since June 2019, after having served as Chief Operating Officer of CEVA Logistics A.G. since January 2019. He was previously Chief Executive Officer of APL Co Pte Ltd since June 2016. He was with CMA CGM in Marseille for 27 years holding various positions: Group Senior Vice President Asia-Europe and Asia Mediterranean Lines from 2008 to 2016 and also supervisor for ANL and Cheng Lie Navigation. He oversaw Asia-Europe trades starting in 1999 after previously serving as Vice President of the Mediterranean Express line as from 1993. Before joining CMA S.A., he worked with Delmas from 1985 to 1990. Mr. Sartini graduated from the *École des Hautes Etudes Commerciales* business school in 1983.

*Michel Sirat* has been the Group Chief Financial Officer since June 2011. Between 2000 and 2011, he was a senior executive in various financial and operational positions at the Suez (ENGIE) group in Paris, Houston (Texas) and Brussels. Between 1989 and 2000, he was at the French Treasury and the International Monetary Fund (Washington DC). Michel Sirat holds degrees from the *École Nationale d'Administration*, *École Centrale de Paris* and *Institut d'Études Politiques de Paris*.

For the purpose of these listing particulars and for listing purposes, all other key managers elect domicile at the address of the registered office of the Company

**Corporate Governance**

The Company is managed by a Board of Directors (*Conseil d'Administration*) and a "Chief Executive Officer" or "CEO" (*Directeur Général*). Our Articles of Association direct that our Board of Directors consist of twelve members appointed by the general meeting of the shareholders and of two members representing the employees and designated by the central work's council (first designation occurred in September 2015). Each Director is elected for a term of three years, but the Directors appointed by the general meeting of the shareholders may be dismissed at any time by a decision taken at the ordinary general meeting of shareholders.

Directors representing employees have the same status, powers and liabilities as other Directors, and for this reason they participate in the Board of Directors' decisions with deliberative voice. The Board of Directors elects a Chairman (*Président*) from among its members for a time period that may not exceed his office as a Director. Subject to any powers expressly allocated to the shareholders or as otherwise provided by the Articles of Association, the Board of Directors has full authority to determine the strategic direction of the Company and any actions in furtherance thereof.

The Board of Directors currently has two committees in operation, the "Audit and Accounting Committee" and the "Appointments and Remuneration Committee." The Internal Regulations of the Board of Directors provide that the Audit and Accounting Committee must be chaired by an independent director. Members of the committees are appointed by the Board of Directors for a one-year period and are currently as follows:

- **Audit and Accounting Committee**. Chairman: Pierre Mongin; Members: Rodolphe Saadé, Evren Öztürk, José Gonzalo and Mathilde Lemoine. Permanent observer: Anne-Sophie Herelle.
- **Appointments and Remuneration Committee**. Chairman: Rodolphe Saadé. Members: Mathilde Lemoine and Merit Corporation SAL (represented by Tanya Saadé Zeenny). Permanent observer: Dominique Bussereau (who was a member of the Board of Directors from September 2012 until May 2017).

The Board of Directors appoints the Chief Executive Officer (who may be the same individual as the Chairman of the Board) for a three-year term, and the Chief Executive Officer is responsible for the general oversight and day-to-day management of the Company. Subject to the corporate purpose and any powers expressly reserved for the Board of Directors or shareholders in accordance with the Articles of Association, the Internal Regulations of the Board of Directors, the Yildirim Shareholders' Agreement, the BPI Shareholders' Agreement, and applicable law, the Chief Executive Officer has full authority to act on behalf of and represent the Company. Upon the recommendation of the Chief Executive Officer, the Board of Directors may appoint one, two or three "Executive Officer(s)" or "EO(s)" (*Directeur(s) Général Délégué(s)*) to assist the Chief Executive Officer in the performance of his duties.

On June 6, 2017, the Board of Directors appointed Rodolphe Saadé for a new term as Vice-Chairman of the Board. On November 24, 2017, the Board of Directors decided the combination of the positions of Chairman of the Board and Chief Executive Officer of the Company and appointed Rodolphe Saadé as Chairman of the Board. He has been reelected as Chairman of the Board on June 5, 2020.

In connection with the BPI investment (as defined herein—see "*Principal Shareholders—Bpifrance Participations Shareholding*"), BPI, Merit and the Company in the presence of Yildirim Holding entered into the BPI Shareholders' Agreement, pursuant to which, as the holder of the C Preferred Share, BPI is entitled to appoint one member and one censor to our Board of Directors. In addition, certain strategic decisions enumerated in the BPI Shareholders' Agreement require, in addition to any requirements imposed by law and our governing documents, the vote of the director appointed by BPI; these decisions include, but are not limited to, the following: approval or modification of the Company's business plan and annual budget, decisions involving financial investment or incurrence of additional indebtedness in an amount greater than \$75.0 million, capital increase, capital decrease, merger, spin-off or issuance of securities in an amount greater than \$50.0 million distribution of dividends in excess of \$100.0 million in a fiscal year, modification of the Company's main business, issuance of guarantees or indemnity in an amount greater than \$50.0 million, any related party transactions, and any decision involving an investment or disposal for an aggregate value exceeding 3.0% of the Company's consolidated revenue. BPI is entitled to such rights, subject to limited exceptions, until the earlier of (i) an initial public offering of our ordinary shares, or (ii) the date on which BPI's interest in the Company falls below 3.0% of share capital and voting rights on a fully diluted basis. For additional information, see "*Principal Shareholders—Bpifrance Participations Shareholding*."

Pursuant to the BPI Shareholders' Agreement and the Yildirim Shareholders' Agreement, the Board of Directors must comprise at least two independent directors appointed among the candidates proposed by Merit and one director appointed among the candidates proposed by BPI. In addition, BPI, subject to the terms and conditions set forth in its shareholders' agreement shall be entitled to request the appointment of one censor.

### Compensation

The aggregate remuneration in the form of salaries, bonuses and other amounts we paid to the members of our Board of Directors, and to our other key management, was €5.2 million in 2019. There are no options outstanding to purchase shares of the Company.

## RELATED PARTY TRANSACTIONS

### French Legal Requirements

The French Commercial Code (*Code de commerce*) prohibits loans by a *société anonyme* to its Chief Executive Officer or Deputy Chief Executive Officer or to a member of its board of directors (except if such member is a legal person), nor may any *société anonyme* provide overdrafts to these individuals or guarantee their obligations. This prohibition also applies to permanent representatives of companies on the board of directors, spouses, ascendants and descendants of such persons and any third party acting as an intermediary for a member.

The French Commercial Code (*Code de commerce*) and our by-laws require members of the Board of Directors, the Chief Executive Officer or Deputy Chief Executive Officer or shareholders holding more than 10% of voting rights (or, in the event such shareholder is a company, its controlling shareholder (within the meaning of Article L. 233-3 of the French Commercial Code (*Code de commerce*))) who are considering, either directly or indirectly, personally or through an intermediary, entering into an agreement with the company (other than (i) one of the prohibited transactions mentioned in the previous paragraph, (ii) agreements contracted in the ordinary course of business under normal terms and (iii) agreements contracted with a company the capital of which is 100% owned directly or indirectly by the Company) to inform the company's Board of Directors, explaining the interest of the company in the transaction before the transaction is consummated. French law also requires such an agreement to be authorized by the Board of Directors with the interested director abstaining from the vote. French law further requires such an agreement to be submitted to an ordinary general meeting for approval once entered into, upon presentation of a special report from the company's auditors who are informed of any interested third-party transaction by the chairman of the Board of Directors. Any agreement entered into in violation of the prior authorization of the Board of Directors may be voided by the commercial court at the request of the company or any shareholder, if such agreement has caused damages to the company. In addition, if such an agreement has been authorized by the Board of Directors but has not been submitted to or approved by the ordinary general meeting, the agreement may not be voided (except in the event of fraud) but the prejudicial consequences to the company of the agreement may be charged to the interested party and, potentially, to the other members of the Board of Directors. It should be noted also that under the BPI Shareholders' Agreement, the director representing BPI on our Board of Directors has a veto right in respect of related party transactions.

### Related Party Transactions

We engage in certain transactions with affiliated entities and affiliated companies. Set forth below is a summary of the main transactions entered into (or that involved payments) since January 1, 2019, or that remain in effect.

(1) In 2011, we issued the initial Yildirim convertible bonds (the "Initial Yildirim ORA ") in a principal amount of $500.0 million, and in 2013 we issued the additional Yildirim convertible bonds (the "Additional Yildirim ORA") in a principal amount of $100.0 million pursuant to an investment agreement, dated November 25, 2010, among us, Merit Corporation S.A.L. ("Merit") and Yildirim Holding A.S. (the "Yildirim Investment Agreement"), and simultaneously entered into a shareholders' agreement and shareholder pledge and guarantee. As at December 31, 2015, the bonds were redeemed in preferred shares as per their terms and conditions. On December 31, 2017, these preferred shares held by Yildirim automatically converted into ordinary shares of the Company, representing 24% of the Company's ordinary shares on a fully diluted basis. The Board of Directors decided on November 22, 2019 to pay an interim preferential dividend of $80 million to the shareholders on December 31, 2019 at the latest, $20.4 million of which was paid to Yildirim.

(2) In 2013, we issued the BPIfrance Participations convertible bonds (the "BPI ORA") to BPIfrance ("BPI") in a principal amount of $150.0 million pursuant to an investment agreement dated February 6, 2013, among us, Merit and BPI, and simultaneously entered into a shareholders' agreement, shareholder pledge, guarantee and delegation deed. The BPI ORA bear interest at a rate of 12% per annum. Payment obligations under the BPI ORA are guaranteed by Merit for a period of two years and a half. Merit also agreed to pledge 3% of CMA CGM's share capital as security. The BPI ORA will mandatorily be redeemed in ordinary shares as at December 31, 2020, representing 6% of the Company's ordinary shares on a fully diluted basis.

(3) In 2010 and 2011, we entered into a container leasing contract in a principal amount of $103.0 million with Investment and Financing Corp. Ltd., a subsidiary of Merit, which was amended and replaced in 2018 and again in 2019 by a new container leasing contract in an amount of $45.2 million. In contrast

with the option to purchase set out in the leasing contract entered into in 2010 and 2011, the 2018 and 2019 leasing contract imposes an obligation on us to purchase the containers at the end of the 5-year term for $27.1 million. In December 2017, we entered into a Reefers container leasing contract with Investment and Financing Corp. Ltd. in a principal amount of $125.0 million, along with a purchase option at market price at the end of the 8-year term lease. As at December 31, 2019, total commitments to Investment and Financing Corp. Ltd. under these contracts amounted to USD 148.4 million.

(4) We formed a company called Global Ship Lease, Inc. ("GSL") and between 2007 and 2008 sold a fleet of 17 vessels to it for a total of $1 billion, which we then chartered from GSL on a long-term basis. On November 15, 2018, GSL completed a stock-for-stock merger with Poseidon Containers. In the Company's 2019 consolidated financial statements GSL was accounted for as an associate under the equity method. Management subsequently has determined that the Company no longer exercises a significant influence over GSL; consequently, in the Company's consolidated financial statements as of and for the three months ended 31 March 2020, GSL is recognized as a financial asset at fair value on the profit and loss statement (in an amount of $11.3 million). We currently own common shares representing 11% of the voting interest in GSL and have two representatives on GSL's board of directors (although they may not vote on decisions relating to us). As of December 31, 2019, GSL's fleet consisted of 38 vessels of which 17 were time chartered to the Company under agreements with terms ranging from January 2020 until October 2025. We paid GSL a total of $149.9 million in charter fees in 2019.

(5) Since 2010, Merit held a receivable against the Company in an amount of €40.0 million corresponding to dividends in respect of the 2006 and 2007 financial years. In September 2012, the Board of Directors of the Company decided that the receivable would henceforth bear interest at a rate of 7.0% per annum. As at December 31, 2016, such liability (consisting of the receivable and including accrued interest) amounted to $44.6 million; the Company paid such amount to Merit in January 2017. In addition, a dividend of $80.5 million (in respect of the 2017 fiscal year results) was paid to Merit in early 2018. As at December 31, 2018, the Company declared a dividend of $80 million, which was paid to ordinary shareholders (including Merit) in early 2019. Another dividend of $80.5 million was paid to ordinary shareholders (including Merit) in early 2020 in respect of the 2019 fiscal year.

(6) On June 30, 2011, the Company and Yildirim Holding A.S. entered into a transaction pursuant to which a Yildirim group company subscribed to 50.0% of the share capital of MFTL Holding Ltd., a company held by Terminal Link, at that time a wholly owned subsidiary of the Company and currently a 51% owned joint venture, in consideration of a payment of €400.0 million, and 100.0% of the share capital of Malta Freeport, which was transferred to MFTL Holding Ltd.. Pursuant to a shareholders' agreement entered between the Company and Yildirim group, Yildirim is entitled to receive a first-rank priority dividend to be paid exclusively in cash of €18.0 million per year in respect of the 2011 to 2022 fiscal years (except for fiscal year 2016, for which it was specified to amount to €20.0 million), which is guaranteed (*caution solidaire*) by the Company. The Company recorded a provision in Q1 2020 for an amount of $12 million in connection with such guarantee. Moreover, the Company issued (i) jointly and severally with Yildirim a guarantee in favor of Malta Freeport Corporation, the conceding authority of the Malta terminals, and the Government of Malta, for the performance by MFTL of its obligations under the license agreement; (ii) jointly and severally with Yildirim a guarantee in favor of Malta Freeport Corporation and the Government of Malta, for the due and punctual performance by Terminal Link of the vendor loan granted by Malta Freeport Corporation to Terminal Link for the purchase of the shares of MFTL in 2004, amounting to €89 million, and (iii) one guarantee in favor of Bank of Valetta, for the repayment of several loans granted by Bank of Valetta to MFTL (the aggregate amount of such loans outstanding amounting to €40.457 million as at December 31st, 2019). In the course of the disposal of the 49.0% stake in Terminal Link to China Merchants Holding International ("CMHI") in June 2013, CMHI undertook to indemnify and hold harmless the Company for an amount equal to 49% of all losses in connection with the enforcement of these three guarantees.

(7) Since 2004, Merit has been providing outsourcing services regarding revenue control and internal audit support on our behalf. The total amount invoiced to the Company by Merit for these services in 2017, 2018 and 2019 was €2.3 million, €3.1 million and €2.7 million, respectively.

(8) In the context of "Port 2000," the Company and P&O Ports Limited, a company specialized in managing small multi-purpose ports including container, bulk and general cargo terminals, jointly granted a loan to Portsynergy S.A.S., a 50% owned subsidiary of Terminal Link providing port management services, for a maximum amount of €20 million and a term of fifteen and a half years in order for Portsynergy S.A.S. to grant a loan of the same amount and duration to Générale de

Manutention Portuaire S.A., its subsidiary. As of December 31, 2019, the outstanding amount of the loan made by CMA CGM was €8.9 million.

(9) In December 2019, SCCV Le Mirabeau Marseille, a company owned 60% by the Company and 40% by Bouygues Immobilier, entered into a contract for (i) the sale of a 21-floor office and retail building under construction to S.A.S. Le Mirabeau, a subsidiary of Merit, for a base purchase price "deed in hand (*acte en mains*)" of €150 million, and (ii) the issuance of a financial completion guarantee by SCCV Le Mirabeau Marseille to S.A.S. Le Mirabeau. In the context of this transaction, Merit has taken out a guarantee on first demand issued by its bank, in guarantee of the payment of the purchase price. In addition, the Company entered in December 2019 into a lease agreement in the state of future completion (*bail en l'état futur d'achèvement*) with SCCV Le Mirabeau Marseille, whereby the Company will take 10 floors (including parking lots) as a lessee of a 9-year commercial lease , with an annual rent of €322 excluding taxes per square meter and provisional charges of €70 excluding taxes per square meter; the total surface area covered by the lease is 10,700 square meters.

(10) On December 20, 2019, the Company entered into an agreement to sell to Terminal Link its shareholding (through CMA Terminals) in (up to) ten port terminals for a maximum aggregate consideration of U.S.$968 million payable in cash at closing (the "Terminal Link Transaction"). On March 26, 2020, the Company closed the first part of the Terminal Link Transaction which consisted of the transfer of its stakes in eight port terminals (in Umm Qasr (Iraq), Rotterdam (the Netherlands), Odessa (Ukraine), Kingston (Jamaica), Ho Chi Minh City (Vietnam), Laem Chabang (Thailand), Qingdao (China) and the CMA CGM PSA Lion Terminal CPLT (Singapore)) for a cash amount of U.S.$815 million. Five percent of the value of the eight stakes transferred was deferred until completion of the sale of the two remaining terminals (Cai Mep (Vietnam) and Mundra (India)). For further details regarding the Terminal Link Transaction, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Divestment and Liquidity Enhancement Program*".

## PRINCIPAL SHAREHOLDERS

### Share Ownership

As of December 31, 2019, the corporate share capital of the Company was fixed at €234,988,330.56. It was divided into 14,205,221 shares, entirely paid up, in the following categories: (i) 14,205,220 ordinary shares and (ii) one C Preferred Share. The C Preferred Share represents the same voting rights as an ordinary share (*i.e.*, one vote per share).

Our share ownership as of December 31, 2019, was as follows:

| Name | Shares |
|---|---|
| Merit[(1)] | 10,518,879 ordinary shares |
| Naïla Saadé | 4 ordinary shares |
| Rodolphe Saadé | 19,824 ordinary shares |
| Tanya Saadé Zeenny | 19,824 ordinary shares |
| Jacques Junior Saadé | 19,824 ordinary shares |
| Yildirim Asset Management Holding BV | 3,626,865 ordinary shares |
| Bpifrance Participations | 1 C Preferred Share |

(1) The members of the late Jacques R. Saadé's immediate family directly and indirectly through Merit beneficially own approximately 70% of our outstanding share capital on a fully diluted basis and after taking into account the conversion of the BPI ORA into ordinary shares, which is expected to occur on December 31, 2020.

### Yildirim Shareholding

On January 27, 2011, we consummated a transaction pursuant to the Yildirim Investment Agreement, whereby Yildirim AM subscribed 2,644,590 ORA for $500.0 million (the "Yildirim Initial Investment"). In addition to the Yildirim Initial Investment, Merit was granted the option to require Yildirim to make an additional investment in a total amount of up to $250.0 million through the subscription of up to 1,322,295 additional bonds having the same terms as the 2,644,590 initial ORA. Such bonds could be issued and subscribed, at the option of Merit, in one or two tranches, in whole or in part (the "Yildirim Additional Investment" and, together with the Yildirim Initial Investment, the "Yildirim Investment"). Following the exercise by Merit of its option to cause the Yildirim Additional Investment to occur, on January 31, 2013, Yildirim purchased the Additional Yildirim ORA for $100.0 million.

In accordance with the terms of the Investment Agreement, the Yildirim ORA were automatically converted into preference shares of the Company (the "B Preferred Shares") on December 31, 2015, which represent approximately 24% of the Company's capital on a fully diluted basis. The B Preferred Shares were vested with the same rights and obligations as our ordinary shares; provided, however, that the B Preferred Shares were entitled to a priority dividend paid in euro in cash each fiscal year equal to 12.0% of the nominal value of each ORA. The payment of such priority dividend was guaranteed by Merit. On December 31, 2017, the B Preferred Shares were automatically converted into ordinary shares.

In addition, on January 27, 2011, Merit loaned Yildirim AM one preferred share of the Company (the "A Preferred Share"), which entitled Yildirim to certain governance rights as provided in the Yildirim Shareholders' Agreement, in connection with the closing of the Yildirim Investment, which rights expired as at the date of conversion of the B Preferred Shares into ordinary shares in accordance with their terms (i.e., on December 31, 2017).

The Yildirim Shareholders' Agreement provides for, among other things: (i) certain restrictions on transfer, (ii) rights of first refusal and drag-along rights in favor of Merit, (iii) certain tag-along rights and rights of first offer in favor of Yildirim, (iv) certain mutual non-compete undertakings, (v) customary anti-dilution provisions, (vi) financial information reporting obligations and (vii) certain corporate governance rights.

For additional information, see "*Management—Corporate Governance*."

### Bpifrance Participations Shareholding

On June 28, 2013, we consummated a transaction, pursuant to an investment agreement among us, Merit and BPI, a company incorporated under the laws of France (formerly known as *Fonds Stratégique* *d'Investissement*), dated February 6, 2013 (the "BPI Investment Agreement"), whereby BPI, an investment vehicle co-owned at the time by the *Caisse des Dépôts,* a public financial institution, and the French State, subscribed the BPI ORA, representing a total investment of $150.0 million (the "BPI Investment").

Subject to and in accordance with the terms of the BPI Investment Agreement, on December 31, 2020, the BPI ORA will automatically convert into ordinary shares of the company that will represent approximately 6% of the Company's capital on a fully diluted basis (assuming the Company maintains its current capital and no adjustments are required to the conversion rate).

In addition, on June 28, 2013, Merit loaned BPI one preferred share of the Company (the "C Preferred Share"), which entitles BPI to certain governance rights as provided in the BPI Shareholders' Agreement in connection with the closing of the BPI Investment. Under the BPI Shareholders' Agreement, BPI is entitled to appoint one member and one censor to our Board of Directors. Furthermore, certain strategic decisions enumerated in the BPI Shareholders' Agreement and listed in the Board of Directors Internal Regulations require the vote of the director appointed by BPI. BPI is entitled to such rights, subject to limited exceptions, until the earlier of (i) an initial public offering of our ordinary shares and (ii) the date on which BPI's interest in the Company falls below 3.0% of share capital and voting rights on a fully diluted basis.

The BPI Shareholders' Agreement also provides for, among other things: (i) a best efforts undertaking by Merit to initiate an IPO prior to June 30, 2015, (ii) specific undertakings by Merit, including not to transfer the Company's management and main corporate functions outside France and not to withdraw the Company from any French ports in a structural, significant and definitive way, (iii) certain put options in favor of BPI, in particular, if the IPO has not occurred by June 30, 2017, (iv) certain restrictions on transfers including a lock-up period until January 1, 2021 (subject to certain exit transactions), rights of first refusal and drag-along rights (including after an IPO) in favor of Merit, (v) certain tag-along rights of offer in favor of BPI and rights of first offer in favor of BPI and Yildirim, (vi) customary anti-dilution provisions, (vii) financial information reporting obligations and (viii) certain corporate governance rights.

For more information, see "*Management—Corporate Governance*" and "*Description of Certain Financing Arrangements—Bonds Redeemable in Shares*."

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

*The following is a summary of the terms and conditions of our principal financing arrangements. As summaries, these descriptions are necessarily incomplete, and do not purport to describe all of the applicable terms and conditions of such arrangements. For the terms and conditions of the notes, see "Description of Notes."*

*The indebtedness below is based on the obligations of the principal obligor only and does not reflect the impact of any guarantees. Any indebtedness denominated in euros or Singapore dollars has been converted using the Company's balance sheet exchange rates of $1.00 = €0.89302 and $1.00 = SG$1.39739, respectively, as of June 30, 2020. The indebtedness figures set forth below are based on the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements. As such, the figures may reflect certain accounting adjustments that will cause them to differ from the outstanding nominal amount of such indebtedness, including in particular netting of certain transaction costs in accordance with IFRS, amortization, fair value adjustments as part of the purchase price allocation in connection with the acquisition of NOL. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations and Commercial Commitments."*

### Introduction

***Overview of Financing Arrangements***

An overview of our main outstanding financing arrangements as of June 30, 2020 is presented below. These arrangements include (i) senior notes (See "—*Senior Notes*"); (ii) bonds redeemable in shares (See "—*Bonds Redeemable in Shares*"); (iii) long-term bank borrowings (See "—*Bank Borrowings*"), (iv) lease liabilities under IFRS 16 (See "—*Lease Liabilities*"), (v) bank overdrafts (See "—*Bank Overdrafts*") and (vi) receivables securitization programs ("—*Securitization Programs*").

| (in million $)(1) | As of June 30, 2020 | Current Portion(2) | Non-current portion(3) | Maturity schedule: June 30, 2022 | 2023 | 2024 | 2025 | Onwards |
|---|---|---|---|---|---|---|---|---|
| Senior notes | 2,639.6 | 978.1 | 1,661.5 | (6.6) | 722.2 | 106.5 | 839.4 | — |
| Bonds and preferred shares redeemable in shares | 8.6 | 8.6 | — | — | — | — | — | — |
| Bank borrowings – Credit facilities | 1,787.9 | 464.3 | 1,323.7 | 76.5 | 254.8 | 461.6 | 84.8 | 446.1 |
| Bank borrowings – Other | 4,250.9 | 460.3 | 3,790.5 | 632.3 | 672.9 | 775.7 | 732.0 | 977.7 |
| Bank overdrafts | 55.3 | 55.3 | — | — | — | — | — | — |
| Securitization programs | 1,828.5 | 530.1 | 1,298.4 | 1,160.1 | 138.3 | — | — | — |
| Other borrowings | 321.6 | 290.4 | 31.2 | 7.8 | 4.9 | 4.9 | 2.8 | 10.9 |
| ***Total excluding lease liabilities*** | ***10,892.4*** | ***2,787.2*** | ***8,105.3*** | ***1,870.0*** | ***1,793.1*** | ***1,348.6*** | ***1,658.9*** | ***1,434.7*** |
| Lease liabilities under IFRS 16 | 8,426.8 | 1,868.0 | 6,558.8 | 1,464.5 | 1,255.7 | 1,101.2 | 789.8 | 1,947.7 |
| **Total including lease liabilities** | **19,319.2** | **4,655.2** | **14,664.0** | **3,334.5** | **3,048.7** | **2,449.7** | **2,448.7** | **3,382.3** |

(1) The following events are not reflected in this overview table as these transactions were not completed by June 30, 2020: (i) the repayment in full in July 2020 of the €297 million bridge facility entered into by CEVA, (ii) the termination of, and repayment in full of all outstanding amounts due under CEVA's U.S. and Australian securitization programs in August 2020, (iii) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020 and (iv) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder for an aggregate amount of $211.4 million.
(2) Current portion relates to financial liabilities due on or prior to June 30, 2021.
(3) Non-current portion relates to financial liabilities due after June 30, 2021.

Current portion of borrowings, excluding lease liabilities, amounted to $2,787.2 million at June 30, 2020, but included a number of items without mandatory repayments in the next 12 months: (i) accrued interest included in other borrowings amounting to $96.6 million, (ii) overdrafts for an amount of $55.3 million with a corresponding opposite impact in cash, (iii) securitization programs for $530.1 million (CEVA and NOL programs) which are generally rolled-over and for which CEVA obtained a 3-year (renewable) extension (See "*—NOL Securitization Program*" and "*—CEVA Global Securitization Program*") and (iv) other uncommitted facilities included in "Other borrowings" for an amount of $184.4 million, for which the group generally obtains a rollover.

On January 1, 2019, we adopted IFRS 16, applying the modified retrospective transition method, which does not require the restatement of financial statements for previous years. The initial application of IFRS 16, as illustrated in the table below, had a material impact on amounts reported in respect of our non-current assets and financial liabilities, given the magnitude of our operating lease arrangements (as is common in the shipping industry). Prior to the application of IFRS 16, expenses from operating lease contracts were recognized in the income statement on a straight-line basis under chartering expenses, logistic expenses, general and administrative and other operating expenses. As from the implementation of IFRS 16, expenses from operating lease contracts instead primarily consist of straight-line amortization of the right-of-use assets (*i.e.*, depreciation expense of an intangible asset) and the recognition of a theoretical interest expense on lease liabilities, which were previously disclosed as off-balance sheet commitments in the notes to our financial statements. Vessels' running costs remain treated as an operating expense (See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Recently Issued Accounting Pronouncements—Leases*"). The table below shows the impact of the application of IFRS 16 on the group's financial statements as at the January 1, 2019:

| (in million $)[1] | **As at December 31, 2018** | **IFRS 16 application** | **As at January 1, 2019** |
|---|---|---|---|
| **Intangible assets** | 2,430.2 | — | 2,430.2 |
| Vessels | 8,822.2 | 4,171.1 | 12,993.3 |
| Containers | 485.6 | 2,437.7 | 2,923.3 |
| Lands and buildings | 448.0 | 152.2 | 600.2 |
| Other properties and equipments | 485.4 | 219.7 | 705.1 |
| **Property and equipment** | **10,241.3** | **6,980.7** | **17,221.9** |
| Investments in associates and joint ventures | 1,478.9 | (13.9) | 1,465.1 |
| **Non-current assets** | **14,667.7** | **6,966.8** | **21,634.5** |
| Trade and other receivables | 2,494.7 | — | 2,494.7 |
| Contract assets | 515.9 | — | 515.9 |
| Prepaid expenses | 499.6 | (189.8) | 309.8 |
| **Current assets** | **5,654.7** | **(189.8)** | **5,464.9** |
| **Total assets** | **20,322.4** | **6,777.0** | **27,099.4** |
| Reserves and retained earnings | 5,179.2 | 14.6 | 5,193.8 |
| **Equity attributable to owners of the parent company** | **5,447.8** | **14.6** | **5,462.4** |
| **Total equity** | **5,525.0** | **14.6** | **5,539.6** |
| Borrowings and liabilities | 8,159.9 | 5,768.0 | 13,927.9 |
| Provisions | 332.7 | 34.7 | 367.4 |
| Other non-current liabilities | 92.9 | (63.6) | 29.3 |
| **Non-current liabilities** | **8,952.4** | **5,739.1** | **14,691.5** |
| Borrowings and liabilities | 1,020.6 | 1,144.6 | 2,165.3 |
| Provisions | 72.0 | (11.9) | 60.2 |
| Trade and other payables | 4,565.8 | (37.1) | 4,528.7 |
| Deferred income | 85.6 | (72.3) | 13.3 |
| **Current liabilities** | 5,845.0 | 1,023.4 | 6,868.4 |
| **Total liabilities and equity** | **20,322.4** | **6,777.0** | **27,099.5** |

(1) The table above does not include information on the impact of IFRS 16 on CEVA as the date of acquisition of CEVA was subsequent to the IFRS application date. Had CEVA been consolidated as at January 1, 2019, the impact of IFRS 16 in terms of lease liabilities as at that date would have been $8.2 billion.

The following table sets forth our financing arrangements broken down by category of assets where relevant, together with the related average interest rate:

| (in million $) | Senior Notes | Bonds Redeemable in Shares | Bank Borrowings | Lease Liabilities under IFRS 16 | Other Borrowings, Securitization and Overdrafts | Average Interest rate after hedging, amortized cost and "PPA" | |
|---|---|---|---|---|---|---|---|
| | | | | | | Excluding leases | Including leases |
| Vessels | — | — | 2,978.4 | 4,559.8 | — | 3.99% | 6.73% |
| Containers | — | — | — | 2,353.9 | — | — | 13.80% |
| Land and buildings | — | — | 91.8 | 1,387.5 | — | 0.54% | 5.04% |
| Terminal concession | — | — | — | 89.6 | — | — | 8.16% |
| Other tangible assets | — | — | 6.8 | 36.1 | — | 1.64% | 9.32% |
| Other secured borrowings | — | — | 1,732.3 | — | 1,830.8 | 3.30% | 3.30% |
| General corporate purposes (unsecured) | 2,639.6 | 8.6 | 1,229.5 | — | 374.6 | 4.97% | 4.97% |
| **Total** | **2,639.6** | **8.6** | **6,038.8** | **8,426.8** | **2,205.4** | | |

### *Key Financial Ratios*

*CMA CGM.* Most of our debt financing arrangements (except for the Senior Notes we issued in 2015 and 2017 (See "—*Senior Notes*"), the 2013 securitization program (See "—*CMA CGM Securitization Program*"), the BPI ORA redeemable in ordinary shares (See "—*Bonds Redeemable in Shares*") and the financing arrangements at NOL, CEVA and Containerships sub-groups level) and certain operating lease arrangements provide for substantially similar financial covenants (an adjusted leverage ratio and a minimum group cash balance).

#### *Adjusted Leverage Ratio*

The adjusted leverage ratio (defined as adjusted net financial debt over a three-year average adjusted EBITDA) is tested on a semi-annual basis based on the group's consolidated financial statements. Adjusted net financial debt is calculated as (A) the group's financial indebtedness (including lease liabilities under IFRS 16) *minus* (B) the aggregate of (i) unrestricted cash and cash equivalents (including marketable securities), (ii) cash collateral provided under certain loan-to-value covenants, (iii) the principal amount of the bonds redeemable in shares (See "—*Bonds Redeemable in Shares*") and (iv) any liability in relation to terminals concessions and similar rights in relation to terminals operations in excess of the amount of such liabilities as shown in our consolidated financial statements as of January 1, 2019. Average adjusted EBITDA is defined, for any testing date, as the average between (A) adjusted EBITDA as at such testing date, (B) adjusted EBITDA as at the testing date which is twelve months before such testing date, and (C) adjusted EBITDA as at the testing date which is twenty-four months before such testing date. Adjusted EBITDA as at a specified testing date is defined as EBITDA before gains/losses on disposal of property, equipment and subsidiaries and non-recurring items for the period of twelve months before such testing date. Further adjustments are provided in the event a material acquisition has been completed during the six months period before any testing date. As at each of the following testing dates, the adjusted leverage ratio should not exceed the maximum adjusted leverage ratio set out opposite that testing date in the table below.

| Testing Date | Adjusted Leverage Ratio |
|---|---|
| June 30, 2020 | Equal to or below 5.5x |
| December 31, 2020 | Equal to or below 5.5x |
| June 30, 2021 | Equal to or below 5.25x |
| December 31, 2021 | Equal to or below 4.75x |
| June 30, 2022 | Equal to or below 4.75x |
| December 31, 2022 | Equal to or below 4.25x |
| June 30, 2023 | Equal to or below 4.25x |
| December 31, 2023 | Equal to or below 4.00x |

As of June 30, 2020, our adjusted leverage ratio was equal to 4.36x. Subject to the uncertainties inherent to any such forward-looking statement, we will seek to maintain substantial "headroom" below the maximum ratios set out above.

All financing arrangements which provide for such maximum adjusted leverage ratio requirements further contemplate that, in case of a change in accounting definitions, rules, regulations, standards or practices applicable to the group, which has or could reasonably be expected to have an impact on the underlying definitions or figures or method of calculation of the financial covenants, the parties shall negotiate in good faith with a view to agreeing any amendment to the relevant definition in order to ensure consistent calculation and application, and enable compliance with such ratio.

***Minimum Group Cash Balance***

We are subject to a group minimum cash balance requirement of $600 million. However, in the event and for so long as both our long-term corporate credit rating provided by Standard & Poor's Rating Services would fall below B+ and our long-term corporate credit rating provided by Moody's Investors Service Limited would fall below B1, the group minimum cash balance requirement will be set at $800 million. The group minimum cash balance is tested on a quarterly basis, as of March 31, June 30, September 30 and December 31 in each calendar year. The group cash balance comprised unrestricted cash and cash equivalents (including marketable securities).

As of June 30, 2020, the group cash balance was equal to $ $2,194.7 million. As of the same date, the group also had access to $424.6 million of undrawn committed credit facilities.

***CEVA***

CEVA is subject to separate financial ratios under the terms of certain of its facilities: (i) a quarterly interest cover ratio (equal to consolidated EBITDA divided by net finance charges, each on a twelve month rolling basis) of no less than 2.00x and (ii) a quarterly leverage ratio (equal to total net debt on the last day of the relevant quarter divided by consolidated EBITDA on a twelve month rolling basis) of no more than 4.00x (to be reduced as from December 31, 2020 to 3.75x).

As of June 30, 2020, CEVA was in compliance with its financial covenants.

**Senior Notes**

As of June 30, 2020, an aggregate principal amount of $2,639.6 million of senior notes was outstanding. The table below identifies the group's outstanding unsecured notes as of June 30, 2020, listed by maturity order.

| Notes | Issuer | Maturity | Outstanding | Interest Rate |
|---|---|---|---|---|
| NOL 2020 Senior Notes(1) | NOL | Sept. 2020 | $197.7 million | 4.65% |
| 2021 Senior Notes(2) | CMA CGM | Jan. 2021 | $584.4 million | 7.75% |
| NOL 2021 Senior Notes | NOL | June 2021 | $202.5 million | 4.40% |
| 2022 Senior Notes | CMA CGM | July 2022 | $722.8 million | 6.50% |
| APL 2024 Senior Notes | APL Investments America LLC | Jan. 2024 | $94.8 million | 8.00% |
| 2025 Senior Notes | CMA CGM | Jan. 2025 | $837.5 million | 5.25% |

(1) The NOL 2020 Senior Notes were repaid in full on September 9, 2020.
(2) The 2021 Senior Notes are intended to be redeemed in full with the proceeds of the notes offered hereby.

The notes are senior obligations of their respective issuer and rank *pari passu* in right of payment with any existing and future indebtedness of their respective issuer that is not subordinated in right of payment to the notes.

***2021 Senior Notes***

In June 2015, we issued €725.0 million of 7.750% senior (unsecured) notes due January 15, 2021. Interest under the 2021 Senior Notes is payable semi-annually on January 15 and July 15 of each year. We may redeem all or part of the 2021 Senior Notes at any time as from January 15, 2018 at specified redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 100% for redemptions after January 15, 2020.

On June 19, 2020, we partially redeemed the 2021 Senior Notes for an aggregate principal amount of €200 million at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest.

The indenture governing the 2021 Senior Notes contains certain covenants with respect to, among other matters, restrictions on our ability to incur additional debt, create liens on assets to secure debt, make payments, including dividends or other distributions, prepay or redeem subordinated debt or equity, make investments, transfer assets to certain subsidiaries, sell, lease or transfer certain assets, engage in transactions with affiliates, guarantee the debt or certain subsidiaries, designate our subsidiaries as unrestricted subsidiaries and consolidate or merge with or into, or sell or otherwise dispose of all or substantially all our assets to, another person.

We intend to use the net proceeds from the offering the Notes to fully redeem the 2021 Senior Notes (See "*Use of Proceeds*").

***NOL 2021 Senior Notes***

In June 2011, NOL issued SG$300.0 million 4.40% fixed rate (unsecured) notes due June 22, 2021. Interest under the NOL 2021 Senior Notes is payable semi-annually on June 22 and December 22 of each year. NOL may redeem all or part of the NOL 2021 Senior Notes at any time as from June 22, 2016 at specified redemption prices (expressed as percentages of their principal amount), subject to a notice period of minimum 30 and maximum 60 days. The redemption price is 100% for redemptions made as from June 22, 2019.

***2022 Senior Notes***

In July 2017, we issued €650.0 million of 6.500% senior (unsecured) notes due July 15, 2022. Interest under the 2022 Senior Notes is payable semi-annually on January 15 and July 15 of each year. We may redeem all or part of the 2022 Senior Notes at any time as from July 15, 2019 at specified redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 101.625% for redemptions during the 12-month period commencing on July 15, 2020 and 100% for redemptions after July 15, 2021.

The indenture governing the 2022 Senior Notes contains certain covenants with respect to, among other matters, restrictions on our ability to incur additional debt, create liens on assets to secure debt, make payments, including dividends or other distributions, prepay or redeem subordinated debt or equity, make investments, transfer assets to certain subsidiaries, sell, lease or transfer certain assets, engage in transactions with affiliates, guarantee the debt or certain subsidiaries, designate our subsidiaries as unrestricted subsidiaries and consolidate or merge with or into, or sell or otherwise dispose of all or substantially all our assets to, another person.

***APL 2024 Senior Notes***

On July 31, 2017, APL Investments America LLC (a subsidiary of NOL Liner) assumed the liabilities under the $150 million 8.0% senior (unsecured) notes due January 15, 2024 originally issued by APL Ltd. (a company which is no longer part of the group) in January 1994. Interest under the APL 2024 Senior Notes is payable semi-annually on January 15 and July 15 of each year. The APL 2024 Senior Notes are not redeemable prior to their maturity and are guaranteed by the Issuer

The terms and conditions of the APL 2024 Senior Notes contain certain customary covenants with respect to, among other matters, restrictions on APL's and any of its restricted subsidiaries' ability to incur additional debt, create liens on assets to secure any debt, and consolidate or merge with or into, convey, transfer or lease all or substantially all their properties and assets to, another person.

***2025 Senior Notes***

In October 2017, we issued €500.0 million 5.250% senior (unsecured) notes and in November 2017, we issued €250.0 million 5.250% additional notes that were consolidated and form a single class with the original notes (together, the "2025 Senior Notes"). The 2025 Senior Notes mature on January 15, 2025. Interest under the 2025 Senior Notes is payable semi-annually on April 15 and October 15 of each year. We may redeem all or part of the 2025 Senior Notes at any time on or after October 15, 2020 at specified redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 102.625% for redemptions during the 12-month period commencing on October 15, 2020, 101.313% for redemptions during the 12-month period commencing on October 15, 2021 and 100% for redemptions after October 15, 2022. In addition, until October 15, 2020, we may redeem up to 40% of the 2025 Senior Notes with the proceeds of certain equity offerings at specified redemption prices.

The indenture governing the 2025 Senior Notes contains certain covenants with respect to, among other matters, restrictions on our ability to incur additional debt, create liens on assets to secure debt, make payments, including dividends or other distributions, prepay or redeem subordinated debt or equity, make investments, transfer assets to certain subsidiaries, sell, lease or transfer certain assets, engage in transactions with affiliates, guarantee the debt or certain subsidiaries, designate our subsidiaries as unrestricted subsidiaries and consolidate or merge with or into, or sell or otherwise dispose of all or substantially all our assets to, another person.

**Bonds Redeemable in Shares**

On June 28, 2013, Bpifrance subscribed to new bonds mandatorily redeemable in the Company's ordinary shares on December 31, 2020 ("BPI ORA") for an aggregate amount of $150.0 million.

The BPI ORA bear interest at a rate of 12.0% per annum, which is paid in cash semi-annually on June 30 and December 31 of each calendar year. The BPI ORA and the related interest coupons are subordinated in right of payment to all of our existing and future financial indebtedness. The BPI ORA rank at least *pari passu* to the rights of all other existing or future equity securities of the Company.

BPI may require us to redeem the BPI ORA for the principal amount thereof plus any accrued and unpaid interest, subject to a limited right of set-off in connection with any indemnification obligations under the BPI Investment Agreement in the event of (i) a material breach by us of the BPI Shareholders' Agreement that remains uncured for 30 business days following notice thereof, (ii) failure to pay any interest due on the BPI ORA within 60 business days that remains uncured for 30 business days after notice thereof, or (iii) commencement of liquidation proceedings pursuant to Articles L.640-1 et seq. of the French Commercial Code (*Code de commerce*). The terms and conditions of the BPI ORA provide that such a cash redemption constitutes a subordinated obligation and is subordinated in right of payment to all existing and future financial indebtedness, whether such financial indebtedness is secured, unsecured, subordinated or unsubordinated, and whether or not any such financial indebtedness is due and payable at the time.

On December 31, 2020, or earlier in the event of an initial public offering of the Company, the BPI ORA will automatically convert into newly issued ordinary shares of the Company at a conversion rate of 1.142856819 ordinary share per the BPI ORA, subject to any applicable adjustments in accordance with Article L.228-99 of the French Commercial Code (*Code de commerce*). Upon conversion, the BPI ORA will represent 906,717 ordinary shares of the Company, which today would amount to approximately 6% of the Company's capital on a fully diluted basis.

As of June 30, 2020, the BPI ORA are accounted for as financial debt for an outstanding amount of $8.6 million.

For more information, see "*Management—Corporate Governance*" and "*Principal Shareholders*."

**Bank Borrowings**

As of June 30, 2020, the group had approximately $6.04 billion of outstanding bank borrowings and access to undrawn committed credit facilities amounting to approximately $424.6 million granted by various financial institutions.

***Secured Financing***

***Vessel Bank Debt Financing***

Vessel financing through bank debt has historically been structured in different ways at CMA CGM and at NOL. Amounts shown below may differ to a certain extent with the amounts recorded in the financial statements due to the debt issuance costs which may be recognized as a reduction of borrowings and recycled into profit or loss using the effective interest rate method.

*Vessel Bank Debt Financing – CMA CGM*

Excluding vessel bank debt financing at NOL sub-group, we had 71 vessels financed under various mortgage facility agreements and French tax lease arrangements as of June 30, 2020, with an average maturity of 7.1 years. As of June 30, 2020, the amount of our obligations outstanding under such vessel financing arrangements totaled $2,503.4 million (including scrubber costs financing).

*Mortgage facility agreements* – Generally, we incorporate a special-purpose vehicle to acquire a vessel and enter into a mortgage facility agreement with a syndicate of banks to finance the purchase thereof. We act as guarantor of the special-purpose vehicles under such vessel financing arrangements. As is customary for this type of financing, security interests, among others in the form of mortgage over vessels and assignment of receivables under shipbuilding contracts, insurance cover, requisition compensation and refund guarantee, are granted to the benefit of the finance parties. The provision of additional collateral if the value of the mortgaged vessel falls below certain thresholds is another common feature of such financings. Vessel mortgage loan facilities authorize voluntary prepayment subject to customary conditions, and contemplate mandatory prepayment upon the occurrence of certain events, including in case of sale or total loss of a vessel, or cancellation of shipbuilding contract. We generally make customary representations and are subject to customary covenants, including standard reporting and financial covenants which are the same for all our secured financing. The facility agreements further provide for customary events of default, such as failure to make timely payment or breach of representations and covenants.

Scrubber costs are financed through mortgage facility agreements. On March 26, 2019, we entered into a $180 million term facility agreement to finance (or refinance) the acquisition and installation cost of scrubbers fitted or to be fitted on certain owned or long-term chartered vessels. Security interests in the form of mortgage over vessels are granted as security to our obligations under the agreement. The facility agreement authorizes voluntary prepayment subject to customary conditions, and contemplates mandatory (partial) prepayment upon the occurrence of certain events, including in case of sale or total loss of a mortgaged vessel. The facility agreements further provide for customary representations and warranties, and events of default. The facility will mature in March 2023, with twelve quarterly instalments of $15 million each, starting as from June 26, 2020. Consequently, as of June 30, 2020, the aggregate amount of our obligations outstanding under this facility was $163 million.

*French Tax Lease* – As discussed in Note 6.6 to the 2019 CMA CGM Audited Consolidated Financial Statements, certain transactions having the legal form of a lease, such as French tax lease arrangements, are nonetheless treated as financial liabilities in accordance with IFRS 9 (as opposed to lease liabilities under IFRS 16) due to the “in-substance purchase” nature of such leases.

Generally, for French tax lease financings (“*crédit-bail*”), we enter into a lease agreement with a special-purpose vehicle that is owned by a syndicate of investors, and benefit from a call option to purchase all of the special-purpose vehicle’s shares. The special-purpose vehicle then enters into credit facilities with a syndicate of banks to finance the purchase of the vessels. We would guarantee the obligations of such special purpose vehicle under its own financing arrangements as from the exercise of the call option on the special-purpose vehicle’s shares.

The terms of these lease agreements typically provide for the lease of the vessels for ten to twelve years, although these may terminate a few years earlier pursuant to call or put-call arrangements with respect to the vessel.

French tax lease financings represent a significant portion of our vessel financings. From our order book as at June 30, 2020, nine dual fuel / LNG vessels (with capacity of 23,000 TEU) are financed on the balance sheet of special-purpose vehicles owned by a syndicate of investors to which we pay a long-term lease rate under “crédit-bail” arrangements. See “*Business—Services—Shipping—Current Order book.*”

We generally make customary representations and are subject to customary covenants, including reporting and financial covenants which are the same as our secured financing. The lease arrangements generally provide for customary events of default, including failure to make timely payment, breach of representations and covenants.

*Vessel Bank Debt Financing – NOL*

As of June 30, 2020, NOL had 11 vessels financed under bilateral mortgage facility agreements, with an average maturity of 4.0 years. As of June 30, 2020, the amount of NOL obligations outstanding under such vessels financing arrangements totaled $474.9 million. All such vessel financings have been assumed by NOL Liner (Pte.) Limited (“NOL Liner”) as acceding borrower. Obligations thereunder, including repayment obligations, are guaranteed by NOL.

As customary for this type of financing, security interests in the form of mortgage over vessels and assignment of insurance cover and requisition compensation are granted as security to NOL Liner and NOL’s obligations under each such facility agreement. Each facility agreement authorizes voluntary prepayment subject to customary conditions, and contemplates mandatory prepayment upon the occurrence of certain events, including in case of sale or total loss of a vessel, or cancellation of shipbuilding contract. The facility agreements further provide for customary representations and warranties, and events of default.

***Real Estate Financing – Tour d'Arenc***

In December 2006, we entered into a €200.0 million secured term facility with a consortium of banks to finance the construction of our headquarters in Marseille. We initially borrowed all monies thereunder. However, we substituted our wholly owned subsidiary, SCI Tour d'Arenc, as borrower under this facility pursuant to a substitution agreement entered into on November 9, 2010. The facility is secured by way of a mortgage over the real estate property, a security interest over the shares in SCI Tour d'Arenc and a guarantee in the form of a French "caution solidaire" from CMA CGM.

The amortizing profile is based on a quarterly principal constant amortization and matures in December 2026.

The facility agreement authorizes voluntary prepayment subject to customary conditions. Any amount so prepaid may not be re-borrowed. The facility agreement further provides for customary representations and warranties, reporting and financial covenants and events of default, including failure to make timely payment and breach of representations and covenants.

As of June 30, 2020, the aggregate amount of our obligations outstanding under this facility was $91.0 million.

***Kingston Container Terminal ("KCT")***

Kingston Freeport Terminal Limited ("KFTL"), our former wholly owned subsidiary now transferred to Terminal Link, a joint venture set up in 2013 and owned for 51% by CMA CGM and for 49% by China Merchants Port Holdings Co. Ltd. (See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Divestment and Liquidity Enhancement Program*"), obtained a long-term limited recourse project financing from certain banks for an amount of $265 million, maturing in May 2031.

Following completion of the construction phase, the support obligations from CMA CGM are limited to a minimum revenue guarantee to the benefit of KFTL for the period between June 2020 and June 2031. The above-mentioned sale of KFTL to Terminal Link did not impact our ultimate guarantee obligations vis-à-vis KFTL.

***Secured Revolving Credit Facilities (NOL)***

The table below identifies, by maturity order, outstanding secured revolving credit facilities granted to NOL and NOL Liner for general corporate purposes, as of June 30, 2020. Available commitments under each such facility are reducing over time according to contractual amortizing schedules.

| Facility | Borrower | Guarantor | Outstanding(1) | Maturity |
|---|---|---|---|---|
| $140 million | NOL Liner | NOL | $80.0 million | September 2022 |
| SG$250 million | NOL | CMA CGM | $179.5 million | March 2023(2) |
| $85 million | NOL Liner | NOL | $42.8 million | June 2023 |
| $57.4 million | NOL | CMA CGM | $48.6 million | August 2023 |
| $67 million | NOL Liner | NOL | $35.9 million | March 2024 |
| $169.4 million | NOL Liner | NOL | $160.0 million | December 2024 |

(1) Amount outstanding as of June 30, 2020 (after conversion into $ at applicable exchange spot rate, as the case may be)

(2) The SG$250 million secured revolving credit facility was initially granted in the form of an unsecured revolving credit facility, the maturity of which was extended on March 23, 2020 to March 2023 (See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Divestment and Liquidity Enhancement Program Renewal of credit lines*").

Security interests, in the form of a first or second ranking mortgage and assignment of insurance and applicable requisition compensation with respect to specific vessel(s) are granted as security to NOL and NOL Liner's obligations under each such facility agreement.

Each facility agreement authorizes voluntary prepayment subject to customary conditions, and contemplates mandatory prepayment upon the occurrence of certain events, including in case of sale or total loss of the mortgaged vessel(s). The facility agreements further provide for customary representations and warranties, and events of default.

As of June 30, 2020, the aggregate outstanding amount under these secured revolving facilities totaled $546.8 million.

***Senior Secured Facilities – CEVA***

*CEVA revolving credit facility and 2019 term loan B*

On August 3, 2018, CEVA entered into a $585 million revolving credit facility, maturing in 2023 (the "2018 RCF"), the amount of which was decreased in July 2019 after the change of control resulting from the acquisition of CEVA by CMA CGM. On February 22, 2019, CEVA entered into a $475 million term loan B facility due August 3, 2025 (the "2019 TLB").

The 2019 TLB is subject to partial amortization on a quarterly basis, with the substantial majority of the principal amount due for repayment on August 3, 2025.

The obligations under the 2018 RCF and the 2019 TLB are secured by way of first ranking charges over shares in, bank accounts of, and intra-group receivables due to, certain CEVA subsidiaries. CEVA is subject to customary covenants, including standard reporting and financial covenants. The 2018 RCF and the 2019 TLB further provide for customary events of default, voluntary and mandatory prepayment provisions (including upon certain disposals, change of control and excess cash sweep).

As of June 30, 2020, CEVA had (i) $390.9 million outstanding under the 2018 RCF and (ii) $457.5 million outstanding under the 2019 TLB.

*CEVA bridge-to-bond facility*

In anticipation of the change of control provisions under CEVA's 5.25% senior notes due in 2025 (the "CEVA 2025 Notes") being triggered as a result of our acquisition of CEVA, CEVA entered on July 5, 2019 into a €297 million senior bridge facility, which was used to redeem the outstanding CEVA 2025 Notes.

Such bridge facility was repaid in full in July 2020.

***Unsecured Financing***

***€1.05 billion facility partially guaranteed by the French State ("PGE")***

On May 7, 2020, we entered into a €1.05 billion facility agreement partially (70%) guaranteed by the French state with a consortium of our relationship banks, for general corporate needs of the group in light of the COVID-19 pandemic's impact on the group's operations (the "PGE"). Part of the proceeds were used to recapitalize CEVA for an amount of €300 million.

The PGE is in principle subject to a bullet repayment on May 19, 2021, but the maturity date can be extended in accordance with the legal framework applicable to the French guarantee scheme up to May 19, 2026 at CMA CGM's discretion. If we choose to extend the maturity date, the PGE would have to be repaid in semi-annual instalments in accordance with a sculpted repayment schedule.

The applicable margin under the PGE (which reflects the fact that the PGE benefits from a partial state guarantee) will increase on an annual basis upon extension of the maturity date beyond May 19, 2021.

Under the PGE, we have agreed not to declare, make or pay any dividends or other similar distributions or redeem any of our shares prior to the approval of our financial statements for the financial year ending on December 31, 2020. As from the date of that approval, our ability to make such distributions or redemptions will be subject to certain restrictions as long as the facility remains outstanding, including a cap on distributions at 40% of our consolidated net income for the previous financial year.

The PGE authorizes voluntary prepayment and contemplates mandatory prepayment upon the occurrence of certain events, including (i) a change of control, (ii) certain issuance of debt securities or entry into term loan B, (iii) certain disposal of assets, (iv) the loss of the guarantee by the French State or (v) any breach by the French entities of the group of the prohibition to make dividend distributions in 2020.

In case of non-compliance with certain thresholds, we would be required to grant in favor of the lenders a security interest over our shares in NOL.

As of June 30, 2020, the aggregate outstanding amount under the PGE was $1,172.3 million.

***Unsecured Revolving Credit Facility (CMA CGM)***

In September 2017, we entered into a three-year revolving credit facility agreement for general corporate purposes for an initial amount of $205 million, which may be increased (Facility B) subject to certain conditions. In February 2018, the revolving credit facility agreement was amended to increase the maximum amount of Facility B to $200 million, resulting in a total facility amount of up to $405 million. In March 2020, the term of this facility was extended to March 31, 2023 and the maximum aggregate amount of the facility was increased, through an additional accordion tranche (Facility C), up to $500 million. As of the date hereof, the maximum aggregate amount of commitments from lenders having consented to the maturity extension and addition of a Tranche C is equal to $355 million.

The facility agreement provides that in the case of non-compliance with certain thresholds, the Issuer would be required to grant in favor of the lenders a security interest over a certain amount of shares of NOL, the aggregate value of which would be equal to at least 150% of the then outstanding facility amount.

The facility agreement further incorporates the above-mentioned financial covenants (maximum adjusted leverage ratio and minimum cash requirements), and provides for customary representations and warranties and events of default.

As of June 30, 2020, no amount was drawn under this unsecured revolving credit facility.

***Unsecured short-term loan facility***

On March 22, 2019, we entered into an unsecured term loan facility agreement for general corporate purposes and investments in sub-Saharan African jurisdictions for a maximum amount of $75 million, which was subsequently increased to $125 million in September 2019. Under the facility, we are allowed to draw short-term loans which have to be repaid at the latest 12 months after the drawdown date, but in no event later than March 22, 2022. The facility agreement provides for customary representations and warranties and events of default. As of June 30, 2020, the outstanding amount under this unsecured short-term loan facility was $111.9 million.

## Lease Liabilities

***Overview***

As of June 30, 2020, lease liabilities totaled $8,426.8 million (compared to $9.1 billion as of January 1, 2019 on a *pro forma* basis for the acquisition of CEVA and upon implementation of IFRS 16).

***Vessel Capital Leases***

***Vessel Capital Leases – CMA CGM and subsidiaries (excluding NOL)***

As of June 30, 2020, we had 23 vessels under lease or sale and lease-back arrangements, with an average maturity of 6.8 years.

From our order book as at June 30, 2020, five dual fuel / LNG vessels and five hybrid scrubber vessels (each with capacity of 15,000 TEU) will be financed through (bareboat) charter arrangements (See "*Business—Services—Shipping—Current Order book–New Chartered Tonnage*.").

As of June 30, 2020, the amount of our obligations outstanding under such financing lease arrangements totaled $435.5 million.

*Vessel Capital Leases – NOL Liner*

At June 30, 2020, NOL Liner had four Post Panamax vessels and six other vessels under long-term financing leases, with an average maturity of 7.0 years. As of June 30, 2020, the amount of our obligations outstanding under such financing lease arrangements totaled $220.1 million.

### *Vessel Operational Leases*

As is customary in the industry, we also rely on operational leases for our vessel fleet. We generally enter into such leases with non-financial counterparts for lease terms ranging from a few weeks to up to 10 to 12 years. Entering into leases with such varying terms allows us flexibility to permanently adjust our operating capacity and to regularly review our vessel fleet.

As of June 30, 2020, we chartered 351 vessels or 59% of our fleet by capacity (with an average size of approximately 4,631 TEUs (based on total TEUs)) (See "*Business—Services—Shipping—Vessel Fleet*"). As of June 30, 2020, 145 out of such 351 vessels are accounted for under IFRS 16. Lease liabilities in respect of these 145 vessels amounted to $3,904.2 million as of June 30, 2020, with an average maturity of 5.9 years.

### *Container Leases*

We have also entered into a number of lease agreements with respect to containers used in our operations. Under certain of such agreements, we have the option to purchase the containers at the end of the lease period for a nominal sum. As of June 30, 2020, the aggregate amount of our obligations outstanding under such container leases totaled $2,353.9 million, with an average maturity of 4.7 years.

Most of these leasing agreements contain representations and warranties, which are in each case standard for this type of transaction and which are similar to the ones in our secured financings. In a few cases, we are also subject to customary informational and other covenants. We are generally liable to and indemnify the lessor for any damage to the containers during the period of the lease, and are responsible for the full value of the containers if they are declared a total loss. We are typically insured against such risks. These agreements are subject to customary events of default.

## Bank Overdrafts

As of June 30, 2020, the group had $55.3 million of outstanding debt in the form of bank overdrafts with various financial institutions.

## Securitization Programs

### *Overview*

As of June 30, 2020, the group had five receivables securitization programs outstanding: (i) a receivables securitization program dated October 2013 at the level of CMA CGM, drawn for an amount of $1,161.4 million (See "*—CMA CGM Securitization Program*"), (ii) a securitization program implemented in 2016 to finance NOL freight receivables, drawn for an amount of $353.3 million (See "*—NOL Securitization Program*"), (iii) a securitization program implemented in 2010 to finance U.S. trade accounts receivable of a number of CEVA's U.S. subsidiaries, drawn for an amount of $155.2 million, (iv) a securitization program implemented in 2012 to finance trade receivable of a number of CEVA's Australian subsidiaries, drawn for an amount of $23.6 million (after conversion into U.S. dollars at applicable exchange spot rate) and (v) a global securitization program, implemented in December 2019, refinancing CEVA's former European securitization program (and since September 2020, CEVA's former U.S. securitization program) and intended to refinance CEVA's Australian securitization program by the end of 2020, drawn for an amount of $135.1 million (See "*Securitization Programs—CEVA Global Securitization Program"*).

In August 2020, CEVA's former U.S. and Australian securitization programs have been terminated and repaid in full. CEVA's eligible U.S. trade receivables have been included under CEVA's global securitization program in late September 2020. It is contemplated that CEVA's global securitization program will further refinance the former Australian securitization program by the end of 2020. Discussions are separately ongoing for the merger and extension of the maturity of the CMA CGM securitization program and the NOL securitization program.

As most of the risks and rewards attached to the receivables sold under these securitization programs have been retained by the group, the receivables are not derecognized, and we record liabilities on our balance sheet with respect to such financings.

***CMA CGM Securitization Program***

In October 2013, we entered into a securitization program by which we, acting as centralizing agent and Originator (as defined below), and CMA CGM & ANL Securities B.V., a special-purpose vehicle (the "Securitization Issuer"), entered into a set of agreements (the "CMA CGM Securitization Program") with financial institutions for an initial amount of $200.0 million. Pursuant to sale agreements, certain receivables of the Company and of certain of the Company's subsidiaries (together, the "Originators") were assigned to the Securitization Issuer.

The maximum amount of the CMA CGM Securitization Program was gradually increased over time, following accession of additional subsidiaries as Originators, to $1.6 billion in September 2020.

We, acting directly or through eligible agents, remain responsible for the collection of the receivables on behalf of the financial institutions participating in the CMA CGM Securitization Program. The CMA CGM Securitization Program is guaranteed by a performance guarantee granted by us and secured by pledges of certain bank accounts of the Securitization Issuer. The program, as supplemented and amended from time to time, will mature on July 20, 2021 and can be extended several times for a three-year period under certain conditions.

We make representations and warranties, as well as informational and other undertakings customary for a transaction of this nature, including not to carry on our business in a manner that would prejudice the quality of our receivables or the ability to collect our receivables.

As of June 30, 2020, the CMA CGM Securitization Program was drawn for an amount of $1,161.4 million.

***NOL Securitization Program***

We implemented a similar securitization structure to finance NOL's freight receivables. Under such program, American President Lines Ltd. and APL Co. Pte. Ltd. ("APL Co"), acting as originators, have agreed to sell, on a daily basis, and APL Securities S.à r.l. ("APL Securities"), acting as securitization issuer, has agreed to purchase eligible receivables (together with all interest related thereto).

The acquisition of the receivables by APL Securities is funded with the proceeds of (i) senior notes subscribed for by ING Bank pursuant to, and in accordance with, the terms of a senior notes subscription agreement dated September 29, 2016 and (ii) subordinated notes subscribed for by NOL pursuant to, and in accordance with, the terms of a subordinated notes subscription agreement dated September 29, 2016.

The maximum amount of the securitization program has been gradually increased over time to $550 million in December 2018. Concurrently with the increase of the CMA CGM Securitization Program in September 2020, the maximum amount of NOL's securitization program has been reduced to $350 million, with the option for NOL to further reduce the maximum amount to $200 million. NOL's securitization program, as supplemented and amended from time to time, will mature in the first quarter of 2021 and can be extended several times for a three-year period under certain conditions.

Under the terms of a servicing agreement dated September 29, 2016, NOL has further agreed to act as master servicer and to perform certain servicing and collection services in relation to the purchased receivables. Other subsidiaries of NOL may accede to the securitization program as originators or servicers.

Security interests are granted over the shares of NOL and bank accounts of APL Securities to the benefit of ING Bank as security for performance of all obligations due to it under the securitization program.

In addition, we guarantee performance of NOL's obligations as master servicer, centralizing agent and subordinated notes subscriber, as well as performance of the originators and servicers' obligations under the program, to the benefit of each of APL Security and ING Bank. This guarantee is currently capped at the lower of (i) the outstanding amount of senior funding made available by ING Bank and (ii) the maximum amount of the securitization program.

As of June 30, 2020, the NOL Securitization Program was drawn for an amount of $353.3 million.

***CEVA Global Securitization Program***

In December, 2019, we implemented a global securitization program at the level of CEVA. This new global securitization program has refinanced CEVA's former European and U.S. securitization programs and it is intended to refinance CEVA's former Australian securitization program, which has been terminated in August 2020.

Under such program, certain European and U.S. subsidiaries of CEVA, acting as originators, have agreed to sell on a daily basis their receivables to CEVA Receivables Finance DAC and CEVA U.S. Receivables Finance 1 LLC, both acting as securitization issuers. It is further contemplated that, by the end of 2020, certain Australian subsidiaries of CEVA will also accede to the program as originators, refinancing CEVA's former Australian securitization program.

The acquisition of the receivables by the securitization issuers is funded by the issuance of (i) senior notes to a number of financial institutions (the "Senior Note Purchasers") pursuant to a senior note purchase agreement entered into in December 2019, and (ii) subordinated notes to CEVA Logistics Finance B.V. pursuant to a subordinated note purchase agreement entered into in December 2019. Under the terms of a servicing agreement of December 19, 2019, CEVA Logistics Headoffice B.V. has been appointed as master servicer, and will delegate certain of its functions as master services to each relevant seller, acting as sub-servicer, in respect of the receivables originated by that seller.

CEVA guarantees the performance obligations of each seller and each servicer, subject to certain exceptions. In addition, the obligations of the securitization issuers are secured by way of security interests over all their assets (including the receivables) in favor of a security trustee to the benefit of the Senior Note Purchasers, the sellers, the servicers, and certain other persons.

The maximum amount of the CEVA global securitization program is currently set at $460 million. The program will mature in December 2022, but can be extended up to December 2024, upon request of the securitization issuers, which request may be granted at the sole discretion of certain of the Senior Note Purchasers.

As of June 30, 2020, the aggregate outstanding amount under the CEVA global securitization program totaled $135.1 million.

## DESCRIPTION OF NOTES

The definitions of certain terms used in this description are set forth under the sub-heading "*Certain Definitions*." In this "*Description of Notes*," the words "we," "ours," "our," "our company," "the Company" or "us" refer only to CMA CGM S.A. and not our Subsidiaries, except for the purpose of financial data determined on a consolidated basis. In addition, all references to "Notes" include "book-entry interests" in the Notes.

We will issue, on the basis described below, €525 million aggregate principal amount of senior notes due 2026 (the "Notes") under an indenture to be dated as of October 21, 2020 (the "Indenture") among, *inter alios*, us and U.S. Bank Trustees Limited, as trustee (the "Trustee"). The terms of the Notes include those expressly set forth in the Indenture.

The following description is a summary of the material terms of the Indenture. It does not, however, restate the Indenture in its entirety, and where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Notes and the Indenture. We urge you to read the Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Notes. A copy of the form of the Indenture may be obtained by requesting it from us at the address indicated under "*General Information*."

We have applied for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Professional Segment of the Euro MTF Market of the Luxembourg Stock Exchange. We can provide no assurance that this application will be accepted.

### General

#### *The Notes*

The Notes are our general unsecured obligations.

#### *Principal, Maturity and Interest*

We will issue €525 million aggregate principal amount of Notes in this offering. Subject to our compliance with the covenant described under "*Certain Covenants—Limitation on Debt*," we are permitted to issue additional Notes under the Indenture (the "Additional Notes") from time to time. The Notes and any Additional Notes that are actually issued will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase; *provided*, *however*, that, unless such Additional Notes are issued under a separate CUSIP, ISIN or other identifying number, such Additional Notes shall be issued pursuant to a "qualified reopening" of the original Notes, are otherwise treated as part of the same "issue" of debt instruments as the original Notes or are issued with no more than a *de minimis* amount of original discount, in each case for U.S. federal income tax purposes. Unless the context otherwise requires, references to the "Notes" for all purposes of the Indenture, and in this "Description of Notes," include references to Additional Notes that we actually issue. The Notes will mature on January 15, 2026 unless redeemed prior thereto as described herein.

The Notes will bear interest at the rate of 7.500% per annum, from October 21, 2020 or from the most recent interest payment date on which interest has been paid or provided for, whichever is the later. Interest will be payable semi-annually on the Notes on January 15 and July 15 of each year, commencing on July 15, 2021. We will pay interest on the Notes in respect of the principal amount thereof outstanding as of the immediately preceding January 1 or July 1, as the case may be. We will compute interest on the basis of a 360-day year comprised of twelve 30-day months and will pay interest on overdue principal and, to the extent permitted by law, on other overdue amounts at the same rate.

The Notes may be redeemed prior to maturity as described under "*Optional Redemption of Notes*."

### Form of Notes

The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act ("Rule 144A") will initially be represented by a Global Note in registered form without interest coupons attached (the "144A Global Note"). The 144A Global Note will be deposited, on the closing date, with a common depository for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depository. The Notes sold outside the United States pursuant to Regulation S under the Securities Act ("Regulation S") will initially be represented by a Global Note in registered form without interest coupons attached (the "Regulation S Global Note" and, together with the 144A Global Note, the "Global Notes"). The Regulation S Global Note will be deposited, on the closing date, with a common depository for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depository. Prior to the date that is 40 days after the later of the commencement of the offering or the closing date, beneficial interests in the Regulation S Global Note may be held only through Euroclear and Clearstream. See "*Book-Entry, Delivery and Form.*"

The Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be issued on the issue date only against payment in immediately available funds.

Regulation S prohibits distributors of Notes under Regulation S from offering, selling or delivering the Notes until 40 days after the later of (i) the date of the commencement of the offering or (ii) the original issue date of the Notes within the United States to or for the account or benefit of U.S. persons (such 40-day period being called the "Distribution Compliance Period"). Until the expiration of the Distribution Compliance Period, beneficial interests in the Regulation S Global Notes may be held only through Euroclear and Clearstream unless transferred to a person that takes delivery through the 144A Global Note in accordance with certain certification requirements. Beneficial interests in the 144A Global Note may not be exchanged for beneficial interests in the Regulation S Global Note at any time except in the limited circumstances described under "*Book Entry, Delivery and Form—Exchanges between 144A Global Notes and Regulation S Global Notes.*"

Owners of beneficial interests in a Global Note will be entitled to have certificates registered in their names and to receive physical delivery of Notes only in the limited circumstances described under "*Book-Entry, Delivery and Form—Issuance of Definitive Registered Notes.*"

**Transfer and Exchange**

All transfers of book-entry interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear or Clearstream and their respective participants. See "*Book-Entry; Delivery and Form*."

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "*Notice to Investors*."

**Payments on the Notes; Paying Agent**

We will make all payments, including principal of, premium, if any, and Additional Amounts and interest on, the Notes through a principal paying agent in London, United Kingdom or Dublin, Ireland that we will maintain for these purposes. Initially that principal paying agent will be Elavon Financial Services DAC (the "Paying Agent"). In addition, we or any of our Subsidiaries may act as Paying Agent in connection with the Notes other than for the purposes of effecting a redemption described under "*Optional Redemption of Notes*" or an offer to purchase the Notes described under "*Purchase of Notes upon a Change of Control*;" *provided* that we segregate and hold in a separate trust fund for the benefit of the holders of the Notes all moneys that we hold as Paying Agent. We will make all payments in same-day funds.

No service charge will be made for any registration of transfer, exchange or redemption of the Notes, but we may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

**Ranking**

The Notes will be our unsecured and unsubordinated obligations and will:

(a) rank senior in right of payment to all of our existing and future debt and obligations that are, by their terms, expressly subordinated in right of payment to the Notes;

(b) rank equally in right of payment to all of our existing and future debt and obligations that are not, by their terms, expressly subordinated in right of payment to the Notes;

(c) be effectively subordinated in right of payment to all of our existing and future secured indebtedness to the extent of the value of the assets securing such debt, as described under "*Risk Factors—Risks Relating to the Notes, the Offering and Other Financings—The Notes will be unsecured obligations and will be effectively subordinated to our secured indebtedness*;" and

(d) be structurally subordinated to all existing and future debt and obligations of our Subsidiaries, as described under "*Risk Factors—Risks Relating to the Notes, the Offering and Other Financings—Your right to receive payments under the Notes will be structurally or effectively subordinated to claims of existing and future creditors of our subsidiaries.*"

As of June 30, 2020, on an as adjusted basis to give effect to (i) the issuance of the Notes and the use of the net proceeds therefrom (including the redemption in full of the 2021 Senior Notes) as described herein under "*Use of Proceeds;*" (ii) the repayment of the outstanding amount under the CEVA's €297 million senior bridge facility in July 2020; (iii) the repayment in full of the NOL 2020 Senior Notes on September 9, 2020; (iv) the termination of, and repayment in full of the outstanding amount due under CEVA's former U.S. and Australian securitization programs in August 2020; and (v) the accession of certain of CEVA's U.S. subsidiaries to CEVA's global securitization program in September 2020 and the sale of eligible U.S. trade receivables thereunder, in each case as if such events had occurred on June 30, 2020:

(a) we would have had (on a standalone basis) total indebtedness of $11,124.6 million of which $7,523.7 million would have been secured indebtedness; and

(b) our Subsidiaries would have had total indebtedness of $7,681.5 million.

See "*Corporate and Financing Structure,*" "*Capitalization*" and "*Description of Certain Financing Arrangements*."

Although the Indenture contains limitations on the amount of additional Debt that we and our Restricted Subsidiaries may Incur, the amount of such additional Debt could be substantial, and some of our additional Debt and the additional Debt of our Restricted Subsidiaries could be secured.

**Additional Amounts**

All payments that we or our agents (including a Guarantor, if any) make under or with respect to the Notes will be made free and clear of, and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and any other liability with respect thereto) of whatever nature (collectively, "Taxes") imposed or levied by or on behalf of (1) the French Republic (*République Française*), (2) any other jurisdiction in which we, or any Surviving Entity are organized or resident or doing business or otherwise considered to be a resident for tax purposes, (3) any jurisdiction from or through which a payment on the Notes is made by us or by our agents (including a Guarantor, if any), or (4) any political subdivision or governmental authority of any of the foregoing having the power to tax (each a "Relevant Taxing Jurisdiction"), unless we or our agents (including a Guarantor, if any) are required to withhold or deduct Taxes by law. If we or our agents (including a Guarantor, if any) are required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Notes, we or our agents (including a Guarantor, if any) will pay additional amounts ("Additional Amounts") as may be necessary to ensure that the net amount received by each holder or beneficial owner of the Notes after such withholding or deduction (including any withholding or deduction in respect of any Additional Amounts) will not be less than the amount the holder or beneficial owner would have received if such Taxes had not been withheld or deducted.

We will not, however, pay Additional Amounts to a holder or beneficial owner of Notes in respect or on account of:

(a) Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the existence of any present or former connection between such holder or beneficial owner of the Notes (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, such holder or beneficial owner, if the relevant holder or beneficial owner is an estate, trust, partnership, limited liability company or corporation), and such Relevant Taxing Jurisdiction, including, but not limited to, such holder or beneficial owner being or having been a citizen, domiciliary or resident thereof or being or having been engaged in trade or business therein or having or having had a permanent establishment therein, but excluding, in each case, any connection arising solely from the mere acquisition, receipt, holding, ownership or disposition of Notes or solely by reason of the receipt of payments made under or with respect to Notes or solely the exercise or enforcement of rights under the Notes, any guarantee thereof, or the Indenture;

(b) Taxes to the extent that such Taxes are imposed or levied by reason of the failure of such holder or beneficial owner of Notes, prior to the relevant date on which a payment under and with respect to the

Notes is due and payable (the "Relevant Payment Date") to comply with our written request addressed to such holder or beneficial owner, as the case may be, at least 30 calendar days prior to the Relevant Payment Date to provide accurate information with respect to any certification, identification, information or other reporting requirements that such holder or such beneficial owner is legally required to satisfy, whether imposed by statute, treaty, regulation or administrative practice, in each such case by the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that such holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

(c) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;

(d) any Tax which is payable otherwise than by deduction or withholding from payments made under or with respect to the Notes;

(e) Taxes imposed on or with respect to any payment by us to the holder if such holder is a fiduciary or partnership or person other than the sole beneficial owner of such Note to the extent that Taxes would not have been imposed on such holder had such holder been the sole beneficial owner of such Note;

(f) Taxes to the extent that such Taxes are imposed or levied by reason of the failure of such holder or beneficial owner to present (where presentation is required) its Note within 30 calendar days after we have made available to such holder or beneficial owner a payment under the Notes, any guarantee thereof, and the Indenture (excluding any Additional Amounts to which such holder or beneficial owner would have been entitled had its Notes been presented on any day within such 30 calendar day period);

(g) any such withholding or deduction in respect of any Taxes imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (including any agreement entered into pursuant to Section 1471(b) of the Code), current or future U.S. Treasury regulations or official interpretations thereunder, any intergovernmental agreement entered into in connection with the implementation of such Sections, any law, regulation, rule or practice adopted pursuant to any such intergovernmental agreement or pursuant to any treaty or convention implementing such sections of the Code or any successor or amended version of these provisions (collectively, "FATCA"); or

(h) any combination of items (a) through (g) above.

We will also (1) make such withholding or deduction compelled by applicable law and FATCA and (2) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law and FATCA.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if we will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), we will deliver to the Trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee, at our direction, to pay such Additional Amounts to holders on the payment date. We will promptly publish a notice in accordance with the provisions set forth in "*Notices*" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

In addition, we (or a Guarantor, if any) will pay any present or future stamp, issue, registration, transfer, court, documentation, excise or property Taxes or other similar Taxes, charges and duties, including interest and penalties with respect thereto, imposed by any Relevant Taxing Jurisdiction in respect of the execution, delivery, performance or registration of the Notes or any guarantee thereof, the initial resale of the Notes by the initial purchasers (but excluding any Tax imposed upon subsequent transfers of the Notes), or any other document or instrument referred to thereunder and any such Taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes or any guarantee thereof (or the receipt of payments with respect thereto) or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes, and we agree to indemnify the holders, beneficial owners and the Trustee for any such Taxes paid by such holder, beneficial owner or Trustee, as the case may be.

Upon written request, we will furnish to the Trustee or a holder within a reasonable time certified copies of tax receipts evidencing the payment by us of any Taxes imposed or levied by a Relevant Taxing Jurisdiction, in accordance with the procedures described in "Notices" hereafter, in such form as provided in the normal course by the taxing authority imposing such Taxes and as is reasonably available to us. If, notwithstanding our efforts to obtain such receipts, the same are not obtainable, we will provide the Trustee or such holder with other evidence reasonably satisfactory to the Trustee or holder of such payments by us.

Whenever the Indenture or this "Description of Notes" refers to, in any context, the payment of principal, interest, premium, if any, or any other amount payable under or with respect to any Note, such reference includes the payment of Additional Amounts, if applicable.

The preceding provisions will survive any termination, defeasance or discharge of the Indenture and shall apply *mutatis mutandis* to any jurisdiction in which any successor person to us, our agents or any Guarantor is incorporated, resident or doing business for tax purposes or any jurisdiction from or through which such person makes any payment on the Notes (or any guarantee thereof) and any political subdivision or taxing authority or agency thereof or therein.

**Optional Redemption of Notes**

***Optional Redemption of Notes prior to January 15, 2023 upon Equity Offering***

At any time prior to January 15, 2023, upon not less than 10 nor more than 60 days' notice to the holders of the Notes, we may on any one or more occasions redeem up to 40% of the aggregate principal amount of Notes outstanding, at a redemption price of 107.500% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date, with the net proceeds received by us from one or more Equity Offerings. We may only do this, however, if:

(a) at least 50% of the aggregate principal amount of Notes originally issued under the Indenture (including any Additional Notes) remains outstanding immediately after the proposed redemption; and

(b) the redemption occurs within 120 days after the closing of the Equity Offering.

***Optional Redemption of Notes prior to January 15, 2023***

At any time prior to January 15, 2023, we may also redeem all or part of the Notes, upon not less than 10 nor more than 60 days' notice to the holders of the Notes, at a redemption price equal to 100% of the principal amount thereof, plus the Applicable Redemption Premium of the Notes and accrued and unpaid interest to (but excluding) the redemption date.

"Applicable Redemption Premium of the Notes" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) the excess of:

   (i) the present value at such redemption date of the redemption price of such Note at January 15, 2023 plus all required interest payments that would otherwise be due to be paid on such Note during the period from the redemption date to (but excluding) January 15, 2023 excluding accrued but unpaid interest, computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

   (ii) the principal amount of the Note.

***Optional Redemption of Notes after January 15, 2023***

At any time on or after January 15, 2023 and prior to maturity, we may redeem all or part of the Notes upon not less than 10 nor more than 60 days' prior notice. These redemptions will be in amounts of €100,000 and integral multiples of €1,000 in excess thereof at the following redemption prices (expressed as percentages of the principal amount at maturity), plus accrued and unpaid interest, if any, to (but excluding) the redemption date, if redeemed during the 12-month period commencing January 15 of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

| Year | Redemption Price |
|---|---|
| 2023 | 103.750% |
| 2024 | 101.875% |
| 2025 and thereafter | 100.000% |

*Redemption upon Changes in Withholding Taxes*

If, as a result of:

(a) any amendment on or after the date of the Indenture to, or change on or after the date of the Indenture in, the laws or regulations or treaties of a Relevant Taxing Jurisdiction, in each case, which is announced and becomes effective on or after the date of the Indenture (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on the date of the Indenture, the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction); or

(b) any change on or after the date of the Indenture in the official application or official interpretation of the laws or regulations or treaties of a Relevant Taxing Jurisdiction applicable to us, in each case, which is announced and becomes effective on or after the date of the Indenture (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on the date of the Indenture, the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction),

(each of the foregoing clauses (a) and (b), a "Change in Tax Law") we or our agents (including a Guarantor, if any) would be obligated to pay, on the next date for any payment, Additional Amounts as described above under "*Additional Amounts*," which we cannot avoid by the use of reasonable measures available to us (including causing the payments to be made by the Company or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), then we may redeem all, but not less than all, of the Notes, at any time thereafter, upon not less than 10 or more than 60 days' notice to the holders of the Notes, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; *provided*, *however*, that for this purpose reasonable measures shall not include any change in the Company's or its agents' (including a Guarantor, if any) jurisdiction of organization or location of its principal executive office; and *provided*, *further*, that such reasonable measures shall not require the Company or its agents (including a Guarantor, if any) to incur material additional costs or legal or regulatory burdens. Prior to the giving of any notice of redemption described in this paragraph, we will deliver to the Trustee and the Paying Agent:

(x) a certificate signed by two members of our Board of Directors stating that the obligation to pay such Additional Amounts cannot be avoided by our taking reasonable measures available to us; and

(y) a written opinion of independent legal counsel to our company of recognized standing (on which the Trustee may rely) to the effect that we have or will become obligated to pay such Additional Amounts as a result of a change, amendment, official interpretation or application described above.

The Trustee and the Paying Agent will accept and shall be entitled to rely on such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without liability or further inquiry, in which event it will be conclusive and binding on the holders of the Notes.

*Optional Redemption; Squeeze-Out*

Notwithstanding the foregoing, in connection with any tender offer for the Notes at a price of at least 100.0% of the principal amount of the Notes tendered, plus accrued and unpaid interest thereon to (but excluding) the applicable tender settlement date (including for the avoidance of doubt any Change of Control Offer), if holders of the Notes of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer and the Company, or any third party making such a tender offer in lieu of the Company, purchases all of the Notes validly tendered and not validly withdrawn by such holders, the Company or (with the approval of the Company) such third-party will have the right upon not less than 10 nor more than 60 days' notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of the Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to (but excluding) the redemption date.

*Optional Redemption; Notification Requirements and Conditions Precedent*

We will publish a notice of any optional redemption of the Notes described above in accordance with the provisions of the Indenture described under "*Notices*." Any redemption and notice of redemption with respect to any optional redemption of the Notes described above may, at our discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering). We will inform the Luxembourg Stock Exchange of the principal amount of the Notes that have not been redeemed in connection with any optional redemption. Notwithstanding the foregoing, no such notice of redemption will be given (i) earlier than 90 days prior to the earliest date on which we would be obliged to make such payment of Additional Amounts, if a payment in respect of the Notes were then due and (ii) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect. The foregoing provisions shall apply *mutatis mutandis* to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

**Mandatory Redemption; Offers to Purchase; Open Market Purchases**

If fewer than all the Notes are to be redeemed at any time, we shall instruct the Trustee to select the Notes by a method that complies with the requirements of applicable law and those of the principal securities exchange or applicable clearing system, if any, on which the Notes are listed or cleared at such time or, if the Notes are not listed on a securities exchange, *pro rata*, by lot or by such other method as we in our sole discretion shall deem fair and appropriate; *provided*, *however*, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than €100,000.

We are not required to make any mandatory redemption or sinking fund payments with respect to the Notes. Notwithstanding, under certain circumstances, we may be required to offer to purchase the Notes as described under the captions "*Purchase of Notes upon a Change of Control*" and "*Certain Covenants—Limitation on Sale of Certain Assets*."

We and our Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise. We are not obligated to cancel any Notes so purchased, except to the extent required by applicable law.

**Purchase of Notes upon a Change of Control**

If a Change of Control occurs at any time, then we must make an offer (a "Change of Control Offer") to each holder of Notes to purchase such holder's Notes, in whole or in part (equal to €100,000 and integral multiples of €1,000 in excess thereof) at a purchase price (the "Change of Control Purchase Price") in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase ("Change of Control Purchase Date") (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date); *provided* that we will not be required to make a Change of Control Offer if, when a Change of Control occurs, we have given notice of our intention to redeem all of the Notes pursuant to the provisions of the Indenture described in "*Optional Redemption of Notes*" and thereafter redeem all of the Notes in accordance with such provisions.

Within 30 days following any Change of Control, we will:

(a) cause a notice of the Change of Control Offer to be published if at the time of such notice the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Professional Segment of the Euro MTF market of the Luxembourg Stock Exchange and the rules of such exchange so require, on the website of the Luxembourg Stock Exchange; and

(b) send notice of the Change of Control Offer by first-class mail, with a copy to the Trustee, to each holder of Notes to the address of such holder appearing in the security register, which notice will state:

    (i) that a Change of Control has occurred and the date it occurred;

    (ii) the circumstances and relevant facts regarding such Change of Control;

    (iii) the Change of Control Purchase Price and the Change of Control Purchase Date in respect of such Change of Control Offer, which will be a business day no earlier than 10 days or later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act and any applicable securities laws or regulations;

    (iv) that any Note accepted for payment pursuant to such Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless we fail to pay the Change of Control Purchase Price;

    (v) that any Note (or part thereof) not tendered will continue to accrue interest; and

(vi) any other procedures that a holder of Notes must follow to accept such Change of Control Offer or to withdraw such acceptance.

The Trustee, at our direction (or an agent appointed by the Trustee), will promptly authenticate and deliver a new Note or Notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated Notes; *provided* that each such new Note will be in a principal amount equal to €100,000 and integral multiples of €1,000 in excess thereof. We will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

Our ability to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that would constitute a Change of Control may constitute a default under the Existing Notes or some or all of our other financing documents. In addition, certain events that may constitute a "change of control" under such other financing documents and cause a default thereunder may not constitute a Change of Control under the Indenture. Our future indebtedness and the future indebtedness of our Subsidiaries may also contain prohibitions of certain events that would require such indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require us to repurchase the Notes upon a Change of Control could cause a default under such indebtedness, even if the Change of Control itself does not, due to the possible financial effect on us of such repurchase.

If we make a Change of Control Offer, we can provide no assurance that we will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by holders of the Notes seeking to accept such Change of Control Offer. If we fail to make or consummate a Change of Control Offer or pay the Change of Control Purchase Price when due, such failure would result in an Event of Default and would give the Trustee and the holders of the Notes the rights described under "*Events of Default*."

Even if sufficient funds were otherwise available, the terms of our other indebtedness may prohibit our repayment of the Notes prior to their scheduled maturity. If we were not able to prepay any indebtedness containing any such restrictions or obtain requisite consents, we would be unable to fulfill our repurchase obligations to holders of Notes who exercise their right to require us to repurchase their Notes following a Change of Control , which would cause a Default under the Indenture. A Default under the Indenture, unless waived by holders, would result in a cross-default under certain of our existing financing arrangements described under "*Description of Certain Financing Arrangements*."

We will not be required to make a Change of Control Offer if (i) the Notes have been called for redemption as described under "*Optional Redemption of Notes*" or (ii) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by us and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon the consummation of the Change of Control transaction, if a definitive agreement is in place for the Change of Control at the time of making the offer. Except as described above with respect to a Change of Control, the provisions of the Indenture will not give holders the right to require us to repurchase the Notes in the event of certain highly leveraged transactions, or certain other transactions, including a reorganization, restructuring, merger or similar transaction and, in certain circumstances, an acquisition by our management or their Affiliates, that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including the *"Limitation on Debt"* covenant. The existence of a holder of the Notes' right to require us to repurchase such holder's Notes upon a Change of Control may deter a third party from acquiring us or our Subsidiaries in a transaction which constitutes a Change of Control.

We will comply with applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations (including those of the United States and France) in connection with any Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Indenture by virtue of such conflict.

"Change of Control" means the occurrence of any of the following events:

(a) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than Permitted Holders;

(b) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(c) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as that term is used in Section 13(d) of the Exchange Act), other than Permitted Holders, is or becomes the "beneficial owner" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares; *provided* that no "person" shall be deemed to be or become a "beneficial owner" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of more than 50% of the total voting power of the Voting Stock of the Company solely by reason of sharing "voting power" or "investment power" (in each case within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) with respect to such Voting Stock, or being part of a "group," with one or more Permitted Holders that are in the aggregate the "beneficial owners" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of more than 50% of the total voting power of the Voting Stock of the Company.

**Suspension of Covenants Following Achievement of Investment Grade Rating**

If we obtain an Investment Grade Rating for the Notes from two Rating Agencies and no Default or Event of Default has occurred and is continuing under the Indenture (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have an Investment Grade Rating (the "Reversion Date"), we and our Restricted Subsidiaries, upon the giving of written notice by us to the Trustee, will not be subject to the provisions of the Indenture described under:

— "*Certain Covenants—Limitation on Debt*;"

— "*Certain Covenants—Limitation on Restricted Payments*;"

— "*Certain Covenants—Limitation on Transactions with Affiliates*;"

— "*Certain Covenants—Limitation on Sale of Certain Assets*;"

— "*Certain Covenants—Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*;"

— the second paragraph of the covenant described under "*Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*;"

— "*Certain Covenants—Limitation on Lines of Business*;" and

— clause (c) of the first paragraph of the covenant described under "*Certain Covenants—Consolidation, Merger and Sale of Assets*."

As a result, upon such event, the Notes will lose most of the covenant protection initially provided under the Indenture and described below. For the avoidance of doubt, no covenant will be suspended until we have provided the notice referred to above. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Debt Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*Limitation on Debt*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Debt would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Debt Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Debt would not be so permitted to be incurred under the first two paragraphs of the covenant described under "*Limitation on Debt*," such Debt will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (e) of the second paragraph of the covenant described under "*Limitation on Debt*."

**Certain Covenants**

The Indenture will contain, among others, the following covenants. As described above, certain of these covenants will be suspended if we obtain an Investment Grade Rating for the Notes.

***Limitation on Debt***

(1) We will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "Incur" or, as appropriate, an "Incurrence") any Debt (including any Acquired Debt); *provided* that we, any Qualified Finance Company Subsidiary and any Guarantor will be permitted to Incur Debt if no Event of Default would occur and be continuing after giving effect on a *pro forma* basis to such Incurrence of Debt and the application of the proceeds thereof, and at the time of such Incurrence and after giving *pro forma* effect to the Incurrence of such Debt and application of the proceeds thereof, the Consolidated Fixed Charge Coverage Ratio for the four full fiscal quarters for which internal financial statements are available immediately preceding the Incurrence of such Debt, taken as one period, would be equal to or greater than 2.0 to 1.0.

(2) This covenant will not, however, prohibit the following (collectively, "Permitted Debt"):

(a) the Incurrence by us or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed the greater of $1.7 billion and 5.50% of Consolidated Total Assets;

(b) the Incurrence by us or any Restricted Subsidiary of Debt (in each case, whether Incurred in reliance on clause (b)(i), (b)(ii) or (b)(iii) below, a "Productive Asset Financing"):

(i) represented by mortgage financings, purchase money obligations or other Debt, in each case Incurred to finance the purchase, acquisition, construction or improvement of Vessels, containers, port terminal facilities (including bunkering stations (but excluding bunker fuel stored except where incidental to such purchase or acquisition) and dry port facilities) and logistics assets (including in each case Capital Stock of any Person the principal business of which consists of the provision of Vessels, containers, port terminal facilities (including bunkering stations and dry port facilities) or logistics assets) used or useful in our or any Restricted Subsidiary's business (including any reasonable related fees or expenses Incurred in connection therewith); *provided* that the principal amount of such Debt so Incurred pursuant to this clause (b)(i) does not, when Incurred, exceed (v) in the case of a completed Vessel, 85% of its Fair Market Value, (w) in the case of an uncompleted Vessel, 85% of the contract price for the acquisition of such Vessel, as determined on the date on which the agreement for construction of such Vessel was entered into by the Company or its Restricted Subsidiary, plus any other Ready-for-Sea Cost of such Vessel, (x) in the case of a completed container, 100% of the book value of such container, (y) in the case of an uncompleted container, 100% of the contract price for the acquisition of such container, as determined on the date on which the agreement for construction of such container was entered into by the Company or its Restricted Subsidiary, and (z) in the case of such port terminal facilities and logistics assets, 100% of their Fair Market Value;

(ii) represented by mortgage financings, purchase money obligations or other Debt, in each case Incurred in connection with Vessels, containers, port terminal facilities (including bunkering stations (but excluding bunker fuel stored) and dry port facilities) and logistics assets (including in each case Capital Stock of any Person the principal business of which consists of the provision of Vessels, containers, port terminal facilities (including bunkering stations and dry port facilities) or logistics assets) used or useful in our or any Restricted Subsidiary's business (including any reasonable related fees or expenses Incurred in connection therewith); *provided* that the principal amount of such Debt so Incurred pursuant to this clause (b)(ii) does not, when Incurred, exceed 80% of such assets' Fair Market Value; and

(iii) represented by mortgage financings, purchase money obligations or other Debt, in each case Incurred in connection with Vessels (including in each case Capital Stock of any Person the principal business of which consists of the provision of Vessels) used or useful in our or any Restricted Subsidiary's business (including any reasonable related fees or expenses Incurred in connection therewith); *provided* that the principal amount of such Debt so Incurred pursuant to this clause (b)(iii) does not, when Incurred, exceed 100% of any such Vessel's Fair Market Value; and *provided*, *further*, that the aggregate principal amount of any outstanding Debt Incurred pursuant to this clause (b)(iii) does not exceed $400 million;

(c) the Incurrence by us or any Restricted Subsidiary of Debt represented by mortgage financings, purchase money obligations or other Debt, in each case Incurred to finance or refinance the purchase, acquisition, construction or improvement of real or personal, movable or immovable, property or assets (excluding any Productive Assets Financing); *provided* that the amount of such Debt so Incurred when aggregated with other Debt previously Incurred in reliance on this clause (c) and still outstanding (for the avoidance of doubt, excluding any Debt incurred in reliance on clauses (b), (e) or (z) of this paragraph (2)) shall not in the aggregate exceed the greater of $120.0 million and 0.375% of Consolidated Total Assets; and *provided*, *further*, that the total amount of any Debt Incurred in connection with an asset purchase, acquisition, construction or improvement permitted under this clause (c) did not in each case at the time of Incurrence exceed (i) the Fair Market Value of such asset or (ii) in the case of an uncompleted asset, the amount of the asset to be constructed, as determined on the date on which the contract for construction of such asset was entered into by us or the relevant Restricted Subsidiary (including, in each case, any reasonable related fees and expenses Incurred in connection with such purchase, acquisition, construction or improvement);

(d) the Incurrence by us of Debt represented by the Notes (other than Additional Notes);

(e) any Debt of ours or any Restricted Subsidiary outstanding on the date of the Indenture (other than Debt described in another clause of this paragraph (2) but including, without limitation, (i) all outstanding Debt Incurred in Productive Assets Financings of ours or any Restricted Subsidiary that are outstanding on the date of the Indenture and (ii) the Existing Notes);

(f) the Incurrence by us or any Restricted Subsidiary of intercompany Debt between us and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided* that if we are the obligor on such Debt, such Debt is unsecured; and *provided*, *further*, that (x) any disposition, pledge or transfer of any such Debt to any Person other than us or a Restricted Subsidiary and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing to us or another Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an Incurrence of such Debt by the issuer thereof not permitted by this clause (f);

(g) the Incurrence by us or any Restricted Subsidiary of Debt arising from customary agreements providing for guarantees, earn-outs, indemnities or obligations in respect of purchase price adjustments in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by us or any Restricted Subsidiary on Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that, in the case of a sale, the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the net proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received from the sale of such assets;

(h) the Incurrence by us or any Restricted Subsidiary of Debt under Currency Agreements that are entered into in the ordinary course of business and not for speculative purposes;

(i) the Incurrence by us or any Restricted Subsidiary of Debt under Interest Rate Agreements entered into in the ordinary course of business and not for speculative purposes;

(j) the Incurrence by us or any Restricted Subsidiary of Debt under Fuel Hedging Agreements entered into in the ordinary course of business and not for speculative purposes;

(k) the Incurrence by us or any Restricted Subsidiary of Debt in respect of workers' compensation claims and claims arising under similar legislation, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

(l) the Incurrence of Debt by us or any Restricted Subsidiary arising from: (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided that such Debt is extinguished within 15 Business Days of Incurrence, (ii) bankers' acceptances, performance, completion, surety, judgment, appeal or similar bonds, instruments or obligations provided or obtained by us or any Restricted Subsidiary in the ordinary course of business and (iii) completion guarantees provided or letters of credit obtained by us or any Restricted Subsidiary in the ordinary course of business;

(m) any Debt of ours or any Restricted Subsidiary Incurred pursuant to Permitted Receivables Financings;

(n) the Incurrence by us or any Restricted Subsidiary of Debt in relation to: (i) regular maintenance required to maintain the classification of any of the ships owned or chartered on bareboat terms by us or any Restricted Subsidiary, (ii) scheduled dry-docking of any of the ships owned by us or any Restricted Subsidiary for normal maintenance purposes and (iii) any expenditures that will or reasonably may be expected to be recoverable from insurance on such ships;

(o) the Incurrence by us or any Restricted Subsidiary of Debt in relation to the provision of bonds, guarantees, letters of credit or similar obligations required by the United States Federal Maritime Commission or other governmental or regulatory agencies including, without limitation, customs authorities, in connection with ships owned or chartered or business conducted by us or any Restricted Subsidiary;

(p) the Incurrence by us or any Restricted Subsidiary of Debt in relation to the provision in the ordinary course of business of bonds, guarantees, letters of credit or similar obligations required to remove Liens asserted by third parties pursuant to ship or container arrests;

(q) the Incurrence by us or any Restricted Subsidiary of Debt to finance the replacement of a Vessel upon the total loss, destruction, condemnation, confiscation, requisition, seizure or forfeiture of, or other taking of title to or use of, such Vessel (collectively, a "Total Loss") in an aggregate principal amount no greater than the amount that is equal to the contract price for such replacement Vessel less all compensation, damages and other payments (including insurance proceeds other than in respect of business interruption insurance) received by us or any Restricted Subsidiary from any Person in connection with such Total Loss in excess of amounts actually used to repay Debt secured by the Vessel subject to such Total Loss;

(r) guarantees of the Notes made in accordance with the provisions of the covenant described under "*Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries*" below and guarantees of the Existing Notes made pursuant to the corresponding provisions of the Existing Notes Indentures;

(s) such Restricted Subsidiary was acquired by us or another Restricted Subsidiary and became a Restricted Subsidiary or was merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) us or any of our Restricted Subsidiaries; *provided* that, after giving *pro forma* effect to such acquisition, (x) we would have been able to incur at least $1.00 of additional Debt pursuant to paragraph (1) of this covenant or (y) we have a Consolidated Fixed Charge Coverage Ratio equal to or greater than immediately prior to giving *pro forma* effect to such acquisition or other transaction; and (ii) Debt Incurred to provide all or any portion of the funds used to consummate any transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by us or a Restricted Subsidiary or was merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) us or any of our Restricted Subsidiaries or we made an Investment in the Capital Stock of any Person engaged in a Related Business; *provided* that after giving *pro forma* effect to such acquisition, (x) we would have been able to incur at least $1.00 of additional Debt pursuant to paragraph (1) of this covenant or (y) our Consolidated Fixed Charge Coverage Ratio would have been equal to or greater than immediately prior to giving *pro forma* effect to such acquisition or other transaction;

(t) the Incurrence of Debt by us or any Restricted Subsidiary (other than and in addition to Debt permitted under clauses (a) through (s) above and clauses (u) through (z) below) in an aggregate principal amount at any one time outstanding not to exceed the greater of $175.0 million and 0.50% of Consolidated Total Assets;

(u) the Incurrence by us or a Restricted Subsidiary of Permitted Refinancing Debt in exchange for, or the net proceeds of which are used to Refinance, Debt Incurred pursuant to, or described in, paragraph (1) and paragraphs (2)(b), (d), (e), (s) (as to clause (i) thereof), (u) and (v) of this covenant, as the case may be;

(v) any Debt Incurred under Existing Credit Facilities;

(w) any Debt under the BPI ORA and the Preferred Shares; *provided* that the maximum amount of cash payment of interest, dividends or similar amounts that may be accrued and payable pursuant to the terms thereof may not exceed 12.0% per annum of the principal amount thereof; and *provided*, *further*, that no such interest, dividend or similar amount shall be paid for so long as a Default or Event of Default specified in clause (a), (b), (d), (e) or (i) under "*Events of Default*" has occurred and is outstanding;

(x) the Incurrence of Debt by us or any Restricted Subsidiary arising from the granting of a Lien permitted by clause (t) of the definition of "Permitted Liens" to secure Debt Incurred by an Unrestricted Subsidiary; *provided* that the beneficiary of any such Lien has no claim or recourse whatsoever against any of the stock or assets of the Company or any Restricted Subsidiary other than the Capital Stock or other securities of, or receivables under loans to, such Unrestricted Subsidiary;

(y) any Debt Incurred by any Restricted Subsidiaries consisting of local lines of credit and overdraft facilities in an aggregate principal amount at any time outstanding not exceeding the greater of \$120.0 million and 0.375% of Consolidated Total Assets; and

(z) any Debt Incurred under Lease Obligations;

*provided* that, notwithstanding anything to the contrary contained herein, the aggregate principal amount of Debt that is permitted to be incurred pursuant to this paragraph (2) (other than Debt (a) secured by a Permitted Lien or a Lien not otherwise prohibited hereunder and (b) incurred pursuant to paragraphs (f) to (p), (s) (as to clause (i) thereof), (x) and (z) of this paragraph (2)) by our Restricted Subsidiaries that are not Guarantors shall not exceed at any one time outstanding an amount equal to the greater of \$1.0 billion and 3.25% of Consolidated Total Assets.

(3) For purposes of determining compliance with any dollar-denominated restriction on the Incurrence of Debt where Debt is denominated in a different currency, the amount of such Debt will be equal to the Dollar Equivalent thereof on the date of such determination; *provided* that, if any such Debt denominated in a different currency is subject to a Currency Agreement (which is designed to protect against or manage exposure to fluctuations in such currency against the dollar) covering principal amounts payable on such Debt, the amount of such Debt expressed in dollars will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt Incurred in the same currency as the Debt being refinanced will be the Dollar Equivalent of such Debt being refinanced determined on the date such Debt being refinanced was initially Incurred. Notwithstanding any other provision of this covenant, for purposes of determining compliance with the *"Limitation on Debt"* covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that we or a Restricted Subsidiary may Incur under the *"Limitation on Debt"* covenant.

(4) For purposes of determining any particular amount of Debt under the *"Limitation on Debt"* covenant:

(a) obligations with respect to letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount, will not be included;

(b) any Liens granted pursuant to the equal and ratable provisions referred to in the *"Limitation on Liens"* covenant will not be treated as Debt; and

(c) accrual of interest, accrual of dividends, the accretion of accreted value, the obligation to pay upfront financing fees and commitment fees and the payment of interest in the form of additional Debt will not be treated as Debt.

(5) In the event that an item of Debt meets the criteria of more than one of the types of Debt described in paragraph (1) or (2) of this "Limitation on Debt" covenant, we, in our sole discretion, will classify such item of Debt and will only be required to include the amount and type of such Debt as the type of Debt to which it is classified and we will be entitled to divide and classify an item of Debt in more than one of the applicable types of Debt described in paragraph (1) or (2) of this *"Limitation on Debt"* covenant, and may change the classification of an item of Debt (or any portion thereof) to any other applicable type of Debt described in paragraph (1) or (2) of this *"Limitation on Debt"* covenant at any time; *provided* that any Debt under the Existing Credit Facilities outstanding on the date of the Indenture will be deemed to have been Incurred under clause (v) of the definition of Permitted Debt and may not be reclassified.

(6) For purposes of determining compliance with this *"Limitation on Debt"* covenant, with respect to Debt Incurred under a Credit Facility, reborrowings of amounts previously repaid pursuant to "cash sweep" or "clean down" provisions or any similar provisions under a Credit Facility that provide that Debt is deemed to be repaid periodically shall only be deemed for purposes of this covenant to have been Incurred on the date such Debt was first Incurred and not on the date of any subsequent borrowing thereof.

(7) In the event that we or a Restricted Subsidiary enter(s) into or increase(s) commitments under a revolving credit facility, enter(s) into or obtain(s) any commitment to Incur or issue Debt, the Incurrence or issuance thereof for all purposes under the Indenture, including without limitation for purposes of calculating the Consolidated Fixed Charge Cover Ratio or usage of clauses (a), (b), (c), (e), (s), (t) and (y) of paragraph (2) of this covenant (if any) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) will, at our sole discretion, either (a) be determined on the date of such revolving credit facility or on the date of such entry into or increase in commitments (assuming that the full amount thereof has been borrowed as of such date) or other Debt, and, if such Consolidated Fixed Charge Cover Ratio, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowings or re-borrowings thereunder (and the issuance and creation of

letters of credit and bankers' acceptances thereunder) will be permitted under this covenant irrespective of the Consolidated Fixed Charge Cover Ratio or other provision of the Indenture at the time such borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this paragraph (7) shall be the "Reserved Debt Amount" as of such date for the purposes of calculating the Consolidated Fixed Charge Cover Ratio and, to the extent or the usage of clauses (a) through (y) of paragraph (2) above (if any), shall be deemed to be Incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, we may revoke such determination at any time and from time to time.

***Limitation on Restricted Payments***

(1) We will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a "Restricted Payment" and which are collectively referred to as "Restricted Payments"):

   (a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of our or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving us or any Restricted Subsidiary) (other than (i) to us or any Wholly Owned Restricted Subsidiary or (ii) to all holders of Capital Stock of such Restricted Subsidiary on a *pro rata* basis or on a basis that results in the receipt by us or a Restricted Subsidiary of dividends or distributions of greater value than we or such Restricted Subsidiary would receive on a *pro rata* basis), except for dividends or distributions payable solely in shares of our Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock;

   (b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation), directly or indirectly, any shares of our Capital Stock or any Capital Stock of any direct or indirect parent of ours held by persons other than us or a Restricted Subsidiary or any options, warrants or other rights to acquire such shares of Capital Stock;

   (c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, (i) prior to any scheduled principal payment, scheduled sinking fund payment or scheduled maturity, any Subordinated Debt (other than (x) a principal payment on, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt purchased in anticipation of satisfying a scheduled principal payment, scheduled sinking fund payment, scheduled maturity or other installment obligation, in each case due within one year of the date of acquisition, and (y) Subordinated Shareholder Debt); or (ii) the BPI ORA or the Preferred Shares (other than a redemption in shares of common stock of the Company in accordance with the applicable ORA Agreements);

   (d) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt (other than any payment in the form of Capital Stock or additional Subordinated Shareholder Debt); or

   (e) make any Investment (other than any Permitted Investment) in any Person.

   If any Restricted Payment described above is not made in cash, we will calculate the amount of the proposed Restricted Payment at the Fair Market Value of the assets to be transferred as of the date of transfer.

(2) Notwithstanding paragraph (1) above, we may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:

   (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

   (b) we could Incur at least $1.00 of additional Debt (other than Permitted Debt) pursuant to the "*Limitation on Debt*" covenant; and

   (c) the aggregate amount of all Restricted Payments (subject to the provisions of the last paragraph under this covenant) declared or made after the 2013 Notes Issue Date does not exceed the sum of (without duplication):

      (i) 50% of our aggregate Consolidated Adjusted Net Income on a cumulative basis during the period beginning on January 1, 2014 and ending on the last day of our last fiscal quarter ending prior to the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Adjusted Net Income shall be a negative number, minus 100% of such negative amount); plus

(ii) the aggregate Net Cash Proceeds and the Fair Market Value of marketable securities received by us after the 2013 Notes Issue Date as capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of our Qualified Capital Stock (including upon the exercise of options, warrants or rights), warrants, options or rights to purchase shares of our Qualified Capital Stock or of Subordinated Shareholder Debt (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Debt as set forth in clause (b) or (c) of paragraph (3) below) (excluding (i) the Net Cash Proceeds from and the Fair Market Value of marketable securities received from the issuance of our Qualified Capital Stock financed, directly or indirectly, using funds borrowed from us or any Subsidiary of ours until and to the extent such borrowing is repaid and (ii) Excluded Contributions); plus

(iii) (x) the amount by which our Debt or Debt of any Restricted Subsidiary is reduced on our consolidated balance sheet after the 2013 Notes Issue Date upon the conversion or exchange (other than by us or any Subsidiary) of such Debt into our Qualified Capital Stock, and (y) the aggregate Net Cash Proceeds received after the 2013 Notes Issue Date by us from the issuance or sale (other than to any Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for our Qualified Capital Stock, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the cases of both (x) and (y), the aggregate net cash proceeds received by us at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of our Qualified Capital Stock financed, directly or indirectly, using funds borrowed from us or any Subsidiary until and to the extent such borrowing is repaid); plus

(iv) (x) in the case of the disposition, repayment; liquidation or cancellation of any Investment constituting a Restricted Payment made after the 2013 Notes Issue Date, an amount (to the extent not included in Consolidated Adjusted Net Income) equal to 100% of the aggregate amount received in cash and of the Fair Market Value of the marketable securities received; (y) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary (as long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment) or if such Unrestricted Subsidiary has been merged or consolidated with or into, or has transferred or conveyed all or substantially all of its assets to, the Company or a Restricted Subsidiary, 100% of the Fair Market Value of our Investment in such Subsidiary as of the date of such redesignation, combination or transfer (or of the assets so transferred or conveyed, as applicable) and (z) in the case of an Investment that was a guarantee and that constituted a Restricted Payment made after the 2013 Notes Issue Date and is subsequently released, an amount (to the extent not included in Consolidated Adjusted Net Income) equal to the amount of such guarantee; plus

(v) 100% of the Fair Market Value of any dividends, distributions or payments received by the Company or a Restricted Subsidiary after the 2013 Notes Issue Date from an Unrestricted Subsidiary or from a Person in which the Company or a Restricted Subsidiary has an Investment to the extent that such dividends, distributions or payments were not otherwise included in Consolidated Adjusted Net Income for such period; plus

(vi) in the event that we or any Restricted Subsidiary make any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary (or is merged or consolidated with or into the Company or a Restricted Subsidiary or transfers or conveys all or substantially all of its assets to the Company or a Restricted Subsidiary), an amount equal to the Fair Market Value of our or such Restricted Subsidiary's Investment in such Person as of the date such entity becomes a Restricted Subsidiary (or is so merged or consolidated or makes such a transfer or conveyance).

See "*Risk factors—Risks Relating to the Notes, the Offering and Other Financings—Despite our current level of indebtedness and restrictive covenants, we could still be able to incur substantially more debt and make certain restricted payments in the future, which could make it difficult for us to service our debt, including the notes.*"

(3) Notwithstanding paragraphs (1) and (2) above, we and any Restricted Subsidiary may take the following actions so long as (with respect to clauses (h), (j), (l), (m) and (p) below) no Default or Event of Default has occurred and is continuing:

(a) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date on which a dividend is declared by our Board of Directors or an irrevocable redemption notice is given, as the case may be, if at the date of its declaration or such notice, as the case may be, the dividend payment or redemption would have complied with the provisions of the Indenture;

(b) the making of any Restricted Payment in exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip), or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of our Qualified Capital Stock or options, warrants or other rights to acquire such Capital Stock or of Subordinated Shareholder Debt (other than, in each case, Excluded Contributions);

(c) the purchase, redemption, defeasance or other acquisition or retirement for value or payment of principal of any Subordinated Debt in exchange for, or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of our Qualified Capital Stock (other than an Excluded Contribution);

(d) the purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt (other than Redeemable Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent Incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;

(e) the repurchase of Capital Stock deemed to occur upon the exercise of stock options in which payment of the cash exercise price has been forgiven if the cumulative aggregate value of such deemed repurchases does not exceed the cumulative aggregate amount of the exercise price of such options received;

(f) payments or distributions to dissenting shareholders pursuant to applicable law in connection with or in contemplation of a merger, consolidation or transfer of assets that complies with the provisions of the Indenture described under "*Consolidation, Merger and Sale of Assets*;"

(g) cash payments in lieu of issuing fractional shares pursuant to the exercise or conversion of any exercisable or convertible securities;

(h) the purchase (or other acquisition) of Capital Stock, or any warrants, options or rights to purchase Capital Stock, from our or our Restricted Subsidiaries' current and former employees, officers or directors (and their respective assignees or successors) in each case initially sold or granted in connection with employee stock option agreements or other agreements to compensate employees, officers or directors not to exceed the greater of $10.0 million and 0.05% of Consolidated Total Assets in the aggregate for all such purchases or other acquisitions;

(i) payments or other transactions pursuant to a tax sharing agreement between us and any of our Restricted Subsidiaries with which we file a consolidated tax return or with which we are part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation;

(j) the repurchase of any Subordinated Debt (other than Subordinated Shareholder Debt) in the event of a Change of Control or an Asset Sale in accordance with provisions similar to the provisions of the Indenture described under "*Purchase of Notes upon a Change of Control*" or "*Limitation on Sale of Certain Assets*," as applicable; *provided* that, prior to such purchase, we have made the Change of Control Offer or Excess Proceeds Offer, as applicable, as provided in such covenants with respect to the Notes and have repurchased all Notes validly tendered for payment and not validly withdrawn in connection with such Change of Control Offer or Excess Proceeds Offer, as applicable;

(k) payments to our direct parent holding company to pay salaries and other proper and necessary incidental expenses of its employees to the extent related to work or services performed by such employees in our business or the business of any Restricted Subsidiary;

(l) following the first Public Equity Offering of the Company or of a Parent of the Company, any Restricted Payment; *provided* that after giving *pro forma* effect to any such Restricted Payment the Consolidated Leverage Ratio would not exceed 3.00 to 1.0;

(m) following the first Public Equity Offering of the Company or of a Parent of the Company, the declaration or payment of dividends or distributions in a maximum amount with respect to any fiscal year equal to the greater of (i) 6% per annum of the Net Cash Proceeds received by the Company from any such Public Equity Offering or any subsequent Equity Offering or contributed to the equity of the Company as equity capital in the form of Qualified Capital Stock (other than through any Excluded Contribution) and (ii) 6% of the Market Capitalization;

(n) the declaration and payment of dividends to holders of any class or series of Redeemable Capital Stock of the Company issued in accordance with the terms of the Indenture;

(o) Restricted Payments that are made with Excluded Contributions; and

(p) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (p) at any time outstanding does not exceed the greater of $120.0 million and 0.375% of Consolidated Total Assets.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories described in clauses (a) through (p) of this paragraph (3), and/or is permitted pursuant to paragraph (2) of this covenant and/or constitutes a Permitted Investment, we, in our sole discretion, will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

The actions described in clauses (a), (f), (g), (j), (k), (l) and (m) of this paragraph (3) are Restricted Payments that will be permitted to be made in accordance with this paragraph (3) but any such actions that have been taken since the 2013 Notes Issue Date or will be taken after the date hereof reduce the amount that would otherwise be available for Restricted Payments under clause (c) of paragraph (2) above.

***Limitation on Transactions with Affiliates***

We will not, and will not permit any Restricted Subsidiary, directly or indirectly, to enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with, or for the benefit of, any Affiliate of ours or any Restricted Subsidiary's Affiliate involving aggregate payments or consideration in excess of the greater of $15.0 million and 0.05% of Consolidated Total Assets unless such transaction or series of transactions is entered into in good faith and:

(a) such transaction or series of transactions is on terms that are not materially less favorable to us or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's-length transactions with third parties that are not Affiliates; and

(b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than $100.0 million, such transaction has been approved by a majority of the Disinterested Directors, or in the event there is only one Disinterested Director, by such Disinterested Director; or

(c) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than $100.0 million, in which there is no Disinterested Director, we will deliver to the Trustee a written opinion of an investment banking firm of international standing (or, if an investment banking firm is generally not qualified to give such an opinion, by an internationally recognized appraisal firm or accounting firm) stating that the transaction or series of transactions taken as a whole is (x) fair to us or such Restricted Subsidiary from a financial point of view or (y) on terms not materially less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

(i) customary directors' fees, indemnification and similar arrangements, consulting fees, employee salaries bonuses, employment agreements and arrangements, collective bargaining agreements, compensation or employee benefit arrangements, including stock options, stock incentive plans, vacation plans, health and life insurance plans, deferred compensation plans, retirement or savings plans or legal fees, so long as we have approved the terms thereof and deem the services theretofore or thereafter to be performed for such compensation or payments to be fair consideration therefor;

(ii) any Restricted Payments not prohibited by the "*Limitation on Restricted Payments*" covenant or the making of an Investment that is a Permitted Investment;

(iii) loans and advances or guarantees of third-party loans to employees (but not any forgiveness of such loans or advances or of indebtedness owed to us or a Restricted Subsidiary of any amounts paid in respect of any such guarantee) to our or any Restricted Subsidiary's officers, directors or employees made in the ordinary course of business; *provided* that such loans and advances do not exceed the greater of $10.0 million in the aggregate at any one time outstanding and 0.05% of Consolidated Total Assets;

(iv) agreements and arrangements existing on the date of the Indenture and any amendment or modifications thereof; *provided* that any amendments or modifications to the terms thereof are not more disadvantageous to the holders of the Notes and to us or our Restricted Subsidiaries, as applicable, in any material respect than the original agreement as in effect on the date of the Indenture;

(v) any payments or other transactions pursuant to a tax sharing agreement between us and any other Person with which we file a consolidated tax return or with which we are part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation;

(vi) any employment agreements and other compensation arrangements, options to purchase Capital Stock of the Company, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits plans and/or indemnity provided on behalf of officers and employees approved by the Board of Directors and, in each case, any issuances, grants, payments or other fundings pursuant thereto;

(vii) any issuance or sale of Capital Stock (other than Redeemable Capital Stock) or Subordinated Shareholder Debt to Affiliates of the Company and the granting of registration rights and other customary rights in connection therewith and any other contributions to the capital of the Company;

(viii) any transactions with, or for the benefit of (x) any Person (other than us or a Restricted Subsidiary) in which we or any Restricted Subsidiary owns Capital Stock, or (y) any other Person (other than us or a Restricted Subsidiary) who holds Capital Stock in, or is a director or officer of, any Person described in the foregoing clause (x); provided that, the Person described in clause (x) or the other Person described above in clause (y), as the case may be, is an Affiliate of ours or a Restricted Subsidiary solely as a result of (I) the ownership by us or a Restricted Subsidiary of Capital Stock in such Person or other Person and/or (II) the ownership by such other Person of Capital Stock in any Person described in clause (x) and/or (III) the holding of a position as a director or officer of any Person described in clause (x);

(ix) transactions between or among us or any Restricted Subsidiary and any Affiliate made in connection with and incidental to any Permitted Receivables Financing;

(x) any transactions pursuant to the ORA Agreements;

(xi) transactions between or among us and Restricted Subsidiaries or among Restricted Subsidiaries;

(xii) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company and any relevant Restricted Subsidiary from a financial point of view and are on terms which, taken as a whole, are not materially less favorable to the Company or the relevant Restricted Subsidiary than those that could reasonably have been obtained with an unaffiliated Person (in each case, as determined in good faith by the Company);

(xiii) any transaction between us or any Restricted Subsidiary and Global Ship Lease, Inc. unless (A) at the time such transaction is entered into, the Class A Common Shares of Global Ship Lease, Inc. (or any successor class of securities) are not listed on the New York Stock Exchange or registered under Section 12 of the Exchange Act or (B) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) that includes the Company or any its Affiliates is or becomes the "beneficial owner" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the voting power of the Voting Stock of Global Ship Lease, Inc.; and

(xiv) (x) (a) any pledge of Capital Stock of an Unrestricted Subsidiary for the benefit of the lenders to such Unrestricted Subsidiary or any Subsidiary thereof, (b) any pledge of loans or other borrowings of an Unrestricted Subsidiary from the Company or any Restricted Subsidiary for the benefit of the lenders to such Unrestricted Subsidiary or any Subsidiary thereof and (c) any completion guarantee or sponsor support undertaking for the benefit of an Unrestricted Subsidiary or any Subsidiary thereof, in each case which are of a type customary in project finance transactions (as determined in good faith by a responsible financial or accounting officer of the Company); and (y) any guarantee of performance (other than, for the avoidance of doubt, any guarantee in respect of borrowed money) of an Unrestricted Subsidiary by the Company or any Restricted Subsidiary in the ordinary course of business (as determined in good faith by a responsible accounting or financial officer of the Company).

### *Limitation on Liens*

We will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur, assume or suffer to exist any Lien of any kind (except for Permitted Liens) upon any of its property or assets, whether owned at or acquired after the date of the Indenture, that secures obligations under any Debt unless:

(a) in the case of any Lien securing Subordinated Debt, our obligations in respect of the Notes and all other amounts due under the Indenture are directly secured by a Lien on such property, assets or proceeds that is senior in priority to such Lien; and

(b) in the case of any other Lien, our obligations in respect of the Notes and all other amounts due under the Indenture are equally and ratably secured with the obligation or liability secured by such Lien.

Any such Lien in favor of the Trustee and the holders of the Notes will be automatically and unconditionally released and discharged under any one or more of the following circumstances:

(1) the unconditional release of the Lien (other than as a consequence of an enforcement action with respect to the assets subject to such Lien) that gave rise to the Lien in favor of the Trustee and the holders of the Notes;

(2) the sale, disposition or transfer of the assets which are subject to such Liens (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction), the Company or a Restricted Subsidiary, if such sale, disposition or transfer does not violate the provisions set forth under "Limitation on Sale of Certain Assets;"

(3) the sale, disposition or transfer of Capital Stock of the Restricted Subsidiary that has granted such Liens (or Capital Stock of a Parent of the relevant Restricted Subsidiary (other than the Company)) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if (i) after giving effect to such sale, disposition or transfer, such Person is no longer a Restricted Subsidiary and (ii) the sale, disposition or transfer does not violate the provisions set forth under "Limitation on Sale of Certain Assets;"

(4) upon the legal defeasance or satisfaction and discharge of the Notes as provided in "Legal Defeasance and Covenant Defeasance of the Notes" or "Satisfaction and Discharge," in each case, in accordance with the terms of the Indenture;

(5) if the relevant Restricted Subsidiary is designated as an Unrestricted Subsidiary (or is a Subsidiary of such designated Subsidiary) and such designation complies with the other applicable provisions of the Indenture (in which case, for the avoidance of doubt, such release will be of the property and assets (as well as any Capital Stock and Debt) of such Restricted Subsidiary);

(6) upon full and final repayment of the Notes; and

(7) in accordance with the caption below entitled "Amendments and Waivers."

### *Limitation on Sale of Certain Assets*

(1) We will not, and will not permit any Restricted Subsidiary to, engage in any Asset Sale unless:

(a) the consideration we receive or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold; and

(b) at least 75% of the consideration we receive or the relevant Restricted Subsidiary receives in respect of such Asset Sale consists of: (i) cash (including any Net Cash Proceeds received from the conversion within 120 days of such Asset Sale of securities received in consideration of such Asset Sale), (ii) Cash Equivalents, (iii) any securities, notes or other obligations received by the Company or any Restricted Subsidiary that are converted by the Company or such Restricted Subsidiary into cash (to the extent of the cash received) within 120 days following the closing of such Asset Sale, (iv) the assumption by the purchaser of (x) our Debt or Debt of any Restricted Subsidiary (other than Subordinated Debt) as a result of which neither we nor the relevant Restricted Subsidiary remain obligated in respect of such Debt, (y) Debt of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, if we are and each other Restricted Subsidiary is released from any guarantee of such Debt as a result of such Asset Sale or (z) any liabilities (as shown on the Company's or a Restricted Subsidiary's balance sheet) of the Company or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes) from which the Company and all Restricted Subsidiaries have been validly released, (v) Related Business Assets, (vi) any Designated Non-Cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale having an aggregate Fair Market Value when taken together with all other Designated Non-Cash Consideration pursuant to this clause (vi) that is at that time outstanding, in an amount not to exceed the greater of $250.0 million and 0.75% of Consolidated Total Assets (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value) or (vii) a combination of the consideration specified in clauses (i) to (vi).

(2) If we or any Restricted Subsidiary engage in an Asset Sale, the Net Cash Proceeds of the Asset Sale, within 365 days after such Asset Sale, may be used by us or such Restricted Subsidiary (a) to repay or prepay any then outstanding Debt (other than Subordinated Debt) of the Company or any Restricted Subsidiary owing to a Person other than the Company or a Restricted Subsidiary, (b) to invest in Related Business Assets, (c) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, a Person engaged in a Related Business, (d) to make a capital expenditure, (e) to make an offer to purchase the Notes to all holders of Notes at a purchase price no less than 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase, or (f) for any combination of the foregoing; *provided, however*, that any application of Net Cash Proceeds pursuant to clauses (b), (c) or (d) above made pursuant to a definitive binding agreement or a commitment that is executed or approved within such time will satisfy this requirement, so long as such investment or acquisition, as applicable, is consummated within 180 days of such 365th day. The amount of such Net Cash Proceeds not so used as set forth in this paragraph (2) constitutes "Excess Proceeds."

(3) When the aggregate amount of Excess Proceeds exceeds the greater of $75.0 million and 0.25% of Consolidated Total Assets, we will, within 20 Business Days, make an offer to purchase (an "Excess Proceeds Offer") from all holders of Notes, to the extent required by the terms thereof, on a pro rata basis, in accordance with the procedures set forth in the Indenture (and, so long as the Notes will be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Professional Segment of the Euro MTF Market of the Luxembourg Stock Exchange, in accordance with the rules of such exchange, which include a requirement to publish a notice of any such offer in English via the website of the Luxembourg Stock Exchange at www.bourse.lu, the maximum principal amount (expressed as a multiple of €1,000 *provided* that a Note of €100,000 or less may only be redeemed in whole and not in part) of the Notes that may be purchased with the amount of Excess Proceeds. The offer price as to the Notes will be payable in cash in an amount equal to 100% of the principal amount of the Notes, plus accrued interest, if any, to the date of purchase. So long as the Notes will be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Professional Segment of the Euro MTF Market of the Luxembourg Stock Exchange, we will publicly announce the results of an Excess Proceeds Offer.

If the aggregate principal amount of Notes validly tendered and not withdrawn by holders thereof exceeds the amount of Excess Proceeds, the Notes to be purchased will be selected by the Trustee on a *pro rata* basis (based upon the principal amount of Notes tendered by each holder).

(4) If we are obligated to make an Excess Proceeds Offer, we will purchase the Notes, at the option of the holders thereof, in whole or in part, equal to €100,000 or integral multiples of €1,000 in excess thereof on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under the Exchange Act.

(5) To the extent that the sum of the aggregate offered price of Notes tendered pursuant to an Excess Proceeds Offer is less than the amount of the Excess Proceeds Offer, the Company may use the remaining Excess Proceeds for any purpose not prohibited by the Indenture.

(6) To the extent that the aggregate principal amount of Notes tendered pursuant to an Excess Proceeds Offer is less than the amount of Excess Proceeds, we may use the amount of such Excess Proceeds not used to purchase Notes for any purpose that is not otherwise prohibited by the Indenture. Upon completion of such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

Notwithstanding any of the foregoing, we or any Restricted Subsidiary may engage in an Asset Swap and the provisions in (i) clause (1)(b) shall not apply to such Asset Swap and (ii) clauses (2), (3) and (4) above shall not apply to such Asset Swap except in respect of any Net Cash Proceeds received by us or any such Restricted Subsidiary; *provided* that we will not, and will not permit any Restricted Subsidiary to, engage in any Asset Swap, unless:

(a) at the time of entering into such Asset Swap and immediately after giving effect to such Asset Swap, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(b) with respect to any Asset Swap involving the transfer of assets having a value greater than $100.0 million, the Issuer delivers a resolution of its Board of Directors (set out in an Officer's Certificate to the Trustee) resolving that such Asset Swap has been approved by the Issuer's Board of Directors; and the Issuer delivers to the Trustee a written opinion of an investment banking firm of international standing (or, if an investment banking firm is generally not qualified to give such an opinion, by an internationally recognized appraisal firm or accounting firm) stating that the Asset Swap is fair to the Issuer or such Restricted Subsidiary from a financial point of view.

If we are required to make an Excess Proceeds Offer, we will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an Excess Proceeds Offer pursuant to this covenant), we will comply with such securities laws and regulations and will not be deemed to have breached our obligations described in this covenant by virtue thereof.

***Financial Calculations***

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with any merger, acquisition, disposition, joint venture, Investment or other similar transaction, in each case where there is a time difference between commitment and closing or Incurrence (including in respect of Incurrence of Debt, Restricted Payments and Permitted Investments), the date of determination of the availability of such basket or ratio and of any Default or Event of Default shall, at our sole discretion, be the date the definitive agreements for such merger, acquisition, disposition, joint venture, Investment or other similar transaction are entered into (or, in case of a transaction in the form of a tender or exchange offer in connection with which no definitive agreement is entered into with the target company, the launch date of such tender or exchange offer) and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such merger, acquisition, disposition, joint venture, Investment or other similar transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Debt and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (x) if such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated Adjusted Net Income, Consolidated EBITDA or Consolidated Total Assets or the share price or share value of any Person or relevant exchange rates) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the date of consummation of such transaction or related transactions; *provided* that if the Company elects to have such determinations occur at the date of entry into such definitive agreement (or the launch date of such tender or exchange offer, as the case may be), any such transactions (including any Incurrence of Debt and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered (or the launch date of such tender or exchange offer, as the case may be) and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement (or tender or exchange offer, as the case may be) and before the consummation of such transaction.

***Limitation on Guarantees of Debt by Restricted Subsidiaries***

(1) We will not permit any Restricted Subsidiary, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any of our Debt (other than the Notes), unless:

(a) (i) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a guarantee of payment of the Notes by such Restricted Subsidiary on the same terms as the guarantee of such Debt; and

(ii) with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary's guarantee with respect to the Notes at least to the same extent as such Subordinated Debt is subordinated to the Notes; and

(b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against us or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its guarantee.

This paragraph (1) will not be applicable to any guarantees of any Restricted Subsidiary:

(i) guaranteeing Debt permitted to be incurred under clause (a) or (z) of the definition of "Permitted Debt" or existing on the date of the Indenture and any Permitted Refinancing Debt refunding, replacing or refinancing such Debt;

(ii) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

(iii) given to a bank or trust company organized in any member state of the European Union as of the date of the Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System, (or any branch, Subsidiary or Affiliate thereof) in each case having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such guarantee was given, of at least A by S&P and at least A2 by Moody's, in connection with the operation of cash management programs established for our benefit or that of any Restricted Subsidiary; or

(iv) that (w) is a Wholly Owned Restricted Subsidiary, (x) was incorporated for the sole purpose of owning or leasing, and limited by its constituent documents to owning or leasing, a single Vessel used in our business, (y) does not have any Subsidiaries and (z) does not have any assets other than such Vessel (and related insurance cover) and intercompany receivables.

(2) Notwithstanding the foregoing, any guarantee of the Notes created pursuant to the provisions described in the foregoing paragraph (1) may provide by its terms that it will be automatically and unconditionally released and discharged upon:

(a) any sale, exchange or transfer, to any Person who is not a Restricted Subsidiary, of all of our Capital Stock in, or all or substantially all the assets of, such Restricted Subsidiary (or Capital Stock of a Parent of the relevant Restricted Subsidiary (other than the Company)) which results in the relevant Restricted Subsidiary no longer being a Restricted Subsidiary and which sale, exchange or transfer is not prohibited by the Indenture;

(b) (with respect to any guarantee created after the date of the Indenture) the release by the holders of our Debt described in the preceding paragraph of their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Debt other than as a result of payment under such guarantee), at a time when:

(i) no other Debt of ours (other than the Notes) has been guaranteed by such Restricted Subsidiary; or

(ii) the holders of all such other Debt that is guaranteed by such Restricted Subsidiary also release their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Debt other than as a result of payment under such guarantee);

(c) any sale, disposition or transfer of all or substantially all of the assets of such Restricted Subsidiary or a Parent of such Restricted Subsidiary other than the Company (including by way of merger, amalgamation, combination or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the covenant described under "*Limitation on Asset Sales*;"

(d) if the relevant Restricted Subsidiary is designated as an Unrestricted Subsidiary (or is a Subsidiary of such designated Subsidiary) and such designation complies with the other applicable provisions of the Indenture (in which case, for the avoidance of doubt, such release will be of the property and assets (as well as any Capital Stock and Debt) of such Restricted Subsidiary);

(e) upon full and final repayment of the Notes;

(f) upon legal defeasance or satisfaction and discharge of the Notes as provided below under the captions "*Legal Defeasance and Covenant Defeasance of the Notes*" and "*Satisfaction and Discharge*;" in each case, in accordance with the terms of the Indenture, or

(g) as described under "*Amendments and Waivers*."

Each guarantee provided pursuant to the provisions of this covenant will be limited to the maximum amount that can be guaranteed by such Restricted Subsidiary without rendering such guarantee void, voidable or unenforceable under applicable law or as otherwise necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, corporate benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law, including the liability of directors and officers.

***Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries***

(1) We will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction of any kind on the ability of any Restricted Subsidiary to:

  (a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;

  (b) pay any Debt owed to us or any other Restricted Subsidiary;

  (c) make loans or advances to us or any other Restricted Subsidiary; or

  (d) transfer any of its properties or assets to us or any other Restricted Subsidiary.

(2) The provisions of the covenant described in paragraph (1) above will not apply to:

  (a) encumbrances or restrictions imposed by the Existing Notes, the Notes or the Indenture or by other indentures governing other Debt we Incur (and if such Debt is guaranteed, by the guarantors of such Debt) ranking equally with the Notes (or any guarantee); *provided* that the encumbrances or restrictions imposed by such other indentures are not materially more restrictive, taken as a whole, than the restrictions imposed by the Indenture;

  (b) encumbrances or restrictions contained in any agreement in effect on the date of the Indenture in the form contained in such agreement on the date of the Indenture;

  (c) encumbrances or restrictions imposed by Debt permitted to be Incurred under Credit Facilities or Permitted Debt referred to in clause (a) of paragraph (2) of the covenant described under *"Limitation on Debt"* or any guarantees thereof or Liens related thereto in accordance with the *"Limitation on Debt"* covenant; *provided* that in the case of any such encumbrances or restrictions imposed under any Credit Facilities, such encumbrances or restrictions are not materially more restrictive taken as a whole than those imposed under our existing financing arrangements outstanding on the date of the Indenture;

  (d) in the case of clause (1)(d) above or in respect of any leases for vessels, customary provisions restricting subletting or assignment of any lease or assignment of any other contract to which we or any Restricted Subsidiary is a party or to which any of our or any Restricted Subsidiary's respective properties or assets are subject or customary restrictions contained in operating leases for real property and restricting only the transfer of such real property or effective only upon the occurrence and during the continuance of a default in the payment of rent;

  (e) encumbrances or restrictions contained in any agreement or other instrument of a Person acquired by us or any Restricted Subsidiary in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

  (f) encumbrances or restrictions contained in contracts for sales of Capital Stock or assets not prohibited by the "*Limitation on Sale of Certain Assets*" covenant with respect to the assets or Capital Stock to be sold pursuant to such contract or in customary merger or acquisition agreements (or any option to enter into such contract) for the purchase or acquisition of Capital Stock or assets of any of our Restricted Subsidiaries by another Person;

  (g) in the case of clause (1)(d) above or in respect of any leases for vessels or containers, any customary encumbrances or restriction pertaining to an asset subject to a Lien to the extent set forth in the security document governing such Lien or encumbrances or restrictions existing by reason of any Permitted Lien or Lien permitted under the "*Limitation on Liens*" covenant;

  (h) encumbrances or restrictions, including, without limitation, encumbrances or restrictions on cash or assets in escrow accounts of deposits paid on property used in our business, in each case imposed by applicable law or regulation or by governmental licenses, concessions, franchises or permits;

  (i) encumbrances or restrictions existing under any agreement that extends, renews or Refinances the agreements containing the encumbrances or restrictions in the foregoing clauses (2)(a), (b), (c) and (e); *provided* that the terms and conditions of any such encumbrances or restrictions are not materially less favorable to the holders of the Notes than those under or pursuant to the agreement so Refinanced;

(j) encumbrances or restrictions on cash or other deposits or net worth imposed by customers under contracts entered into the ordinary course of business;

(k) customary limitations on the distribution or disposition of assets or property in joint venture agreements entered into the ordinary course of business and in good faith; *provided* that such encumbrance or restriction is applicable only to such Restricted Subsidiary and *provided* that:

    (i) the encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable agreements (as determined by us); and

    (ii) we determine that any such encumbrance or restriction will not materially affect our ability to make any anticipated principal or interest payments on the Notes;

(l) encumbrances or restrictions in connection with purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the type described in clause (2)(d) above on the transfer of the properties so acquired;

(m) any encumbrance or restriction arising by reason of customary non-assignment provisions in agreements;

(n) encumbrances or restrictions with respect to any Permitted Receivables Financing; *provided, however*, that such encumbrances or restrictions are customarily required by the institutional sponsor or arranger of such Permitted Receivables Financing in similar types of documents relating to the purchase of similar receivables in connection with the financing thereof; or

(o) encumbrances or restrictions in connection with Debt permitted to be Incurred or Permitted Debt Incurred subsequent to the Issue Date in each case pursuant to the provisions of the covenant described under "*Limitation on Debt*" if such encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Company) and the Company determines in good faith that such encumbrance or restriction will not materially affect its ability to make principal or interest payments on the Notes as and when they become due.

***Designation of Unrestricted and Restricted Subsidiaries***

(1) Our Board of Directors may designate any Subsidiary (including newly acquired or newly established Subsidiaries) to be an "Unrestricted Subsidiary" only if:

    (a) no Default has occurred and is continuing at the time of or after giving effect to such designation; and

    (b) such Unrestricted Subsidiary does not own any Capital Stock, Redeemable Capital Stock or Debt of, or own or hold any Lien on any property or assets of, or have any Investment in, us or any other Restricted Subsidiary.

(2) In the event of any such designation, we will be deemed to have made an Investment constituting a Restricted Payment pursuant to the "*Limitation on Restricted Payments*" covenant or a Permitted Investment for all purposes of the Indenture, in either case an amount equal to the greater of (i) the net book value of our interest in such Subsidiary calculated in accordance with IFRS or (ii) the Fair Market Value of our interest in such Subsidiary.

(3) The Indenture will further provide that neither we nor any Restricted Subsidiary will at any time:

    (a) provide a guarantee of, or similar credit support to, any Debt of any Unrestricted Subsidiary (including of any undertaking, agreement or instrument evidencing such Debt); *provided* that we may pledge Capital Stock or Debt of any Unrestricted Subsidiary on a nonrecourse basis as long as the pledgee has no claim whatsoever against us other than to obtain such pledged property, except to the extent permitted under the "*Limitation on Debt*," "*Limitation on Restricted Payments*" and "*Limitation on Transactions with Affiliates*" covenants; or

    (b) be directly or indirectly liable for any Debt of any Unrestricted Subsidiary, except to the extent permitted under the "*Limitation on Debt*," "*Limitation on Restricted Payments*" and "*Limitation on Transactions with Affiliates*" covenants.

(4) Our Board of Directors may designate any Unrestricted Subsidiary as a Restricted Subsidiary if:

    (a) no Default or Event of Default has occurred and is continuing at the time of or will occur and be continuing after giving effect to such designation; and

(b) unless such redesignated Subsidiary shall not have any Debt outstanding (other than Debt that would be Permitted Debt) immediately before and after giving effect to such proposed designation, and after giving *pro forma* effect to the Incurrence of any such Debt of such redesignated Subsidiary as if such Debt was Incurred on the date of the redesignation, we could Incur $1.00 of additional Debt (other than Permitted Debt) pursuant to the "*Limitation on Debt*" covenant.

(5) Any such designation as an Unrestricted Subsidiary or Restricted Subsidiary by our Board of Directors will be evidenced to the Trustee by filing a resolution of our Board of Directors with the Trustee giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions, and giving the effective date of such designation.

***Limitation on Lines of Business***

We will not, and will not permit any Restricted Subsidiary to, engage in any business other than the business of our company and its Restricted Subsidiaries on the date of the Indenture or a Related Business.

***Reports to Holders***

So long as any Notes are outstanding, we will furnish to the Trustee in English (who, at our expense, will furnish by mail to holders of the Notes):

(a) commencing with the fiscal year ending December 31, 2020, within 120 days following the end of each of our fiscal years an annual report, in form and substance consistent with past practices, containing: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital sources and a discussion of material commitments and contingencies and critical accounting policies; (ii) a brief description of our business, management and shareholders, all material affiliate transactions and a description of all material debt instruments; and (iii) the annual audited consolidated balance sheets, statements of income, statements of shareholders equity, statements of cash flows (with notes thereto) for us for the year ended and the prior fiscal year, in each case prepared in accordance with IFRS (which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the Commission) and a description of material differences, if any, between IFRS in effect for the reporting period and on the date of the Indenture; *provided* that the information described in clause (iii) may be provided in the footnotes to the audited financial statements;

(b) commencing with the fiscal quarter ending September 30, 2020, within 60 days following the end of each of the first three fiscal quarters in each of our fiscal years, quarterly reports containing unaudited consolidated financial statements for us for the quarterly period then ended and comparative unaudited consolidated financial statements for the corresponding period in the prior fiscal year, in each case prepared in accordance with IFRS (which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the Commission) and a description of material differences, if any, between IFRS in effect for the reporting period and on the date of the Indenture, together with an operating and financial review for such quarterly period; and

(c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and the Restricted Subsidiaries, taken as a whole, or any change in our auditors or any other material event that we announce publicly, a report containing a description of such event.

In addition, so long as the Notes are restricted securities (as defined in Rule 144 under the Securities Act) and during any period during which we are not subject to the reporting requirements of the Exchange Act or exempt therefrom pursuant to Rule 12g3-2(b), we will furnish to any holder or beneficial owner of Notes initially offered and sold in the United States to "qualified institutional buyers" pursuant to Rule 144A, and to prospective purchasers in the United States designated by such holder or beneficial owners, upon request, the information required to be delivered pursuant to Rule 144A(d)(4).

We will also make available, and, unless amended and replaced, will not withdraw or remove, copies of all reports required by clauses (a) through (b) above at the offices of the principal paying agent or, to the extent and in the manner permitted by the rules of such stock exchange, post such reports on the official website of the Luxembourg Stock Exchange.

***Consolidation, Merger and Sale of Assets***

We will not, in a single transaction or through a series of transactions, consolidate with or merge with or into any Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by our Board of Directors or shareholders with respect to a demerger or division pursuant to which we would dispose of, all or substantially all of our properties and assets to any Person or Persons (including a Restricted Subsidiary) or permit any Restricted Subsidiary to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of our properties and assets and those of our Restricted Subsidiaries on a consolidated basis to any other Person or Persons. The previous sentence will not apply if at the time of, and immediately after giving effect to, any such transaction or series of transactions:

(a) either we will be the continuing corporation or the Person (if other than us) formed by such consolidation or into which we or such Restricted Subsidiary is merged, demerged or divided, or the Person that acquires by sale, assignment, conveyance, transfer, lease or disposition all or substantially all our properties and assets and those of the Restricted Subsidiaries on a consolidated basis (the "Surviving Entity");

    (i) will be a corporation duly organized and validly existing under the laws of any member state of the European Union as of the date of the Indenture, the United States of America, any state thereof, or the District of Columbia; and

    (ii) will expressly assume, by a supplemental indenture in form satisfactory to the Trustee, our obligations under the Notes and the Indenture, and the Notes and the Indenture will remain in full force and effect as so supplemented;

(b) immediately after giving effect to any such transaction or series of transactions on a *pro forma* basis (and treating any obligation of our company or any Restricted Subsidiary Incurred in connection with or as a result of such transaction or series of transactions as having been Incurred by us or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default will have occurred and be continuing;

(c) immediately before and immediately after giving effect to any such transaction or series of transactions on a *pro forma* basis (on the assumption that the transaction or series of transactions occurred on the first day of the four-quarter period immediately prior to the consummation of such transaction or series of transactions with the appropriate adjustments with respect to the transaction or series of transactions being included in such *pro forma* calculation), either (i) we (or the Surviving Entity if we are not the continuing obligor under the Indenture) could Incur at least $1.00 of additional Debt (other than Permitted Debt) under the provisions of the "*Limitation on Debt*" covenant or (ii) we (or the Surviving Entity if we are not the continuing obligor under the Indenture) have a Consolidated Fixed Charge Coverage Ratio equal to or greater than such ratio of our company and the Restricted Subsidiaries immediately prior to such substitution, transaction or series of transactions;

(d) if any of our or any Restricted Subsidiary's property or assets would thereupon become subject to any Lien, the provisions of the "*Limitation on Liens*" covenant are complied with; and

(e) we (or the Surviving Entity if we are not the continuing obligor under the Indenture) will have delivered to the Trustee, in form and substance satisfactory to the Trustee, an Officer's Certificate (attaching computations to demonstrate compliance with clauses (c) and (d) above) and an opinion of independent counsel, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with and that the Indenture and the Notes constitute legal, valid and binding obligations of the continuing person, enforceable in accordance with their terms.

The Surviving Entity will succeed to, and be substituted for, and may exercise every right and power of, our company under the Indenture, but, in the case of a lease of all or substantially all of our assets, we will not be released from the obligation to pay the principal of and interest, and Additional Amounts, if any, on the Notes.

Nothing in the Indenture will prevent any Restricted Subsidiary from consolidating with, merging into or transferring all or substantially all of its properties and assets to us or any other Restricted Subsidiary.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

We will publish a notice of any consolidation, merger or sale of assets described above in accordance with the provisions of the Indenture described under "Notices" and, for so long as the Notes will be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Professional Segment of the Euro MTF market of the Luxembourg Stock Exchange and the rules of such exchange so require, notify such exchange of any such consolidation, merger or sale.

**Events of Default**

(1) Each of the following will be an "Event of Default" under the Indenture:

(a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;

(b) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon acceleration, optional or mandatory redemption, if any, required repurchase or otherwise);

(c) failure to comply with the provisions of *"Certain Covenants—Consolidation, Merger and Sale of Assets*;"

(d) failure to make or consummate an offer in accordance with the provisions of "*Certain Covenants—Limitation on Sale of Certain Assets*;"

(e) failure to make or consummate a Change of Control Offer in accordance with the provisions of "*Certain Covenants—Purchase of Notes upon a Change of Control*;"

(f) failure to comply with any covenant or agreement of ours or of any Restricted Subsidiary that is contained in the Indenture (other than the failure to comply with any of the covenants and agreements specified in clause (a), (b), (c), (d) or (e) above) and such failure continues for a period of 60 days or more after the written notice specified in clause (2) below;

(g) default under the terms of any instrument evidencing or securing our Debt or Debt of any Restricted Subsidiary having an outstanding principal amount in excess of $60.0 million individually that results in the acceleration of the payment of such Debt or constitutes the failure to pay such Debt at final maturity thereof (other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the maturity of such Debt has not been extended, and in either case the total amount of such Debt unpaid or accelerated exceeds $60.0 million or its equivalent at the time (other than, in any such case, a Contested Breach);

(h) one or more final judgments, orders or decrees (not subject to appeal) shall be rendered against us or any Restricted Subsidiary, individually in an amount, after deduction of any proceeds received from insurance coverage of such matter, in excess of $60.0 million, and shall not have been discharged and there shall have been a period of 60 consecutive days or more as from the date such amount is due pursuant to any such judgment, order or decree during which a stay of enforcement of such judgment, order or decree was not in effect; or

(i) the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us or any Restricted Subsidiary that is a Significant Subsidiary.

(2) If an Event of Default (other than as specified in clause (1)(i) above) occurs and is continuing, the holders of not less than 25% in aggregate principal amount of the Notes then outstanding by written notice to us and to the Trustee may, and the Trustee, upon the written request of such holders, shall, declare the principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on all of the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable.

(3) If an Event of Default specified in clause (1)(i) above occurs and is continuing, then the principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on all of the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Notes.

(4) At any time after a declaration of acceleration under the Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes, by written notice to us and the Trustee, may rescind such declaration and its consequences if:

(a) we have paid or deposited with the Trustee a sum sufficient to pay:

(i) all overdue interest and Additional Amounts on all Notes then outstanding;

(ii) all unpaid principal of and premium (if any) on any outstanding Notes that have become due otherwise than by such declaration of acceleration and accrued and unpaid interest thereon at the rate borne by the Notes;

(iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Notes; and

(iv) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

(b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(c) all Events of Default, other than the non-payment of amounts of principal of, premium (if any) and any Additional Amounts and interest on the Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

(5) The holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of all the Notes, waive any existing Defaults or Events of Default under the Indenture, except a default:

(a) in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Note; or

(b) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of holders of at least 90% of the Notes outstanding.

(6) No holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Notes have made a written request, and offered and, if requested, provided to the Trustee indemnity and/or security satisfactory to the Trustee in its sole discretion against any loss, liability or expense to institute such proceeding as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 30 days after receipt of such notice and the Trustee within such 30-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

(7) If a Default or an Event of Default occurs and is continuing and notice of such Default or Event of Default has been delivered to the corporate trust office of the Trustee, the Trustee will mail to each holder of the Notes notice of the Default or Event of Default within 15 Business Days after its occurrence or receipt of notice by the Trustee, whichever is later.

(8) We are required to furnish to the Trustee annual statements as to our performance, and the performance of any Restricted Subsidiaries of our respective obligations under the Indenture and as to any default in such performance. We are also required to notify the Trustee (in compliance with the notice provisions of the Indenture) within 30 business days of our knowledge of the occurrence of any Default.

**Legal Defeasance and Covenant Defeasance of the Notes**

The Indenture will provide that we may, at our option and at any time prior to the Stated Maturity of the Notes, elect to have our obligations discharged with respect to the outstanding Notes ("legal defeasance"). Legal defeasance means that we will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes except as to:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due,

(b) our obligations to issue temporary Notes, register the transfer or exchange of any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust,

(c) the rights, powers, trusts, duties and immunities of the Trustee and our obligations in connection therewith, and

(d) the legal defeasance provisions of the Indenture.

In addition, we may, at our option and at any time, elect to have our obligations released with respect to certain covenants set forth in the Indenture ("covenant defeasance"), and thereafter any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the Notes. In the event covenant defeasance occurs, certain events described under "Events of Default" will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment, bankruptcy, receivership and insolvency. We may exercise our legal defeasance option regardless of whether we previously exercised covenant defeasance.

In order to exercise either legal defeasance or covenant defeasance:

(a) We must irrevocably deposit or cause to be deposited in trust by 10:00 a.m. at least one Business Day before the required payment with the Trustee (or such entity designated or appointed (as agent) by the Trustee for this purpose), for the benefit of the holders of the Notes, cash in euros, European Government Obligations denominated in euros or a combination thereof in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity, if, at or prior to electing either legal defeasance or covenant defeasance, we must have delivered to the Trustee an irrevocable notice to redeem all of the outstanding Notes of such principal, premium, if any, or installment of interest;

(b) in the case of legal defeasance, we must have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee stating that (x) we have received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (y) since the date of the Indenture, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(c) in the case of covenant defeasance, we must have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee to the effect that the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(d) we must have delivered to the Trustee an Opinion of Counsel to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for tax purposes of any Relevant Taxing Jurisdiction as a result of such defeasance and will be subject to tax of any Relevant Taxing Jurisdiction on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(e) no Default or Event of Default will have occurred and be continuing on the date of such deposit or, insofar as bankruptcy or insolvency events described in clause (1)(j) of "*Events of Default*" above are concerned, at any time during the period ending on the 123rd day after the date of such deposit;

(f) such legal defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), the Indenture or any material agreement or instrument to which we or any Restricted Subsidiary is a party or by which we or any Restricted Subsidiary is bound;

(g) we must have delivered to the Trustee an opinion of independent counsel in the country of our incorporation to the effect that after the 123rd day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and an opinion of independent counsel that the Trustee shall have a perfected security interest in such trust funds for the ratable benefit of the holders of the Notes;

(h) we must have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by us with the intent of preferring the holders of the Notes with the intent of defeating, hindering, delaying or defrauding our creditors or others, or removing its assets beyond the reach of its creditors or increasing our debts to the detriment of our creditors;

(i) no event or condition shall exist that would prevent us from making payments of the principal of, premium, if any, and interest on the Notes on the date of such deposit or at any time ending on the 123rd day after the date of such deposit; and

(j) we will have delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent provided for in the Indenture relating to either the legal defeasance or the covenant defeasance, as the case may be, have been complied with.

If the funds deposited with the Trustee to effect covenant defeasance are insufficient to pay the principal of, premium, if any, and interest on the Notes when due because of any acceleration occurring after an Event of Default, then we will remain liable for such payments.

**Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes and our obligations with respect to Additional Amounts and rights of the Trustee, as expressly provided for in the Indenture) when:

(a) we have irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose solely for the benefit of the holders of the Notes an amount in euros or European Government Obligations denominated in euros, in each case, sufficient to pay and discharge the entire Debt on such Notes that have not, prior to such time, been delivered to the Trustee for cancellation, for principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on the Notes to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or redemption date, as the case may be and we have delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of Notes at Maturity or on the redemption date, as the case may be and either:

(i) all the Notes theretofore authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust by us and thereafter repaid to us or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation; or

(ii) all Notes not theretofore delivered to the Trustee for cancellation (x) have become due and payable, (y) will become due and payable at Stated Maturity within one year or (z) are to be called for redemption within one year under arrangements for the giving of notice of redemption by the Trustee in our name, and at our expense; and

(b) we have paid or caused to be paid all sums payable by us under the Indenture; and

(c) we have delivered to the Trustee an Officer's Certificate and (in respect of clause (i) below) an Opinion of Counsel stating that:

(i) all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; and

(ii) such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which we or any Subsidiary is a party or by which we or any Subsidiary is bound.

**Amendments and Waivers**

The Indenture will contain provisions permitting us, any Guarantor of the Notes and the Trustee to enter into a supplemental indenture without the consent of the holders of the Notes for certain limited purposes, including, among other things, curing ambiguities, defects or inconsistencies or making any change that does not adversely affect the rights of any holder of the Notes in any material respect. With the consent of the holders of not less than a majority in aggregate principal amount of the Notes then outstanding, we, any Guarantor of the Notes and the Trustee are permitted to amend or supplement the Indenture; *provided* that no such modification or amendment may, without the consent of the holders of at least 90% of the outstanding Notes affected thereby:

(a) change the Stated Maturity of the principal of, or any installment of, or Additional Amounts or interest on, any Note;

(b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of interest on any Note;

(c) change the coin or currency in which the principal of any Note or any premium or any Additional Amounts or the interest thereon is payable;

(d) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date or Change of Control Purchase Date, in the case of a Change of Control Offer);

(e) reduce the percentage in principal amount of Notes whose holders must consent to any amendment, supplement or waiver of provisions of the Indenture;

(f) make any change to the provisions of the Indenture described under "*Ranking*" or any other provisions of the Indenture affecting the ranking of the Notes, in each case in a manner that adversely affects the rights of the holders of the Notes; or

(g) make any change in the provisions of the Indenture described under "*Additional Amounts*" that adversely affects the rights of any holder of the Notes or amend the terms of the Notes or the Indenture in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless we agree to pay Additional Amounts (if any) in respect thereof in the supplemental indenture.

Notwithstanding the foregoing, without the consent of any holder of the Notes, we, any Guarantor of the Notes and the Trustee may modify or amend the Indenture:

(i) to evidence the succession of another Person to our company and the assumption by any such successor of the covenants in the Indenture and in the Notes in accordance with "*Certain Covenants—Consolidation, Merger and Sale of Assets*;"

(ii) to add to our covenants or to add any other obligor under the Notes for the benefit of the holders of the Notes or to surrender any right or power conferred upon us or any other obligor under the Notes, as applicable, in the Indenture or in the Notes;

(iii) to cure any ambiguity, or to correct or supplement any provision in the Indenture or the Notes that may be defective or otherwise inconsistent with any other provision in the Indenture or the Notes or make any other provisions with respect to matters or questions arising under the Indenture or the Notes; *provided* that, in each case, such provisions shall not adversely affect the interest of the holders of the Notes in any material respect;

(iv) to add a Guarantor;

(v) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(vi) to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee for the benefit of the holders of the Notes as additional security for the payment and performance of our or any Guarantor's obligations under the Indenture, in any property, or assets, including any that are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee pursuant to the Indenture or otherwise; or

(vii) to conform the text of the Indenture or the Notes to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture or Notes.

The Company shall be permitted to add and remove Guarantors subject to and in accordance with the provisions of the Indenture. For the avoidance of doubt, the Company will be permitted after the Issue Date to cause additional Restricted Subsidiaries to become Guarantors under the Indenture even if such Restricted Subsidiaries are not required at such time to become Guarantors pursuant to the covenant described under "*Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries*" (such Guarantors "Optional Guarantors"). The Company will be entitled to release any such Optional Guarantor from its Guarantee obligations provided (x) no Event of Default would result from such release and (y) such Optional Guarantor is not at the time of the proposed release otherwise required to be a Guarantor pursuant to the covenant under "*Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries.*" Upon any release of a Guarantee contemplated under the "*Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries*" section, the Trustee shall upon written request from the Company execute any documents required in order to evidence such release, discharge and termination in respect of such Guarantee.

The holders of a majority in aggregate principal amount of the Notes outstanding may waive compliance with certain restrictive covenants and provisions of the Indenture.

### Prescription

There is no express term in the Indenture as to any time limit on the validity of claims of the holders of the Notes to interest and repayment of principal, but any such claims will be subject to any statutory limitation period prescribed under the laws of the State of New York.

### Notices

Notices regarding the Notes will be:

(a) notified to the Trustee and, if at the time of such notice the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Professional Segment of the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, published in the *Luxemburger Wort* (or another leading newspaper having a general circulation in Luxembourg) or the website of the Luxembourg Stock Exchange; and

(b) in the case of certificated Notes, mailed to holders of such Notes by first-class mail at their respective addresses as they appear on the registration books of the registrar.

Notices given by first-class mail will be deemed given five calendar days after mailing and notices given by publication will be deemed given on the first date on which publication is made.

If and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange.

### The Trustee

The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. If an Event of Default, of which a responsible officer of the Trustee has received written notice, has occurred and is continuing, the Trustee, at the direction of holders of not less than 25% in aggregate principal amount of the Notes then outstanding, will exercise such rights and powers vested in it under the Indenture. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. Furthermore, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder, unless such holder has offered to the Trustee indemnity and/or security satisfactory to the Trustee in its sole discretion against any loss, liability or expense.

The Trustee will be entitled to require the Paying Agent to act under its direction following the occurrence of an Event of Default. The Indenture will contain provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless secured and/or indemnified to its satisfaction.

The Company will indemnify the Trustee for certain losses, taxes, claims, liabilities and expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the performance of its duties or the acceptance or administration of the Indenture. The Trustee shall be entitled to rely solely and conclusively on any Officer's Certificate, Opinion of Counsel or other evidence as it deems appropriate in formulating its opinion or in taking or not taking any action under the Indenture, and may rely on such Officer's Certificate, Opinion of Counsel or other evidence as it deems appropriate without need for further investigation or verification.

### Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

### Certain Definitions

Certain terms used in this Description of Notes are defined as follows:

"2013 Notes Issue Date" means December 16, 2013.

"Acquired Debt" means Debt of a Person:

(a) existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with us or any of the Restricted Subsidiaries; or

(b) assumed in connection with the acquisition of assets from such Person;

in each case *provided* that such Debt was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Debt will be deemed to be Incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of assets from any Person, as the case may be.

"Affiliate" means, with respect to any specified Person:

(a) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person;

(b) any other Person that owns, directly or indirectly, 10% or more of such specified Person's Capital Stock or any officer or director of any such specified Person or other Person; or

(c) any other Person 10% or more of the Voting Stock of which is beneficially owned or held, directly or indirectly, by such specified Person.

For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling," "controlled" have meanings correlative to the foregoing.

"Asset Sale" means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger or consolidation) (collectively, a "transfer"), directly or indirectly, in one or a series of related transactions, of:

(a) any Capital Stock of any Restricted Subsidiary (other than directors' qualifying shares and, to the extent required by local ownership laws in foreign countries, shares owned by foreign shareholders);

(b) all or substantially all of the properties and assets of any division or line of our or any Restricted Subsidiary's business; or

(c) any other of our or any Restricted Subsidiary's properties or assets, other than in the ordinary course of business.

For the purposes of this definition, the term "Asset Sale" does not include any transfer of properties or assets:

(i) that is governed by the provisions of the Indenture described under "*Certain Covenants—Consolidation, Merger and Sale of Assets*" or "*Purchase of Notes upon a Change of Control*;"

(ii) by us to any Restricted Subsidiary, or by any Restricted Subsidiary to us or any Restricted Subsidiary in accordance with the terms of the Indenture;

(iii) any assets representing ships, equipment and facilities that are no longer used or useful in the conduct of our and any Restricted Subsidiary's business and that are disposed of in the ordinary course of business;

(iv) that constitutes an Asset Swap effected in compliance with "*Certain Covenants—Limitation on Sale of Certain Assets*;"

(v) the Fair Market Value of which in the aggregate does not exceed the greater of $75.0 million and 0.25% of Consolidated Total Assets in any transaction or series of related transactions;

(vi) for purposes of "*Certain Covenants—Limitation on Sale of Certain Assets*" only, the making of a Permitted Investment or a disposition subject to "*Certain Covenants—Limitation on Restricted Payments*;"

(vii) that is a disposition constituting or resulting from the enforcement of a Lien or the liquidation, administration or winding up of a Restricted Subsidiary;

(viii) that is a sale or disposition deemed to occur in connection with granting or creating a Permitted Lien;

(ix) that is a disposition of Capital Stock, Debt or other securities of an Unrestricted Subsidiary;

(x) that is a sale of cash or Cash Equivalents;

(xi) that constitutes a sale or disposition of assets received by the Company or any Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Company or any Restricted Subsidiary;

(xii) that is a disposition of accounts receivable and related assets in a Permitted Receivables Financing;

(xiii) that is a Lease Obligation; or

(xiv) that is a Vessel Sharing Arrangement.

"Asset Swap" means the concurrent purchase and sale or exchange of Related Business Assets between us or any Restricted Subsidiary and another Person (other than a sale, disposition or transfer that is governed by the provisions of the Indenture described under "*Certain Covenants—Consolidation, Merger and Sale of Assets*"); *provided* that Vessel Sharing Arrangements shall not be considered Asset Swaps.

"Average Life" means, as of the date of determination with respect to any Debt, the quotient obtained by dividing:

(a) the sum of the products of:

(i) the number of years (calculated to the nearest one-twelfth) from the date of determination to the date or dates of each successive scheduled principal payment of such Debt multiplied by

(ii) the amount of each such principal payment; by

(b) the sum of all such principal payments.

"Board of Directors" means the board of directors (*Conseil d'administration*) of the Company; *provided* that where any action is provided to be or may be taken by the board of directors, such action may be taken by the *Directeur Général* of the Company to the extent generally authorized by the board of directors to take such action.

"BPI" means *Bpifrance Participations*.

"BPI ORA" means the 793,378 12% subordinated bonds mandatorily convertible into ordinary shares of the Company issued by the Company pursuant to that certain investment agreement dated February 6, 2013 among Merit Corporation SAL, BPI and the Company and a shareholders' agreement dated June 28, 2013, among the same parties.

"Bund Rate" means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "Comparable German Bund Issue" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to (but excluding) January 15, 2023 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to January 15, 2023; *provided*, *however*, that, if the period from such redemption date to (but excluding) January 15, 2023 is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means any dealer of German *Bundesanleihe* securities appointed by the Company in good faith; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany, time on the third Business Day preceding the relevant date.

"Business Day" means any day (other than a Saturday or Sunday) that is not a day on which banking institutions in the cities of London, England, New York, New York and Paris, France are authorized or obligated by law to close for business.

"Capital Stock" means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person's equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets, of such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock, whether now outstanding or issued after the date of the Indenture; *provided* that Capital Stock shall not include the Preferred Shares.

"Cash Equivalents" means any of the following:

(a) any evidence of Debt with a maturity of one year or less from the date of acquisition issued or directly and fully guaranteed or insured by any member state of the European Union as of the date of the Indenture, the United Kingdom, the Republic of Singapore, the United States of America, any state thereof or the District of Columbia, or any agency or instrumentality thereof;

(b) overnight bank deposits, time deposit accounts, certificates of deposit, money market deposits or bankers' acceptances with a maturity of one year or less from the date of acquisition of a bank or trust company organized in any member state of the European Union as of the date of the Indenture, the United Kingdom or the Republic of Singapore, or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case with a bank or trust company which is having capital and surplus in excess of €250 million and a rating at the time of acquisition thereof of P-2 or better from Moody's or A-2 or better from S&P; *provided* that, if such bank or trust company is not rated with respect to its short-term debt obligations, it shall have a long-term debt rating of "Baa3" or higher by Moody's or "BBB-" or higher by S&P;

(c) commercial paper with a maturity of one year or less from the date of acquisition issued by a corporation that is not our or any Restricted Subsidiary's Affiliate and is organized under the laws of any member state of the European Union as of the date of the Indenture, the United Kingdom, Switzerland, the Republic of Singapore, the United States of America, any state thereof, or the District of Columbia and, at the time the investment is made, rated at least A-2 by S&P or at least P-2 by Moody's;

(d) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clauses (a) and (b) above entered into with a financial institution meeting the qualifications described in clause (b) above;

(e) in the case of any Restricted Subsidiary located outside the United States, the United Kingdom, the European Union or the Republic of Singapore:

    (i) any investment substantially similar to the kind described in clause (b) of this definition made in the ordinary course of business with a bank, trust company or commercial banking institution with either (A) a rating at the time of acquisition thereof of P-2 or better from Moody's or A-2 or better from S&P; *provided* that, if such bank or trust company is not rated with respect to its short-term debt obligations, it shall have a long-term debt rating of "Baa3" or higher by Moody's or "BBB-" or higher by S&P; or (B) the highest credit rating obtainable in the applicable jurisdiction;

    (ii) any investment substantially similar to the kind described in clause (c) of this definition obtained in the ordinary course of business and with either (A) a rating at the at the time the investment is made of at least A-2 by S&P or at least P-2 by Moody's; or (B) the highest credit rating obtainable in the applicable jurisdiction; and

(f) Investments in money market mutual funds (i) denominated in U.S. dollars, euro or pound sterling that are rated "A3" or higher by Moody's or "AAA" or higher by S&P or (ii) at least 95% of the assets of which constitute Cash Equivalents of the kind described in clauses (a) through (e) above.

"Change of Control" has the meaning given to such term under "*Purchase of Notes upon a Change of Control.*"

"Clearstream" means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

"Commission" means the U.S. Securities and Exchange Commission.

"Consolidated Adjusted Net Income" means, for any period, the net income (or loss) of the Company and its Restricted Subsidiaries for such period as determined in accordance with IFRS and on a consolidated basis, adjusted by excluding (to the extent included in such consolidated net income or loss), without duplication:

(a) any net after-tax extraordinary gains or losses;

(b) any net after-tax gains or losses attributable to asset sales made other than in the ordinary course of business;

(c) the portion of net income or loss of any Person (other than us or a Restricted Subsidiary), including Unrestricted Subsidiaries on a consolidated basis, in which we have, or any Restricted Subsidiary has, an equity ownership interest, other than the amount of dividends or other distributions and of management or other similar fees actually paid to us or any Restricted Subsidiary in cash during such period; *provided* that our equity in a net loss of any such Person shall be included in Consolidated Adjusted Net Income to the extent funded by us or a Restricted Subsidiary;

(d) solely for purposes of determining compliance with the covenant described under "*Certain Covenants—Restricted Payments*," the net income or loss of any Restricted Subsidiary if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions, directly or indirectly, to us, by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders, other than those restrictions (i) in effect on the Issue Date, (ii) which, when taken as a whole, are not materially less favorable to the holders of the Notes than those restrictions in effect on the Issue Date, (iii) that would be permitted under clauses (a), (c), (l) and (o) of paragraph (2) of the *"Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries"* covenant or in any agreement that Refinances the agreements containing the restrictions in such clauses (a), (c), (l) and (o) or (iv) pursuant to applicable law, rule, regulation, or order or governmental licenses, concessions, franchises or permits, except that:

    (i) our equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Adjusted Net Income up to the aggregate amount of cash distributed by such Restricted Subsidiary during such period to us or another Restricted Subsidiary as a dividend, management or other similar fees or any other distribution (subject, in the case of a dividend or other distribution to another Restricted Subsidiary to the limitation contained in this clause); and

    (ii) our equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Adjusted Net Income to the extent funded by us or another Restricted Subsidiary;

(e) net after-tax gains or losses attributable to the termination of any employee pension benefit plan;

(f) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the date of the Indenture;

(g) any net gain arising from the acquisition or extinguishment, under IFRS, of our or any Restricted Subsidiary's Debt by the issuer of such Debt;

(h) the net income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued), except that any such net loss may be excluded only after the date of the actual disposal of such operations;

(i) any unrealized gains or losses from Currency Agreements, Interest Rate Agreements or Fuel Hedging Agreements;

(j) any increase in amortization or depreciation resulting from the application of purchase accounting;

(k) the cumulative effect of a change in accounting principles after the date of the Indenture;

(l) any net after-tax gains or losses attributable to allowances or reversals of allowances related to the impairment of vessels or containers to the extent allocated to the caption "Other income (expense)" or other similar caption appearing on our income statement; and

(m) any capitalized interest and non-cash interest expense on Subordinated Shareholder Debt.

"Consolidated EBITDA" means, for any period, the sum of Consolidated Adjusted Net Income, plus in each case to the extent excluded in computing Consolidated Adjusted Net Income for such period:

(i) Consolidated Interest Expense;

(ii) Consolidated Tax Expense;

(iii) Consolidated Non-cash Charges, less all non-cash items increasing Consolidated Adjusted Net Income for such period and less all cash payments during such period relating to non-cash charges that were added back to Consolidated Adjusted Net Income in determining the Consolidated Fixed Charge Coverage Ratio in any prior period;

(iv) Restructuring Charges; and

(v) expenses related to proposed or consummated equity offerings, debt incurrences, acquisitions, investments, dispositions, recapitalizations and the issuance of the notes offered hereby.

"Consolidated Fixed Charge Coverage Ratio" of our company means, for any period, the ratio of:

(a) Consolidated EBITDA;

(b) to the sum of:

(i) Consolidated Interest Expense; and

(ii) cash and non-cash dividends due (whether or not declared) on our and any Restricted Subsidiary's Preferred Stock (to any Person other than us and any Wholly Owned Restricted Subsidiary), in each case for such period;

*provided* that in calculating the Consolidated Fixed Charge Coverage Ratio or any element thereof for any period, pro forma calculations will be made in good faith by a responsible financial or accounting officer of the Company (including any *pro forma* cost reduction synergies that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the Company (regardless of whether these cost reduction synergies could then be reflected in *pro forma* financial statements)); and *provided*, *further*, that:

(w) if we or any Restricted Subsidiary shall have Incurred any Debt since the beginning of such period that remains outstanding (or shall have caused any Reserved Debt Amount to be deemed to be Incurred) or if the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio is an Incurrence of Debt or both, Consolidated Adjusted Net Income and Consolidated Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred (or so deemed to be Incurred) on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period; *provided*, *further*, that the *pro forma* calculation of Consolidated Fixed Charge Coverage Ratio shall not give effect to (i) any Debt Incurred (or so deemed to be Incurred) on the date of determination pursuant to the provisions described in paragraph (2) of the covenant "*Certain Covenants—Limitation on Debt*" (other than Debt Incurred under clause (s)(ii)(x) thereof, which shall be included in such *pro forma* calculation) or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in paragraph (2) of the covenant "*Certain Covenants—Limitation on Debt*;"

(x) if, since the beginning of such period, we or any Restricted Subsidiary shall have made any Asset Sale, Consolidated Adjusted Net Income for such period shall be reduced by an amount equal to Consolidated Adjusted Net Income (if positive) directly attributable to the assets that are the subject of such Asset Sale for such period, or increased by an amount equal to Consolidated Adjusted Net Income (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to Consolidated Interest Expenses directly attributable to any Debt of ours or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to us and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, Consolidated Interest Expense for such period directly attributable to the Debt of such Restricted Subsidiary to the extent we and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(y) if, since the beginning of such period we or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated Adjusted Net Income and Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and

(z) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into us or any Restricted Subsidiary) shall have made any Asset Sale other than in the ordinary course of business or any Investment that would have required an adjustment pursuant to clause (x) or (y) if made by us or a Restricted Subsidiary during such period, Consolidated Adjusted Net Income and Consolidated Interest Expenses for such period will be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment occurred on the first day of such period.

If any Debt bears interest at a floating rate and is being given *pro forma* effect, the interest expense in respect of such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

"Consolidated Interest Expense" means, for any period, without duplication and in each case determined on a consolidated basis in accordance with IFRS, the sum of:

(a) our and the Restricted Subsidiaries' interest expense (net of interest income) for such period (for the avoidance of doubt, the entire amount of interest expense and dividends under the BPI ORA and the Preferred Shares will be treated as interest expense), excluding amortization or write off of debt issuance costs and deferred financing fees, commissions and expenses, but including, without limitation,

    (i) amortization of debt discount;

    (ii) the net cost of Interest Rate Agreements and Currency Agreements (including amortization of discounts);

    (iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and similar transactions; and

    (iv) the interest portion of any deferred payment obligation; plus

(b) to the extent not included in clause (a) above, the interest component of our and the Restricted Subsidiaries' Lease Obligations accrued during such period; plus

(c) our and the Restricted Subsidiaries' non-cash interest and interest that was capitalized (excluding any capitalized non-cash interest expense on Subordinated Shareholder Debt) during such period; plus

(d) the interest on Debt of another Person that is guaranteed by us or any Restricted Subsidiary or secured by a Lien on our or any Restricted Subsidiary's assets, whether or not such interest is paid by us or such Restricted Subsidiary.

"Consolidated Leverage" means, with respect to any Person, the sum of the aggregate outstanding Debt of that Person and its Restricted Subsidiaries (excluding Subordinated Funding) and the aggregate liquidation preference of any preferred equity issued by a Restricted Subsidiary, less cash and Cash Equivalents, in each case, as of the relevant date of calculation and as determined on a consolidated basis.

"Consolidated Leverage Ratio" of the Company means, as of the date of determination, the ratio of (a) the sum of (i) our Consolidated Leverage and (ii) the Reserved Debt Amount to (b) our aggregate Consolidated EBITDA for the period of the most recent four consecutive quarters for which financial statements are available; *provided* that in calculating the Consolidated Leverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the Company (including any *pro forma* cost reduction synergies that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the Company (regardless of whether these cost reduction synergies could then be reflected in *pro forma* financial statements)); *provided, further*, that for purposes of calculating the Consolidated EBITDA for such period, if, as of such determination:

(a) we or any Restricted Subsidiary shall have Incurred any Debt since the beginning of such period that remains outstanding (or shall have caused any Reserved Debt Amount to be deemed to be Incurred), Consolidated EBITDA for such period shall be calculated after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred (or so deemed to be Incurred) on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period;

(b) since the beginning of such period such Person or any Restricted Subsidiary thereof shall have made any Asset Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto for such period;

(c) since the beginning of such period we or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and

(d) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into us or any Restricted Subsidiary) shall have made any Asset Sale other than in the ordinary course of business or any Investment that would have required an adjustment pursuant to clause (b) or (c) if made by us or a Restricted Subsidiary during such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment occurred on the first day of such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any calculation under this definition, the *pro forma* calculations will be determined in good faith by a responsible financial officer or accounting officer of the Company.

"Consolidated Non-cash Charges" means, for any period, the aggregate depreciation, amortization and other non-cash expenses of our company and the Restricted Subsidiaries for such period, determined in accordance with IFRS and on a consolidated basis (excluding any such non-cash charge that requires an accrual of or reserve for cash charges for any future period).

"Consolidated Tax Expense" means, for any period with respect to any Relevant Taxing Jurisdiction, the provision for all national, local and foreign federal, state or other income taxes of our company and the Restricted Subsidiaries for such period as determined in accordance with IFRS and on a consolidated basis.

"Consolidated Total Assets" means the total assets of the Company and its Restricted Subsidiaries determined in accordance with IFRS and on a consolidated basis, as of the date of the most recent consolidated balance sheet of the Company (and, in the case of clauses (a), (c), (t) and (y) of paragraph (2) of the covenant described under "*Certain Covenants—Limitation on Debt*," on a *pro forma* basis, for assets being acquired by the Company or a Restricted Subsidiary with the Debt being incurred under such clause and in the case of clauses (q) and (u) of the definition of Permitted Investments, on a *pro forma* basis, for the amount of the Investment being made under such clause).

"Contested Breach" means any time where the Company has received notification from BPI of a material breach of the Shareholders Agreement to which it is a party by the Company (a "Material Breach") and the Company promptly notifies BPI in writing that it contests any such Material Breach in good faith and on reasonable grounds (after taking legal advice if necessary), where necessary by appropriate court or arbitral proceedings and maintains adequate reserves in respect of any cash redemption or other repurchase of the BPI ORA as may be required by applicable accounting standards; *provided* always that it will cease to qualify as a Contested Breach if at any time:

(a) (x) the Company acknowledges that there has been a material breach by it of such Shareholders Agreement or (y) the Company ceases to diligently contest any such Material Breach in good faith and on reasonable grounds;

(b) a court judgment or arbitral award is made or entered against the Company in respect of such Material Breach; or

(c) the Company agrees to settle any such alleged Material Breach in consideration of a monetary payment in an amount exceeding $5.0 million (or equivalent in other currencies) to BPI.

"Credit Facility" or "Credit Facilities" means one or more debt facilities (including the Existing Credit Facilities) or commercial paper facilities with banks, insurance companies or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables) notes, letters of credit or other forms of guarantees and assurances or other credit facilities, including overdrafts, notes facilities or indentures, in each case, as Refinanced in whole or in part from time to time.

"Currency Agreements" means any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect against or manage exposure to fluctuations in foreign currency exchange rates.

"Debt" means, with respect to any Person, without duplication:

(a) all liabilities of such Person for borrowed money (including overdrafts) or for the deferred purchase price of property or services, which purchase price is payable more than one year after the date of taking delivery and title of such property or receiving full performance of such services, excluding any trade payables and other accrued current liabilities Incurred in the ordinary course of business;

(b) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) all obligations, contingent or otherwise, of such Person in connection with any letters of credit, bankers' acceptances or other similar facilities;

(d) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

(e) all Lease Obligations of such Person;

(f) all obligations of such Person under or in respect of Interest Rate Agreements, Currency Agreements or Fuel Hedging Agreements;

(g) all Debt referred to in (but not excluded from) the preceding clauses (a) through (f) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the obligation so secured);

(h) all guarantees by such Person of Debt referred to in this definition of any other Person;

(i) all Redeemable Capital Stock of such Person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends;

(j) Preferred Stock of any Restricted Subsidiary; and

(k) the aggregate principal amount of the BPI ORA,

if and to the extent any of the preceding items (other than obligations described under clauses (d), (e), (f), (g), (h), (i), (j) and (k)) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS; and *provided* that the term "Debt" shall not include (i) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are no more than 180 days past due, (ii) Debt Incurred by us or any Restricted Subsidiary in respect of standby letters of credit, performance bonds or surety bonds provided by us or any Restricted Subsidiary in the ordinary course of business to the extent that such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon, are honored in accordance with their terms and if to be reimbursed, are reimbursed no later than the fifth business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, (iii) any pension obligations of ours or any Restricted Subsidiary, (iv) Debt represented by a debit balance at a bank, trust company or other commercial banking institution that is organized in any member state of the European Union as of the date of the Indenture, or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case having a combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A by S&P and A2 by Moody's to the extent of any credit balance held in an account at the same bank, trust company or other commercial banking institution in the same or another currency; *provided* that the debit and credit balances are set off pursuant to an express agreement with such bank, trust company or other commercial banking institution, (v) Subordinated Shareholder Debt, (vi) the Preferred Shares and (vii) completion guarantees or sponsor support undertakings (including obligations to contribute capital to Unrestricted Subsidiaries), other than in each case obligations for the payment of borrowed money, for the benefit of Unrestricted Subsidiaries of a type customary in project finance transactions (as determined in good faith by a responsible financial or accounting officer of the Company) relating to the acquisition, construction, development, maintenance and operation of port terminals and related assets.

For purposes of this definition, the "maximum fixed repurchase price" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Capital Stock, such Fair Market Value will be determined in good faith by the board of directors of the issuer of such Redeemable Capital Stock; *provided* that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Designated Non-Cash Consideration" means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is designated in good faith as Designated Non-Cash Consideration by a responsible accounting or financial officer of the Company.

"Disinterested Director" means, with respect to any transaction or series of related transactions, a member of the Board of Directors of the Company who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. A member of the Board of Directors of the Company shall not be deemed to have such a financial interest by reason of such member's holding Capital Stock of the Company or any options, warrants or other rights in respect of such Capital Stock.

"dollars" or "$" means the lawful currency of the United States of America.

"Dollar Equivalent" means with respect to any monetary amount in a currency other than dollars, at any time for the determination thereof, the amount of dollars obtained by converting such foreign currency into dollars at the spot rate for the purchase of dollars with such foreign currency as published under "Currency Rates" in the section of the *Financial Times* entitled "Currencies, Interest Rates & Bonds" (or as renamed by the *Financial Times* from time to time) on the date two Business Days prior to such determination.

"Equity Offering" means any Public Equity Offering or private offer and sale of Capital Stock (which is Qualified Capital Stock) of the Company or any direct or indirect parent holding company of the Company with gross proceeds to the Company of at least $50.0 million (including any sale of Qualified Capital Stock purchased upon the exercise of any over-allotment option granted in connection therewith).

"euro" or "€" means the lawful currency of the member states of the European Union who have agreed to share a common currency in accordance with the provisions of the Maastricht Treaty dealing with European monetary union.

"Euroclear" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"European Government Obligations" means direct obligations of, or obligations guaranteed by, a member state of the European Union (other than Greece, Ireland and Portugal) as in effect on December 3, 2003, and the payment for which such member state of the European Union pledges its full faith and credit.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Excluded Contributions" means the net cash proceeds received by the Company after the Issue Date from (i) contributions to its common equity capital, and (ii) the sale (other than to a Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Redeemable Capital Stock), in each case designated as "Excluded Contributions" pursuant to an Officer's Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received), the net cash proceeds of which are excluded from the calculation set forth in clause (c)(ii) of paragraph (2) of the covenant described under "*Certain Covenants—Limitation on Restricted Payments*" hereof.

"Existing Credit Facilities" means Credit Facilities existing on the date of the Indenture.

"Existing Notes" means each of (i) the €650 million 6.500% Senior Notes due 2022 issued by the Company on July 13, 2017 and (ii) the €750 million 5.250% Senior Notes due 2025 issued by the Company on October 24 and November 9, 2017.

"Existing Notes Indentures" means each of (i) the indenture dated as of July 13, 2017 between, *inter alios*, us and U.S. Bank Trustees Limited, as trustee and (ii) the indenture dated as of October 24, 2017 between, *inter alios*, us and U.S. Bank Trustees Limited, as trustee.

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by a responsible financial or accounting officer or senior management of the Company:

(a) for property or assets so determined to have a fair market value in excess of $10.0 million, as set forth in an Officer's Certificate; or

(b) for property or assets so determined to have a fair market value in excess of $100.0 million, as set forth in a resolution approved by at least a majority of our Board of Directors or by the board of directors, as applicable, of the applicable Restricted Subsidiary, and as attached to an Officer's Certificate;

*provided* that, solely for the purposes of clause (b) of the definition of "Permitted Debt," for port terminal and logistics assets so determined to have a Fair Market Value exceeding $100.0 million, we will deliver to the Trustee a written opinion of an investment banking firm of international standing (or, if an investment banking firm is generally not qualified to give such an opinion, by an internationally recognized appraisal firm or accounting firm) stating that the transaction or series of transactions taken as a whole is fair to us from a financial point of view.

"Fitch" means Fitch Ratings Ltd. and its successors.

"Fuel Hedging Agreements" means any spot, forward or option fuel price protection agreements and other types of fuel hedging agreements designed to protect against or manage exposure to fluctuations in fuel prices.

"guarantees" means, as applied to any obligation,

(a) a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and

(b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

"Guarantor" means any Person that is a guarantor of the Notes, including any Person that is required after the date hereof to execute a guarantee of the Notes pursuant to "*Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries*" until a successor replaces such party pursuant to the applicable provisions of the Indenture and, thereafter, shall mean such successor.

"IFRS" means International Financial Reporting Standards as adopted for use in the European Union in effect on the Issue Date or, solely with respect to the covenant "*Reports to Holders*," as in effect from time to time.

"Interest Rate Agreements" means any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect against or manage exposure to fluctuations in interest rates.

"Investment" means, with respect to any Person, any direct or indirect advance (other than advances to customers and travel and similar advances to officers and employees, in each case, made in the ordinary course of business), loan or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Debt issued or owned by, any other Person. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Person that were not sold or disposed of. The acquisition by the Company or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person. "Investments" excludes (i) hedging obligations entered into in the ordinary course of business endorsements of negotiable instruments and documents in the ordinary course of business, and (ii) extensions of trade credit on commercially reasonable terms in accordance with normal trade practices and accounts receivable in the ordinary course of business and bank guarantees received with respect to shipping agencies' obligations to the Company or a Restricted Subsidiary.

"Investment Grade Rating" means a rating equal or higher than at least two of the following ratings: Baa3 (or the equivalent) by Moody's, BBB- (or the equivalent) by S&P and BBB- (or the equivalent) by Fitch.

"Issue Date" means October 21, 2020.

"Lease Obligations" means any obligations under any lease, hire, rental or similar agreement, including, for the avoidance of doubt, any bareboat charter, in each case subject to lease accounting under IFRS 16.

"Lien" means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation, assignment for security, claim, or preference or priority or other encumbrance upon or, with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property that such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Market Capitalization" means an amount equal to (i) the total number of our issued and outstanding shares of Capital Stock on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividend.

"Maturity" means, with respect to any indebtedness, the date on which any principal of such indebtedness becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Cash Proceeds" means,

(a) with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to us or any Restricted Subsidiary), but excluding any other consideration in the form of assumption by the acquiring Person, net of:

    (i) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants and any applicable title and recording fees and expenses) related to such Asset Sale;

    (ii) provisions for all taxes payable as a result of such Asset Sale;

(iii) all payments made on any Debt that is secured by any Property subject to such Asset Sale, in accordance with the terms of any Lien upon, or other security agreement of any kind with respect to, such Property, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law, be repaid out of the proceeds from such Asset Sale;

(iv) amounts required to be paid to any Person (other than us or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and

(v) appropriate amounts to be provided by us or any Restricted Subsidiary, as the case may be, as a reserve required in accordance with IFRS against any liabilities associated with such Asset Sale and retained by us or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officer's Certificate delivered to the Trustee; and

(b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "*Certain Covenants—Limitation on Restricted Payments*," the proceeds of such issuance or sale in the form of cash or Cash Equivalents, payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to us or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of thereof.

"Officer's Certificate" means a certificate signed by an officer of our company or of a Surviving Entity, as the case may be, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion from legal counsel reasonably satisfactory to the Trustee.

"ORA Agreements" means the agreements entered into in connection with the issuance of the Yildirim ORA and the BPI ORA, including the Shareholders Agreements.

"Parent" means, in relation to a Person, any other Person in respect of which it is a Subsidiary.

"Permitted Debt" has the meaning given to such term under "*Certain Covenants—Limitation on Debt*."

"Permitted Holders" means any of Naila Saadé, Rodolphe Saadé, Tanya Saadé and Jacques Saadé Junior, any entities under the control of any of them, any of their respective spouses, parents, siblings or descendants (including by adoption), any of their respective estates, executors, administrators or personal representatives and any trust created for the sole benefit of any of the foregoing.

"Permitted Investments" means any of the following:

(a) Investments in cash or Cash Equivalents;

(b) intercompany Debt to the extent permitted under clause (f) of the definition of "Permitted Debt;"

(c) Investments in (i) the form of loans or advances to us, (ii) a Restricted Subsidiary or (iii) another Person if as a result of such Investment such other Person becomes a Restricted Subsidiary or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, us or a Restricted Subsidiary (and, in each case, any Investment held by such Person that was not acquired by such Person in contemplation of such merger, consolidation or transfer);

(d) Investments acquired by us or any Restricted Subsidiary in connection with an Asset Sale or Asset Swap permitted under "*Certain Covenants—Limitation on Sale of Certain Assets*" to the extent such Investments are non-cash proceeds permitted thereunder;

(e) payroll, travel and similar advances to cover matters that are expected at the time of such advances to be treated as expenses in accordance with IFRS;

(f) Investments in the Existing Notes, the Notes and Additional Notes thereof;

(g) Investments existing at the date of the Indenture and, where relevant, any amendment, modification, extension, renewal or replacement of any such Investments as long as any such amendment, modification, extension, renewal or replacement does not cause an increase of the underlying amount of such Investments;

(h) Investments in Interest Rate and Currency Agreements permitted under the "*Limitation on Debt*" covenant;

(i) Investments in Fuel Hedging Agreements permitted under the "*Limitation on Debt*" covenant;

(j) Investments made in the ordinary course of business, in an aggregate amount not to exceed $5.0 million;

(k) Investments of insurance proceeds received pursuant to circumstances permitted under clauses (2)(n) and (2)(q) in "*Certain Covenants—Limitation on Debt*;"

(l) loans and advances (or guarantees to third-party loans) to our or any Restricted Subsidiary's employees, officers and directors made in the ordinary course of business and consistent with our past practices or past practices of such Restricted Subsidiary, as the case may be, not to exceed $10.0 million in the aggregate outstanding at any one time;

(m) Investments in a Person to the extent that the consideration therefor consists of the net proceeds of the substantially concurrent issue and sale (other than to any Subsidiary) of shares of our Qualified Capital Stock; *provided* that the net proceeds of such sale have been excluded from, and shall not have been included in, the calculation of the amount determined under clause (2)(c)(ii) of the "*Limitation on Restricted Payments*" covenant;

(n) Investments by us or any Restricted Subsidiary in connection with a Permitted Receivables Financing;

(o) any payments or other transactions pursuant to a tax-sharing agreement between us and any other Person with whom we file or filed a consolidated tax return or with which we are or were part of a consolidated group for tax purposes or any tax-advantageous group contribution made pursuant to applicable legislation;

(p) Investments of ours or the Restricted Subsidiaries described under item (iv) of the proviso to the definition of "Debt;"

(q) Investments not to exceed the greater of $400.0 million and 1.25% of Consolidated Total Assets (the amount of which, if not cash, is measured by reference to the Fair Market Value of each such non-cash Investment on the date it was made) by us or a Restricted Subsidiary in any entity the principal business of which is a Related Business and in which we or any of our Restricted Subsidiaries own 50.0% or less of the Voting Stock;

(r) stock, obligations or securities received in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(s) loans and advances (or guarantees of third-party loans) to our or any Restricted Subsidiary's employees and officers made for the purpose of allowing such employees and officers to purchase stock of their respective employers, not to exceed $10.0 million in the aggregate outstanding at any one time;

(t) guarantees of Debt permitted to be Incurred under the "*Limitation on Debt*" covenant;

(u) other Investments in any Person in an aggregate principal amount at any time outstanding not to exceed (x) the greater of $250.0 million and 0.75% of Consolidated Total Assets (the amount of which, if not cash, is measured by reference to the Fair Market Value of each such non-cash Investment on the date it was made) plus (y) the Property Contribution Amount; *provided* that if an Investment is made pursuant to this clause (u) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) us or any of our Restricted Subsidiaries or is subsequently designated a Restricted Subsidiary pursuant to *"Certain Covenants—Limitation on Restricted Payments,"* such Investment, if applicable, shall thereafter be deemed to have been made pursuant to (c)(ii) or (iii) of the definition of "Permitted Investments" and not this clause;

(v) Investments made by the Company or any Restricted Subsidiary as a result of or retained in connection with any asset sale permitted under or in compliance with the Indenture, to the extent such Investments are non-cash proceeds permitted thereunder;

(w) Investments by us or a Restricted Subsidiary made in connection with, and that are incidental and necessary to, any Productive Assets Financing constituting Permitted Debt or Debt permitted to be Incurred under the "*Limitation on Debt*" covenant; and

(x) Investments committed on the date of the Indenture.

"Permitted Liens" means the following types of Liens:

(a) Liens existing as of the date of the issuance of the Notes;

(b) Liens on our or any Restricted Subsidiary's property or assets securing Debt under the Credit Facilities permitted to be Incurred pursuant to clause (a) of the definition of "Permitted Debt" and Liens on assets given, disposed of or otherwise transferred in connection with a Permitted Receivables Financing permitted to be Incurred pursuant to clause (m) of the definition of "Permitted Debt;"

(c) Liens on any Vessels, containers, port terminal facilities and logistic assets, or on Capital Stock of any Person the principal business of which consists of the provision of Vessels, containers, port terminal facilities or logistic assets, for the purpose of securing purchase money obligations, mortgage financings or other Debt, in each case, Incurred pursuant to clauses (b), (c) or (q) of the definition of "Permitted Debt;"

(d) any Liens securing any Lease Obligation; *provided* that such Lien shall not extend to any property or assets of ours or any Restricted Subsidiary (other than, for the avoidance of doubt, the property and assets subject of the lease giving rise to such Lease Obligation);

(e) Liens on any of our or any Restricted Subsidiary's property or assets securing the Notes or any guarantees thereof and Liens securing the Existing Notes or any guarantees thereof required to be created pursuant to the "*Limitation on Liens*" provisions of the Existing Notes Indentures;

(f) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by us or any Restricted Subsidiary in the ordinary course of business in accordance with such grantor's past practices prior to the date of the Indenture;

(g) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, stevedores, masters, crew, employees, pension plan administrators or other like Liens (including, without limitation, any maritime liens, whether or not statutory, that are recognized or given effect to as such by the law of any applicable jurisdiction) arising in the ordinary course of our or any Restricted Subsidiary's business and with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made or Liens arising solely by virtue of any statutory or common law provisions relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(h) Liens for taxes, assessments, government charges or claims that are either (i) not delinquent or thereafter can be paid without penalty, (ii) being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made or (iii) solely encumbering abandoned property or property in the process of being abandoned;

(i) Liens Incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, including, without limitation, obligations imposed by customs authorities, surety and appeal bonds, return-of-money bonds, government contracts, performance bonds and other obligations of a like nature Incurred in the ordinary course of business (other than obligations for the payment of borrowed money);

(j) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions and other similar charges or encumbrances not interfering in any material respect with our or any Restricted Subsidiary's business Incurred in the ordinary course of business;

(k) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded (to the extent such bonding is required by such judgment, decree or order) and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(l) Liens on property of, or on shares of Capital Stock or indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of ours or any Restricted Subsidiary other than the property or assets acquired; and *provided, further*, that such Liens were created prior to, and not in connection with or in contemplation of, such acquisition;

(m) Liens securing our or any Restricted Subsidiary's obligations under Interest Rate Agreements or Currency Agreements permitted by clauses (h) or (i) of the definition of "Permitted Debt;"

(n) Liens securing our or any Restricted Subsidiary's obligations under Fuel Hedging Agreements permitted by clause (j) of the definition of "Permitted Debt;"

(o) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance (including unemployment insurance);

(p) Liens Incurred in connection with a cash management program established in the ordinary course of business for our benefit or that of any Restricted Subsidiary in favor of a bank or trust company of the type described in paragraph (1) of the covenant described under "*Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries*;"

(q) any customary right of first refusal, right of first offer, option, contract, or other agreement to sell an asset of ours or of any Restricted Subsidiary;

(r) Liens arising as a result of escrow deposits related to ship financing in the ordinary course of business;

(s) Liens granted by a Restricted Subsidiary which is not a Guarantor and Liens on the Capital Stock of such Restricted Subsidiary in each case to secure Debt of such Restricted Subsidiary incurred under clause (y) of the definition of "Permitted Debt;"

(t) Liens on the Capital Stock or other securities or Debt of any Unrestricted Subsidiary or Qualified Minority Entity to secure Debt of any Unrestricted Subsidiary or Qualified Minority Entity;

(u) Liens Incurred in the ordinary course of business of our company or any Restricted Subsidiary with respect to obligations that do not exceed $15.0 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or the obtaining of advances or credit (other than trade credit in the ordinary course of business) and (ii) do not in the aggregate materially detract from the value of the relevant property or materially impair the use thereof in the operation of our or such Restricted Subsidiary's business;

(v) Liens granted by a Restricted Subsidiary which is not a Guarantor, securing Debt of any Restricted Subsidiary which is not a Guarantor, that is permitted to be Incurred pursuant to the covenant described under "*Certain Covenants—Limitation on Debt*" or is Permitted Debt other than Permitted Debt Incurred under clauses (b), (c) or (y) thereof;

(w) Liens securing our or any Restricted Subsidiary's obligations in connection with Debt permitted to be Incurred under clause (s)(ii) of the definition of "Permitted Debt;" *provided* that such Liens do not extend to or cover any property or assets of ours or any Restricted Subsidiary other than any Capital Stock so acquired and subscribed for and any claims that are customarily granted as security in relation to any such Debt; and *provided*, *further*, that such Debt does not exceed $300.0 million at any one time outstanding; and

(x) any amendment, modification, extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (w); *provided* that (i) any such amendment, modification, extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so amended, modified, extended, renewed or replaced and (ii) such Liens shall be limited to the property or part thereof that secured the Lien so replaced or property substituted therefor as a result of the destruction, condemnation or damage of such property.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of Incurrence or at a later date), we, in our sole discretion, may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of "Permitted Liens" to which such Permitted Lien has been classified or reclassified.

"Permitted Receivables Financing" means any financing pursuant to which we or any Restricted Subsidiary may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in an aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of our company or any Restricted Subsidiary; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be customary for such transactions and shall be on market terms (as determined in good faith by our Board of Directors) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by our Board of Directors) at the time such financing is entered into and (c) such financing shall be non-recourse to us or any Restricted Subsidiary except to a limited extent customary for such transactions.

"Permitted Refinancing Debt" means any Refinancing of any Debt of ours or a Restricted Subsidiary pursuant to this definition, including any successive Refinancings, so long as:

(a) we are the borrower under such Refinancing or, if not, the borrower is the borrower of the Debt being refinanced (except that any Restricted Subsidiary may Incur refinancing Debt to refinance Debt of any other Restricted Subsidiary);

(b) such Debt is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of (i) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being Refinanced plus an amount equal to any unutilized commitment that has been designated a Reserved Debt Amount relating to the Debt being Refinanced and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such Refinancing and fees and expenses of any legal counsel, auditors and investment banks;

(c) the Average Life of such Debt is equal to or greater than the Average Life of the Debt being Refinanced;

(d) the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being Refinanced;

(e) the new Debt is not senior in right of payment to the Debt that is being Refinanced; and

(f) the new Debt is Incurred within six months of the termination, discharge or repayment of the Debt that is being Refinanced;

*provided* that Permitted Refinancing Debt will not include (i) Debt of a Subsidiary that Refinances our Debt or the Debt of a Guarantor or (ii) Debt of any Restricted Subsidiary that Refinances Debt of an Unrestricted Subsidiary.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Shares" means the single A preference share and the 3,626,864 B preference shares of the Company, as identified in the Company's by-laws;

"Preferred Stock" means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person that is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person whether now outstanding, or issued after the date of the Indenture, and including, without limitation, all classes and series of preferred or preference stock of such Person; *provided* that Preferred Stock shall not include the Preferred Shares.

"*Pro forma*" means, with respect to any calculation made or required to be made pursuant to the terms of the Notes, a calculation in accordance with IFRS, or otherwise a calculation made in good faith by us after consultation with our external auditor, as the case may be.

"Property" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock, and other securities of, any other Person. For purposes of any calculation required pursuant to the Indenture, the value of any Property shall be its Fair Market Value.

"Property Contribution Amount" means the Fair Market Value of assets or other property received by us after the 2013 Notes Issue Date as capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of our Qualified Capital Stock (including upon the exercise of options, warrants or rights), warrants, options or rights to purchase shares of our Qualified Capital Stock or of Subordinated Shareholder Debt (except (i) in each case, to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Debt as set forth in clause (b) or (c) of paragraph (3) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," (ii) to the extent the Fair Market Value of such property constituting marketable securities is included in the calculation set forth in clause (c)(ii) of paragraph (2) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," (iii) the Fair Market Value of property received from the issuance of our Qualified Capital Stock financed, directly or indirectly, using funds borrowed from us or any Subsidiary of ours until and to the extent such borrowing is repaid) and (iv) Excluded Contributions);

"Public Debt" means any bonds, debentures, notes or other indebtedness of a type that could be issued or traded in any market where capital funds (whether debt or equity) are traded, including private placement sources of debt and equity as well as organized markets and exchanges, whether such indebtedness is issued in a public offering or in a private placement to institutional investors or otherwise.

"Public Equity Offering" means an underwritten public offering for sale of Capital Stock (which is Qualified Capital Stock) of ours or any direct or indirect parent holding company of ours with gross proceeds to us of at least $50.0 million (including any sale of Qualified Capital Stock purchased upon the exercise of any over allotment option granted in connection therewith).

"Qualified Capital Stock" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"Qualified Finance Company Subsidiary" means a Subsidiary that (i) is a direct, Restricted Subsidiary of ours, (ii) was incorporated for the sole purpose of issuing, and is limited by its constituent documents to the issuance of, Public Debt, (iii) does not have any Subsidiaries, other than a corporate co-obligor of such Public Debt and (iv) does not have any assets other than indebtedness owed to it by us and the Restricted Subsidiaries in respect of loans made by it to us with the proceeds of any Public Debt issued by it.

"Qualified Minority Entity" means any entity in which we or any of our Restricted Subsidiaries own 50.0% or less of the Voting Stock and the principal business of which, directly or through Subsidiaries, consists of (i) operating logistics, port and terminal facilities including bunkering stations, (ii) transporting air, railway or trucking cargo or (iii) freight forwarding.

"Rating Agency" means Fitch, Moody's or S&P.

"Ready for Sea Cost" means with respect to a Vessel to be acquired or leased by the Issuer or any Restricted Subsidiary, the aggregate amount of all expenditures incurred to acquire or construct and bring such Vessel to the condition and location necessary for its intended use, including any and all inspections, appraisals, repairs, modifications, additions, permits and licenses in connection with such acquisition or lease.

"Redeemable Capital Stock" means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of our company in circumstances in which the holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "*Certain Covenants—Limitation on Sale of Certain Assets*" and "*Purchase of Notes upon a Change of Control*" covenants described herein and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to our repurchase of such Notes as are required to be repurchased pursuant to "*Certain Covenants—Limitation on Sale of Certain Assets*" and "*Purchase of Notes upon a Change of Control*."

"Refinance" means, with respect to any Debt, to amend, modify, extend, substitute, renew, replace, refund, prepay, repay, repurchase, redeem, defease or retire, or to issue other Debt, in exchange or replacement for, such Debt. "Refinanced" and "Refinancing" shall have correlative meanings.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Related Business" means any business which is the same as or related, ancillary or complementary to any of the businesses of our company and its Restricted Subsidiaries on the date of the Indenture.

"Related Business Assets" means assets used or useful in a Related Business.

"Reserved Debt Amount" has the meaning set forth in the covenant described under "*—Certain Covenants—Limitation on Debt.*"

"Restricted Subsidiary" means any Subsidiary of ours other than an Unrestricted Subsidiary.

"Restructuring Charges" means all charges and expenses caused by or attributable to any restructuring, severance, relocation, consolidation, closing, integration, business optimization or transition, signing, retention or completion bonus or curtailments or modifications to pension and post-retirement employee benefit plans.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"S&P" means Standard and Poor's, a division of the McGraw-Hill Companies, Inc. and its successors.

"Securities Act" means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Shareholders Agreements" means each of (i) the shareholders agreement dated as of January 27, 2011, among Merit Corporation SAL, Yildirim Holding, Yildirim and the Company, as amended and restated on June 28, 2013, and (ii) the shareholders agreement dated as of June 28, 2013 among Merit Corporation SAL, BPI and the Company.

"Significant Subsidiary" means any Restricted Subsidiary that, together with its Subsidiaries:

(a) accounted for more than 10% of the consolidated revenues of the Company and its Restricted Subsidiaries for our most recent fiscal year, or

(b) as of the end of our most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Company and its Restricted Subsidiaries.

"Stated Maturity" means, when used with respect to any Note or any installment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest, respectively, is due and payable, and, when used with respect to any other indebtedness, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness, or any installment of interest thereon, is due and payable.

"Subordinated Debt" means Debt of our company or any Guarantor that is subordinated in right of payment to the Notes or such Guarantor's guarantee of the Notes.

"Subordinated Funding" means any Debt of the Company that (1) does not (including upon the happening of any event) mature or require any amortization, redemption or other payment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such Debt into Qualified Capital Stock of the Company or any Debt meeting the requirements of this definition), (2) does not (including upon the happening of any event) require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other gross ups, or any similar amounts, (3) contains no change of control or similar provisions and does not (including upon the happening of any event) accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any payment prior to the first anniversary of the Stated Maturity of the Notes, (4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries and is not guaranteed by any such Subsidiary; (5) does not contain any covenants (financial or otherwise) other than a covenant to pay such Subordinated Funding at maturity and (6) pursuant to its terms or other agreement, is fully subordinated and junior in right of payment to the prior payment in full in cash of the Notes.

"Subordinated Shareholder Debt" means collectively, any Subordinated Funding provided to the Company by any Permitted Holder.

"Subsidiary" means, with respect to any Person:

(a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof; and

(b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, holds at least a majority of the ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

"Unrestricted Subsidiary" means:

(a) any Subsidiary of ours that at the time of determination is an Unrestricted Subsidiary (as designated by our Board of Directors pursuant to the "*Designation of Unrestricted and Restricted Subsidiaries*" covenant); and

(b) any Subsidiary of an Unrestricted Subsidiary.

"Vessel" means one or more shipping vessels whose primary purpose is the maritime transportation of cargo or which are otherwise engaged, used or useful in any business activities of the Company and its Restricted Subsidiaries and which are owned by and registered (or to be owned by and registered) in the name of the Company or any of its Restricted Subsidiaries or operated or to be operated by the Company or any of its Restricted Subsidiaries, in each case together with all related spares, equipment and any additions or improvements.

"Vessel Sharing Arrangement" means (i) an agreement whereby the parties to such agreement are entitled to obtain space allocation on ships operated on a certain shipping line in accordance with each party's ship capacity contribution to that shipping line and/or (ii) an agreement whereby the parties to such agreement sell, buy or exchange a fixed number of container slots on their respective ships operated on a certain shipping line.

"Voting Stock" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees (or Persons performing similar functions) of any Person, irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency.

"Wholly Owned Restricted Subsidiary" means any Restricted Subsidiary, all of the outstanding Capital Stock (other than directors' qualifying shares or shares of foreign Restricted Subsidiaries required to be owned by foreign nationals pursuant to applicable law) of which is owned by us, by one or more other Wholly Owned Restricted Subsidiaries or by us and one or more other Wholly Owned Restricted Subsidiaries.

"Yildirim" means Yildirim Asset Management Holding B.V.

"Yildirim ORA" means each of (i) the subordinated bonds mandatorily convertible into preference shares of the Company issued by the Company to Yildirim on January 27, 2011 pursuant to that certain investment agreement dated as of November 25, 2010, in an initial aggregate principal amount of $500 million and (ii) the 528,918 subordinated bonds mandatorily convertible into preference shares of the Company issued by the Company to Yildirim on January 31, 2013.

## BOOK ENTRY, DELIVERY AND FORM

### General

*Certain defined terms used but not defined in this section have the meanings assigned to them in the Indenture governing the notes, as described in "Description of Notes."*

Each series of notes sold to persons other than "U.S. persons" (as defined in Regulation S under the U.S. Securities Act ("Regulation S")) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Note"). The Regulation S Global Note will be deposited, on the closing date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Each series of notes sold to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")) in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Note" and, together with the Regulation S Global Notes, the "Global Notes"). The 144A Global Note will be deposited, on the closing date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Ownership of beneficial interests in the 144A Global Notes ("144A Book-Entry Interests") and ownership interest in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream, as applicable, or persons that hold interests through such participants and have to be in accordance with applicable transfer restrictions set out in the indenture governing the notes and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under "*Notice to Investors*."

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive definitive notes in registered form ("Definitive Registered Notes"). Instead, Euroclear and Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of notes take physical possession of such notes in definitive form. The foregoing limitations may impair your ability to own, transfer, pledge or grant any other security interest in Book-Entry Interests.

So long as the notes are held in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Global Notes for any purpose. So long as the notes are held in global form, the common depositary for Euroclear and/or Clearstream, or their respective nominees, as applicable, will be considered the sole holders of Global Notes for all purposes under the indenture governing the notes. As such, participants must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests to transfer their interests in or to exercise any rights of holders under the Indenture governing the notes. Neither we nor the Trustee nor any of our respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests. You can find information about certain other restrictions on the transferability of the notes under "*—Issuance of Definitive Registered Notes*."

Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of the notes in certificated form and will not be considered the registered owners or holders thereof under the indenture governing the notes for any purpose.

The Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent and any of their respective agents have not and will not have any responsibility or liability:

(1) for any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests; or for payments

made by Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests; or

(2) for Euroclear, Clearstream or any participant or indirect participant.

The notes will be issued in denominations of €100,000 and in integral multiples of €1,000 in excess thereof. We will not impose any fees or other charges in respect of the notes; however, owners of the Book Entry Interest may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream.

**Issuance of Definitive Registered Notes**

Under the terms of the indenture governing the notes, owners of Book-Entry Interests will receive Definitive Registered Notes only in the following circumstances:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default which results in action by the Trustee pursuant to the enforcement provisions under the indenture governing the notes.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), its current procedure is to request that Definitive Registered Notes be issued to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In any such events described in clauses (1) or (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and certain certification requirements and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests). The Definitive Registered Notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the indenture governing the notes or by applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable in respect of the balance of the holding not transferred or redeemed, provided that a Definitive Registered Note will only be issued in denominations of €100,000 or in integral multiples of €1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, we will issue and the Trustee or an Authenticating Agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee or the Paying Agent appointed pursuant to the indenture governing the notes from any loss which any of them may suffer if a Definitive Registered Note is replaced. We may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the indenture governing the notes, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the indenture governing the notes and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the indenture governing the notes) to the effect that such transfer will comply with the transfer restrictions applicable to such notes. See "*Notice to Investors*."

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the notes.

The Issuer will not impose any fees or other charges in respect of the notes; however, holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

**Redemption of Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable to the holders of such Book-Entry Interests will be equal to the amount received by Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note, or any portion thereof. The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of €100,000 may be redeemed in part.

**Payments on Global Notes**

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and/or Clearstream. The common depositary or its nominee will in turn distribute such payments to participants in accordance with its procedures. We will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made by any applicable law or regulation or otherwise as described under "*Description of Notes—Additional Amounts," then, to the extent described under "Description of Notes—Additional Amounts*," such Additional Amounts will be paid as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will be equal to the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction.

We expect that payments by participants to owners of Book-Entry Interests held through such participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name." Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

In order to tender Book-Entry Interests in a change of control offer or asset sale offer, the holder of the applicable Global Note must, within the time period specified in such offer, give notice of such tender to the Paying Agent and specify the principal amount of Book-Entry Interests to be tendered.

**Currency and Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such notes (the "Euroclear/Clearstream Holders") through Euroclear and/or Clearstream in euro.

**Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of notes only at the direction of the participant to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant has given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the indenture governing the notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to its participants, as described in the subsection "*—Issuance of Definitive Registered Notes.*"

**Exchanges between 144A Global Notes and Regulation S Global Notes**

144A Book-Entry Interests may be transferred to a person who takes delivery in the form of Regulation S Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act. Until the expiration of 40 days after the later of the commencement of the offering and the closing date, ownership of Regulation S Book-Entry Interests will be limited to persons other than U.S. persons, and any sale or transfer of such interest to U.S. persons shall not be permitted during such periods unless such resale or transfer is made pursuant to Rule 144A. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A as described under "*Notice to Investors*" and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

**Secondary Market Trading, Global Clearance and Settlement under the Book-Entry System**

The notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Professional Segment of the Euro MTF market. We expect that the notes will be accepted for clearance through the facilities of Euroclear and Clearstream. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them. We expect that secondary trading in any certificated notes will also be settled in immediately available funds.

***Initial Settlement***

Initial settlement for the notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear or Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

***Special Timing Considerations***

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Euroclear and/or Clearstream on the same business day as in the United States. U.S. investors who wish to transfer their interests in the notes, or to receive or make a payment or delivery of notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels if Euroclear is used, or Luxembourg if Clearstream is used.

***Clearing Information***

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream Banking, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we, the Trustee nor the Initial Purchasers are responsible for those operations or procedures. The Issuer understands as follows with respect to Euroclear and Clearstream Banking:

(i) We expect that the notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the notes are set out under "*General Information*"; and

(ii) Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

## CERTAIN TAX CONSIDERATIONS

*The following is a general description of certain French and U.S. tax considerations relating to the notes ("Notes") that may be relevant to holders of Notes who do not concurrently hold shares of the Issuer. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in France or elsewhere. Prospective purchasers of Notes should consult their own tax advisors as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the current legislation, published case law and other published guidelines and regulations as in effect on the date of these listing particulars and is subject to any change in law that may take effect after such date (potentially with retroactive effect). This description is for general information only and does not purport to be comprehensive.*

### France

The following is a summary of certain of the material French withholding tax consequences that may be relevant to holders of Notes who do not concurrently hold shares of the Issuer and certain other French tax considerations that may be relevant to holders of Notes who (i) are non-French residents, (ii) do not hold their Notes in connection with a business or profession conducted in France, or a permanent establishment or fixed base situated in France, and (iii) do not concurrently hold shares of the Issuer. This summary is based on the tax laws and regulations of France, as currently in effect and applied by the French tax authorities, and all of which are subject to change or to different interpretation. This summary is for general information only and does not address all of the French tax considerations that may be relevant to specific holders in light of their particular circumstances. Furthermore, this summary does not address any French estate or gift tax considerations.

Prospective investors are urged to consult their own tax advisors as to French tax considerations relating to the purchase, ownership and disposal of the Notes in light of their particular circumstances.

#### *Withholding Tax*

Payments of interest and other revenues made by the Issuer with respect to the Notes will not be subject to the withholding tax set out under Article 125 A-III of the French Tax Code unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French Tax Code (a "Non-Cooperative State"). If such payments under the Notes are made in a Non-Cooperative State, a 75% mandatory withholding tax will be due by virtue of Article 125 A-III of the French Tax Code (subject to certain exceptions certain of which are set forth below and to the more favorable provisions of any applicable double tax treaty). The 75% withholding tax is applicable irrespective of the tax residence of the holders of Notes. The list of Non-Cooperative States is published by a ministerial executive order, which may be updated at any time and in principle at least once a year. A law published on October 24, 2018 no. 2018-898 (i) removed the specific exclusion of the Member States, (ii) expanded the list of Non-Cooperative States to include states and jurisdictions on the blacklist published by the Council of the European Union as amended from time to time and (iii) as a consequence, expanded this withholding tax regime to certain states and jurisdictions included in such blacklist.

Furthermore, according to Article 238 A of the French Tax Code, interest and other revenues on the Notes may not be deductible from the Issuer's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid to a bank account opened in a financial institution located in such a Non-Cooperative State. The above-mentioned law amending the list of Non-Cooperative States as described above, expands this regime to all the states and jurisdictions included in the blacklist published by the Council of the European Union as amended from time to time. Under certain conditions, any such non-deductible interest and other revenues may be recharacterized as constructive dividends pursuant to Article 109 *et seq*. of the French Tax Code, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis* 2 of the same Code, at a rate of (i) 28% for fiscal years opened on or after January 1, 2020, 26.5% for fiscal years opened on or after January 1, 2021 and 25% for fiscal years opened on or after January 1, 2022 for holders of Notes who are non-French tax resident legal persons, (ii) 12.8% for holders of Notes who are non-French tax resident individuals, in each case (x) unless payments are made in Non-Cooperative States (which include states and jurisdictions included in the blacklist published by the Council of the European Union as amended from time to time subject to certain limitations for the application of the withholding tax set forth in Article 119 bis 2 of the French Tax Code) in which case the withholding tax rate would be equal to 75% and (y) subject to certain exceptions (certain of which are set forth below) and to the more favorable provisions of any applicable double tax treaties.

Notwithstanding the foregoing, neither the 75% withholding tax set out under Article 125 A-III of the French Tax Code, nor, to the extent the relevant interest or relate to genuine transactions and is not in an abnormal or exaggerated amount, the non-deductibility set out under Article 238 A of the French Tax Code nor the related withholding tax set out under Article 119 *bis* 2 of the French Tax Code that may be levied as a result of such non-deductibility, will apply in respect of the issue of the Notes if the Issuer can prove that the main purpose and effect of such issue of Notes is not to enable payments of interest or other similar revenues to be made in a Non-Cooperative State (the "Exception").

Pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* (French administrative guidelines) referenced as BOI-INT-DG-20-50, an issue of notes will be deemed not to have such a purpose and effect, and accordingly will be able to benefit from the Exception, without the Issuer having to provide any proof of the purpose and effect of such issue of the notes if such notes are:

(i) offered by means of a public offer within the meaning of Article L.411-1 of the *Code monétaire et financier* (French Monetary and Financial Code) or pursuant to an equivalent offer in a State which is not a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or

(ii) admitted to trading on a French or foreign regulated market or a multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

(iii) admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the *Code monétaire et financier*, or of one or more similar foreign depositaries or operators, provided that such depositary or operator is not located in a Non-Cooperative State.

The Notes, which will be (i) admitted to trading on the Luxembourg Stock Exchange in Luxembourg, which is not a Non-Cooperative State, and such market being operated by a market operator which is not located in a Non-Cooperative State and (ii) admitted, at the time of their issue, to the operations of Euroclear and Clearstream, will fall under the Exception. Accordingly, payments of interest and other assimilated revenues with respect to the Notes will be exempt from the withholding tax set out under Article 125 A-III of the French Tax Code. In addition, under the same conditions and to the extent that the relevant interest and other revenue relate to genuine transactions and are not in an abnormal or exaggerated amount, they will be subject neither to the non-deductibility set out under Article 238 A of the French Tax Code nor to the withholding tax set out under Article 119 bis 2 of the same Code solely on account of their being paid to a bank account opened in a financial institution located in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

***Withholding Tax applicable to French Tax Resident Individuals***

Pursuant to Article 125 A of the French Tax Code (i.e., where the paying agent (*établissement payeur*) is located in France), subject to certain exceptions, interest received by French tax resident individuals is subject to a 12.8% levy withheld at source, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and the solidarity levy) are also levied at source at an aggregate rate of 17.2% on interest paid to French tax resident individuals. Holders of Notes who are French tax resident individuals are urged to consult with their usual tax advisor on the way the 12.8% levy and the 17.2% social contributions are collected, where the paying agent is not located in France.

***Capital Gain Tax***

A holder of Notes will not be subject to any income or withholding taxes in France in respect of the gains realized on the sale, exchange or other disposal of Notes, when such holder is not a French tax resident and does not hold his Notes in connection with a fixed base or a permanent establishment subject to tax in France.

***Stamp Duties***

Transfers of Notes outside France are not subject to any stamp duty or other transfer taxes imposed in France, provided that such transfers are not recorded in a deed registered with the French tax authorities.

## U.S. Federal Income Tax Considerations

The following discussion summarizes certain U.S. federal income tax consequences to a U.S. holder, of purchasing, owning and disposing of the notes. For purposes of this discussion, you are a "U.S. holder" if you are, for U.S. federal income tax purposes, a beneficial owner of notes that is (x) a citizen or resident of the United States, (y) a domestic corporation or (z) otherwise subject to U.S. federal income tax on a net income basis in respect of the notes. This summary deals only with U.S. holders that purchase notes at their initial offering price pursuant to this offering and that hold notes as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, insurance company, partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) or the partners therein, dealer in securities or foreign currencies, trader in securities or commodities that elects mark-to-market treatment, person that holds notes as a hedge against currency risk or as a position in a "straddle" or conversion transaction or as part of a "synthetic security" or other integrated financial transaction, U.S. expatriate, nonresident alien individual present in the United States for more than 182 days in a taxable year, tax-exempt organization or U.S. holder whose "functional currency" is not the U.S. dollar.

This discussion does not address the tax considerations relevant under any state, local or foreign tax laws or any other tax laws other than the U.S. federal income tax laws, and it does not address the federal estate and gift tax, the alternative minimum tax or the Medicare tax on net investment income.

This summary is based on laws, regulations, rulings, and court decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary. We will not seek a ruling from the U.S. Internal Revenue Service ("IRS") with respect to any matters discussed in this section, and we cannot assure you that the IRS will not challenge one or more of the tax consequences described below.

You should consult your own tax advisors about the tax consequences of purchasing, owning, and disposing of notes, including the relevance to your particular situation of the considerations discussed below, as well as the relevance to your particular situation of state, local, or other tax laws.

### *Book/Tax Conformity*

U.S. holders that use an accrual method of accounting for tax purposes ("accrual method holders") generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the "book/tax conformity rule"). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. It is not entirely clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. However, proposed regulations generally would exclude, among other items, original issue discount and market discount (in either case, whether or not *de minimis*) from the applicability of the book/tax conformity rule. Although the proposed regulations generally will not be effective until taxable years beginning after the date on which they are issued in final form, taxpayers generally are permitted to elect to rely on their provisions currently. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

### *Payments of Interest and Additional Amounts*

Payments or accruals of the gross amount of stated interest on the notes, including any Additional Amounts (i.e., without reduction for French withholding tax), will be taxable to you as ordinary income at the time that you receive or accrue such amounts in accordance with your regular method of accounting for U.S. federal income tax purposes.

U.S. holders that use the cash method of accounting for U.S. federal income tax purposes ("cash method holders"), will realize interest income on the euro-denominated notes in an amount equal to the U.S. dollar value of the payment in euros, calculated based on the exchange rate in effect on the date received, regardless of whether the payment is converted into U.S. dollars. A cash method holder will not recognize exchange gain or loss with respect to the receipt of stated interest on the notes, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

If you are an accrual-method holder, you will accrue interest income on the euro-denominated notes in euros and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the taxable year), or, at your election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year) or on the date that you receive the interest payment if that date is within five business days of the end of the accrual period (or taxable year). If you make this election, you must apply it consistently to all debt instruments from year to year and you cannot change the election without the consent of the IRS.

An accrual method holder will recognize exchange gain or loss with respect to accrued stated interest income on the date such interest is received if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (determined based on the spot rate of exchange on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time.

Any exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S.-source income or loss, and generally not as an adjustment to interest income or expense.

***Original Issue Discount***

The notes are being issued with OID for U.S. federal income tax purposes in an amount equal to the excess of their stated redemption price at maturity over their issue price. The "stated redemption price at maturity" will include all payments under a note other than payments of qualified stated interest. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by the Issuer) at least annually during the entire term of the note at a single fixed interest rate or, subject to certain conditions, based on one or more interest indices. The "issue price" of the notes will be the first price at which a substantial amount of the notes is sold to the public (i.e., excluding sales of notes to underwriters, placement agents, wholesalers, or similar persons).

Accordingly, U.S. holders generally will be subject to special tax accounting rules, as described in greater detail below, including being required to include OID in gross income, as ordinary income, as it accrues under a "constant-yield method," before the receipt of cash attributable to such income, and regardless of such U.S. holder's regular method of accounting for U.S. federal income tax purposes. OID generally will be accrued in euro and translated into dollars at the average exchange rate in effect during the interest accrual period (or portion thereof within your taxable year). U.S holders generally will recognize foreign currency gain or loss to the extent the amount accrued differs from the U.S. dollar value of the euro amounts when received.

In general, each U.S. holder of a note that is issued with OID, will be required to include in ordinary gross income the sum of the "daily portions" of OID on the note for all days during the taxable year that the U.S. holder owns the note, regardless of whether the holder uses the cash or the accrual method of tax accounting. The daily portions of OID on a note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of a note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period.

The U.S. dollar amount includible in income as OID for each accrual period is determined by (a) calculating the amount of OID allocable to each accrual period in euro using a constant-yield method by (x) multiplying the "adjusted issue price" (as defined below) of the note at the beginning of the accrual period by its "yield to maturity" (as defined below) (appropriately adjusted to reflect the length of the accrual period) and (y) subtracting from that product the amount (if any) of qualified stated interest allocable to that accrual period, and (b) translating the amount of the euro so derived at the average exchange rate in effect during that accrual period (or portion thereof within a U.S. holder's taxable year) or, at the U.S. holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if that date is within five business days of the last day of the accrual period.

The "adjusted issue price" of a note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to the note in all prior accrual periods. The "yield to maturity" of a note is the discount rate that causes the present value of all payments on the note as of its original issue date to equal the issue price of the note.

Because exchange rates may fluctuate, a U.S. holder of a note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar note denominated in U.S. dollars. All payments on a note, other than payments of qualified stated interest, will generally be viewed first as payments of previously accrued OID to the extent thereof, with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the note), a U.S. holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A U.S. holder generally may make an irrevocable election to include in its income its entire return on a note (i.e., the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount paid by the U.S. holder for the note) under the constant-yield method described above.

The rules governing instruments with OID are complex, and prospective investors should consult with their own tax advisors about the application of such rules to the notes.

***Foreign Tax Credit***

Stated interest, including any Additional Amounts, paid on the notes generally will constitute foreign source income and generally will be treated as "passive category" income or, in the case of certain U.S. holders, "general category" income for purposes of the U.S. foreign tax credit limitations. Any non-U.S. withholding tax paid by a U.S. holder at a rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The rules relating to foreign tax credits are complex and U.S. holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation.

***Sale, Exchange and Retirement of the Notes***

If you sell or exchange a note, or if a note that you hold is retired, you generally will recognize gain or loss equal to the difference between the amount you realize on the transaction (less any amount attributable to accrued and unpaid stated interest, which will be taxable as such) and your adjusted tax basis in the note. Your adjusted tax basis in a note generally will equal the U.S. dollar value of the purchase price calculated at an exchange rate in effect on the date of purchase, increased by any amounts you include in income as OID, as determined in the manner described in this Supplement under "*Certain Tax Considerations—U.S. Federal Income Tax Considerations—Original Issue Discount*," above and reduced by payments on the notes other than payments of qualified stated interest. If the note is traded on an established securities market, a cash method U.S. holder (or, if it so elects, an accrual method U.S. holder) will determine the U.S. dollar value of the cost of such note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. If you sell a note for euros, or receive euros on the retirement of a note, the amount you will realize for U.S. tax purposes generally will be the U.S. dollar value of the euros that you receive, calculated at an exchange rate in effect on the date the note is sold, exchanged or retired. If the note is traded on an established securities market, a cash method U.S. holder (or, if it so elects, an accrual method U.S. holder) will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate of exchange on the settlement date of the sale, exchange or retirement. Any such election made by an accrual-basis U.S. holder must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to foreign currency gain or loss, any gain or loss that you recognize on the sale, exchange or retirement of a note generally will be U.S.-source capital gain or loss, and will be long-term capital gain or loss, subject to taxation at reduced rates for certain non-corporate taxpayers, if you have held the note for more than one year on the date of disposition. The ability of U.S. holders to offset capital losses against ordinary income is limited.

Despite the foregoing, gain or loss that you recognize on the sale, exchange, redemption, retirement or other taxable disposition of a euro denominated note generally will be treated as U.S.-source ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which you held the note. In addition, as discussed above, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may realize exchange gain or loss attributable to amounts received in respect of accrued and unpaid stated interest, and accrued OID, which will be treated as discussed above. For a U.S. holder that uses the accrual method and does not make the election described above, the foreign currency gain or loss may include amounts attributable to changes in exchange rates between the trade date and the settlement date. This foreign currency gain or loss will not be treated as an adjustment to interest income that you receive on the note. However, upon a sale, exchange, redemption, retirement or other taxable disposition of a note, a U.S. holder will recognize exchange gain or loss (including with respect to principal and accrued but unpaid interest, and accrued OID) only to the extent of the total gain or loss realized by such U.S. holder on such disposition.

***Reportable Transactions***

You may be required to report a disposition of the notes to the IRS if you recognize foreign currency loss from a single transaction that is at least, in the case of an individual or trust, $50,000 in a single tax year or, in other cases, various higher thresholds. In the event the acquisition, ownership or disposition of a note constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. holder will be required to disclose its investment to the IRS, currently on Form 8886. You should consult your own tax advisor if you recognize foreign currency losses on the notes.

***Foreign Financial Asset Reporting***

Certain U.S. holders that own "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the taxable year or $75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the notes, including the application of the rules to their particular circumstances.

***U.S. Information Reporting and Backup Withholding Rules***

Payments in respect of the notes that are made to U.S. holders are subject to information reporting and may be subject to backup withholding unless you properly establish that you are a corporation or other exempt recipient or, in the case of backup withholding, provide an accurate taxpayer identification number and certify that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability. You may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

## PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated October 15, 2020, we have agreed to sell to the Initial Purchasers and each Initial Purchaser has agreed, severally and not jointly, to purchase from us €525.0 million aggregate principal amount of the notes. See "*Description of Notes*."

The following table sets forth the amount of notes to be purchased by each Initial Purchaser:

| **Initial Purchasers**(1) | **Principal Amount of the notes** |
|---|---|
| BNP Paribas | €171,360,000.00 |
| HSBC Bank plc | €125,160,000.00 |
| Crédit Agricole Corporate and Investment Bank | € 60,060,000.00 |
| ING Bank N.V., London Branch | € 60,060,000.00 |
| Société Générale | € 60,060,000.00 |
| Credit Industriel et Commercial S.A. | € 15,960,000.00 |
| UniCredit Bank AG | € 32,340,000.00 |
| **Total** | **€525,000,000.00** |

(1) Sales may be made through affiliates of the Initial Purchasers listed above.

The Initial Purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The purchase price for the notes will be the initial offering price set forth on the cover page of these listing particulars, less a discount paid to the Initial Purchasers. The Initial Purchasers propose to offer the notes for resale initially at the offering prices on the cover page of these listing particulars. After the initial offering of the notes, the offering prices and other selling terms may from time to time be varied by the Initial Purchasers without notice. The Initial Purchasers may offer and sell notes through certain of their affiliates.

We have agreed to pay the Initial Purchasers certain customary fees for their services in connection with the offering and to reimburse them for certain out-of-pocket expenses. We have also agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers that are not registered with the Securities and Exchange Commission as U.S. registered broker-dealers will effect offers and sales of the notes (i) solely outside of the United States, or (ii) within the United States, to the extent permitted by Rule 15a-6 under the Exchange Act, through their U.S.-registered broker-dealers and as permitted by the Financial Regulatory Authority regulations.

### France

Each Initial Purchaser has represented, warranted and agreed that it has only offered or sold and will only offer or sell, directly or indirectly, any notes to the public in France pursuant to an exemption under Article 1(4) of the Prospectus Regulation and under Article L.411-2 1° of the French *Code monétaire et financier*, and these listing particulars and any other offering material relating to the notes and such offers, sales and distributions have been and shall be made in France only to qualified investors as defined in Article 2(e) of the Prospectus Regulation and in Article L.411-2 1° of the French *Code monétaire et financier*.

Neither these listing particulars nor any other offering material relating to the notes has been or will be submitted for clearance to the *Autorité des Marchés Financiers*.

### United States

The notes have not been, and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "*Notice to Investors.*"

Accordingly, each of the Initial Purchasers, severally and not jointly, has represented and agreed (i) that it has not solicited offers for, or offered or sold, and will not solicit offers for, or offer or sell, the notes except (A) within the United States, only to persons whom it reasonably believes to be QIBs and that it has taken or will take reasonable steps to ensure that the purchaser of such notes is aware that such sale is being made in reliance on Rule 144A or (B) outside the United States to non-U.S. persons in "offshore transactions in accordance with Regulation S and (ii) it will send to each dealer to which it sells the notes during its distribution or otherwise until 40 days after the completion of the distribution of the notes a confirmation or other notice setting out the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days following the later of (i) the commencement of this offering and (ii) the notes Issue Date, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. During this 40-day period, neither of Clearstream or Euroclear will monitor compliance by dealers with Section 4(3) of the Securities Act.

### United Kingdom

Each Initial Purchaser, severally and not jointly, has represented and agreed that it:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issuance or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

### Other Restrictions

Each Initial Purchaser acknowledges that no action has been or will be taken by the Issuer that would permit a public offering of the notes, or possession or distribution of the listing particulars or any other offering or publicity material in any jurisdiction, including the United States and the United Kingdom, where action for this purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither these listing particulars nor any other offering material or advertisements in connection with the notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. These listing particulars does not constitute an offer to sell or a solicitation of an offer to purchase notes in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession these listing particulars come are advised to inform themselves about and to observe any restrictions relating to the offering of the notes, the distribution of these listing particulars and resale of notes. See "*Notice to Investors.*"

### General

#### *No sale of similar securities*

The Issuer has agreed, subject to certain limited exceptions, that it or its affiliates and subsidiaries will not, directly or indirectly, sell or offer to sell any of the notes or any instrument relating to debt or preferred equity securities for a period of 90 days from the date of the purchase agreement relating to the sale of the notes without first obtaining the written consents of the Initial Purchasers.

#### *New issue of notes*

Currently there is no public market for the notes. Application has been made to the Official List of the Luxembourg Stock Exchange and for admission to trading on the Professional Segment of the Euro MTF market of the Luxembourg Stock Exchange. No certainty can be given that this application will be granted, and we cannot assure you that an active trading market for the notes will develop.

The Initial Purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the notes will develop, that it will be liquid if it does develop or that you will be able to sell any notes at a particular time or at a price that will be favorable to you. See "*Risk factors—Risks Relating to the Notes, the Offering and Other Financings—A trading market for the notes may not develop, in which case you may not be able to resell the notes*".

***Price stabilization and short positions***

In connection with the offering of the notes, BNP Paribas or its affiliates (the "Stabilizing Manager") may engage in overallotment, stabilizing transactions and syndicate-covering transactions and penalty bids. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate-covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate-covering transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. Penalty bids permit the Stabilizing Manager to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. The Stabilizing Manager is under no obligation to engage in such stabilizing transactions, and if the Stabilizing Manager engages in stabilizing or syndicate-covering transactions, it may discontinue them at any time. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the notes.

***Other relationships***

The Initial Purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their business, the Initial Purchasers, directly or through their affiliates, have engaged, and in the future may engage, in commercial banking, investment banking, advisory and consulting services with us and our affiliates, from time to time, for which they have been or will be paid customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. In addition, certain of the Initial Purchasers and their affiliates are lenders, and in some cases agents or managers for the lenders, under credit facilities and acted as Initial Purchasers for our prior bond offerings and as dealer managers in connection with tender offers. See "*Capitalization*."

***Stamp tax***

Persons who purchase notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the law and practice of the country of purchase in addition to the offering price set forth on the cover page of these listing particulars although this payment may be born or indemnified by the Issuer under certain circumstances. See "*Description of Notes—Additional Amounts*."

***Initial Settlement***

It is expected that delivery of the notes will be made against payment therefor on or about the date specified on the cover page of these listing particulars, which will be the 4th business day (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the notes (this settlement cycle is being referred to as "T+4"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of these listing particulars or the next business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to make such trades should consult their own advisors.

## NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the notes offered hereby.

### General

The notes have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and securities laws of any other applicable jurisdiction. Accordingly, the notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act and in offshore transactions in reliance on Regulation S under the Securities Act.

We have not registered and will not register the notes under the Securities Act and, therefore, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A under the Securities Act in compliance with Rule 144A; and
- outside the United States in an offshore transaction in accordance with Regulation S under the Securities Act.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S under the Securities Act.

### Important Information about the Offering

Each purchaser of notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(1) You understand and acknowledge that the notes have not been registered under the Securities Act or the securities laws of any other applicable jurisdiction and that the notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not our "affiliate" (as defined in Rule 144 under the Securities Act) or acting on our behalf and you are either:

    (i) a QIB, within the meaning of Rule 144A under the Securities Act, and are aware that any sale of these notes to you will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for your own account or for the account of another QIB; or

    (ii) not a "U.S. person" or purchasing for the account or benefit of a U.S. person (other than a distributor), and you are purchasing the notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(3) You acknowledge that neither we, nor any of the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to the Issuer and its subsidiaries or the offer or sale of any of the notes, other than the information contained in these listing particulars, which listing particulars have been delivered to you and upon which you are relying in making your investment decision with respect to the notes. You acknowledge that no person other than the Issuer makes any representation or warranty as to the accuracy or completeness of these listing particulars You have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase any of the notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in

connection with, any distribution thereof in violation of the Securities Act or any other applicable securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

(5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the notes, and each subsequent holder of the notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such notes prior to the date (the "Resale Restriction Termination Date") that is one year (in the case of Rule 144A notes) or 40 days (in the case of Regulation S notes) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such notes (or any predecessor thereto) only:

(i) to the Issuer or any subsidiary thereof;

(ii) pursuant to a registration statement that has been declared effective under the Securities Act;

(iii) for so long as the notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act;

(iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act; or

(v) pursuant to any other available exemption from the registration requirements of the Securities Act;

subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations.

(6) You acknowledge that the Issuer, the Trustee, the Registrar and the Transfer Agent reserve the right prior to any offer, sale or other transfer of the notes (i) pursuant to clause (d) or (e) above prior to the Resale Restriction Termination Date of the notes to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to each of them, the Issuer, the Trustee, the Registrar and the Transfer Agent, and (ii) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(7) Each purchaser acknowledges that each Global Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) OR (B) IT IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED

INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these notes as well as to holders of these notes.

(8) You agree that you will, and each subsequent holder is required to, give to each person to whom you transfer the notes notice of any restrictions on the transfer of such notes, if then applicable.

(9) You acknowledge that until 40 days after the commencement of the Offering, any offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

(10) You acknowledge that the Registrar will not be required to accept for registration or transfer any notes acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.

(11) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations, warranties and agreements and you agree that if any of the acknowledgments, representations, warranties and agreements deemed to have been made by your purchase of the notes are no longer accurate and complete, you shall promptly notify us and the Initial Purchasers in writing. If you are acquiring any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.

(12) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of notes or the possession, circulation or distribution of these listing particulars or any other material relating to the Issuer or the notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of notes will be subject to the selling restrictions set forth in this section of these listing particulars and/or in the front of these listing particulars under "Notice to Investors," "Notice to Certain European Investors" and "Plan of Distribution."

## LEGAL MATTERS

Certain legal matters in connection with the validity of the notes will be passed on for us by Cleary Gottlieb Steen & Hamilton LLP, who are acting as our special United States counsel and our French legal advisors. Certain legal matters relating to the offering will be passed upon on behalf of the Initial Purchasers by Milbank LLP with respect to matters of U.S. federal and New York state law. Certain legal matters relating to the offering will be passed upon on behalf of the Initial Purchasers by Hogan Lovells (Paris) LLP with respect to matters of French law.

## INDEPENDENT AUDITORS

The consolidated financial statements of CMA CGM S.A. as of and for the year ended December 31, 2019, have been audited by Deloitte & Associés and KPMG Audit, a division of KPMG S.A., independent auditors, as stated in their report dated March 6, 2020, a free English translation of which is included in these listing particulars. The consolidated financial statements of CMA CGM S.A. as of and for the year ended December 31, 2018, have been audited by Deloitte & Associés and KPMG Audit, a division of KPMG S.A., independent auditors, as stated in their report dated March 1, 2019, a free English translation of which is included in these listing particulars. The unaudited interim condensed consolidated financial statements of CMA CGM S.A., as of and for the six-month period ended June 30, 2020, have been reviewed by ERNST & YOUNG Audit and KPMG Audit, a division of KPMG S.A., independent auditors, as stated in their report dated September 4, 2020. ERNST & YOUNG Audit was appointed as statutory auditor, together with KPMG Audit, a division of KPMG S.A., until the annual shareholder meeting of 2026, which will approve the financial statements for the year ending December 31, 2025.

## SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

We are a French company, and a majority of the members of our Board of Directors and other key management are resident outside of the United States. In addition, the majority of our subsidiaries, a majority of our assets and the source of the majority of our cash flow are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons, us or any of our subsidiaries, or to enforce, in U.S. courts or in courts outside the United States, judgments obtained against these persons, us or any of our subsidiaries, particularly judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States despite the fact that, pursuant to the terms of the Indenture, the Issuer has appointed or will appoint an agent for the service of process in New York. However, it may be possible for investors to effect service of process within France upon those persons or entities, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If an original action is brought in France, predicated solely upon the United States federal securities laws, French courts may not have the requisite jurisdiction to grant the remedies sought.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (exequatur) in France before the relevant civil court (Tribunal Judiciaire) that has exclusive jurisdiction over such matter.

Actions for enforcement in France of a U.S. judgment rendered against any of the French persons referred to in the preceding paragraph, which is enforceable in the United States, would require the following conditions being met (which conditions, under prevailing French case law, as of the date of these listing particulars do not include a review by the French civil court of the merits of the foreign judgment):

- that such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is substantially connected with the United States, the choice of U.S. court was not fraudulent and that French courts do not have exclusive jurisdiction over the matter;
- that the judgment is not contrary to the principles of French international public policy, both pertaining to the merits and to the procedure of the case, including fair trial rights; and
- that the U.S. judgment is not tainted with fraud under French law.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions (i.e., those having a res judicata effect) can benefit from an exequatur under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the res judicata effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions in the United States could be adversely affected under certain circumstances by French law No. 68 678 of July 26, 1968, as modified by French law No. 80 538 of July 16, 1980 and French Ordinance No. 2000 916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons. Besides, pursuant to French law No. 2016-1691 of December 9, 2016 and Decree No. 2019-206 of March 20, 2019, companies in France that are the subject of a request for documents and information from foreign authorities may be assisted by French administrative authorities, in particular the French Anti-Corruption Agency (*Agence française anti-corruption*) and the Strategic Information and Economic Security Service (*Service de l'information stratégique et de la sécurité économique*), which are responsible for ensuring the application of law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980.

Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as most recently modified by French Ordinance No. 2011-1012 of August 24, 2011) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case by case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Subject to the application of Regulation (EU) No. 1215/2012, Articles 14 and 15 of the French Civil Code (*Code civil*) may also apply. Pursuant to Article 14 of the French Civil Code (*Code civil*), a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French Individuals. Pursuant to Article 15 of the French Civil Code (*Code civil*), a French national may be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant. For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code (*Code civil*), including by way of conduct by voluntarily appearing before the foreign court.

The French Supreme Court (Cour de cassation) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (*potestative*). Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

## GENERAL INFORMATION

### Listing

We have applied to admit the notes to listing on the Official List of the Luxembourg Stock Exchange in accordance with the rules of that exchange and for trading on the Professional Segment of the Euro MTF. For so long as the notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, notice of any optional redemption, change of control or any change in the rate of interest payable on the notes will be posted on the official website of the Luxembourg Stock Exchange at www.bourse.lu and may also be published on the official website of the Company, https://www.cma-cgm.fr/.

For so long as the notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of the following documents, including any future amendments, may be inspected and obtained free of charge at the specified office of the Issuer during normal business hours on any weekday:

- our most recent audited annual consolidated financial statements;
- our most recent unaudited quarterly consolidated financial statements;
- copies of our articles of association (*statuts*);
- these listing particulars; and
- the Indenture relating to the notes, which includes the forms of the notes.

We have appointed U.S. Bank Trustees Limited as trustee for the notes, Elavon Financial Services DAC as Paying Agent and as Registrar. We reserve the right to vary such appointment and will publish notice of such change of appointment on the official website of the Luxembourg Stock Exchange at www.bourse.lu.

The Company accepts responsibility for the information contained in these listing particulars. To the Company's best knowledge, except as otherwise noted, the information contained in these listing particulars is in accordance with the facts and does not omit anything likely to affect the import of these listing particulars. These listing particulars may only be used for the purposes for which it has been published.

### Organizational Information

We are a French limited company (*société par actions*) resulting from the merger between the "Compagnie Générale Maritime" with the "Compagnie Maritime d'Affrètement," after which we changed our legal name to "CMA CGM." We are registered under number 562 024 422 RCS Marseille. Our registered office is at Boulevard Jaques SAADE, 4 Quai d'Arenc 13002 Marseille, France. Our telephone number is +33 (0)4 88 91 90 00.

The Legal Entity Identifier (LEI) code for the Issuer is 969500BZJ49IICIBZZ08.

As of the date of these listing particulars, our authorized share capital was €234.988.330,56 divided into divided into 14,205,221 shares, entirely paid up, in the following categories: (i) 14,205,220 ordinary shares and (ii) one C Preferred Share.

Pursuant to Article 3 of our articles of association, our corporate purpose is the following:

- All operations involving marine transportation, construction, purchase, sale, repairs, ship owning, charter vessels, handling, warehouse operation, purchase and sale of merchandise, port or rail services, marine resources exploitation and all tourism and hotel industry activities.
- The operation of all marine postal services that have been or may in future be granted to the Company;
- The participation by the Company, by any means, in any activities relating to its corporate purpose, through the creation of new companies, the subscription or acquisition of securities or rights, merger or other means;
- All transportation activities of any kind and, and generally all commercial, industrial, real estate, moveable and financial transactions directly or indirectly relating to the above-mentioned purposes that may favor its development or expansion.

We have obtained all necessary consents, approvals and authorizations in our jurisdiction of incorporation in connection with the issuance and performance of the notes. The issue of the notes was authorized pursuant to a decision of the Chief Executive Officer of CMA CGM adopted on June 5, 2020.

**Significant Change**

Except as disclosed herein, there has been no material adverse change in our financial trading position or prospects that is material in the context of the issue and offering of the notes since December 31, 2019, the date of our last audited consolidated financial statements.

Except as disclosed herein, we are not involved in, and do not have knowledge of a threat of, any litigation, administrative proceedings or arbitration that is or may be material in the context of the issue and offering of the notes.

**Clearing of the notes**

The notes have been accepted for clearance and settlement through the facilities of Clearstream, Luxembourg and Euroclear under the following securities codes.

The notes sold pursuant to Rule 144A will have a Common Code of 224219288 and an ISIN of XS2242192883. The notes sold pursuant to Regulation S will have a Common Code of 224218826 and an ISIN of XS2242188261.

## INDEX TO FINANCIAL STATEMENTS

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*   *
*

**Six and three-month periods ended June 30, 2020**

**Contents**

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT & LOSS

*(in USD million, except for earnings per share)*

| | Note | For the six-month period ended June 30, 2020 | For the six-month period ended June 30, 2019 | For the three-month period ended June 30, 2020 | For the three-month period ended June 30, 2019 |
|---|---|---|---|---|---|
| **REVENUE** | 4.1 | 14,189.9 | 15,108.5 | 7,003.9 | 7,699.3 |
| Operating expenses | 4.2 | (12,011.3) | (13,375.3) | (5,798.5) | (6,745.1) |
| **EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES** | | **2,178.6** | **1,733.2** | **1,205.4** | **954.2** |
| Gains / (losses) on disposal of property and equipment and subsidiaries | 4.3 | 167.6 | 10.8 | (17.3) | 4.6 |
| Depreciation and amortization of non-current assets | 5.1.2 & 5.2.1 | (1,355.8) | (1,336.6) | (677.7) | (685.2) |
| Other income and (expenses) | 4.4 | (57.5) | (48.7) | (41.2) | (22.0) |
| Operating exchange gain/loss | | 12.8 | 63.0 | 69.1 | 23.6 |
| Net present value (NPV) benefits related to assets financed by tax leases | | 18.0 | 19.4 | 9.1 | 9.4 |
| **EBIT BEFORE SHARE OF INCOME / (LOSS) FROM ASSOCIATES AND JOINT VENTURES** | | **963.7** | **441.2** | **547.3** | **284.5** |
| Share of income / (loss) from associates and joint ventures | 7.1 | (43.2) | 112.7 | (9.1) | 16.4 |
| **EBIT** | 4.1 | **920.5** | **553.9** | **538.3** | **301.0** |
| **CORE EBIT** | 4.1 | **828.7** | **433.8** | **530.2** | **286.0** |
| **FINANCIAL RESULT** | 4.5 | **(667.3)** | **(646.9)** | **(373.1)** | **(368.4)** |
| **PROFIT / (LOSS) BEFORE TAX** | | **253.2** | **(93.0)** | **165.2** | **(67.4)** |
| Income taxes | 4.6 | (58.0) | (60.7) | (25.6) | (32.9) |
| **PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS** | | **195.2** | **(153.7)** | **139.6** | **(100.4)** |
| **PROFIT / (LOSS) FOR THE PERIOD** | | **195.2** | **(153.7)** | **139.6** | **(100.4)** |
| of which: | | | | | |
| Non-controlling interests | | 10.8 | (1.5) | 3.1 | 8.9 |
| **OWNERS OF THE PARENT COMPANY** | | **184.3** | **(152.2)** | **136.4** | **(109.2)** |
| *Basic and diluted Earnings Per Share (EPS) attributable to owners of the parent company (in USD)* | | *12.2* | *(10.1)* | *9.0* | *(7.2)* |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*(in USD million)*

| | Note | For the six-month period ended June 30, 2020 | For the six-month period ended June 30, 2019 | For the three-month period ended June 30, 2020 | For the three-month period ended June 30, 2019 |
|---|---|---|---|---|---|
| **PROFIT / (LOSS) FOR THE PERIOD** | | **195.2** | **(153.7)** | **139.6** | **(100.4)** |
| **Other comprehensive income / (loss) reclassifiable to Profit and Loss** | | | | | |
| Cash flow hedges: | | | | | |
| Effective portion of changes in fair value | | (29.0) | (23.2) | (8.5) | (1.7) |
| Reclassified to profit or loss | | 0.6 | 0.6 | 0.3 | (1.3) |
| Net investment hedge | 6.1.2 | 3.8 | 4.4 | (6.4) | (3.9) |
| Net investment hedge - Share of other comprehensive income of associates and joint ventures | 7.1 | (3.1) | 1.7 | (10.3) | (3.4) |
| Foreign operations – foreign currency translation differences | | (100.2) | 26.3 | (29.1) | 13.1 |
| Share of other comprehensive income of associates and joint ventures | 7.1 | 12.8 | 2.4 | 39.7 | 4.4 |
| **Other comprehensive income / (loss) non reclassifiable to Profit and Loss** | | | | | |
| Remeasurment of defined benefit pension plans | 8.1 | (15.4) | (26.1) | (19.2) | (13.2) |
| Remeasurement of defined benefit pension plans of associates and joint ventures | 7.1 | (0.5) | 0.0 | 0.0 | — |
| Tax on other comprehensive income non reclassifiable to Profit and Loss | 4.6.2 | 0.4 | 0.9 | 0.4 | — |
| Tax on other comprehensive income non reclassifiable to Profit and Loss - Associates and joint ventures | 7.1 | 0.1 | (0.0) | (0.0) | — |
| **TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD, NET OF TAX** | | **(130.4)** | **(13.7)** | **(33.4)** | **(6.5)** |
| **TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD, NET OF TAX** | | **64.7** | **(167.4)** | **106.6** | **(106.9)** |
| of which: | | | | | |
| Non-controlling interests | | 6.2 | (1.9) | 0.9 | 7.2 |
| Owners of the parent company | | 58.5 | (164.9) | 105.8 | (113.5) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS

*(in USD million)*

| | Note | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|---|
| Goodwill | 5.1.1 | 2,832.7 | 2,851.8 |
| Other intangible assets | 5.1.2 | 2,513.3 | 2,565.9 |
| **INTANGIBLE ASSETS** | | **5,346.1** | **5,417.8** |
| Vessels | 5.2.1 | 12,958.1 | 12,805.6 |
| Containers | 5.2.1 | 2,528.7 | 2,751.9 |
| Lands and buildings | 5.2.1 | 1,781.5 | 1,824.1 |
| Other properties and equipments | 5.2.1 | 348.5 | 384.2 |
| **PROPERTY AND EQUIPMENT** | 5.2.1 | **17,616.8** | **17,765.8** |
| Deferred tax assets | 4.6 | 153.6 | 158.9 |
| Investments in associates and joint ventures | 7.1 | 606.3 | 805.9 |
| Derivative financial instruments | 6.1 | 2.4 | 0.7 |
| Other non-current operating assets | | 70.9 | 74.7 |
| Other financial assets | 6.2.1 | 371.5 | 320.6 |
| **NON-CURRENT ASSETS** | | **24,167.6** | **24,544.3** |
| Inventories | 5.3 | 390.3 | 542.9 |
| Trade and other receivables | 5.3 | 3,264.0 | 3,479.7 |
| Income tax assets | 5.3 | 54.6 | 63.3 |
| Derivative financial instruments | 6.1 | 9.3 | 12.4 |
| Securities and other financial assets | 6.2.2 | 191.2 | 193.4 |
| Cash and cash equivalents | 6.3 | 2,488.6 | 1,750.8 |
| Contract assets | 5.3 | 876.5 | 774.2 |
| Prepaid expenses | 5.3 | 210.2 | 392.3 |
| Assets classified as held-for-sale | 5.4 | 92.6 | 977.7 |
| **CURRENT ASSETS** | | **7,577.3** | **8,186.5** |
| **TOTAL ASSETS** | | **31,744.9** | **32,730.9** |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - LIABILITIES & EQUITY

*(in USD million)*

| | Note | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|---|
| Share capital | | 234.7 | 234.7 |
| Reserves and retained earnings | | 4,690.8 | 5,045.8 |
| Profit / (Loss) for the period attributable to owners of the parent company | | 184.3 | (229.1) |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY** | | **5,109.8** | **5,051.5** |
| Non-controlling interests | | 54.6 | 82.1 |
| **TOTAL EQUITY** | | **5,164.5** | **5,133.6** |
| Borrowings and lease liabilities | 6.4 | 14,664.0 | 15,458.6 |
| Derivative financial instruments | 6.1 | 53.1 | 62.1 |
| Deferred tax liabilities | 4.6 | 398.9 | 420.7 |
| Provisions | 8.1 | 311.4 | 304.8 |
| Employee benefits | 8.1 | 302.7 | 289.2 |
| Other non-current liabilities | | 77.6 | 64.2 |
| **NON-CURRENT LIABILITIES** | | **15,807.7** | **16,599.7** |
| Borrowings and lease liabilities | 6.4 | 4,655.2 | 4,055.5 |
| Derivative financial instruments | 6.1 | 86.2 | 28.8 |
| Provisions | 8.1 | 146.8 | 154.9 |
| Employee benefits | 8.1 | 1.5 | 1.3 |
| Trade and other payables | 5.3 | 5,584.4 | 6,037.1 |
| Income tax liabilities | 5.3 | 94.2 | 95.2 |
| Deferred income | 5.3 | 97.2 | 98.5 |
| Other current liabilities | 8.2 | 107.4 | 107.7 |
| Liabilities associated with assets classified as held-for-sale | 5.4 | 0.0 | 418.6 |
| **CURRENT LIABILITIES** | | **10,772.8** | **10,997.6** |
| **TOTAL LIABILITIES & EQUITY** | | **31,744.9** | **32,730.9** |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(in USD million)*

| | **Attributable to owners of the parent** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Reserves, retained earnings and Profit for the period | | | | | |
| | Share capital (i) | Bonds redeemable in shares (ii) | Premium, legal reserves, Profit / (Loss) for the period and other comprehensive income non reclassifiable to profit and loss | Other comprehensive income reclassifiable to profit and loss | **TOTAL** | **Non-controlling interests** | **Total Equity** |
| **Balance as at December 31, 2018** | **234.7** | **56.5** | **5,306.5** | **(149.8)** | **5,447.8** | **77.2** | **5,525.1** |
| IFRS16 Initial equity impact (*) | — | — | 14.6 | — | **14.6** | — | **14.6** |
| **Balance as at January 1, 2019 (*)** | **234.7** | **56.5** | **5,321.1** | **(149.8)** | **5,462.4** | **77.2** | **5,539.6** |
| Profit / (Loss) for the period | — | — | (152.2) | — | **(152.2)** | (1.5) | **(153.7)** |
| Other comprehensive income / (expense), net of tax | — | — | (25.3) | 12.6 | **(12.7)** | (0.4) | **(13.1)** |
| **Total comprehensive income / (expense) for the period** | **—** | **—** | **(177.5)** | **12.6** | **(164.9)** | **(1.9)** | **(166.8)** |
| Acquisition of subsidiaries | — | — | — | — | **—** | 1,150.7 | **1,150.7** |
| Transaction with non-controlling interests | — | — | (17.7) | (3.7) | **(21.4)** | (1,123.3) | **(1,144.7)** |
| Share based compensation reserve | — | — | (8.3) | — | **(8.3)** | (0.0) | **(8.4)** |
| Dividends | — | — | — | — | **—** | (12.9) | **(12.9)** |
| **Total transactions with Shareholders** | **—** | **—** | **(26.0)** | **(3.7)** | **(29.7)** | **14.5** | **(15.2)** |
| **Balance as at June 30, 2019 (*)** | **234.7** | **56.5** | **5,117.6** | **(140.9)** | **5,267.9** | **89.7** | **5,357.6** |
| **Balance as at January 1, 2020** | **234.7** | **56.5** | **4,896.4** | **(136.0)** | **5,051.5** | **82.1** | **5,133.6** |
| Profit / (Loss) for the period | — | — | 184.3 | — | **184.3** | 10.8 | **195.2** |
| Other comprehensive income / (expense), net of tax | — | — | (15.0) | (110.8) | **(125.8)** | (4.7) | **(130.4)** |
| **Total comprehensive income / (expense) for the period** | **—** | **—** | **169.3** | **(110.8)** | **58.5** | **6.2** | **64.7** |
| Transaction with non-controlling interests | — | — | (2.1) | 1.9 | **(0.2)** | (23.7) | **(23.9)** |
| Dividends | — | — | — | — | **—** | (10.0) | **(10.0)** |
| **Total transactions with Shareholders** | **—** | **—** | **(2.1)** | **1.9** | **(0.2)** | **(33.7)** | **(33.9)** |
| **Balance as at June 30, 2020** | **234.7** | **56.5** | **5,063.6** | **(245.0)** | **5,109.8** | **54.6** | **5,164.5** |

(i) The share capital is constituted of (i) 10,578,355 ordinary shares held by MERIT Corporation, its shareholders and related persons, (ii) 3,626,865 ordinary shares held by Yildirim and (iii) 1 preference share held by the Banque Publique d'Investissement (Bpifrance, formerly FSI) for a total of 14,205,221 shares.

(ii) Bonds redeemable in shares correspond to the equity portion of the bonds mandatorily redeemable in ordinary shares, subscribed in June 2013 by Bpifrance. Such bonds should be redeemed as at December 31, 2020, representing 6% of the Company's ordinary shares upon conversion on a fully diluted basis.

(*) On January 1, 2019, the Group has adopted IFRS 16 using the modified retrospective transition method, as permitted by the standard. The cumulative effect of IFRS 16 initial application is recognized as an adjustment to the opening values of retained earnings as at January 1, 2019, based on the final effect related to the application of IFRS 16 as shown in the 2019 annual CFS.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*(in USD million)*

| | Note | For the six-month period ended June 30, 2020 | 2019 | For the three-month period ended June 30, 2020 | 2019 |
|---|---|---|---|---|---|
| **Profit / (Loss) for the period** | | **195.2** | **(153.7)** | **139.6** | **(100.4)** |
| **Reconcilation of profit / (loss) for the period to cash generated from operations :** | | | | | |
| - Depreciation and amortization | 5.2.1 | 1,355.8 | 1,336.6 | 677.7 | 685.2 |
| - Net present value (NPV) benefits related to assets financed by tax leases | | (18.0) | (19.4) | (9.1) | (9.4) |
| - Other income and expense | 4.4 | 57.5 | 48.7 | 41.2 | 22.0 |
| - Increase / (Decrease) in provisions | | 1.8 | (62.5) | 10.5 | (53.1) |
| - Loss / (Gains) on disposals of property and equipment and subsidiaries | 4.3 | (167.6) | (10.8) | 17.3 | (4.6) |
| - Share of (Income) / Loss from associates and joint ventures | 7.1 | 43.2 | (112.7) | 9.1 | (16.4) |
| - Interest expenses on net borrowings and lease liabilities | | 659.5 | 652.6 | 322.0 | 345.6 |
| - Income tax | 4.6 | 58.0 | 60.7 | 25.6 | 32.9 |
| - Other non cash items | | 25.1 | 9.9 | 43.5 | 44.6 |
| **Changes in working capital** | 5.3 | **(187.4)** | **(128.4)** | **(121.2)** | **(70.6)** |
| **Cash flow from operating activities before tax** | | **2,023.1** | **1,621.0** | **1,156.1** | **875.8** |
| - Income tax paid | | (64.3) | (95.2) | (42.5) | (64.7) |
| **Cash flow from operating activities net of tax** | | **1,958.7** | **1,525.8** | **1,113.6** | **811.1** |
| Purchases of intangible assets | 5.1.2 | (38.1) | (39.1) | (25.1) | (20.3) |
| Business combinations, net of cash acquired / divested | 3.1.2 | 768.4 | (800.4) | (8.7) | (1,131.0) |
| Purchases of property and equipment | 5.2.1 | (223.5) | (341.9) | (144.9) | (240.1) |
| Proceeds from disposal of property and equipment | | 60.1 | 70.3 | 34.4 | 44.3 |
| Dividends received from associates and joint ventures | 7.1 | 4.7 | 8.2 | 3.0 | 4.2 |
| Cash flow resulting from other financial assets | | (49.6) | (84.5) | (90.9) | 107.8 |
| Variation in securities | | (6.0) | (5.2) | (9.8) | (4.8) |
| **Net cash (used in) / provided by investing activities** | | **516.1** | **(1,192.4)** | **(242.1)** | **(1,239.9)** |
| **Free Cash Flow** | **5.6** | **2,474.8** | **333.3** | **871.5** | **(428.8)** |
| Dividends paid to the owners of the parent company and non-controlling interest | | (85.5) | (4.8) | (5.7) | (4.4) |
| Proceeds from borrowings, net of issuance costs | 6.4 | 1,794.2 | 2,321.5 | 1,366.8 | 1,592.9 |
| Repayments of borrowings | 6.4 | (1,882.4) | (1,144.7) | (1,255.0) | (772.7) |
| Cash payments related to principal portion of leases | 6.4 | (852.2) | (880.2) | (421.6) | (466.7) |
| Interest paid on net borrowings | | (262.4) | (252.0) | (113.2) | (110.3) |
| Cash payments related to interest portion of leases | | (371.5) | (354.0) | (198.6) | (176.0) |
| Refinancing of assets, net of issuance costs | 6.4 | 110.0 | — | 0.5 | — |
| Other cash flow from financing activities | | (48.4) | (71.5) | (22.4) | (37.0) |
| **Net cash (used in) / provided by financing activities** | **6.5** | **(1,598.2)** | **(385.8)** | **(649.3)** | **25.8** |
| Effect of exchange rate changes on cash and cash equivalents and bank overdrafts | | (41.3) | (16.3) | (3.3) | (6.1) |
| **Net increase / (decrease) in cash and cash equivalents and bank overdrafts** | | **835.3** | **(68.7)** | **219.0** | **(409.1)** |
| **Cash and cash equivalents and bank overdrafts at the beginning of the year** | | **1,598.0** | **1,314.8** | | |
| Cash and cash equivalents as per balance sheet | | 2,488.6 | 1,372.0 | | |
| Bank overdrafts | | (55.3) | (125.9) | | |
| **Cash and cash equivalents and bank overdrafts at the end of the period** | 6.3 | **2,433.3** | **1,246.1** | | |
| **Net increase / (decrease) in cash and cash equivalents and bank overdrafts** | | **835.3** | **(68.7)** | | |
| Supplementary information: non cash investing or financing activities: | | | | | |
| *- Assets acquired through financial debt or equivalents* | 5.2.1 | *1,074.7* | *870.6* | | |
| Supplementary information: Interest paid on net borrowings | | | | | |
| *- Interests received* | | *8.9* | *18.6* | | |
| *- Interests paid excluding interest on leases* | | *(271.2)* | *(270.6)* | | |

The accompanying notes are part of the interim condensed consolidated financial statements

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Note 1—Corporate information

The Interim Condensed Consolidated Financial Statements (“CFS”) of CMA CGM S.A. (“CMA CGM”) and its subsidiaries (hereafter referred to together as “the Group” or “the Company”) for the six and three-month periods ended June 30, 2020 were approved and authorized for issue by the Board of Directors on September 4, 2020.

The Group operates primarily in the international containerized transportation of goods and in logistics business, through the end-to-end Freight Management and Contract Logistics solutions operated by CEVA. Other activities mainly include container terminal operations.

CMA CGM S.A. is a limited liability company (“Société Anonyme”) incorporated and located in France. The address of its registered office is Boulevard Jacques Saadé, 4 Quai d’Arenc, 13235 Marseille Cedex 2, France.

### Note 2—General accounting principles

#### 2.1 BASIS OF PREPARATION

The interim condensed CFS of CMA CGM for the three and six-month periods ended June 30, 2020 have been prepared in accordance with IAS 34 “Interim Financial Reporting” and under the historical cost basis, with the exception of financial assets measured at fair value, securities, derivative financial instruments and net assets acquired through business combinations which have all been measured at fair value.

#### 2.1.1 Statement of compliance

The interim condensed CFS do not include all the information and disclosures required in the annual financial statements prepared in accordance with IFRS as adopted by the European Union, and should be read in conjunction with the Group’s audited annual consolidated financial statements for the year ended December 31, 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last financial statements.

IFRSs can be found at: https://eur-lex.europa.eu/legal-content/FR/TXT/?uri=LEGISSUM%3Al26040

IFRSs include the standards approved by the IASB, that is, IAS and accounting interpretations issued by the IFRS IC or the former IFRIC (until 2010) and SIC (until 2002).

#### 2.1.2 Basis of consolidation

The CFS comprise:

- The financial statements of CMA CGM;
- The financial statements of its subsidiaries, including CEVA Group; and
- The share in the net result and the net assets of associates and joint ventures.

The CFS are presented in U.S. Dollar (“USD”), which is also the currency of the primary economic environment in which CMA CGM operates (the “functional currency”). The functional currency of the shipping activities is U.S. Dollar, except for certain regional carriers. This means that, among other things, the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortization are maintained in USD from the date of acquisition. For other activities, the functional currency is generally the local currency of the country in which such activities are operated.

All values are rounded to the nearest million (USD 000,000) with a decimal unless otherwise indicated.

#### 2.2 CHANGE IN ACCOUNTING POLICIES AND NEW ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these CFS have been applied consistently with those described in the annual financial statements for the year ended December 31, 2019, except as outlined in the paragraphs below.

### 2.2.1 Adoption of new and amended IFRS and IFRS IC interpretations from January 1, 2020

**The following amended Standards did not have any significant impact on the Group's CFS and performance:**

***Amendments to IAS 1 and IAS 8: Definition of Material***

These amendments to IAS 1 and IAS 8 clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards themselves.

***Amendments to References to the Conceptual Framework in IFRS Standards***

***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***

These amendments relate to the issues affecting financial reporting in the periods before replacement of an existing interest rate benchmark with an alternative interest rate. The Amendments provide relief from the highly probable and prospective assessments required by IFRS 9 and IAS 39 for hedging relationships that are affected by the uncertainties of the IBOR reform. With the same objective, the amendments provide relief from the retrospective assessment under IAS 39. The exceptions described in the amendments apply only to those hedging relationships directly affected by uncertainties of the IBOR reform including cross-currency interest rate swaps (for the interest component affected).

***Amendments to IFRS 3: Business Combinations***

These amendments clarify the definition of a business and help entities to determine whether a given acquisition is a business or a group of assets. This distinction is key to determining the correct accounting treatment.

### 2.2.2 New IFRS and IFRS IC interpretations effective for the financial year beginning after January 1, 2020, endorsed by the European Union and not early adopted

There is no new IFRS or IFRS IC interpretation effective for the financial year beginning after January 1, 2020, endorsed by the European Union and not early adopted as at June 30, 2020.

### 2.2.3 New IFRS and IFRS IC interpretations effective for the financial year beginning on or after January 1, 2020 and not yet endorsed by the European Union

- *New IFRS and IFRS IC interpretations effective for the financial year beginning on January 1, 2020 and not yet endorsed by the European Union*

***IFRS 14: Regulatory Deferral Accounts***

The endorsement process of this interim standard has been suspended until the publication of the final IFRS standard.

- *New IFRS and IFRS IC interpretations effective for the financial year beginning after January 1, 2020 and not yet endorsed by the European Union*

***Amendment to IFRS 16: Leases—COVID-19-Related Rent Concessions***

This amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021, and under conditions. Subject to EU approval, the amendment will be effective for annual reporting periods beginning on or after June 1, 2020, with a possible early application.

For the moment, this amendment is not approved by the EU. It is therefore not applicable for these interim condensed CFS.

**The impacts of the following new or amended Standards are currently being assessed by the Company:**

***IFRS 17 & related amendments: Insurance Contracts***

***Amendments to IAS 1: Presentation of Financial Statements—Classification of Liabilities as Current or Non-Current***

***Amendments to IAS 16: Property, Plant and Equipment***

***Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets***

***Amendments to IFRS 3: Business Combinations***

***Amendments to Annual Improvements 2018-2020***

***Amendments to IFRS 4: Insurance Contracts—deferral of IFRS 9***

### 2.2.4 Change in accounting estimate

From January 1, 2020 onwards, Management changed the trigger event to recognize variable expenses (BL driven operating expenses) in Profit and Loss, from a prorata temporis approach to an event-driven approach (at call date). This change has been qualified as a change in accounting estimate and has been implemented prospectively in accordance with IAS 8, with the impact at the date of the change being recognized in the six-month period ended June 30, 2020. The impact is not material.

As part of periodic accounting estimate review, Management revised downwards the scrap value applicable to its vessel fleet and recorded the effect on its vessel fleet depreciation expense prospectively as from April 1, 2020 onwards. The impact is not material.

## 2.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the CFS requires the use of judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date.

Although these CFS reflect management's best estimates based on information available at the time of the preparation of these financial statements, the outcome of transactions and actual situations could differ from those estimates due to changes in assumptions or economic conditions.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2019 annual CFS, have been described in the below mentionned notes of the annual CFS and are as follows:

- Judgments used for the purpose of the purchase price allocation in a business combination (see Note 3.1 of the annual CFS);
- Judgments used for the purpose of determining the operating segments (see Note 4.1 of the annual CFS);
- Judgments and estimates used for the accounting of NPV benefits related to assets financed by tax leases (see Note 4.5 of the annual CFS);
- Recognition of deferred tax assets related to tax losses carried forward (see Note 4.7.2 of the annual CFS);
- Impairment of non-financial assets (see Note 5.3 of the annual CFS);
- Determination of the vessels useful lives and residual values (see Note 5.2 of the annual CFS);
- Demurrage receivables, accruals for port call expenses, transportation costs and handling services (see Note 5.4 of the annual CFS);
- Assessment of whether the lease contract options (purchase, extension, renewal and early termination…) are reasonably certain to be exercised or not and assessment of other items which may affect the lease term (see Note 5.2 of the annual CFS);
- Judgments used for the purpose of determining the consolidation scope (see Note 7.1 of the annual CFS);

- Significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures (see Note 7.3.1 of the annual CFS); and
- Judgments and estimates made in determining the risk related to cargo and corporate claims and related accounting provisions (see Note 8.1 of the annual CFS).

### 2.4 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

Exchange rates used for the translation of significant foreign currency transactions against one USD are as follows:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| | | | 6-month period ended June 30, | |
| | June 30, 2020 | December 31, 2019 | 2020 | 2019 |
| Euro | 0.89302 | 0.89015 | 0.90774 | 0.88493 |
| British pound sterling | 0.81479 | 0.75734 | 0.79359 | 0.77299 |
| Australian Dollar | 1.45955 | 1.42380 | 1.52332 | 1.41540 |
| Chinese Yuan | 7.07439 | 6.96146 | 7.03515 | 6.78694 |
| Singapore Dollar | 1.39739 | 1.34511 | 1.39899 | 1.35922 |

## Note 3—Business combinations and significant events

### 3.1 BUSINESS COMBINATIONS

#### 3.1.1 Strengthening of the Group's financial structure

Late 2019, further to the acquisition of CEVA Logistics, the Group has engaged a program aiming at strengthening its financial structure and reinforcing its liquidity. This program includes divestments of certain assets as well as refinancing transactions. This program is intended to raise more than USD 2 billion of liquidity, extend the Group's debt maturities and reduce its net debt, and consists of proceeds from vessel sale and leaseback transactions largely closed in 2019, USD 968 million expected proceeds from the sale of investments stakes held by CMA CGM in ten port terminals to Terminal Link (see status in Note 3.1.2), USD 93 million gross proceeds (of which USD 85 million at closing and USD 8 million of earn out) from the sale of a 50% stake in a logistics hub in India, the closing of which being currently delayed due to current circumstances related to the COVID-19 situation, and lastly, an additional USD 100 million proceeds resulting from the increase of CEVA Logistics' receivables securitisation program.

In addition to the refinancing and liquidity enhancement program, the Group also obtained agreements to rollover 2020 bank debt maturities amounting to USD 530 million and drawn an EUR 1,050 million facility from some of its core banks with a French state guarantee (see Note 3.4), hence further reinforcing the group liquidity position.

The full amount on the CEVA acquisition facility (USD 139.6 million outstanding as at December 31, 2019) has been repaid in June 2020.

#### 3.1.2 Sale of stakes in port terminals

On December 20, 2019, the Group signed an agreement with China Merchant Ports (CMP) to sell a portfolio of stakes in 10 port terminals to Terminal Link (TL), a joint-venture held 51% by the Group and 49% by China Merchant. This agreement represents an investment to the benefit of the Group of USD 968 million payable in cash at the closing of the transaction. Since end 2019, current and non-current assets and liabilities related to the terminals have been reclassified into assets held-for-sale and associated liabilities.

The transaction contemplates the sale of the Group's stakes in the following 10 sites: Odessa Terminal (Ukraine), CMA CGM PSA Lion Terminal (CPLT) in Singapore, Mundra Terminal (India), Kingston Freeport Terminal (Jamaica), Rotterdam World Gateway (Netherlands), Gemalink in Cai Mep (Vietnam), Qingdao Qianwan United Advance Container Terminal (China), Vietnam International Container Terminal in Hô-Chi-Minh-Ville (Vietnam), Laem Chabang International Terminal (Thailand) and Umm Qasr Terminal (Iraq).

TL is financing these acquisitions through the issue of USD 468 million mandatory convertible bonds ("MCB") subscribed by CMP (with 6% interests) and the subscription of a 8-year USD 500 million loan (at 6%) borrowed from CMP. These 2 instruments are not recognized on the Group's statement of financial position primarily because TL is a joint-venture and therefore accounted for as an equity-accounted entity. CMA CGM (i) is committed to increase the capital of TL in cash so that TL is able to pay the interests on the CMP loan and (ii) has various options until maturity of the CMP loan to either (a) increase the capital of TL in cash to allow TL to repay such loan or (b) proceed with the sale of some terminals held by TL or (c) set-off the amount due under the loan into new shares of TL subscribed by CMP, in which case the Group would be diluted in TL. Until maturity, the CMP loan and the MCB lifespan will allow to maintain the respective shareholdings of both CMA Terminals Holding ("CMA TH") and CMP.

Overall, TL acquires the terminals from CMA TH for a purchase price equal to USD 955 million and CMA CGM will also receive USD 13 million from TL through an upstream loan.

On March 26, 2020, the parties have closed the first part of this agreement. The disposal of the stakes in eight port terminals to TL, the remaining terminals being Gemalink in Cai Mep (Vietnam) and Mundra Terminal (India), was completed for a consideration of USD 815 million in cash, made of:

- USD 803.9 million representing 95% of the value of these 8 stakes, 5% being deferred under the condition that a second closing occurs; thus, 95% of the sale price has been taken into consideration in the determination of the disposal gain as Management believes that the occurrence of the second closing is likely but is not virtually certain as at June 30, 2020, primarily due to current circumstances related to the COVID-19 situation, which primarily delay approvals or require the granting of additional governmental consents;
- USD 11 million as a portion of the upstream loan.

Management remains fully engaged towards the sale of the last two terminals covered by the agreement for an all cash consideration of over USD 150 million, including the 5% deferred payment related to the first closing. Hence, these 2 terminals are still classified as held-for-sale as at June 30, 2020.

CMA CGM applied IFRS 10 to the 2 terminals in which it lost control as a result of this transaction and hence recognized 100% of the gain on disposal over these 2 terminals (namely Umm Qasr Terminal and Kingston Freeport Terminal). Regarding the associates and JVs (i.e. the remaining 6 terminals), the gain on disposal has been recognized up to 49% in accordance with IAS 28.

The signed documents related to this transaction provide for the granting of guaranteed dividends to CMP over 8 years. The fair value of such guarantee has been estimated at USD 89.2 million, of which USD 6.3 million is recorded as a provision as it is the best estimate of the potential cash outflow (see Note 8.1.1), and is recorded as a price adjustment, hence impacting negatively the gain on disposal.

The determination of the effect of such transaction in the six-month period can be presented as follows:

| | | **In USD million** |
|---|---|---|
| **Cash consideration received from Terminal Link** | **(a)** | **803.9** |
| **Estimated fair value of guarantees granted to CMP** | **(b)** | **89.2** |
| **Fair value of the consideration received** | **(c) = (a) - (b)** | **714.7** |
| Carrying amount of assets and liabilities at disposal date | | |
| Assets classified as held-for-sale related to investments in associates and joint ventures and other financial assets | | 398.4 |
| Assets classified as held-for-sale related to fully owned terminals | | 493.7 |
| Liabilities associated with assets classified as held-for-sale | | (434.2) |
| Reclassification of OCI and others | | 2.0 |
| **Total** | ***(d)*** | **459.9** |
| **Gain on disposal on a 100% basis** | ***e = (c) - (d)*** | **254.8** |
| **Elimination of 51% internal gain on disposal to a joint-venture regarding assets previously classified as investments in assocates and joint ventures** | **(f)** | **(70.7)** |
| Transaction fees | (g) | (14.4) |
| **Gain resulting from the reorganization of the terminal activities** | ***(e) + (f) + (g)*** | **169.7** |

### 3.2 GLOBAL SHIPPING ENVIRONMENT

**Low sulphur regulation—Implementation of IMO 2020**

The new International Maritime Organization (IMO) Low Sulphur Regulation is effective since January 1, 2020 and requires all shipping companies to reduce their Sulphur emissions by 85%. This new regulation aims to reduce the environmental impact of the industry and significantly improve air quality, an initiative in which the CMA CGM Group has been involved for more than 15 years.

In this context, CMA CGM has decided to favor the use of 0.5% fuel oil for its fleet and to invest significantly by using LNG to power some of its future container ships (notably 9 giant ships on order), notably resulting in a 99% reduction in Sulphur emissions and by ordering scrubbers for several of its ships.

Additional costs resulting from this new regulation have been taken into account through the application or adjustment of fuel surcharges on a trade-by-trade basis. Indeed, from January onwards, CMA CGM has implemented a full pass-through pricing policy in order to achieve full compensation of the additional costs from its client.

### 3.3 COVID-19

On January 30, 2020, the World Health Organization (WHO) declared that the outbreak of the novel coronavirus called COVID-19 met the criteria for a Public Health Emergency of International Concern. Later, on March 11, 2020, the WHO declared the COVID-19 outbreak a global pandemic. In response to this global pandemic, many countries have decided to implement lock-down measures. In this context, the Group has monitored the situation on a daily basis to ensure the safety of its staff and also business continuity.

The closing of factories in China occurred at a period of somewhat seasonally reduced activity due to the traditional Chinese New Year holidays. However, the lockdown extended beyond these holidays with shipments out of China picking up gradually from early March. In the meantime, lock-down measures were announced in various geographies, including the US and Europe, as the virus spread. This has materially impacted consumption, as well as short term trade and macro-economic prospects. Subsequently, lock down measures have been eased in certain geographies, leading to a rebound of consumption, as well as shipped volumes, from the trough levels observed in April. Business prospects vary significantly from region to region, depending among other on the virus spread, sanitary containment measures including degree of lock down measures, government incentives to support their respective economies.

In this context, management has focused on and will continue to protect profitability (reducing deployed vessel capacity for shipping to match shipped volumes and adapting resources to the level of activity for logistics), cash flows and liquidity.

As far as CMA CGM is concerned, although transported volumes by the ocean division were notably lower than last year, the financial impact on COVID-19 during the first half year 2020 has been contained thanks to the combination of supportive unit revenue dynamics in the ocean division as well as lower bunker expense and voluntary cost reductions across the group. Such trends have continued to prevail during the summer. However, the full length and impact of the COVID-19 crisis remains difficult to predict. Ultimate business impact will depend on the pace at which economies resume globally and on the various government measures to support that recovery as well as strategies adopted by other liners regarding deployment of capacity. The longer term effects will also depend on the development of a virus vaccine and / or potential new outbreaks. When assessing the recoverable amounts of assets as at June 30, 2020, although the uncertainty is still significant due to the COVID-19 pandemic, Management assessment is that assumptions applied in the 2019 CFS are still considered the most appropriate.

### 3.4 NEW EUR 1.05 BILLION BANK LOAN

Considering the prevailing uncertainties around the Covid-19 situation developments and in order to protect its liquidity, CMA CGM drew a new loan in May 2020 with the following main characteristics:

- Provision by a number of core relationships banks;
- Guarantee by the French State for 70% of the amount pursuant to the scheme made available to French large corporates;

- One-year initial maturity and an extension option for up to five additional years in which case the loan will be gradually amortized (management intends to amortize this loan up to 2024);
- Commitment to recapitalize CEVA by EUR 300 million, done in June 2020, allowing CEVA to repay a bridge loan facility at maturity early July 2020 (see Note 6.4.3).

### 3.5 RATING AGENCIES

In April 2020, Moody's has placed the B2 rating of CMA CGM on review for downgrade. In April 2020, S&P reaffirmed CMA CGM corporate rating at B+, negative outlook.

In July 2020, Moody's completed the review for downgrade and confirmed its previous B2 rating (no downgrade), still with a negative outlook.

## Note 4—Results for the period

### 4.1 OPERATING SEGMENTS AND SEGMENTATION OF THE PROFIT AND LOSS

For management purposes, the Group reports three operating segments: (i) container shipping activity (ii) logistics and (iii) other activities.

The segment information for the reportable segments for the six and three-month periods ended June 30, 2020 is as follows:

| | Revenue | | EBITDA | | EBIT | |
|---|---|---|---|---|---|---|
| | For the six-month period ended June 30, | | | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Container shipping segment | 10,716.1 | 11,408.1 | 1,771.5 | 1,346.2 | 706.3 | 416.6 |
| Logistics segment | 3,495.6 | 3,769.2 | 309.4 | 307.8 | 54.3 | 39.7 |
| Other activities | 291.3 | 320.4 | 97.7 | 79.2 | 68.1 | 44.4 |
| **Total core measures before elimination** | **14,503.0** | **15,497.7** | **2,178.6** | **1,733.2** | **828.7** | **500.6** |
| Eliminations | (313.1) | (389.2) | — | — | 0.0 | (66.8) |
| **Total core measures** | **14,189.9** | **15,108.5** | **2,178.6** | **1,733.2** | **828.7** | **433.8** |
| Reconciling items | — | — | — | — | 91.7 | 120.1 |
| **Total consolidated measures** | **14,189.9** | **15,108.5** | **2,178.6** | **1,733.2** | **920.5** | **553.9** |

| | Revenue | | EBITDA | | EBIT | |
|---|---|---|---|---|---|---|
| | For the three-month period ended June 30, | | | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Container shipping segment | 5,271.7 | 5,839.0 | 996.9 | 780.3 | 457.8 | 312.5 |
| Logistics segment | 1,761.1 | 1,901.2 | 166.7 | 133.0 | 46.1 | 16.4 |
| Other activities | 122.2 | 167.7 | 41.9 | 40.9 | 26.2 | 23.9 |
| **Total core measures before elimination** | **7,155.0** | **7,907.9** | **1,205.4** | **954.2** | **530.2** | **352.8** |
| Eliminations | (151.2) | (208.6) | — | — | 0.0 | (66.8) |
| **Total core measures** | **7,003.9** | **7,699.3** | **1,205.4** | **954.2** | **530.2** | **286.0** |
| Reconciling items | — | — | — | — | 8.1 | 15.0 |
| **Total consolidated measures** | **7,003.9** | **7,699.3** | **1,205.4** | **954.2** | **538.3** | **301.0** |

Certain items included in EBIT are unallocated as management considers that they do not reflect the recurring operating performance of the Group. As a consequence, these items are not reported in the line item "Total Core measures".

Reconciling items impacting EBIT include (i) the impact of the disposal of property and equipment and subsidiaries (see Note 4.3), (ii) other income and expenses (see Note 4.4), (iii) operating exchange gain/loss and (iv) impairment charge or non-recurring expenses recorded in associates and joint ventures (see Note 7.1).

*Seasonality*

Except in particular circumstances (see Note 3.3), the Company usually experiences seasonality in its container shipping activity characterized by a higher level of demand in the summer-fall period. As a result of these seasonal fluctuations, the Company's cash flows from operations and revenue are not evenly distributed between quarters over the year.

As far as Logistics segment is concerned, the freight management results are generally stronger in the final two quarters of the calendar year, which is partly offset by contract logistics results being generally stronger in the first half of the year.

The Group's seasonality is also offset to some extent by its sector diversification, as well as the global nature of its business; however, overall the Group's first quarter is generally the weakest.

***Contribution of CEVA and IFRS 16 impact to the Profit and loss for the six-month period ended June 30, 2020***

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Consolidated Statement of Profit & Loss** | **CEVA Contribution excluding IFRS 16** | **CEVA - IFRS 16 application** | **CMA CGM stand-alone IFRS 16 application** | **Eliminations** | **CMA CGM stand alone Profit & Loss excluding CEVA and IFRS 16 impacts** |
| | **A** | **B** | **C** | **D** | **E** | **F = A (-) B (-) C (-) D (-) E** |
| **REVENUE** | 14 189,9 | 3 422,9 | — | — | (72,1) | 10 839,1 |
| Operating expenses | (12 011,3) | (3 337,6) | 205,4 | 960,5 | 72,1 | (9 911,7) |
| **EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES** | **2 178,6** | **85,3** | **205,4** | **960,5** | **—** | **927,4** |
| Gains / (losses) on disposal of property and equipment and subsidiaries | 167,6 | (1,0) | — | — | — | 168,6 |
| Depreciation and amortization of non-current assets | (1 355,8) | (59,4) | (192,1) | (765,7) | — | (338,5) |
| Other income and (expenses) | (57,5) | 0,9 | — | — | — | (58,5) |
| Operating exchange gain/loss | 12,8 | — | — | — | — | 12,8 |
| Net present value (NPV) benefits related to assets financed by tax leases | 18,0 | — | — | — | — | 18,0 |
| **EBIT BEFORE SHARE OF INCOME / (LOSS) FROM ASSOCIATES AND JOINT VENTURES** | **963,7** | **25,8** | **13,3** | **194,8** | **—** | **729,8** |
| Share of income / (loss) from associates and joint ventures | (43,2) | (5,1) | — | — | — | (38,1) |
| **EBIT** | **920,5** | **20,7** | **13,3** | **194,8** | **—** | **691,7** |
| **CORE EBIT** | **828,7** | **22,2** | **13,3** | **194,8** | **—** | **598,5** |
| Interests expense on borrowings and lease liabilities | (679,1) | (49,9) | (25,8) | (330,9) | — | (272,6) |
| Interests income on cash and cash equivalent | 9,8 | 0,7 | — | — | — | 9,1 |
| Other net financial items | 2,0 | (1,4) | — | 17,1 | — | (13,7) |
| **FINANCIAL RESULT** | **(667,3)** | **(50,6)** | **(25,8)** | **(313,8)** | **—** | **(277,1)** |
| **PROFIT / (LOSS) BEFORE TAX** | **253,2** | **(29,9)** | **(12,5)** | **(119,0)** | **—** | **414,5** |
| Income taxes | (58,0) | (8,8) | — | — | — | (49,2) |
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | **195,2** | **(38,7)** | **(12,5)** | **(119,0)** | — | **365,3** |
| **PROFIT / (LOSS) FOR THE YEAR** | **195,2** | **(38,7)** | **(12,5)** | **(119,0)** | **—** | **365,3** |
| of which: | | | | | | |
| Non-controlling interests | 10,8 | 0,2 | — | — | — | 10,6 |
| **OWNERS OF THE PARENT COMPANY** | **184,3** | **(38,9)** | **(12,5)** | **(119,0)** | **—** | **354,7** |

The information presented above differs from:

- the individual financial statements of CEVA mainly due to purchase price allocation adjustments; and
- the information presented in Note 4.1 as the Group's logistics segment due to certain logistics activities handled by Group's subsidiairies not held by CEVA logistics.

### 4.2 OPERATING EXPENSES

Operating expenses are analyzed as follows:

| | For the six-month period ended June 30, | | For the three-month period ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Bunkers and consumables | (1 608,8) | (1 766,9) | (633,5) | (891,6) |
| Chartering and slot purchases | (618,7) | (743,8) | (292,6) | (378,6) |
| Handling and steevedoring | (2 889,4) | (3 260,3) | (1 460,0) | (1 669,7) |
| Inland and feeder transportation | (2 885,2) | (3 224,7) | (1 424,9) | (1 633,6) |
| Port and canal | (678,4) | (734,7) | (344,0) | (382,9) |
| Container equipment and repositioning | (556,2) | (744,2) | (277,1) | (352,5) |
| Employee benefits | (1 950,0) | (2 030,1) | (965,9) | (1 012,5) |
| General and administrative other than employee benefits | (646,3) | (671,5) | (307,1) | (330,9) |
| Additions to provisions, net of reversals and impairment of inventories and trade receivables | (21,4) | (34,7) | (11,7) | (21,5) |
| Others | (157,0) | (164,5) | (81,8) | (71,5) |
| **Operating expenses** | **(12 011,3)** | **(13 375,3)** | **(5 798,5)** | **(6 745,1)** |

The decrease of operating expenses is mainly due to (i) operational efficiency, allowing to reduce most of our operating expenses, (ii) the lower carried volumes in the current sanitary context and (iii) lower bunker costs despite the application of IMO 2020 and the resulting switch to low sulphur fuel (see Note 3.2).

### 4.3 GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES

Gains / (losses) on disposal of property and equipment and subsidiaries consist of the following:

| | For the six-month period ended June 30, | | For the three-month period ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Disposal of vessels | (0,5) | 2,1 | (0,0) | 1,8 |
| Disposal of containers | (2,0) | 3,4 | 0,3 | (1,4) |
| Other fixed assets disposal | (1,1) | 4,3 | (0,7) | 4,2 |
| Disposal of subsidiaries | 171,2 | 1,0 | (16,9) | (0,0) |
| **Gains / (losses) on disposal of property and equipment and subsidiaries** | **167,6** | **10,8** | **(17,3)** | **4,6** |

Disposal of subsidiaries mainly corresponds to the sale of a portfolio of stakes in terminals to Terminal Link (see Note 3.1.2 and Note 5.4) for USD 169.7 million.

### 4.4 OTHER INCOME AND (EXPENSES)

Other income and (expenses) can be analyzed as follows:

| | For the six-month period ended June 30, | | For the three-month period ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Impairment (losses) / reversals of assets | (26.2) | 0.0 | (26.0) | (0.0) |
| Others | (31.4) | (48.7) | (15.2) | (22.0) |
| **Other income and (expenses)** | **(57.5)** | **(48.7)** | **(41.2)** | **(22.0)** |

"Impairment (losses) / reversals of assets" mainly relates to certain individual vessels intended to be sold for scrapping and some individually not material right-of use assets.

"Others" includes various items such as specific transaction fees or other non-recurring items individually not material.

### 4.5 FINANCIAL RESULT

The financial result is analyzed as follows:

| | For the six-month period ended June 30, | | For the three-month period ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Interest expense on borrowings and lease liabilities | (679.1) | (679.9) | (337.2) | (358.2) |
| Net interests on cash and cash equivalents | 9.8 | 18.9 | 4.8 | 7.2 |
| **Cost of borrowings and lease liabilities, and net interest on cash and cash equivalents** | **(669.3)** | **(661.0)** | **(332.4)** | **(351.0)** |
| Settlements and change in fair value of derivative instruments | 5.3 | 0.2 | (14.5) | (1.0) |
| Foreign currency income and expense, net | (14.5) | 8.8 | (35.8) | (23.6) |
| Other financial income and expense, net | 11.2 | 5.2 | 9.6 | 7.2 |
| **Other net financial items** | **2.0** | **14.1** | **(40.7)** | **(17.4)** |
| **Financial result** | **(667.3)** | **(646.9)** | **(373.1)** | **(368.4)** |

For the six-month period ended June 30, 2020, "Interest expense on borrowings and lease liabilities" includes USD (22.6) million corresponding to the amortization of past issuance costs recognized using the effective interest method (USD (11.9) million for the six-month period ended June 30, 2019).

"Settlements and change in fair value of derivative instruments" reflect the impact, on the portfolio of derivative financial instruments, of the volatility of currencies and interest rates during the periods presented.

"Foreign currency income and expense, net" is mainly composed of foreign currency exchange gains / (losses) on financial operations due to the translation of borrowings and financial instruments denominated in currencies different from USD (mainly but not limited to transactions in EUR). Among other effects, the net exchange loss for the three-month period ended June 30, 2020 is due to the appreciation of EUR currency versus USD at respective closing dates.

"Other financial income and expense, net" usually includes unwinding of discount effects, some effect related to IFRS16 provisions for dismantling costs as well as potential effect on lease modifications, some interests income related to financial assets and some dividends received from related parties.

### 4.6 INCOME AND DEFERRED TAXES

#### 4.6.1 Current income taxes

| | For the six-month period ended June 30, | | For the three-month period ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Current income tax income / (expense) | (81,9) | (71,7) | (51,8) | (39,5) |
| Deferred tax income / (expense) | 23,9 | 11,0 | 26,2 | 6,5 |
| **Income Taxes** | **(58,0)** | **(60,7)** | **(25,6)** | **(32,9)** |

### 4.6.2 Deferred income tax

Deferred tax balances break down as follows:

| Deferred tax assets | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Investment tax credit | 0.0 | 0.2 |
| Tax losses carried forward | 94.6 | 80.8 |
| Retirement benefit obligations | 26.2 | 22.9 |
| Other temporary differences | 42.0 | 69.5 |
| **Total gross deferred tax assets** | **162.9** | **173.3** |
| **Total net deferred tax assets** | **148.6** | **158.9** |

| Deferred tax liabilities | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Revaluation and depreciation of property and equipment | 1.3 | 19.5 |
| Intangible assets adjustment due to purchase price allocation | 319.3 | 327.7 |
| Undistributed profits from subsidiaries | 57.0 | 51.2 |
| Other temporary differences | 30.5 | 36.7 |
| **Total deferred tax liabilities** | **408.1** | **435.2** |
| **Total net deferred tax liabillities** | **393.8** | **420.8** |
| **Total net deferred tax assets / (liabilities)** | **(245.2)** | **(261.8)** |

The breakdown of deferred tax assets and deferred tax liabilities presented in the table above is based on gross amounts. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amount recognized in the statement of financial position corresponds to the net deferred tax assets and liabilities.

"Tax losses carried forward" mainly relate to losses generated by the logistics activities of CEVA. These tax losses are recognized only to the extent of the level of the corresponding deferred tax liability and the foreseeable taxable profit generated by these activities. None of the related entities have incurred losses in either the current or preceding years.

Income tax impacts related to other comprehensive income are presented in the statement of comprehensive income.

| | For the six-month period ended June 30, 2020 |
|---|---|
| **Net deferred tax at the begining of the year** | **(261.8)** |
| Changes through Profit & Loss | 23.9 |
| Changes through Other Comprehensive Income | 0.5 |
| Currency translation adjustment | (7.0) |
| Other variations | (0.9) |
| **Net deferred tax at the end of the period** | **(245.2)** |

## Note 5 - Invested capital and working capital

### 5.1 GOODWILL AND OTHER INTANGIBLE ASSETS

#### 5.1.1 Goodwill

The carrying amount of goodwill has been allocated to the following operating segments and cash generating units based on the management structure:

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| **Beginning of the year** | **2,851.8** | **1,166.1** |
| Goodwill from business combinations | — | 1,688.5 |
| Other variations | — | 2.0 |
| Foreign currency translation adjustment | (19.1) | (4.8) |
| **At the end of the period** | **2,832.7** | **2,851.8** |
| *of which:* | | |
| *Allocated to container shipping segment* | *1,124.0* | *1,143.1* |
| *Allocated to logistics segment* | *1,696.4* | *1,696.4* |
| *Allocated to other activities* | *12.4* | *12.4* |

In 2019, the line item "Goodwill from business combinations" corresponds to:

- The goodwill recognized as a result of the purchase price allocation performed on CEVA acquisition;
- The line item "Other variations" corresponds mainly to the update of the purchase price allocation related to the acquisition of Containerships.

Despite the still material uncertainty in the context of the sanitary crisis, Management confirmed that there is no impairment charge to be recognized based on the performance of the six-month period and to the extent it does not have indications of structural alteration of medium to long term prospects as a result of the current sanitary situation.

#### 5.1.2 Other intangible assets

The net carrying value of other intangible assets mainly relates to (i) the trademark and customer relationships recognized as part of the purchase price allocations for USD 1,915.8 million (USD 1,973.2 million as at December 31, 2019), (ii) USD 73.1 million to terminal concession rights (USD 75.2 million as at December 31, 2019) and (iii) software in use or in progress for an amount of USD 520.7 million (USD 512.3 million as at December 31, 2019).

### 5.2 PROPERTY AND EQUIPMENT

#### 5.2.1 Variation of property and equipment

Property and equipment are analyzed as follows:

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| **Vessels net** | | |
| Owned | 7,145.1 | 7,071.6 |
| In-progress | 756.0 | 439.8 |
| Right-of-use | 5,056.9 | 5,294.3 |
| | **12,958.1** | **12,805.6** |
| **Containers net** | | |
| Owned | 296.9 | 350.9 |
| In-progress | 3.7 | — |
| Right-of-use | 2,228.1 | 2,400.9 |
| | **2,528.7** | **2,751.9** |
| **Lands and buildings net** | | |
| Owned | 470.3 | 391.0 |
| In-progress | 3.3 | 103.1 |
| Right-of-use | 1,307.9 | 1,330.0 |
| | **1,781.5** | **1,824.1** |

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| **Other properties and equipments net** | | |
| Owned | 237.4 | 264.4 |
| In-progress | 24.9 | 21.0 |
| Right-of-use | 86.3 | 98.8 |
| | **348.5** | **384.2** |
| **Total net** | | |
| Owned | 8,149.6 | 8,077.8 |
| In-progress | 787.9 | 564.0 |
| Right-of-use | 8,679.2 | 9,124.0 |
| **Property and equipment** | **17,616.8** | **17,765.8** |

Changes in the cost of property and equipment for the six-month period ended June 30, 2020 and the year ended December 31, 2019 are analyzed as follows:

| | Vessels | | | | | | |
|---|---|---|---|---|---|---|---|
| | Owned | Right-of-use | In-progress | Containers | Lands and buildings | Other properties and equipments | Total |
| **As at January 1, 2019** | **10,095.3** | **1,305.8** | **256.1** | **870.3** | **644.1** | **747.3** | **13,918.9** |
| First time application IFRS 16 | (1,010.1) | 5,180.0 | — | 2,437.7 | 152.1 | 221.2 | **6,980.9** |
| Acquisitions | 268.4 | 567.9 | 329.7 | 543.6 | 435.1 | 135.1 | **2,279.8** |
| Acquisitions of subsidiaries | — | — | — | — | 1,268.3 | 103.1 | **1,371.3** |
| Disposals | (64.0) | (8.3) | — | (179.2) | (52.0) | (29.7) | **(333.4)** |
| Reclassification to held-for-sale | — | — | — | — | — | (464.1) | **(464.1)** |
| Reclassification | — | — | — | (0.8) | 1.9 | (10.3) | **(9.2)** |
| Vessels put into service | 188.6 | (42.9) | (145.6) | — | — | — | **0.0** |
| Foreign currency translation adjustment | (3.6) | (0.7) | (0.5) | (0.6) | (16.7) | (6.0) | **(28.1)** |
| **As at December 31, 2019** | **9,474.6** | **7,001.7** | **439.8** | **3,670.9** | **2,432.8** | **696.5** | **23,716.2** |
| Acquisitions | 54.3 | 370.7 | 463.7 | 137.8 | 225.8 | 45.8 | **1,298.2** |
| Disposals | (14.7) | (37.8) | — | (150.5) | (71.2) | (28.5) | **(302.7)** |
| Reclassification | — | — | — | 2.8 | 3.4 | (1.6) | **4.6** |
| Vessels put into service | 369.8 | (222.3) | (147.5) | — | — | — | **0.0** |
| Foreign currency translation adjustment | (17.1) | (0.6) | — | (0.5) | (57.0) | (27.0) | **(102.3)** |
| **As at June 30, 2020** | **9,866.8** | **7,111.7** | **756.0** | **3,660.5** | **2,533.9** | **685.1** | **24,614.0** |

As at June 30, 2020, the Group operates 117 owned vessels and 178 under IFRS 16 or equivalent agreements (112 vessels owned and 188 under IFRS 16 or equivalent agreements as at December 31, 2019). The remainder of the operated vessels are chartered on a less than 12-month basis and are expensed off.

During the six-month period ended June 30, 2020:

- "Acquisitions" of owned vessels relate mainly to the delivery of scrubbers for 6 existing vessels;
- "Acquisitions" of right-of-use vessels relate to 9 new leases entered into;
- "Acquisitions" of in-progress vessels relate to prepayments paid to shipyards in relation to the vessel orderbook (including nine TEU 23,000 vessels), includes the delivery instalments paid at the delivery date of two TEU 2,200 vessels and also relates to investment prepayments in scrubbers to be fitted on existing vessels;
- "Acquisitions" of containers relate to new leases entered into as well as some modifications of existing leases;
- "Acquisitions" of land and buildings mainly include leases entered into by CEVA for an amount of USD 183.4 million;
- "Vessels put into service" relate to the delivery of two TEU 2,200 vessels, 7 scrubbers and the exercise of purchase options in relation to 5 leased vessels.

Changes occurred during the year ended December 31, 2019 have been described in Note 5.2.1 of the 2019 annual CFS.

Borrowing costs capitalized during the six-month period ended June 30, 2020 amounted to USD 6.1 million (USD 13.0 million for the year ended December 31, 2019).

***Acquisition of property and equipment and reconciliation with the Consolidated Statement of Cash Flows***

Purchases of property and equipment amounted to USD 1,298.2 million for the six-month period ended June 30, 2020 (USD 2,279.8 million for the year ended December 31, 2019).

The reconciliation of these acquisitions with the capital expenditures (CAPEX) presented in the statement of cash-flows, under the heading "Purchase of property and equipment" can be presented as follows:

| | | As at June 30, | |
|---|---|---|---|
| | | **2020** | **2019** |
| Acquisition of assets presented in the above table | a | 1 298,2 | 533,3 |
| (+) Acquisition of assets held-for-sale | b | 2,5 | |
| (-) Assets not resulting in a cash outflow (i) | c | 350,7 | 121,6 |
| (-) IFRS16 leases increase | d | 726,4 | 310,0 |
| CAPEX cash from purchases of property and equipment | e = a (+) b (-) c -(d) | 223,5 | 101,8 |
| CAPEX cash from purchases of intangible assets | f | 38,8 | 18,7 |
| CAPEX cash from business combination | g | (768,4) | (330,6) |
| **Total CAPEX as per Consolidated Statement of Cash Flows** | **e (+) f (+) g** | **(506,1)** | **(210,1)** |

*(i) The group assets include assets financed via leases or assets which purchase price is settled directly by the financing bank to the yard hence not resulting in a cash stream upon acquisition.*

Changes in the accumulated depreciation for the six-month period ended June 30, 2020 and the year ended December 31, 2019 are analyzed as follows:

| | Vessels | | | | | Other properties and | |
|---|---|---|---|---|---|---|---|
| | **Owned** | **Right-of-use** | **In-progress** | **Containers** | **Lands and buildings** | **equipments** | **Total** |
| **As at January 1, 2019** | **(2,467.1)** | **(367.9)** | **—** | **(384.6)** | **(196.1)** | **(261.8)** | **(3,677.5)** |
| First time application IFRS 16 | 405.5 | (404.4) | — | — | 0.1 | (0.8) | **0.5** |
| Depreciation | (374.9) | (951.1) | — | (643.4) | (461.2) | (141.0) | **(2,571.6)** |
| Disposals | 34.9 | 8.2 | — | 108.8 | 48.2 | 22.2 | **222.2** |
| Impairment | 5.3 | — | — | — | (0.0) | — | **5.3** |
| Vessels refinancing & exercise of purchase option | — | 7.9 | — | — | — | — | **7.9** |
| Reclassification to held-for-sale | — | — | — | — | — | 57.3 | **57.3** |
| Reclassification | (7.9) | — | — | 0.2 | (2.0) | 8.7 | **(0.9)** |
| Foreign currency translation adjustment | 1.1 | (0.0) | — | 0.0 | 2.2 | 3.1 | **6.4** |
| **As at December 31, 2019** | **(2,403.0)** | **(1,707.4)** | **—** | **(919.0)** | **(608.7)** | **(312.3)** | **(5,950.5)** |
| Depreciation | (202.3) | (491.7) | — | (307.8) | (229.1) | (54.0) | **(1,284.8)** |
| Disposals | 2.7 | 37.7 | — | 94.3 | 69.2 | 25.7 | **229.5** |
| Impairment | (10.3) | (4.6) | — | — | (2.8) | (8.3) | **(26.0)** |
| Reclassification | (110.9) | 110.9 | — | — | 2.4 | (5.7) | **(3.3)** |
| Foreign currency translation adjustment | 2.1 | 0.3 | — | 0.6 | 16.7 | 18.1 | **37.8** |
| **As at June 30, 2020** | **(2,721.7)** | **(2,054.7)** | **—** | **(1,131.8)** | **(752.4)** | **(336.6)** | **(6,997.3)** |

Including intangible assets, the total depreciation for the six-month period ended June 30, 2020 amounts to USD 1,355.8 million (USD 2,717.9 million for the year ended December 31, 2019).

The net book value of property and equipment at the opening and closing for the six-month period ended June 30, 2020 and the year ended December 31, 2019 are analyzed as follows:

| | Vessels | | | | | Other properties and | |
|---|---|---|---|---|---|---|---|
| | **Owned** | **Right-of-use** | **In-progress** | **Containers** | **Lands and buildings** | **equipments** | **Total** |
| **As at June 30, 2020** | 7,145.1 | 5,056.9 | 756.0 | 2,528.6 | 1,781.5 | 348.5 | **17,616.7** |
| **As at December 31, 2019** | 7,071.6 | 5,294.3 | 439.8 | 2,751.9 | 1,824.1 | 384.2 | **17,765.8** |
| **As at December 31, 2018** | 7,628.2 | 937.9 | 256.1 | 485.6 | 448.0 | 485.5 | **10,241.3** |

### 5.2.2 Group fleet development

Prepayments made to shipyards relating to owned vessels under construction are presented within "Vessels" in the consolidated statement of Financial Position and amount to USD 756.0 million as at June 30, 2020 (USD 439.8 million as at December 31, 2019).

Apart from the deliveries disclosed in Note 5.2.1, there has been no other significant change compared to the orderbook and associated commitments reported in Note 5.2.2 and 8.2.1 of the 2019 annual CFS.

## 5.3 WORKING CAPITAL

### 5.3.1 Inventories

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Bunkers | 329,5 | 474,2 |
| Other inventories | 61,5 | 69,5 |
| Provision for obsolescence | (0,7) | (0,8) |
| **Inventories** | **390,3** | **542,9** |

### 5.3.2 Trade receivables and payables

Trade and other receivables are analyzed as follows:

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Trade receivables | 2,236.4 | 2,418.1 |
| Less impairment of trade receivables | (123.8) | (110.1) |
| **Trade receivables net** | **2,112.6** | **2,308.1** |
| Prepayments | 230.5 | 179.9 |
| Other receivables, net | 737.3 | 781.9 |
| Employee, social and tax receivables | 238.4 | 273.0 |
| **Trade and other receivables (*)** | **3,318.7** | **3,542.9** |

*(*) including current income tax asset*

"Other receivables, net" mainly include accrued income estimated due to the time between the provision of services and the issue of the final invoices from shipping agents to customers throughout the world.

A large portion of trade receivables included in the table above have been pledged as collateral under the Group's securitization programs.

Freight receivables for which the Company transferred a portion of the services to the customers as per revenue recognition principles, are reported as contract assets, net of the portion of the services not performed at cut-off date (deferred revenue).

Trade and other payables are analyzed as follows:

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Trade payables | 2,266.2 | 2,901.5 |
| Employee, social and tax payables | 591.2 | 493.6 |
| Other payables (mainly accruals for port call expenses, transportation costs, handling services) | 2,821.2 | 2,737.3 |
| **Trade and other payables (*)** | **5,678.6** | **6,132.4** |

*(*) including current income tax liability*

Part of the increase in employee, social and tax payables is due to the some measures put in place by governments to support their respective economies.

The working capital can be analyzed as follows:

| | As at December 31, 2019 | Variations linked to operations | Currency translation adjustment | Others | As at June 30, 2020 |
|---|---|---|---|---|---|
| Inventories | 542.9 | (150.6) | (2.0) | (0.0) | 390.3 |
| Trade and other receivables (*) | 3,542.9 | (15.3) | (123.6) | (85.3) | 3,318.7 |
| Contract assets | 774.2 | (7.1) | (4.8) | 114.2 | 876.5 |
| Prepaid expenses | 392.3 | (110.2) | (0.7) | (71.3) | 210.2 |
| Trade and other payables (**) | (6,132.4) | 458.9 | 114.4 | (119.6) | (5,678.6) |
| Deferred income | (98.5) | 11.0 | (4.8) | (4.9) | (97.2) |
| **Net working capital** | **(978.6)** | **186.7** | **(21.5)** | **(166.9)** | **(980.2)** |

*(*) including current income tax asset*
*(**) including current income tax liability*

## 5.4 NON-CURRENT ASSETS (OR DISPOSAL GROUP) HELD FOR SALE

Non-current assets (or disposal group) held for sale as at June 30, 2020 relate to (i) stakes in 2 terminals that are left to be sold to Terminal Link as part of the transaction with CMP (See Note 3.1.2) and (ii) a stake in a logistic platform in India (see Note 3.1.1). As at December 31, 2019, the stakes in the 10 terminals involved in the disposal transaction to Terminal Link were classified as held-for sale as well as the logistic platform constituting a separate transaction.

The disposal project is not constitutive of a business that would have to be treated as discontinued operations, and hence the profit and loss related to these activities has been considered as continuing operations for the six-month period ended June 30, 2020.

The depreciation of non-current assets has been stopped at the date of the classification as held-for-sale and similarly, the share of income / (loss) related to associates and joint ventures reclassified as held for sale has not been recognized over the period.

The assets and liabilities related to these terminal activities to be discposed of are as follows:

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Intangible assets | — | 9.3 |
| Harbor equipment | — | 403.5 |
| Other tangible assets | — | 3.3 |
| Shares in associates and joint ventures | 92.6 | 419.4 |
| Other financial assets | — | 102.1 |
| Other assets | — | 40.1 |
| **TOTAL Assets held for sale** | **92.6** | **977.7** |
| Financial debt | — | 376.0 |
| Other liabilities | — | 42.6 |
| **TOTAL Liabilities associated to assets held for sale** | **—** | **418.6** |

## 5.5 FREE CASH FLOW

Free cash flow is USD 2,474.8 million for the six-month period ended June 30, 2020. It is composed of cash flow from operations for USD 1,958.7 million (of which EBITDA contributed for USD 2,178.6 million, income tax paid for USD (64.3) million and variation of working capital for USD (187.4) million and cash flow provided by investing activities for USD 516.1 million.

Cash flow from investing activities has been mainly impacted by the sale of stakes in port terminals to Terminal Link for USD 776.5 million, capital expenditures from intangible assets and purchasing of property and equipment, representing a cash outflow of USD (261.6) million, the proceeds from disposal of properties and equipment for USD 60.1 million, the net cash flow resulting from the variation of other financial assets for USD (49.6) million and the dividends received from investments in associates and joint ventures for USD 4.7 million.

**Note 6 - Capital structure and financial debt**

Except for the information provided below and in Note 6.1 of these interim condensed CFS, the Group's objectives & policies in terms of financial risk management have been detailed in Note 6.1 of the 2019 annual CFS.

## 6.1 DERIVATIVE FINANCIAL INSTRUMENTS

### 6.1.1 Derivative financial instruments

Derivative financial instruments can be analyzed as follows:

| | As at June 30, 2020 | | As at December 31, 2019 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Interest swaps - cash flow hedge | 0.2 | 7.1 | 0.7 | 2.1 |
| Interest swaps - not qualifying to hedge accounting | — | 0.4 | — | 0.1 |
| Cross currency interest rates swaps - fair value hedge | — | 40.7 | — | 37.9 |
| Cross currency interest rates swaps - cash flow hedge | 2.5 | 89.3 | — | 50.8 |
| Net Investment hedge | 12.5 | — | 8.9 | — |
| FX Forward Contracts - Cashflow Hedges | — | — | 3.5 | — |
| **Total derivative financial instruments** | **15.2** | **137.6** | **13.1** | **90.9** |
| *of which non-current portion (greater than 1 year)* | *2.4* | *53.1* | *0.7* | *62.1* |
| *of which current portion (less than 1 year)* | *9.3* | *86.2* | *12.4* | *28.8* |

As at June 30, 2020 and December 31, 2019, the Company did not record any transfer between derivative financial instruments' categories.

### 6.1.2 Net investment hedge

Part of the Group's net investment in its euro investees is hedged by certain Euro denominated senior notes, which mitigates the foreign currency exposure arising from the investee's net assets. Hence, a portion of the euro-denominated borrowings has been designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the EUR/USD exchange rates.

The amount of the change in the value of the Senior Notes that has been recognized in OCI to offset the currency translation adjustment of the foreign operation amounts to USD 0.7 million for the six month period ended June 30, 2020 (USD 12.3 million for the year ended December 31, 2019).

In addition, FX derivatives have been recognized as NIH instruments within CEVA, for an amount of USD 12.5 million.

## 6.2 OTHER NON-CURRENT FINANCIAL ASSETS - SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

### 6.2.1 Other non-current financial assets

Other non-current financial assets are analyzed as follows:

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Gross | 89,3 | 75,1 |
| Impairment | (4,6) | (4,4) |
| **Investments in non consolidated companies** | **84,7** | **70,7** |
| Gross | 48,4 | 50,4 |
| Impairment | (17,8) | (18,2) |
| **Loans** | **30,6** | **32,2** |
| Gross | 92,5 | 83,6 |
| Impairment | — | — |
| **Deposits** | **92,5** | **83,6** |

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Gross | 55,0 | 35,0 |
| Impairment | (15,6) | (16,6) |
| **Receivable from associates & joint ventures** | **39,4** | **18,4** |
| Gross | 149,5 | 126,9 |
| Impairment | (25,2) | (11,2) |
| **Other financial assets** | **124,3** | **115,7** |
| Gross | 434,7 | 370,9 |
| Impairment | (63,2) | (50,4) |
| **Total other non-current financial assets, net** | **371,5** | **320,6** |

Change in other non-current financial assets is presented within "Cash flow resulting from other financial assets" in the consolidated statement of cash flows.

***Investments in non-consolidated companies***

"Investments in non-consolidated companies" mainly relate to various stakes individually not significant, classified either as assets at fair value through profit and loss or as assets at fair value through other comprehensive income.

The investment in Global Ship Lease was reclassified as a financial asset at fair value through profit and loss from March 31, 2020 onwards for an amount of USD 11.3 million (see Note 7.1) and now amounts to USD 12.9 million.

***Loans and receivables from associates and joint ventures***

"Loans" and "receivables from associates and joint ventures" mainly relate to funds borrowed by certain terminal joint ventures.

***Deposits***

"Deposits" correspond to USD 92.5 million of cash deposits which do not qualify as cash and cash equivalents as at June 30, 2020 (USD 83.6 million as at December 31, 2019).

***Other financial assets***

As at June 30, 2020, "Other financial assets" for USD 138.3 million (USD 115.7 million as at December 31, 2019) mainly include financial tax benefit to be received at the maturity of the tax financing period.

### 6.2.2 Securities and other current financial assets

"Securities and other current financial assets" as at June 30, 2020 include securities at fair value for an amount of USD 22.3 million (USD 16.7 million as at December 31, 2019).

Apart from the above, other current financial assets mainly include (i) the current portion of the financial assets, (ii) some short term loans to joint-ventures or associates, (iii) as well as certain cash deposits which do not qualify as cash and cash equivalents since their inception.

### 6.3 CASH AND CASH EQUIVALENTS AND MAIN FINANCIAL COVENANTS

#### 6.3.1 Cash and cash equivalents

Cash and cash equivalents can be analyzed as follows:

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Cash on hand | 1 858,4 | 1 470,0 |
| Short term deposits | 369,3 | 215,2 |
| Restricted cash | 260,9 | 65,6 |
| **Cash and cash equivalents as per statement of financial position** | **2 488,6** | **1 750,8** |
| Bank overdrafts | (55,3) | (156,9) |
| **Cash and cash equivalents and bank overdraft** | **2 433,3** | **1 593,9** |
| **Cash reported in assets held-for-sale** | **—** | **4,1** |
| **Cash and cash equivalents and bank overdrafts, as per cash flow statement** | **2 433,3** | **1 598,0** |
| Restricted Cash | (260,9) | (65,6) |
| Marketable securities | 22,3 | 16,7 |
| **Group available cash** | **2 194,7** | **1 545,0** |
| Undrawn committed facilities | 424,6 | 79,3 |
| **Total Group Liquidity** | **2 619,3** | **1 624,3** |

The group holds USD 194.7 million deposited in a number of Lebanese banks as short-term dollar denominated deposit accounts and reported in restricted cash. Restricted cash also relates to some funds held as collateral of certain of the Group's commitments and cash held in specific countries with transfer restrictions.

#### 6.3.2 Main covenants

Apart from the Group liquidity mentioned above, the calculation of the Adjusted net debt, being the main aggregate used in the Company's covenants, is as follows:

| | Note | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|---|
| **Total Borrowings and lease liabilities** | 6.4 | **19 319,2** | **19 514,1** |
| (-) Bonds redeemable in shares in Borrowings and lease liabilities | 6.4 | (8,6) | (16,7) |
| **Adjusted gross debt : A** | | **19 310,6** | **19 497,3** |
| **Cash and cash equivalents as per statement of financial position** | 6,4 | **2 488,6** | **1 750,8** |
| (+) Securities | 6.2.2 | 22,3 | 16,7 |
| (-) Restricted cash | 6.3 | (260,9) | (65,6) |
| **Unrestricted cash and cash equivalents : B** | | **2 250,0** | **1 701,9** |
| **Adjusted net debt : A (-) B** | | **17 060,6** | **17 795,4** |

## 6.4 BORROWINGS AND LEASE LIABILITIES

### 6.4.1 Maturity schedule, variations and detail of borrowings

Borrowings and lease liabilities are presented below and include bank overdrafts, long-term bank borrowings, lease liabilities (including ex finance leases and similar arrangements) and have the following maturities:

| | As at June 30, 2020 | Current portion | Non current portion | Maturity schedule : June 30, 2022 | 2023 | 2024 | 2025 | Onwards |
|---|---|---|---|---|---|---|---|---|
| Senior notes | **2,639.6** | **978.1** | **1,661.5** | (6.6) | 722.2 | 106.5 | 839.4 | — |
| Bonds and preferred shares redeemable in shares | **8.6** | **8.6** | **—** | — | — | — | — | — |
| Bank borrowings—Credit facilities | **1,787.9** | **464.3** | **1,323.7** | 76.5 | 254.8 | 461.6 | 84.8 | 446.1 |
| Bank borrowings—Other | **4,250.9** | **460.3** | **3,790.5** | 632.3 | 672.9 | 775.7 | 732.0 | 977.7 |
| Bank overdrafts | **55.3** | **55.3** | **—** | — | — | — | — | — |
| Securitization programs | **1,828.5** | **530.1** | **1,298.4** | 1,160.1 | 138.3 | — | — | — |
| Other borrowings | **321.6** | **290.4** | **31.2** | 7.8 | 4.9 | 4.9 | 2.8 | 10.9 |
| **Total excluding lease liabilities** | **10,892.4** | **2,787.2** | **8,105.3** | 1,870.0 | 1,793.1 | 1,348.6 | 1,658.9 | 1,434.7 |
| Lease liabilities under IFRS16 | **8,426.8** | **1,868.0** | **6,558.8** | 1,464.5 | 1,255.7 | 1,101.2 | 789.8 | 1,947.7 |
| **Total including lease liabilities** | **19,319.2** | **4,655.2** | **14,664.0** | 3,334.5 | 3,048.7 | 2,449.7 | 2,448.7 | 3,382.3 |

Leases previously treated under finance leases are now included within "Lease liabilities under IFRS16".

Current portion of borrowings, excluding lease liabilities, amounts to USD 2,789.6 million but includes a number of items that should be considered as specific with no automatic cash out in the next 12 months:

- Accrued interests included in other borrowings amounting to USD 96.6 million;
- Overdrafts amounting to USD 55.3 million, with an opposite impact in cash;
- Securitization programs for USD 530.1 million (CEVA and NOL programs) which are generally rolled-over and for which CEVA already obtained an agreement from its banks (see Note 6.4.4);
- Other uncommitted facilities included in other borrowings for which the Group generally obtains a rollover for USD 184.4 million.

Changes in borrowings and lease liabilities can be analyzed as follows:

| | Senior notes | Bonds and preferred shares redeemable in shares | Bank borrowings | Lease liabilities under IFRS16 (*) | Bank overdrafts | Securitization programs | Other borrowings | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2020** | **2,864.2** | **16.7** | **5,655.0** | **8,610.0** | **156.9** | **1,926.5** | **284.7** | **19,514.1** |
| Proceeds from new borrowings, net of issuance costs | — | — | 1,538.8 | — | — | 14.1 | 231.8 | 1,784.7 |
| Repayment of financial borrowings | (225.2) | (8.2) | (1,362.7) | (867.2) | — | (106.7) | (179.7) | (2,749.6) |
| Other increase/decrease in borrowings and lease liabilities | 15.2 | — | 74.2 | 703.5 | (99.7) | 0.2 | 0.3 | 693.6 |
| Accrued interests and fees amortization | 3.7 | — | 15.9 | 10.0 | — | 0.1 | (14.7) | 15.0 |
| Refinancing of assets, net of issuance costs | — | — | 109.0 | — | — | — | — | 109.0 |
| Foreign currency translation adjustments | (18.2) | — | 8.6 | (29.5) | (1.9) | (5.7) | (0.8) | (47.5) |
| **Balance as at June 30, 2020** | **2,639.6** | **8.6** | **6,038.8** | **8,426.8** | **55.3** | **1,828.5** | **321.6** | **19,319.2** |

The line item "Other increase / decrease in borrowings" mainly corresponds to variation in borrowings and lease liabilities which did not have any cash impact for the Group either because (i) the asset is financed through a lease contract under IFRS16, (ii) the drawdown was directly made by the bank to the benefit of the shipyard or (iii) variation in overdraft has an opposite impact in cash and cash equivalents.

Borrowings and lease liabilities relate to the following assets and their respective average interest rates are as follows:

| | Senior notes | Bonds and preferred shares redeemable in shares | Bank borrowings | Lease liabilities under IFRS16 | Other borrowings, securitization and overdrafts | Excluding leases | Including leases |
|---|---|---|---|---|---|---|---|
| Vessels | — | — | 2,978.4 | 4,559.8 | — | 3.99% | 6.73% |
| Containers | — | — | (0.0) | 2,353.9 | — | — | 13.80% |
| Land and buildings | — | — | 91.8 | 1,387.5 | — | 0.54% | 5.04% |
| Terminal concession | — | — | — | 89.6 | — | — | 8.16% |
| Other tangible assets | — | — | 6.8 | 36.1 | — | 1.64% | 9.32% |
| Other secured borrowings | — | — | 1,732.3 | — | 1,830.8 | 3.30% | 3.30% |
| General corporate purposes (unsecured) | 2,639.6 | 8.6 | 1,229.5 | — | 374.6 | 4.97% | 4.97% |
| **Total** | **2,639.6** | **8.6** | **6,038.8** | **8,426.8** | **2,205.4** | | |

Secured borrowings (either affected to a tangible asset or included in "other secured borrowing" in the table above) corresponds to financial borrowings secured by tangible assets or other kind of assets (for instance but not limited to pledges over shares, bank account or receivables). Borrowings included in "General corporate purposes (unsecured)" are fully unsecured.

### 6.4.2 Details of Senior Notes

As at June 30, 2020, the Group has 6 unsecured Senior Notes outstanding which can be detailed as follows:

- SGD 280 million of nominal amount, issued by NOL Limited and maturing in September 2020;
- EUR 725 million of nominal amount, voluntarily redeemed in part in June 2020 for EUR 200 million, issued by CMA CGM and maturing in January 2021, hence with an outstanding nominal amount of EUR 525 million;
- SGD 300 million of nominal amount, issued by NOL Limited and maturing in June 2021;
- EUR 650 million of nominal amount, issued by CMA CGM and maturing in July 2022;
- USD 116.5 million of nominal amount, originally issued by APL Limited and transferred to APL Investments America as part of GGS disposal, and maturing in January 2024;
- EUR 750 million of nominal amount, issued by CMA CGM and maturing in January 2025.

### 6.4.3 Bank borrowings

As indicated in Note 3.4, CMA CGM drew a EUR 1.05 billion loan ("PGE") in May 2020 from some of its core banks with a 70% guarantee by the French State. This loan is presented with a ratchet amortization until 2024 based on management intentions and contract options. One of the commitments was to recapitalize CEVA by EUR 300 million which was completed prior June 30, 2020 (see below).

In July, 2019, CEVA entered into a EUR 297 million bridge facility provided by three banks to fund the Tender Offer of a 5.25% Senior Notes. The initial maturity was 12 months with refinancing options until August 2025. This facility has been fully repaid in July 2020 following a capital injection made by CMA CGM, to the benefit of CEVA. Hence, this bridge facility is presented as current as at June 30, 2020 in accordance with the repayment such facility early July.

### 6.4.4 Securitization program

During the six-month period ended June 30, 2020, the amount drawn under the securitization programs decreased by USD 92.6 million.

On November 22, 2019, the Group (through its subsidiary CEVA) closed a USD 460 million trade receivables securitization facility ('the CEVA Global Securitization Program') with a three-year renewable commitment from six banks. This program has fully refinanced the existing European Securitization and will refinance the US ABL facility and the Australian Receivables Facility both maturing in August 2020. As of June 30, 2020, the outstanding drawn amount under the new non-current facility was USD 139 million and the amount drawn under the historical facilities was USD 179 million presented as current and repaid at maturity after the balance sheet date.

NOL receivables securitisation facility is maturing in the first quarter of 2021 and hence presented as current. The Group intends to merge this program with CMA CGM similar program which currently matures in the third quarter of 2021 with ongoing renewal negotiations.

### 6.4.5 Bonds and preferred shares redeemable in shares

The balance of the bonds as at June 30, 2020, amounting to USD 8.6 million, represents the interests payable till maturity (end of 2020) as a remuneration of the bonds redeemable in shares held by BPI.

As a consequence of the interests payments on bonds and preferred shares redeemable in ordinary shares, the Company records:

- A financial expense based on the market rate used to determine the liability component of these instruments; and
- A reduction in borrowings for the residual amount paid corresponding to the interest portion initially recorded in borrowings.

### 6.4.6 Other borrowings

As at June 30, 2020, other borrowings include USD 96.6 million of accrued interests (USD 111.0 million as at December 31, 2019).

### 6.5 CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities amounts to USD (1,598.2) million for the six-month period ended June 30, 2020. The financing cash flows mainly consisted in drawdown of borrowings for USD 1,794.2 million, balanced by the repayment of borrowings for USD (1,882.4) million, the payment of financial interests for USD (262.4) million and cash payments related to IFRS 16 leases : principal portion of leases for USD (852.2) million and interests portion for USD (371.5) million. The financing cash flow has also been impacted by the refinancing of certain vessels under sale and leaseback operations for an amount of USD 109.5 million and dividends declared end of 2019 and paid early 2020 for USD (85.5) million.

## Note 7 - Scope of consolidation

The list of main companies or subgroups included in the consolidation scope has been disclosed in Note 7.4 of the 2019 annual CFS.

### 7.1 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures can be analyzed as follows:

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| **Beginning of the year** | **805.9** | **1,478.9** |
| Impact of IFRS16 application | — | (13.9) |
| Fair value adjustment of newly controlled entities | — | 96.5 |
| Transfer of carrying value of newly controlled entities | — | (547.4) |
| Transfer of carrying value of newly non controlled entities | (11.3) | — |
| Acquisition of subsidiaries | — | 201.0 |
| Effect of disposal to a joint-venture | (70.7) | — |
| Waiver of equity share rights treated as a price adjustment | (82.9) | — |
| Share of (loss) / profit | (43.2) | 46.5 |

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---|---|
| Dividend paid or payable to the Company | (4.7) | (28.9) |
| Other comprehensive income / (expense) | 9.4 | (4.2) |
| Reclassification to assets held-for-sale (see Note 5.4) | 3.8 | (419.4) |
| Reclassification from / to other items | — | 0.3 |
| Other | — | (3.6) |
| **Closing balance** | **606.3** | **805.9** |

The effect of disposal to a joint venture mainly includes the elimination of the internal gain occurred as part of the disposal to Terminal Link, a 51% joint-venture.

The line item "Waiver of equity share rights treated as a price adjustment" corresponds to the fact that a guaranteed dividend has been granted to China Merchant as part of the terminal disposal described in Note 3.1.2. The portion of such guarantee corresponding to the dividends that the Group is expected to waive to the benefit of China Merchant has been recorded as a reduction of the value of Terminal Link (see Note 3.1.2 & 8.1.1).

The line item "Share of (loss) / profit" corresponds to the Company's share in the profit or loss of its associates and joint ventures, which includes impairment losses recognized by associates and joint ventures where applicable.

During the financial year 2019:

- The change of control in CEVA as of January 4, 2019 resulted in the revaluation through profit and loss of the pre-existing ownership in CEVA at fair value for an amount of USD 96.5 million presented in "Fair value adjustment of newly controlled entities", and the derecognition of this investment for USD 547.4 million presented in line item "Transfer of carrying value of newly controlled entities";
- The line item "Acquisition of subsidiaries" corresponds to the contribution of Anji-CEVA for USD 201.0 million, valued at fair value at acquisition date; Anji-CEVA principally engages in contract logistics activities, including warehousing, distribution, transportation, domestic freight, technical consulting and training. Summarized financial statements of Anji-CEVA are presented in Note 7.3.4 of 2019 annual CFS.

The line item "reclassification to assets held-for-sale" relates to the reclassification, before closing of the transaction, of the stakes in 8 terminals and 1 logistic platform as part of the disposal projects disclosed in Notes 3.1.2 and Note 5.5.

As at June 30, 2020, the main contributors to investments in associates and joint ventures are as follows:

- 51% of Terminal Link Group for USD 280.9 million (USD 422.2 million as at December 31, 2019);
- 50% of Anji-CEVA for USD 193.8 million (USD 202.1 million as at December 31, 2019).

The investment in Global Ship Lease was impaired by USD 28.6 million to its market share value following the sharp decrease of the listed share price over the period. Management extensively reviewed the nature of its investment in GSL at balance sheet date and concluded that it does not exercise a significant influence anylonger based on (i) the recent transactions (until end of 2019) occurred on GSL capital which diluted CMA CGM to less than 10% and the fact that CMA CGM did not participate to these transactions also indicates a change to the nature of this investment and (ii) the fact that CMA CGM has no more access to information allowing to perform the equity accounting. Hence the investment in GSL has been recognized as a financial asset at fair value through profit and loss from March 31, 2020 onwards and as been reclassified as such as at March 31, 2020 for an amount of USD 11.3 million (see Note 6.2.1).

## 7.2 RELATED PARTY TRANSACTIONS

No new significant transaction has been entered into with related parties compared to the information disclosed in Note 7.5 of the 2019 annual CFS.

**Note 8 - Other Notes**

**8.1 PROVISIONS, EMPLOYEE BENEFITS AND CONTINGENT LIABILITIES**

Provisions can be analyzed as follows:

| | Litigation | Other risks and obligations | Provisions | *non current portion* | *current portion* | Employee benefits | *non current portion* | *current portion* |
|---|---|---|---|---|---|---|---|---|
| **As at December 31, 2018** | **145,2** | **259,5** | **404,7** | *332,7* | *72,0* | **184,6** | *182,4* | *2,2* |
| Additions for the period | 34,4 | 107,0 | **141,3** | | | **31,1** | | |
| Reversals during the period (unused) | (3,6) | (3,0) | **(6,6)** | | | **(0,2)** | | |
| Reversals during the period (used) | (82,3) | (112,5) | **(194,8)** | | | **(31,4)** | | |
| Impact of IFRS16 application | — | 23,6 | **23,6** | | | **—** | | |
| Reclassification | 7,4 | (112,3) | **(105,0)** | | | **(0,4)** | | |
| Acquisition of subsidiaries | 58,9 | 142,3 | **201,2** | | | **97,4** | | |
| Actuarial (gain) / loss recognized in the OCI | — | — | **—** | | | **11,7** | | |
| Foreign currency translation adjustment | (1,8) | (3,0) | **(4,7)** | | | **(2,3)** | | |
| **As at December 31, 2019** | **158,2** | **301,5** | **459,7** | *304,8* | *154,9* | **290,5** | *289,2* | *1,3* |
| Additions for the period | 21,1 | 74,7 | **95,7** | | | **13,4** | | |
| Reversals during the period (unused) | (5,8) | (13,4) | **(19,2)** | | | **—** | | |
| Reversals during the period (used) | (6,9) | (61,1) | **(68,0)** | | | **(9,6)** | | |
| Reclassification | 3,1 | (5,7) | **(2,6)** | | | **(2,0)** | | |
| Actuarial (gain) / loss recognized in the OCI | — | — | **—** | | | **15,4** | | |
| Foreign currency translation adjustment | (2,8) | (4,8) | **(7,6)** | | | **(3,6)** | | |
| **As at June 30, 2020** | **166,9** | **291,2** | **458,1** | *311,3* | *146,8* | **304,1** | *302,7* | *1,5* |

**8.1.1 Provisions for litigation and other risks and obligations**

***Litigation***

Provisions for litigation as at June 30, 2020 correspond to cargo related and other claims incurred in the normal course of business, including for CEVA (same as at December 31, 2019). None of these claims taken individually represents a significant amount.

While the outcome of these legal proceedings is uncertain, the Company believes that it has provided for all probable and estimable liabilities arising from the normal course of business, and therefore does not expect any un-provisioned liability arising from any of these legal proceedings to have a material impact on the results of operations, liquidity, capital resources or the statement of financial position.

***Other risks and obligations***

Provisions for other risks and obligations mainly include:

- Insurance provisions (mainly at CEVA) related to self-insurance schemes which represent estimates, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported at the balance sheet date on risks retained by the Group;
- Restructuring provisions including staff redundancy costs, and site closure costs;
- Provisions for onerous contracts, notably in contract logistics business where contracts and related commitments can last several years;
- Provisions for dismantling costs in relation to lease contracts amounting to USD 80.4 million (USD 87.1 million as at December 31, 2019) reflecting obligations liable to the lessee in certain container lease contracts to restore the leased asset before redelivering it to the lessor.

The terminals disposal transaction provides for the granting of guaranteed dividends to CMP over 8 years. Thus, TL is engaged to pay priority dividends to CMP. However, if TL is unable to pay these dividends, CMA Terminals Holding (CMA TH) becomes liable for the unpaid amount.

The commitment vary from 6.5% to 7.5% over the 8-year period and is based on the total equity investment made by CMP in Terminal Link in 2013 and 2020. Based on the latest estimate from Management on Terminal Link dividend distribution capacity, the present value of the guarantee has been estimated at USD 89.2 million at the closing date of the transaction (taking into account the 8 terminals closed at first closing) and recorded as a reduction of the gain on disposal. Such provision has been discounted at a risk-free rate and reflects (i) the dividends to be paid to CMP by CMA TH for an amount of USD 6.3 million recorded as a provision and (ii) the waiver of the dividend rights of CMA TH in favor of CMP for an amount of USD 82.9 million recorded as a reduction of the value of Terminal Link.

### 8.1.2 Provisions related to employee benefits

The detailed disclosures related to provision for employee benefits have been presented in Note 8.1.2 of the 2019 annual CFS. There has been no significant change applied in the interim condensed CFS.

### 8.1.3 Contingent liabilities

The Group is involved in a number of legal and tax disputes in certain countries, including but not limited to alleged breaches of competition rules. Some of these may involve significant amounts, the outcome of which being subject to a high level of uncertainty, that cannot be accurately quantified at the closing date.

Certain of the Group's entities are involved in tax audits and tax proceedings in various jurisdictions relating to the normal conduct of its business. While the outcome of these audits and proceedings is uncertain and can involve material amounts, Management recorded liabilities for uncertain income tax treatments and other non income tax risks; Management therefore does not expect any liability arising from these audits to have a material impact on its results.

Some companies in France are currently subject to tax inspections. No provision was recognized in this regard since, based on strong arguments and external advice, management believes that there should be no or limited final cash and/or accounting impacts of such inspections.

In all cases, the Group fully cooperates with the authorities.

The main contingent liabilities are as follows:

***Belgium customs***

CMA CGM was informed in February 2018 by the Belgian customs of the discovery of smuggled cigarettes in 2 sets of 7 containers ordered by a freight forwarder through CMA CGM's agency in Istanbul and shipped from Turkey to Rotterdam, while the documentation said to concern glassware.

Early 2020, the Belgium customs notified all parties involved in this investigation and asked for significant amounts of fines, taxes and penalties of which the portion to be incurred by CMA CGM, in the case of a negative outcome, cannot be assessed reliably.

Management and its advisors consider that the Company has numerous legal arguments to exclude its responsibility from this. CMA CGM is also currently discussing with its insurance companies the amounts that could be covered by them in the event of an ultimate negative outcome.

Management also considers that the procedure could last many years.

Given the above and in particular the fact that it is not possible to estimate reliably any financial liability, if any, that CMA CGM may incur as a result of these proceedings, no provision is included within these interim condensed CFS.

***CIL Related Proceedings (CEVA)***

CIL Limited (formerly CEVA Investments Limited), the former parent of CEVA Group Plc, is involved in a consensually filed liquidation proceeding in the Cayman Islands and an involuntary Chapter 7 proceeding in the Bankruptcy Court for the Southern District of New York. The Trustee in the Chapter 7 proceeding filed a claim against CIL Limited's former directors, CEVA Group Plc, and affiliated entities relating mostly to CEVA's recapitalization in 2013. In 2015 the defendants filed motions to dismiss certain of the claims asserted by the Trustee, and in January 2018, the Bankruptcy Court issued an order granting in part and denying in part the defendants' motions including dismissing the disputed payable claim against one of the defendants for lack of personal jurisdiction. In July 2018, the Trustee filed an amended complaint as well as a new action in the Netherlands related to the disputed payable claim against the entity that had been dismissed from the Bankruptcy Court action, and other CEVA-affiliated entities. The defendants and the Trustee have filed motions for summary judgment in the Bankruptcy Court action, which have been fully briefed and argued to the court. One of the creditors in the bankruptcy proceeding has also filed a claim against CEVA Logistics AG in New York state court related to CEVA's 2013 recapitalization. The Company cannot provide assurances regarding the outcome of these matters and it is possible that if the Trustee or the creditor were to prevail on their claims, the Company could incur a material loss in connection with those matters, including the payment of substantial damages and/or with regard to the matter in the bankruptcy court, the unwinding of the recapitalization in 2013. However, the Company believes the claims are without merit and intends to vigorously defend itself.

A former CEVA employee and CIL shareholder has asserted a putative class action against CEVA Group Plc, among others, in a U.S. District Court in the Middle District of Florida. Plaintiff claims that CEVA Group should have treated him differently in connection with the 2013 recapitalization. In January 2019, CEVA Group filed a motion to dismiss. The court has converted the motion to dismiss to a summary judgment motion and ordered the parties to proceed with summary judgment practice. While CEVA cannot provide assurances with respect to the outcome of this matter and it is possible that CEVA could incur a material loss, CEVA believes the claim is without merit and intends to vigorously defend itself.

At June 30, 2020, the Group (through CEVA) reports a net payable to CIL Limited, amounting to USD 14 million. This mainly relates to long term receivables included in the interim condensed consolidated statement of financial position and is included within trade and other payables.

### 8.2 OTHER CURRENT LIABILITIES

This line item includes the liability corresponding to the future cash-outflows in relation to the minimum dividend guaranteed to CMP as part of the disposal of the 49% stake in Terminal Link in June 2013. This liability amounts to USD 107.4 million (USD 107.7 million as at December 31, 2019), down USD 0.3 million due to FOREX impacts. The exact timing of the payment of such liability is not known to date.

### 8.3 COMMITMENTS

Apart from the information disclosed below and elsewhere in these interim condensed CFS, no new significant commitment has been entered into since the information disclosed in the 2019 annual CFS.

### 8.4 SIGNIFICANT SUBSEQUENT EVENTS

***Trade network rationalization***

Early July, the Group announced that CMA CGM aims to become in the coming months the Group's exclusive commercial carrier on the Transpacific trade and the sole global carrier of the Group. By capitalizing on the expertise, knowledge and footprint of its resources under CMA CGM, the Group will be able to serve its customers more effectively and focus on delivering complete, tailored solutions in the Transpacific market.

As a consequence, APL will no longer offer commercial services on the transpacific trade and will be mostly dedicated to provide U.S. Flag services as a long-time service partner for the U.S. Government and to solidify and enhance the Group's specialization in this key business offer. APL will also continue to operate intra-asia short sea services for the group under the CNC brand.

Mid 2016, the APL trademark had been identified as an intangible assets with indefinite useful life at the time of NOL acquisition. Due to the above strategic changes, it now becomes an amortizable intangible asset.

# CONSOLIDATED FINANCIAL STATEMENTS

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Year ended December 31, 2019

## Contents

## Consolidated Statement of Profit & Loss

*(in USD million, except for earnings per share)*

| | Note | For the year ended December 31, 2019 | 2018 |
|---|---|---|---|
| **REVENUE** | 4.1 | 30,254.2 | 23,476.2 |
| Operating expenses | 4.2 | (26,495.0) | (22,327.4) |
| **EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES** | | **3,759.2** | **1,148.7** |
| Gains / (losses) on disposal of property and equipment and subsidiaries | 4.3 | 15.2 | 27.5 |
| Depreciation and amortization of non-current assets | 5.1.2 & 5.2.1 | (2,717.9) | (634.0) |
| Other income and (expenses) | 4.4 | (68.6) | (15.6) |
| Operating exchange gain/loss | 2.4.2 | 103.9 | 8.2 |
| Net present value (NPV) benefits related to assets financed by tax leases | 4.5 | 49.9 | 46.8 |
| **EBIT BEFORE SHARE OF INCOME / (LOSS) FROM ASSOCIATES AND JOINT VENTURES** | | **1,141.7** | **581.7** |
| Share of income / (loss) from associates and joint ventures | 7.3 | 143.1 | (88.2) |
| **EBIT** | 4.1 | **1,284.8** | **493.5** |
| **CORE EBIT** | 4.1 | **1,136.7** | **602.2** |
| Interests expense on borrowings and lease liabilities | | (1,396.2) | (491.2) |
| Interests income on cash and cash equivalent | | 33.9 | 41.8 |
| Other net financial items | | 20.4 | 123.5 |
| **FINANCIAL RESULT** | 4.6 | **(1,341.9)** | **(325.9)** |
| **PROFIT / (LOSS) BEFORE TAX** | | **(57.1)** | **167.6** |
| Income taxes | 4.7 | (161.5) | (99.4) |
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | | **(218.6)** | **68.2** |
| **PROFIT / (LOSS) FOR THE YEAR** | | **(218.6)** | **68.3** |
| of which: | | | |
| Non-controlling interests | | 10.5 | 34.4 |
| **OWNERS OF THE PARENT COMPANY** | | **(229.1)** | **33.9** |
| *Basic and diluted Earnings Per Share (EPS) attributable to owners of the parent company (in USD)* | | *(15.2)* | *2.2* |

**Consolidated Statement of Comprehensive Income**

*(in USD million)*

| | Note | For the year ended December 31, 2019 | 2018 |
|---|---|---|---|
| **PROFIT / (LOSS) FOR THE YEAR** | | **(218.6)** | **68.3** |
| **Other comprehensive income / (loss) reclassifiable to Profit and Loss** | | | |
| Cash flow hedges: | | | |
| Effective portion of changes in fair value | | (16.7) | 14.2 |
| Reclassified to profit or loss | | 1.2 | 1.9 |
| Net investment hedge | 6.2.2 | 7.1 | 9.1 |
| Net investment hedge - Share of other comprehensive income of associates and joint ventures | 7.3.2 | 5.3 | 12.3 |
| Foreign operations - foreign currency translation differences | | 24.4 | (40.3) |
| Share of other comprehensive income of associates and joint ventures | 7.3.2 | (9.4) | (35.4) |
| **Other comprehensive income / (loss) non reclassifiable to Profit and Loss** | | | |
| Remeasurment of defined benefit pension plans | 8.1 | (11.7) | (3.8) |
| Remeasurement of defined benefit pension plans of associates and joint ventures | 7.3.2 | (0.1) | 0.2 |
| Tax on other comprehensive income non reclassifiable to Profit and Loss | 4.7.2 | 1.2 | (1.3) |
| Tax on other comprehensive income non reclassifiable to Profit and Loss - Associates and joint ventures | 7.3.2 | (0.0) | (0.1) |
| **TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX** | | **1.2** | **(43.1)** |
| **TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX** | | **(217.4)** | **25.1** |
| of which: | | | |
| Non-controlling interests | | 9.3 | 34.3 |
| Owners of the parent company | | (226.7) | (9.1) |

**Consolidated Statement of Financial Position - Assets**

*(in USD million)*

| | Note | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|---|
| Goodwill | 5.1.1 | 2,851.8 | 1,166.1 |
| Other intangible assets | 5.1.2 | 2,565.9 | 1,264.1 |
| **INTANGIBLE ASSETS** | | **5,417.8** | **2,430.2** |
| Vessels | 5.2.1 | 12,805.6 | 8,822.2 |
| Containers | 5.2.1 | 2,751.9 | 485.6 |
| Lands and buildings | 5.2.1 | 1,824.1 | 448.0 |
| Other properties and equipments | 5.2.1 | 384.2 | 485.4 |
| **PROPERTY AND EQUIPMENT** | 5.2.1 | **17,765.8** | **10,241.3** |
| Deferred tax assets | 4.7.2 | 158.9 | 63.4 |
| Investments in associates and joint ventures | 7.3 | 805.9 | 1,478.9 |
| Derivative financial instruments | 6.2 | 0.7 | 6.0 |
| Other non-current operating assets | 3.1 | 74.7 | — |
| Other financial assets | 6.3.1 | 320.6 | 448.0 |
| **NON-CURRENT ASSETS** | | **24,544.3** | **14,667.7** |
| Inventories | 5.4 | 542.9 | 528.7 |
| Trade and other receivables | 5.4 | 3,479.7 | 2,494.7 |
| Income tax assets | 5.4 | 63.3 | 45.0 |
| Derivative financial instruments | 6.2 | 12.4 | 5.6 |
| Securities and other financial assets | 6.3.2 | 193.4 | 144.4 |
| Cash and cash equivalents | 6.4 | 1,750.8 | 1,401.9 |
| Contract assets | 5.4 | 774.2 | 515.9 |
| Prepaid expenses | 5.4 | 392.3 | 499.6 |
| Assets classified as held-for-sale | 5.5 | 977.7 | 18.8 |
| **CURRENT ASSETS** | | **8,186.5** | **5,654.7** |
| **TOTAL ASSETS** | | **32,730.9** | **20,322.4** |

**Consolidated Statement of Financial Position - Liabilities & Equity**

*(in USD million)*

| | Note | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|---|
| Share capital | | 234.7 | 234.7 |
| Reserves and retained earnings | | 5,045.8 | 5,179.2 |
| Profit / (Loss) for the year attributable to owners of the parent company | | (229.1) | 33.9 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY** | | **5,051.5** | **5,447.8** |
| Non-controlling interests | | 82.1 | 77.2 |
| **TOTAL EQUITY** | | **5,133.6** | **5,525.0** |
| Borrowings and lease liabilities | 6.6 | 15,458.6 | 8,159.9 |
| Derivative financial instruments | 6.2 | 62.1 | 80.7 |
| Deferred tax liabilities | 4.7.2 | 420.7 | 103.8 |
| Provisions | 8.1 | 304.8 | 332.7 |
| Employee benefits | 8.1 | 289.2 | 182.4 |
| Other non-current liabilities | | 64.2 | 92.9 |
| **NON-CURRENT LIABILITIES** | | **16,599.7** | **8,952.4** |
| Borrowings and lease liabilities | 6.6 | 4,055.5 | 1,020.6 |
| Derivative financial instruments | 6.2 | 28.8 | 2.6 |
| Provisions | 8.1 | 154.9 | 72.0 |
| Employee benefits | 8.1 | 1.3 | 2.2 |
| Trade and other payables | 5.4 | 6,037.1 | 4,565.8 |
| Income tax liabilities | 5.4 | 95.2 | 96.1 |
| Deferred income | 5.4 | 98.5 | 85.6 |
| Other current liabilities | 8.2 | 107.7 | — |
| Liabilities associated with assets classified as held-for-sale | 5.5 | 418.6 | — |
| **CURRENT LIABILITIES** | | **10,997.6** | **5,845.0** |
| **TOTAL LIABILITIES & EQUITY** | | **32,730.9** | **20,322.4** |

## Consolidated Statement of changes in Equity

*(in USD million)*

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Reserves, retained earnings and Profit for the year | | | | | |
| | Share capital (i) | Bonds redeemable in shares (ii) | Premium, legal reserves, Profit / (Loss) for the year and other comprehensive income non reclassifiable to profit and loss | Other comprehensive income reclassifiable to profit and loss | **TOTAL** | **Non-controlling interests** | **Total Equity** |
| **Balance as at January 1, 2018** | **234.7** | **56.5** | **5,350.2** | **(110.5)** | **5,530.9** | **89.5** | **5,620.4** |
| Profit / (Loss) for the year | — | — | 33.9 | — | **33.9** | 34.4 | **68.3** |
| Other comprehensive income / (expense), net of tax | — | — | (4.3) | (38.7) | **(43.0)** | (0.1) | **(43.1)** |
| **Total comprehensive income / (expense) for the year** | **—** | **—** | **29.5** | **(38.7)** | **(9.1)** | **34.3** | **25.1** |
| Transaction with non-controlling interests | — | — | 6.7 | (0.6) | **6.1** | (18.1) | **(12.0)** |
| Dividends | — | — | (80.0) | — | **(80.0)** | (29.8) | **(109.8)** |
| **Total transactions with Shareholders** | **—** | **—** | **(73.3)** | **(0.6)** | **(73.9)** | **(46.5)** | **(120.4)** |
| **Balance as at December 31, 2018** | **234.7** | **56.5** | **5,306.5** | **(149.8)** | **5,447.8** | **77.2** | **5,525.0** |
| **Balance as at December 31, 2018** | **234.7** | **56.5** | **5,306.5** | **(149.8)** | **5,447.8** | **77.2** | **5,525.0** |
| IFRS16 Initial equity impact | — | — | 14.6 | — | **14.6** | — | **14.6** |
| **Balance as at January 1, 2019** | **234.7** | **56.5** | **5,321.1** | **(149.8)** | **5,462.4** | **77.2** | **5,539.5** |
| Profit / (Loss) for the year | — | — | (229.1) | — | **(229.1)** | 10.5 | **(218.6)** |
| Other comprehensive income / (expense), net of tax | — | — | (10.3) | 12.7 | **2.3** | (1.2) | **1.2** |
| **Total comprehensive income / (expense) for the year** | **—** | **—** | **(239.4)** | **12.7** | **(226.7)** | **9.3** | **(217.4)** |
| Acquisition of subsidiaries | — | — | — | — | **—** | 1,151.8 | **1,151.8** |
| Transaction with non-controlling interests | — | — | (97.3) | 1.1 | **(96.1)** | (1,130.3) | **(1,226.4)** |
| Share based compensation reserve | — | — | (8.0) | — | **(8.0)** | — | **(8.0)** |
| Dividends | — | — | (80.0) | — | **(80.0)** | (25.9) | **(105.9)** |
| **Total transactions with Shareholders** | **—** | **—** | **(185.3)** | **1.1** | **(184.1)** | **(4.4)** | **(188.6)** |
| **Balance as at December 31, 2019** | **234.7** | **56.5** | **4,896.4** | **(136.0)** | **5,051.5** | **82.1** | **5,133.6** |

(i) The share capital is constituted of (i) 10,578,355 ordinary shares held by MERIT Corporation, its shareholders and related persons, (ii) 3,626,865 ordinary shares held by Yildirim and (iii) 1 preference share held by the Banque Publique d'Investissement (Bpifrance formerly FSI) for a total of 14,205,221 shares.

(ii) Bonds redeemable in shares correspond to the equity portion of the bonds mandatorily redeemable in ordinary shares, subscribed in June 2013 by Bpifrance. Such bonds should be redeemed as at December 31, 2020, representing 6% of the Company's ordinary shares upon conversion on a fully diluted basis.

*Acquisition of subsidiaries and transaction with non-controlling interests*

As at acquisition date (January 4, 2019, see Note 3.1), the Company owned 32.94% of CEVA share capital; due to the full goodwill method of accounting, the fair value of non-controlling interests is reflected at acquisition date. As at December 31, 2019, as the tender offer has been settled, the Company reached an ownership of 100% of CEVA shares, transaction recorded as a transaction with non-controlling interests.

## Consolidated Statement of Cash Flows

*(in USD million)*

| | Note | For the year ended December 31, 2019 | 2018 |
|---|---|---|---|
| **Profit / (Loss) for the year** | | **(218.6)** | **68.2** |
| **Reconcilation of profit / (loss) for the year to cash generated from operations:** | | | |
| - Depreciation and amortization | 5.2.1 | 2,717.9 | 634.0 |
| - Net present value (NPV) benefits related to assets financed by tax leases | | (49.9) | (46.8) |
| - Other income and expense | 4.4 | 68.6 | 15.6 |
| - Increase / (Decrease) in provisions | | (96.5) | (51.5) |
| - Loss / (Gains) on disposals of property and equipment and subsidiaries | 4.3 | (15.2) | (27.5) |
| - Share of (Income) / Loss from associates and joint ventures | 7.3 | (143.1) | 88.1 |
| - Interest expenses on net borrowings and lease liabilities | | 1,348.9 | 448.5 |
| - Income tax | 4.7 | 161.5 | 99.4 |
| - Other non cash items | | 0.5 | (89.9) |
| **Changes in working capital** | 5.4 | **(15.3)** | **167.3** |
| **Cash flow from operating activities before tax** | | **3,758.8** | **1,305.5** |
| - Income tax paid | | (198.9) | (105.0) |
| **Cash flow from operating activities net of tax** | | **3,559.9** | **1,200.5** |
| Purchases of intangible assets | 5.1.2 | (83.8) | (79.7) |
| Business combinations, transaction with non controlling interests, net of cash acquired / divested | 3.1 | (853.0) | (247.0) |
| New investments in associates and joint ventures | 7.3 | — | (522.6) |
| Purchases of property and equipment | 5.2.1 | (522.9) | (426.8) |
| Proceeds from disposal of property and equipment | | 138.6 | 167.8 |
| Dividends received from associates and joint ventures | 7.3 | 28.9 | 18.1 |
| Cash flow resulting from other financial assets | | 24.3 | 125.4 |
| Variation in securities | | 18.0 | 1.2 |
| **Net cash (used in) / provided by investing activities** | | **(1,250.0)** | **(963.6)** |
| **Free Cash Flow** | **5.6** | **2,310.0** | **236.9** |
| Dividends paid to the owners of the parent company and non-controlling interest | | (20.0) | (184.4) |
| Proceeds from borrowings, net of issuance costs | 6.6 | 3,012.0 | 994.1 |
| Repayments of borrowings | 6.6 | (2,625.7) | (540.2) |
| Cash payments related to principal portion of leases | 6.6 | (1,834.8) | (63.1) |
| Interest paid on net borrowings | | (546.1) | (346.7) |
| Cash payments related to interest portion of leases | | (692.2) | (47.5) |
| Refinancing of assets, net of issuance costs | 6.6 | 769.7 | 54.0 |
| Other cash flow from financing activities | | (67.5) | 2.6 |
| **Net cash (used in) / provided by financing activities** | **6.7** | **(2,004.6)** | **(131.2)** |
| Effect of exchange rate changes on cash and cash equivalents and bank overdrafts | | (22.2) | (16.8) |
| **Net increase / (decrease) in cash and cash equivalents and bank overdrafts** | | **283.1** | **88.9** |
| **Cash and cash equivalents and bank overdrafts at the beginning of the year** | | **1,314.8** | **1,226.0** |
| Cash and cash equivalents as per balance sheet | | 1,750.8 | 1,401.9 |
| Cash reported in assets held-for-sale | | 4.1 | — |
| Bank overdrafts | | (156.9) | (87.1) |
| **Cash and cash equivalents and bank overdrafts at the end of the year** | 6.4 | **1,598.0** | **1,314.8** |
| **Net increase / (decrease) in cash and cash equivalents and bank overdrafts** | | **283.1** | **88.9** |
| Supplementary information: non cash investing or financing activities: | | | |
| *- Assets acquired through financial debt or equivalents* | 5.2.1 | *1,756.9* | *54.0* |
| Supplementary information: Interest paid on net borrowings | | | |
| *- Interests received* | | *29.8* | *44.2* |
| *- Interests paid excluding interest on leases* | | *(575.9)* | *(438.4)* |

## Notes to the Consolidated Financial Statements

### Note 1 - Corporate information

The Consolidated Financial Statements ("CFS") of CMA CGM S.A. ("CMA CGM") and its subsidiaries (hereafter referred to together as "the Group" or "the Company") for the year ended December 31, 2019 were approved by the Board of Directors on March 6, 2020, subject to the approval by the shareholders during the next Annual General Meeting.

The Group operates primarily in the international containerized transportation of goods and in logistics business, through the end-to-end Freight Management and Contract Logistics solutions operated by CEVA. Other activities mainly include container terminal operations.

CMA CGM S.A. is a limited liability company ("Société Anonyme") incorporated and located in France. The address of its registered office is Boulevard Jacques Saadé, 4 Quai d'Arenc, 13235 Marseille Cedex 2, France.

### Note 2 - General accounting principles

Starting from Note 4, the accounting principles have been highlighted in blue.

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of CMA CGM have been prepared under the historical cost basis, with the exception of financial assets measured at fair value, securities, derivative financial instruments and net assets acquired through business combinations which have all been measured at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods.

#### 2.1.1 Statement of compliance

The CFS of CMA CGM have been prepared in accordance with IFRS as adopted by the European Union ("EU").

IFRSs can be found at: https://eur-lex.europa.eu/legal-content/FR/TXT/?uri=LEGISSUM%3Al26040

IFRSs include the standards approved by the IASB, that is, IAS and accounting interpretations issued by the IFRS IC or the former IFRIC (until 2010) and SIC (until 2002).

#### 2.1.2 Basis of consolidation

The CFS comprise:

- The financial statements of CMA CGM;
- The financial statements of its subsidiaries, including CEVA Group (see Note 3.1); and
- The share in the net result and the net assets of associates and joint ventures.

The CFS are presented in U.S. Dollar ("USD"), which is also the currency of the primary economic environment in which CMA CGM operates (the "functional currency"). The functional currency of the shipping activities is U.S. Dollar, except for certain regional carriers. This means that, among other things, the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortization are maintained in USD from the date of acquisition. For other activities, the functional currency is generally the local currency of the country in which such activities are operated.

All values are rounded to the nearest million (USD 000,000) with a decimal unless otherwise indicated.

### 2.2 CHANGE IN ACCOUNTING POLICIES AND NEW ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these CFS have been applied consistently with those described in the annual financial statements for the year ended December 31, 2018, except as outlined in the paragraphs below.

### 2.2.1 Adoption of new and amended IFRS and IFRS IC interpretations from January 1, 2019

***IFRS 16: Leases: adopted by the European Union on November 9, 2017; effective date January 1, 2019 with earlier application permitted***

***Principles, transition method and options***

The Group has adopted IFRS 16 using the modified retrospective transition method, as permitted by the standard. Hence, comparative information have not been restated. The cumulative effect of IFRS 16 initial application is recognized as an adjustment to the opening values of retained earnings as at January 1, 2019.

The application of IFRS 16 has a material impact on amounts reported in respect of the Group's non-current assets and financial liabilities, given the magnitude of the Group's operating lease arrangements. Under the former standard, expenses from operating lease contracts were recognized in the income statement on a straight-line basis under chartering expenses, logistic expenses, general and administrative and other operating expenses. Since IFRS 16 has come into effect as at January 1, 2019, the expenses from operating lease contracts consists in the recognition of a depreciation charge of the right-of-use assets on a straight-line basis and the recognition of an interest expense on lease liabilities.

The Group primarily enters into leases with respect of vessels, containers, real estate and terminal concessions.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the CMA CGM's incremental borrowing rates, at transition date.

In applying IFRS 16, the group used the following practical expedients permitted by the standard:

- Grandfathering the pre-existing lease definition retained under the previous IAS 17 standard;
- Reliance on previous assessments on whether leases are onerous;
- Application of short-term exemption for operating leases with a remaining lease term of less than 12 months as at January 1, 2019; Such exemption consisting in excluding leases with a lease term of less than one year has been applied to new contracts entered into after January 1, 2019;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At transition date, the right-of-use ("ROU") assets were measured at the amount equal to the residual lease liability, adjusted by (i) the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018, (ii) the initial direct costs, (iii) the provisions for dismantling costs and onerous contracts, (iv) the dry dock components, (v) the financial positions related to the measurement at fair value of operating lease contracts acquired through previous business combinations and (vi) deferred gains recognized as at December 31, 2018. Subsequently, ROU are measured at cost less cumulated depreciation, impairment and certain remeasurement of the lease liabilities due to modifications.

When lease agreements include both lease and non-lease components, the Company separated both components based on their relative stand-alone price. This split was primarily applicable for vessel chartering contracts in order to exclude the running costs from the rental expense and thus determine a bareboat equivalent lease component.

*Recent IFRIC position related to lease term and useful life of leasehold improvements*

In assessing whether a lessee is reasonably certain to extend (or not to terminate) a lease, IFRS 16 requires an entity to consider all relevant facts and circumstances that create an economic incentive for the lessee. This includes significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract that are expected to have significant economic benefit for the lessee when an option to extend or terminate the lease becomes exercisable.

In addition, as noted above, an entity considers the broader economics of the contract when determining the enforceable period of a lease. This includes, for example, the costs of abandoning or dismantling non-removable leasehold improvements. If an entity expects to use non-removable leasehold improvements beyond the date on which the contract can be terminated, the existence of those leasehold improvements indicates that the entity might incur a more than insignificant penalty if it terminates the lease. Consequently, applying IFRS 16, an entity considers whether the contract is enforceable for at least the period of expected utility of the leasehold improvements.

As a consequence of this IFRIC position, the Group may have to reassess certain lease terms in 2020 but does not expect material impacts.

***Effects of first-time adoption of IFRS 16***

As a consequence of the new classification of expenses mentioned above, the Group's EBITDA margin and Core EBIT margin, excluding CEVA, improved by respectively USD 1,855.3 million and USD 326.3 million for the year ended December 31, 2019 (see Note 3.1.1).

As at January 1, 2019, the measurement of IFRS 16 lease liabilities amounted to USD 6.9 billion, excluding pre-existing finance leases:

- The lease liability of equivalent bareboat commitments under vessel operating leases amounts to USD 4.1 billion;
- The lease liability corresponding to commitments under container operating leases amounts to USD 2.4 billion;
- The lease liability corresponding to commitments under terminal concession operating leases amounts to USD 0.2 billion; and
- The lease liability corresponding to commitments under real estate and other operating leases amounts to USD 0.2 billion.

There has been no material impact regarding pre-existing finance leases, for which the carrying amount of assets and liabilities reported as at December 31, 2018 have been maintained under IFRS 16 at transition date in accordance with the new standard.

As mentioned above, a provision for dismantling costs has been recognized in the containers right-of-use assets, accounted and measured in accordance with IAS 37, in order to reflect obligations liable to the lessee in certain container lease contracts to restore the leased assets before redelivering it to the lessor.

The application of IFRS16 had the following impact on the Group's statement of financial position at transition date:

| | As at December 31, 2018 | IFRS 16 application | As at January 1, 2019 |
|---|---|---|---|
| **INTANGIBLE ASSETS** | **2,430.2** | | **2,430.2** |
| Vessels | 8,822.2 | 4,171.1 | 12,993.3 |
| Containers | 485.6 | 2,437.7 | 2,923.3 |
| Lands and buildings | 448.0 | 152.2 | 600.2 |
| Other properties and equipments | 485.4 | 219.7 | 705.1 |
| **PROPERTY AND EQUIPMENT** | **10,241.3** | **6,980.7** | **17,221.9** |
| Investments in associates and joint ventures | 1,478.9 | (13.9) | 1,465.1 |
| **NON-CURRENT ASSETS** | **14,667.7** | **6,966.8** | **21,634.5** |
| Trade and other receivables | 2,494.7 | — | 2,494.7 |
| Contract assets | 515.9 | — | 515.9 |
| Prepaid expenses | 499.6 | (189.8) | 309.8 |
| **CURRENT ASSETS** | **5,654.7** | **(189.8)** | **5,464.9** |
| **TOTAL ASSETS** | **20,322.4** | **6,777.0** | **27,099.4** |
| Reserves and retained earnings | 5,179.2 | 14.6 | 5,193.8 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY** | **5,447.8** | **14.6** | **5,462.4** |
| **TOTAL EQUITY** | **5,525.0** | **14.6** | **5,539.6** |

| | As at December 31, 2018 | IFRS 16 application | As at January 1, 2019 |
|---|---|---|---|
| Borrowings and lease liabilities | 8,159.9 | 5,768.0 | 13,927.9 |
| Provisions | 332.7 | 34.7 | 367.4 |
| Other non-current liabilities | 92.9 | (63.6) | 29.3 |
| **NON-CURRENT LIABILITIES** | **8,952.4** | **5,739.1** | **14,691.5** |
| Borrowings and lease liabilities | 1,020.6 | 1,144.6 | 2,165.3 |
| Provisions | 72.0 | (11.9) | 60.2 |
| Trade and other payables | 4,565.8 | (37.1) | 4,528.7 |
| Deferred income | 85.6 | (72.3) | 13.3 |
| **CURRENT LIABILITIES** | **5,845.0** | **1,023.4** | **6,868.4** |
| **TOTAL LIABILITIES & EQUITY** | **20,322.4** | **6,777.0** | **27,099.5** |

Regarding the impact of IFRS 16 on CEVA, information is not included in the table above as the acquisition date is subsequent to IFRS 16 application date. However, CEVA applied IFRS 16 using similar principles than CMA CGM in all material aspects and recognized lease liabilities and right-of-use for an amount of USD 1.3 billion. Had CEVA been consolidated as at January 1, 2019, the impact of IFRS 16 in terms of lease liabilities would have been USD 8.2 billion.

IFRS 16 impacts on the statement of Profit and loss, statement of Financial Position and statement of Cash Flows, including impacts on CEVA, are disclosed in Note 3.1.1.

The reconciliation between the opening balance of lease liabilities as at January 1, 2019 and the commitments under operating leases reported in Note 8.2.1 of 2018 CFS can be presented as follows:

| | |
|---|---|
| **Operating leases commitments as at December 31, 2018 - not discounted (*)** | **8,529.6** |
| Short-term leases recognized as an expense on a straight-line basis | n.a. |
| Contracts reassessed as service contracts | n.a. |
| Leases of low-value assets recognised as an expense on a straight-line basis | n.a. |
| Termination fees included in lease liability - before discounting effect | 145.2 |
| Redelivery period (beyond lease termination date) not included in FY18 commitments - before discounting effect | 337.3 |
| Difference in termination date for specific container contracts for which the reasonably certain termination date was not consistent with IFRS 16 requirements in FY18 commitments - before discounting effect | 117.8 |
| Short-term leases recognized due to contractual purchase option | 59.0 |
| Other adjustments | 68.8 |
| Discount effect in accordance with IFRS 16 (fine-tuned compared to discount effect disclosed in FY18 commitments) | (2,345.1) |
| **Lease liabilities recognized as at January 1, 2019 (**)** | **6,912.6** |
| Finance lease liabilities recognized as at December 31, 2018 - discounted | 987.4 |
| **Total lease liabilities recognized as at January 1, 2019** | **7,900.0** |

*(*) Corresponds to undiscounted operating lease commitments disclosed in the 2018 CFS for vessels, containers, concession fees and real estate*

*(**) Of which:*

| | |
|---|---|
| *Non-current lease liabilities* | *5,768.0* |
| *Current lease liabilities* | *1,144.6* |

***In-substance purchase***

The IASB decided not to provide requirements in IFRS 16 to distinguish a lease from a sale or purchase of an asset. Whereas, in accordance with the Basis for conclusions BC139, the IASB observed that:

- the accounting for leases that are similar to the sale or purchase of the underlying asset would be similar to that for sales and purchases applying the respective requirements of IFRS 15 and IAS 16
- accounting for a transaction depends on the substance of that transaction and not its legal form.

Consequently, if a contract grants rights that represent the in-substance purchase of an item of property, plant and equipment, those rights meet the definition of property, plant and equipment in IAS 16 and would be accounted for applying that Standard, regardless of whether legal title transfers. If the contract grants rights that do not represent the in-substance purchase of an item of property, plant and equipment but that meet the definition of a lease, the contract would be accounted for applying IFRS 16.

4 vessel lease contracts have been recorded as in-substance puchase as the related contracts provide for a purchase obligation at the end of the lease term, which only changes the classification of the related assets and liabilities.

***Deferred tax***

The Group has decided to apply the exemption provided by IAS 12.15 & 24 regarding deferred tax: hence, no deferred tax has been recognized on potential differences between IFRS reporting and statutory or tax books (see Note 4.7.2).

***Lease term & options***

In assessing the lease terms, Management assessed existing purchase options, redelivery conditions, renewal, extension and termination options, taking into account economic and any other relevant factors in order to determine whether those existing options are reasonably certain to be exercised or not.

This assessment is made on a quarterly basis in order to assess any changes in Management's intention. These changes can modify the lease term or the option status and lead to a change in the value of lease liabilities, among others.

The lease term also takes into account the redelivery period for vessels and the build-down period for containers that are part of the enforceable period of the leases, based on historical statistics and contractual provisions. These elements will be reassessed on a yearly basis.

***Discount rate***

The Group uses the incremental borrowing rates method to determine the discount rates for all the leases. These rates are determined according to several criteria including mainly the asset category, the duration (for the avoidance of doubt, different from lease term), the age of the assets, the lease currency etc…

The weighted average discount rate used at transition was 8.9%.

The discount rates are updated quarterly.

***Impairment***

Impairment testing of right-of-use assets follows the same principles than other property and equipment (see Note 5.3).

***IFRIC 23: Uncertainty over Income Tax Treatments***

**IFRIC 23 clarifies the principles of uncertain tax treatments included in the scope of IAS 12 "Income taxes." In essence, it assumes that tax authorities will examine all uncertain tax treatments and will have full knowledge of all related information when doing so. Hence, a tax liability should be recognized when it is probable that the tax authority will refuse the tax treatment.**

**In applying IFRIC23, Management extensively reviewed its tax risks included in the scope of the interpretation and concluded that no additional liability would have to be recognized. CEVA also applied such interpretation and requalified tax risks under the interpretation for an amount of USD 24.9 million as at January 1, 2019, reduced at USD 18.5 million as at December 31, 2019.**

*Amended Standards with non-significant impact*

**The following amended Standards did not have any significant impact on the Group's CFS and performance:**

***Prepayment Features with Negative Compensation (Amendments to IFRS 9)***

**This amendment modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.**

***Amendments to IAS 28: Long-term interests in associates and joint-ventures***

**This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.**

***Annual Improvements to IFRS Standards 2015-2017 Cycle***

**Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

**If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.**

**2.2.2 New IFRS and IFRS IC interpretations effective for the financial year beginning after January 1, 2019, endorsed by the European Union and not early adopted**

***Amendments to IAS 1 and IAS 8: Definition of Material***

These amendments to IAS 1 and IAS 8 clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards themselves.

Amendments endorsed but without earlier application permitted:

The following amendments have been recently endorsed by the European Union with an effective date on January 1, 2020, and without earlier application permitted and are not expected to have a material impact on the Group's CFS:

***Amendments to References to the Conceptual Framework in IFRS Standards***

**2.2.3 New IFRS and IFRS IC interpretations effective for the financial year beginning on or after January 1, 2019 and not yet endorsed by the European Union**

- *New IFRS and IFRS IC interpretations effective for the financial year beginning on January 1, 2019 and not yet endorsed by the European Union*

***IFRS 14: Regulatory Deferral Accounts***

**The endorsement process of this interim standard has been suspended until the publication of the final IFRS standard.**

- *New IFRS and IFRS IC interpretations effective for the financial year beginning after January 1, 2019 and not yet endorsed by the European Union*

**The impacts of the following new or amended Standards are currently being assessed by the Company:**

***IFRS 17: Insurance contracts***

***Amendments to IFRS 3 Business Combinations***

***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***

### 2.2.4 Change of presentation

**For a better measurement of operating profitability, Management decided to exclude operating exchange gains / (losses) from EBITDA and to classify them below EBITDA and within EBIT, and excluded from Core EBIT. Such operating exchange gain / (losses) have been restated in the comparative period for better comparison.**

## 2.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the CFS requires the use of judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date.

Although these CFS reflect management's best estimates based on information available at the time of the preparation of these financial statements, the outcome of transactions and actual situations could differ from those estimates due to changes in assumptions or economic conditions.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2018 annual CFS, have been described in the below mentionned notes of the annual CFS and are as follows:

- Judgments used for the purpose of the purchase price allocation in a business combination (see Note 3.1);
- Judgments used for the purpose of determining the operating segments (see Note 4.1);
- Judgments and estimates used for the accounting of NPV benefits related to assets financed by tax leases (see Note 4.5);
- Deferred income tax assets related to tax losses carried forward (see Note 4.7.2);
- Impairment of non-financial assets (see Note 5.3);
- Determination of the vessels useful lives and residual values (see Note 5.2);
- Demurrage receivables, accruals for port call expenses, transportation costs and handling services (see Note 5.4);
- Assessment of whether the lease contract options (purchase, extension, renewal and early termination…) are reasonably certain to be exercised or not and assessment of other items which may affect the lease term (see Note 5.2);
- Judgments used for the purpose of determining the consolidation scope (see Note 7.1);
- Significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures (see Note 7.3.1); and
- Judgments and estimates made in determining the risk related to cargo and corporate claims and related accounting provisions (see Note 8.1).

## 2.4 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

### 2.4.1 Translation of financial statements of foreign entities

The financial statements of foreign entities are translated into the presentation currency on the following basis:

- Assets and liabilities are translated using the closing exchange rate;
- The Statement of Profit & Loss is translated at the average exchange rate for the reporting period;
- The results of translation differences are recorded as "Currency translation differences" within other comprehensive income; and
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recorded within other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognized in the statement of Profit & Loss as part of the gain or loss on sale.

### 2.4.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income when qualified as cash flow hedges or net investment hedge.

Foreign exchange gains and losses relating to operating items (mainly trade receivables and payables) are recorded in the line item "Operating exchange gains / (losses), net" within "Operating expenses". Foreign exchange gains and losses relating to financial items are recorded in the line item "Foreign currency income and expense" within the financial result.

Exchange rates used for the translation of significant foreign currency transactions against one USD are as follows:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Euro | 0.89015 | 0.87336 | 0.89309 | 0.84721 |
| British pound sterling | 0.75734 | 0.78122 | 0.78350 | 0.74958 |
| Australian Dollar | 1.42380 | 1.41659 | 1.43800 | 1.33857 |
| Chinese Yuan | 6.96146 | 6.87782 | 6.90930 | 6.61692 |
| Singapore Dollar | 1.34511 | 1.36166 | 1.36427 | 1.34922 |

## Note 3 - Business combinations and significant events

### 3.1 BUSINESS COMBINATIONS

*(a) Significant judgments and estimates*

In accordance with IFRS 3, all acquired assets, liabilities and contingent liabilities assumed have been measured at fair value according to IFRS 13 principles. The valuation methods used to determine the fair values of the main assets and liabilities are as follows:

- **Market comparison method**: This valuation method considers the prices observable on the principal market of similar assets if these are available. This method was mainly used for the valuation of the acquired vessels and other property and equipment, as well as for the measurement of advantageous and disadvantageous contracts;
- **Discounted cash flow method:** This valuation method considers future cash flows and appropriate discounting valuation to measure the present value of assets and liabilities for which there is no market data. Such valuation is based on observable data to the extent possible.
- **Income approach:** this valuation consists in both (i) the relief from royalty method applied to the valuation of brands and (ii) the excess earnings method applied to the valuation of customer contracts and terminal concession rights.

### 3.1.1 Acquisition of CEVA

***Description of the transaction***

On May 3, 2018, the Group invested in CEVA ("CEVA"), a global leading player in the logistics sector, at the time of CEVA's initial public offering (IPO). This investment initially took the form of convertible bonds, subsequently converted into CEVA common shares on August 13, 2018, upon obtaining all the requisite regulatory approvals. CMA CGM's investment then represented 24.99% of CEVA's capital. At an IPO price of CHF 27.5 per share, CMA CGM's investment amounted to CHF 379 million (or USD 381 million).

On October 17, 2018, the Group acquired additional shares increasing its stake by 7.95%, for a total of 32.94%. These investments gave CMA CGM two seats on CEVA's Board of Directors, thus granting the Group a significant influence. Hence, the investment has been recognized as an associate until December 31, 2018.

The Group also secured 17.6% ownership through derivative instruments, the last one being entered into on January 4, 2019 representing 5% of CEVA shares, thus reaching 50.6% of economic exposure as of January 4, 2019, which has been defined as the acquisition date in accordance with IFRS 3.

The Group announced on October 25, 2018, its intention to make a tender offer to the shareholders of CEVA AG at CHF 30 per share. Such tender offer has been opened on January 28, 2019 and closed on April 2, 2019, which resulted in a total participation corresponding to 96.65% of CEVA shares and voting rights at the end of the offer. The Group then continued to purchase some CEVA shares over the market, thus reaching a 99.60% ownership as at September 30, 2019.

The settlement of derivatives as well as tender offer occurred in April, for a total consideration of USD 1,188.1 million, partly financed through the drawdown of a USD 725 million acquisition facility maturing in 1.5 years with early repayment incentive options.

With the purpose of acquiring 100% of the issued CEVA shares, CMA CGM S.A. has submitted an application for the cancellation of the remaining CEVA shares in accordance with Art. 137 of the Financial Market Infrastructure Act (FMIA) with the Supreme Courts of the Canton of Zug on 7 May 2019. By decision dated 12 September, the High Court Canton of Zug cancelled all publically held registered shares of CEVA AG with a par value of CHF 0.10 each. The delisting process of CEVA AG was finalized mid-October with the payment of the residual shares held by minorities.

The total consideration paid in 2018 and 2019 to acquire 100 % of CEVA shares amounted to USD 1.7 billion.

The USD 725 million acquisition facility has been partially refinanced through certain operations disclosed in Note 6.6 and amounts to USD 192.8 million as at December 31, 2019 (see Note 8.4 for subsequent evolution).

Besides, the disposal of most of CMA CGM logistics activities to CEVA was closed on May 2, 2019, for a total consideration of USD 105 million, for which CMA CGM granted a one year vendor loan to CEVA. Such operation did not have any material impact to these CFS as it occurred within the new Group.

***Consideration paid, purchase price allocation ("PPA") and final goodwill***

At acquisition date, the consideration paid, the measurement at fair value of the assets acquired and liabilities assumed and the resulting full goodwill can be presented as follows (in USD million) :

| | | In USD million |
|---|---|---|
| **Total consideration for 32.94% stake in CEVA Logistics at acquisition date** | **A** | **507.7** |
| **Cash acquired - Cash and cash equivalents of CEVA Logistics at acquisition date** | **B** | **368.4** |
| **Cash consideration paid for 32.94% stake in CEVA Logistics, net of cash acquired, at acquisition date** | **C = A (-) B** | **139.3** |
| **Identifiable assets acquired** | | |
| Trademarks gross | | 172.0 |
| Customer relationships gross | | 1,139.0 |
| Software licences and other intangible | | 13.0 |
| Other intangible assets | | 54.7 |
| Lands and buildings (*) | | 1,268.2 |
| Other property and equipment (*) | | 102.8 |
| Associates and joint ventures | | 201.0 |
| Deferred tax assets | | 105.6 |
| Other non current assets | | 130.1 |
| Inventories | | 6.0 |
| Working capital - assets | | 1,353.5 |
| **Liabilities assumed** | | |
| Non controlling interests | | 1.0 |
| Non current borrowings and lease liabilities (*) | | 2,401.1 |
| Deferred tax liabilities | | 329.1 |
| Non current provisions (*) | | 217.1 |
| Other non current liabilities | | 35.8 |
| Current provisions | | 81.6 |
| Current borrowings and lease liabilities (*) | | 384.3 |

| | | In USD million |
|---|---|---|
| Current derivatives | | 13.7 |
| Working capital - liabilities (*) | | 1,434.9 |
| **Fair value of net assets acquired** | **D** | **(352.6)** |
| **Fair value of non controling interests at acquisition date** | **E** | **1,150.6** |
| **Remeasurement of previously acquired shares** | **F** | **46.0** |
| **Goodwill** | **C (-) D (+) E (+) F** | **1,688.5** |

(*) *Including first time application IFRS 16*

As stated above, this table is based on a 32.94% ownership at acquisition date and non-controlling interests have been measured at fair value (full goodwill).

**The main estimates and principles used for the purpose of performing the purchase price allocation are as follows:**

- The consideration transferred for the acquisition as well as non-controlling interests correspond to the cash paid or payable at the time of acquisition;
- As the intention of CMA CGM SA was to obtain the full control of CEVA, management decided to apply the full goodwill option in accordance with IFRS 3. The shares acquired after the acquisition date are treated as transactions with non-controlling interests.
- Excluding debt issuance costs, acquisition-related costs were incurred in the course of the transaction; these were recognised as "other income and expenses" (see Note 4.4), out of EBITDA and Core EBIT.
- Prior to the acquisition date, the Company had invested in CEVA, such investment being treated as an investment in associate till acquisition date, including the Group's share in CEVA's 2018 losses. Such investment has been revalued at fair value at acquisition date, resulting in a revaluation gain amounting to USD 96.6 million reported as a share of income in associates into the consolidated statement of Profit & Loss.

In accordance with IFRS 3, all acquired assets, liabilities and contingent liabilities assumed have been measured at fair value. The valuation methods used to determine the fair values of the main assets and liabilities mainly consisted in incremental cash flow method and discounted cash flow method in order to assess the CEVA trademark and customer relationships.

The purchase price allocation has resulted in the recognition of a final goodwill of USD 1,688.5 million, mainly explained by the value of future customer relationships, additional synergies and assembled workforce.

*Contribution of CEVA and IFRS 16 first time application to the Profit and loss for the year ended December 31, 2019*

| | For the year ended December 31, 2019 | | | | | | For the year ended December 31, 2018 | For the year ended December 31, VARIANCE |
|---|---|---|---|---|---|---|---|---|
| | Consolidated Statement of Profit & Loss | CEVA Contribution excluding IFRS 16 | CEVA - IFRS 16 application | CMA CGM stand-alone IFRS 16 application | Eliminations | CMA CGM stand alone Profit & Loss excluding CEVA and IFRS 16 impacts | Published Consolidated Statement of Profit & Loss | |
| | A | B | C | D | E | F = A (-) B (-) C (-) D (-) E | G | F (-) G |
| **REVENUE** | 30,254.2 | 7,121.7 | — | — | (160.1) | 23,292.6 | 23,476.2 | (183.6) |
| Operating expenses | (26,495.0) | (6,983.1) | 405.8 | 1,855.3 | 160.1 | (21,933.1) | (22,327.4) | 394.3 |
| **EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES** | **3,759.2** | **138.6** | **405.8** | **1,855.3** | **—** | **1,359.5** | **1,148.7** | **210.8** |
| Gains / (losses) on disposal of property and equipment and subsidiaries | 15.2 | 1.4 | — | — | — | 13.9 | 27.5 | (13.7) |
| Depreciation and amortization of non-current assets | (2,717.9) | (121.1) | (378.8) | (1,529.0) | — | (689.0) | (634.0) | (55.0) |
| Other income and (expenses) | (68.6) | (40.7) | — | — | — | (27.8) | (15.6) | (12.2) |
| Operating exchange gain/loss | 103.9 | (0.0) | — | — | — | 103.9 | 8.2 | 95.7 |
| Net present value (NPV) benefits related to assets financed by tax leases | 49.9 | — | — | — | — | 49.9 | 46.8 | 3.1 |
| **EBIT BEFORE SHARE OF INCOME / (LOSS) FROM ASSOCIATES AND JOINT VENTURES** | **1,141.7** | **(21.9)** | **26.9** | **326.3** | **—** | **810.3** | **581.7** | **228.7** |
| Share of income / (loss) from associates and joint ventures | 143.1 | 16.6 | — | — | — | 126.4 | (88.2) | 214.6 |
| **EBIT** | **1,284.8** | **(5.2)** | **26.9** | **326.3** | **—** | **936.8** | **493.5** | **443.3** |
| **CORE EBIT** | **1,136.7** | **34.1** | **26.9** | **326.3** | **—** | **749.3** | **602.2** | **147.2** |
| Interests expense on borrowings and lease liabilities | (1,396.2) | (131.9) | (48.4) | (627.1) | — | (588.8) | (491.2) | (97.6) |
| Interests income on cash and cash equivalent | 33.9 | (0.3) | — | — | — | 34.2 | 41.8 | (7.6) |
| Other net financial items | 20.4 | (1.8) | — | (6.7) | — | 28.9 | 123.5 | (94.6) |
| **FINANCIAL RESULT** | **(1,341.9)** | **(134.0)** | **(48.4)** | **(633.8)** | **—** | **(525.7)** | **(325.9)** | **(199.8)** |
| **PROFIT / (LOSS) BEFORE TAX** | **(57.1)** | **(139.2)** | **(21.5)** | **(307.5)** | **—** | **411.1** | **167.6** | **243.5** |
| Income taxes | (161.5) | (21.3) | — | — | — | (140.2) | (99.4) | (40.8) |
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | **(218.6)** | **(160.5)** | **(21.5)** | **(307.5)** | — | **270.9** | **68.2** | **202.7** |
| **PROFIT / (LOSS) FOR THE YEAR** | **(218.6)** | **(160.5)** | **(21.5)** | **(307.5)** | **—** | **270.9** | **68.2** | **202.7** |
| of which: | | | | | | | | |
| Non-controlling interests | 10.5 | (20.6) | — | — | — | 31.1 | 34.4 | (3.3) |
| **OWNERS OF THE PARENT COMPANY** | **(229.1)** | **(139.9)** | **(21.5)** | **(307.5)** | **—** | **239.8** | **33.7** | **206.1** |

The information presented above differs from the individual financial statements of CEVA mainly due to purchase price allocation adjustments. The allocation of CEVA profit or loss to non-controlling interests for the year ended December 31, 2019 results from the gradual increase of the Group's interests in CEVA over the period, from 32.94% at acquisition date to 100.00% as at December 31, 2019.

In the below Notes related to the statement of Profit and Loss, the contribution of CEVA has not been disclosed systematically. As a consequence, these Notes should be read in conjunction with the information provided in the table above.

*Contribution of CEVA to the Statement of Financial Position as at December 31, 2019*

| As at December 31, 2019 | GROUP as Published | CEVA Contribution to CMA CGM CFS (*) | GROUP without CEVA |
|---|---|---|---|
| Goodwill | 2,851.8 | 1,696.4 | 1,155.5 |
| Other intangible assets | 2,565.9 | 1,347.0 | 1,218.9 |
| **INTANGIBLE ASSETS** | **5,417.8** | **3,043.4** | **2,374.4** |
| Vessels | 12,805.6 | — | 12,805.6 |
| Containers | 2,751.9 | — | 2,751.9 |
| Lands and buildings | 1,824.1 | 1,266.5 | 557.6 |
| Other properties and equipments | 384.2 | 106.3 | 277.8 |
| **PROPERTY AND EQUIPMENT** | **17,765.8** | **1,372.8** | **16,393.0** |
| Other non-current | 554.9 | 207.0 | 347.9 |
| Investments in associates and joint ventures | 805.9 | (248.8) | 1,054.7 |
| **NON-CURRENT ASSETS** | **24,544.3** | **4,374.4** | **20,170.0** |
| Trade and other receivables | 3,479.7 | 1,255.6 | 2,224.1 |
| Other current assets | 2,956.0 | 179.3 | 2,776.7 |
| Cash and cash equivalents | 1,750.8 | 14.6 | 1,736.2 |
| **CURRENT ASSETS** | **8,186.5** | **1,449.5** | **6,737.0** |
| **TOTAL ASSETS** | **32,730.9** | **5,823.9** | **26,907.0** |
| **TOTAL EQUITY** | **5,133.6** | **(111.6)** | **5,245.2** |
| Borrowings and lease liabilities | 15,458.6 | 2,388.1 | 13,070.5 |
| Other non-current liabilities | 1,141.1 | 528.3 | 612.9 |
| **NON-CURRENT LIABILITIES** | **16,599.7** | **2,916.4** | **13,683.3** |
| Borrowings and lease liabilities | 4,055.5 | 1,257.3 | 2,798.1 |
| Trade and other payables | 6,037.1 | 1,597.8 | 4,439.3 |
| Other current liabilities | 905.1 | 163.9 | 741.1 |
| **CURRENT LIABILITIES** | **10,997.6** | **3,019.1** | **7,978.5** |
| **TOTAL LIABILITIES & EQUITY** | **32,730.9** | **5,823.9** | **26,907.0** |

(*) *including the effect of CEVA acquisition on cash (urpuchase of shares), borrowings (acquisition bridge) and investment in associates (derecognition of 33% investment in CEVA at change of control)*

The CEVA contribution presented above includes the effect of CMA CGM LOGISTICS integration into CEVA, including a goodwill recognized historically for an amount of USD 7.9 million.

### *Contribution of CEVA and IFRS 16 effect to the Statement of Cash Flows*

| | Group as reported | of which CEVA Contribution | of which IFRS16 CEVA contribution | CMA CGM stand alone (excluding CEVA) | IFRS 16 CMA CGM contribution | CMA CGM stand alone excluding CEVA and IFRS16 contribution |
|---|---|---|---|---|---|---|
| | **2019** | **2019** | | **2019** | | **2019** |
| **Profit / (Loss) for the year** | **(218.6)** | **(182.0)** | **(21.5)** | **(36.6)** | **(307.5)** | **270.9** |
| **Reconcilation of profit / (loss) for the year to cash generated from operations :** | | | | | | |
| —Depreciation and amortization | 2,717.9 | 499.9 | 378.8 | 2,218.0 | 1,529.0 | 689.0 |
| —Net present value (NPV) benefits related to assets financed by tax leases | (49.9) | — | | (49.9) | | (49.9) |
| — Other income and expense | 68.6 | 0.0 | | 68.6 | | 68.6 |
| —Increase / (Decrease) in provisions | (96.5) | (21.5) | | (75.0) | | (75.0) |
| —Loss / (Gains) on disposals of property and equipment and subsidiaries | (15.2) | (1.5) | | (13.8) | | (13.8) |
| —Share of (Income) / Loss from associates and joint ventures | (143.1) | (16.6) | | (126.4) | | (126.4) |
| —Interest expenses on net borrowings and lease liabilities | 1,348.9 | 184.5 | 48.4 | 1,164.4 | 633.8 | 530.7 |
| —Income tax | 161.5 | 21.3 | | 140.2 | | 140.2 |
| —Other non cash items | 0.5 | 24.7 | — | (24.2) | — | (24.2) |
| **Changes in working capital** | **(15.3)** | **130.8** | | **(146.1)** | | **(146.1)** |
| **Cash flow from operating activities before tax** | **3,758.8** | **639.6** | **405.8** | **3,119.2** | **1,855.3** | **1,263.9** |
| —Income tax paid | (198.9) | (38.4) | | (160.4) | | (160.4) |
| **Cash flow from operating activities net of tax** | **3,559.9** | **601.1** | **405.8** | **2,958.8** | **1,855.3** | **1,103.5** |
| Purchases of intangible assets | (83.8) | (29.5) | | (54.3) | | (54.3) |
| Business combinations, transaction with non controlling interests, net of cash acquired / divested | (853.0) | 348.9 | | (1,201.9) | | (1,201.9) |
| New investments in associates and joint ventures | — | — | | — | | — |
| Purchases of property and equipment | (522.9) | (73.5) | | (449.4) | | (449.4) |
| Proceeds from disposal of property and equipment | 138.6 | 4.1 | | 134.5 | | 134.5 |
| Dividends received from associates and joint ventures | 28.9 | 13.0 | | 15.9 | | 15.9 |
| Cash flow resulting from other financial assets | 24.3 | — | | 24.3 | | 24.3 |
| Variation in securities | 18.0 | — | | 18.0 | | 18.0 |
| **Net cash (used in) / provided by investing activities** | **(1,250.0)** | **262.9** | **—** | **(1,512.9)** | **—** | **(1,512.9)** |
| **Free Cash Flow** | **2,310.0** | **864.1** | **405.8** | **1,445.9** | **1,855.3** | **(409.4)** |
| Dividends paid to the owners of the parent company and non-controlling interest | (20.0) | — | | (20.0) | | (20.0) |
| CEVA capital increase | — | 200.0 | | (200.0) | | (200.0) |
| Proceeds from borrowings, net of issuance costs | 3,012.0 | 853.0 | | 2,159.0 | | 2,159.0 |
| Intragroup proceeds from borrowings | — | 80.0 | | (80.0) | | (80.0) |
| Repayments of borrowings | (2,625.7) | (795.0) | | (1,830.7) | | (1,830.7) |
| Cash payments related to principal portion of leases | (1,834.8) | (360.4) | (361.2) | (1,474.4) | (1,265.9) | (208.5) |
| Interest paid on net borrowings | (546.1) | (119.7) | | (426.4) | | (426.4) |
| Cash payments related to interest portion of leases | (692.2) | (44.6) | (44.6) | (647.6) | (589.4) | (58.2) |
| Refinancing of assets, net of issuance costs | 769.7 | — | | 769.7 | | 769.7 |
| Other cash flow from financing activities | (67.5) | 0.1 | | (67.6) | | (67.6) |
| **Net cash (used in) / provided by financing activities** | **(2,004.6)** | **(186.6)** | **(405.8)** | **(1,818.0)** | **(1,855.3)** | **37.4** |
| Effect of exchange rate changes on cash and cash equivalents and bank overdrafts | (22.2) | (4.7) | | (17.5) | | (17.5) |
| **Net increase / (decrease) in cash and cash equivalents and bank overdrafts** | **283.1** | **672.7** | **(0.0)** | **(389.6)** | **0.0** | **(389.6)** |
| **Cash and cash equivalents and bank overdrafts at the beginning of the year** | **1,314.8** | **—** | | **1,314.8** | | **1,314.8** |
| Cash and cash equivalents as per balance sheet | 1,750.8 | 683.7 | | 1,067.1 | | 1,067.1 |
| Cash reported in assets held-for-sale | 4.1 | — | | 4.1 | | 4.1 |
| Bank overdrafts | (156.9) | (11.0) | | (145.9) | | (145.9) |
| **Cash and cash equivalents and bank overdrafts at the end of the year** | **1,598.0** | **672.7** | | **925.3** | | **925.3** |
| **Net increase / (decrease) in cash and cash equivalents and bank overdrafts** | **283.1** | **672.7** | **—** | **(389.6)** | **—** | **(389.6)** |

*Update on CEVA governance*

During CEVA's Annual General Meeting (AGM) on April 29, 2019, among the key resolutions was the proposal to renew governance following the successful completion of the Public Tender Offer.

Rodolphe Saadé, Chairman and Chief Executive Officer of CMA CGM, was then elected as Chairman of the CEVA Board of Directors, with Rolf Watter acting as Vice-Chairman.

### 3.1.2 Strengthening of the Group's financial structure

Further to the acquisition of CEVA acquisition, the Group has engaged a program aiming at strengthening its financial structure and reinforcing its liquidity. This program includes divestments of certain assets as well as refinancing transactions. This program should raise more than USD 2 billion of liquidity, extending the Group's debt maturities and reducing its net debt by more than USD 1.3 billion. Its main parts are as follows:

- USD 860 million proceeds from vessel sale and leaseback transactions. The proceeds are primarily used to pay down the bridge loan contracted to acquire CEVA, with the balance now standing at USD 192.8 million.
- USD 968 million proceeds from the sale of investments stakes held by CMA CGM in ten port terminals to Terminal Link, a joint venture (owned 51% by CMA CGM and 49% by China Merchants Port or "CMP") holding investments in 13 port terminals since 2013. Terminal Link will finance these acquisitions through an issue of USD 468 million in mandatory convertible bonds issued by Terminal Link to the benefit of CMP and a 8 years loan (at 6%) from CMP. Both instruments will be converted to equity in TL in 8 years time, through conversion of the bonds and capital increase subscribed by CMA CGM. The transaction, which is subject to antitrust and other regulatory approvals, is expected to be closed during H1 2020 and has led the Group to reclassify the related assets and liabilities as held-for sale in accordance with IFRS 5 (see Note 5.5 and 8.4).
- USD 93 million proceeds (of which USD 85 million at closing and USD 8 million of earn out) from the sale of a 50% stake in a logistics hub in India, which is expected to be closed in the first quarter of 2020. Such investment in joint venture has been reclassified as held-for-sale as at December 31, 2019 (see Note 5.5).
- Lastly, an additional USD 100 million proceeds resulting from the increase of CEVA' receivables securitisation program. The Company has already signed the renewal of its USD 450 million securitisation program in Europe, the United States and Australia, for a 3-year period.

## 3.2 GROUP FLEET DEVELOPMENT

### 3.2.1 Shipbuilding and financing of the 9 container ships of TEU 23,000

The CMA CGM Group, a leading worldwide shipping and logistics group, announced in September 2019 the launching of the world's largest containership (23,000 TEU) powered by liquefied natural gas (LNG), named CMA CGM JACQUES SAADE. Such vessel will be delivered in 2020.

The Group finalized an agreement with its core banks to finance the USD 1.4 billion orderbook related to the 9 TEU 23,000 containerships for an amount up to 75% of the orderbook.

### 3.2.2 Other development

On March 25, 2019, Rodolphe Saadé, Chairman and CEO of the CMA CGM Group, signed two strategic agreements with the China State Shipbuilding Corporation (CSSC), in the presence of French President Emmanuel Macron and Chinese President Xi Jinping, by which the Group ordered ten TEU 15,000 vessels expected to be delivered from 2021.

CMA CGM chose to power half of these newbuilds with LNG, which allows for a significant reduction in $CO_2$, sulphur, fine particles and nitrogen oxides emissions. The remaining five vessels will be fitted with hybrid scrubbers, allowing for the elimination of sulphur and fine particles emissions.

The new vessels are expected to support CMA CGM's growth and modernize the company's fleet.

The financing of this orderbook has been closed and will allow the financing of 98% of these vessels under 15-year leases.

Refer to the information disclosed in Note 5.2, notably for the deliveries occurred during the period.

### 3.3 GLOBAL SHIPPING ENVIRONMENT

**Low sulphur regulation**

The new International Maritime Organization (IMO) Low Sulphur Regulation is effective from January 1, 2020 and require all shipping companies to reduce their Sulphur emissions by 85%. This new regulation aims to reduce the environmental impact of the industry and significantly improve air quality, an initiative in which the CMA CGM Group has been involved for more than 15 years.

In this context, CMA CGM has decided to favor the use of 0.5% fuel oil for its fleet and to invest significantly by using LNG to power some of its future container ships (notably 9 giant ships on order), notably resulting in a 99% reduction in Sulphur emissions and by ordering several scrubbers for its ships.

Additional cost resulting from this new regulation will be taken into account through the application or adjustment of fuel surcharges on a trade-by-trade basis.

## Note 4—Results for the year

***Revenue recognition and related expenses***

Revenue comprises the payment the Company expects to be entitled in exchange for the sale of services, net of value-added tax, rebates and discounts after eliminating sales within the Group.

As required by IFRS 15 “Revenue from contracts with customers”, the Group recognize revenue respecting the following five steps approach : (i) identify the contract with a customer, (ii) identify all the individual performance obligations within the contract, (iii) determine the transaction price, (iv) allocate the price to the performance obligations, (v) recognize revenue as the performance obligations are fulfilled.

***Container shipping***

For container shipping activity, no individual performance obligations have been identified by the Group for container transportation itself, inland transportation and ancillary services (such as THC, BAF…) as they are all part of one global shipping transportation performance obligation and as the transaction is contracted with the customers as a whole transaction.

Freight revenues and costs directly attributable to the transport of containers are recognized on a percentage of completion basis, which is based on the proportion of transit time completed at report date for each individual container.

Deferred freight costs directly attributable to containers are reported as prepaid expenses.

Freight receivables for which the Company transferred a portion of the services to the customers as per revenue recognition principles, are reported as contract assets; hence, deferred income which were recognized under the previous standard, corresponding to the portion of the services not performed at cut-off dates, have been reclassified from current liabilities to contract assets (net).

***Logistics activities***

CEVA derives revenue from the transfer of services mainly over time in four major product lines, Contract Logistics, Air Freight Management, Ocean Freight Management and other Freight Management services (“Other FM”) which includes Ground, Brokerage and value added services.

The CEVA sub-Group recognizes revenue when (or as) performance obligations are satisfied by transferring promised goods or services to the customer, which generally is dictated by the type of service CEVA is providing in agreement with the customer.

*Contract logistics services*

CEVA provides a range of logistics services such as distribution, pick and pack, materials management services, international insurance services, global project management services and trade facilitation services. The revenue performance obligation is satisfied over time based on the service delivered measured by either actual costs or output provided depending on the terms and conditions in the contracts. Costs are recorded or accrued to match revenue recognition.

*Air and Ocean Freight Management—indirect carrier*

As an indirect carrier, CEVA obtains shipments from its customers, consolidates shipments bound for a particular destination, determines the routing, selects the direct carrier and tenders each consolidated lot as a single shipment to the direct carrier for transportation to a distribution point. CEVA issues a Bill of Lading to customers as the contract of carriage. CEVA has complete discretion in selecting the means, route and procedures to be followed in handling, transportation and delivery of freight. CEVA is the direct point of contact for service fulfillment. The progress towards complete satisfaction of each performance obligation is measured based on the progress of each shipment during its time of travel, and thus met on an over time basis. The share of travel time not falling into a given reporting period is deferred to next period.

*Other FM—Value added services*

CEVA provides services at either origin or destination to clear shipments through customs, helping customers clear shipments through customs by preparing required documentation, calculating and providing for payment of duties and other taxes on behalf of the customers as well as arranging for any required inspections by governmental agencies and arranging for delivery or providing additional services such as warehousing, transportation, storage and document handling. The performance obligation is satisfied at the point in time once the service has been completed, as the performance obligation is either met or not met.

*Cargo agent (direct freight services) revenue as included in the Air and Ocean Freight Management business lines*

As an authorized cargo sales agent of most airlines and ocean shipping lines, CEVA also arranges for transportation of individual shipments and receives a commission from the airline or ocean shipping line for arranging the shipments or earns net revenue for the excess of amounts billed to the customer over amounts paid to the direct carrier. The contract of carriage is between the customer and the direct carrier and the direct carrier is the primary obligor from the perspective of the customer. When acting in this capacity, CEVA does not consolidate shipments or have responsibility for shipments once they have been tendered to the carrier, therefore the CEVA performance obligation is satisfied at the point in time once an agreement on the shipment between the customer and the carrier is reached. The revenue respective to agent revenue is recognized as either Ocean or Air.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

***Other activities***

For other activities, no individual performance obligations have been identified in the contracts: revenue is recognized when the services have been rendered or when the goods have been delivered.

## 4.1 OPERATING SEGMENTS

As required by IFRS 8 “Operating Segments”, the segment information reported below is based on the internal reporting used by the Company’s management to allocate resources between segments and to assess their performance.

*(b) Significant judgments*

Before CEVA acquisition (i.e. until 2018 CFS), the Group only reported two operating segments: container shipping activity and other activities.

As a consequence of CEVA acquisition, Management reviewed its segment information and now disclosed a new "Logistics" segment including (i) freight management activities operated by CEVA and through CMA CGM subsidiaries, notably CMA CGM Logistics which have been transferred to CEVA early May, as well as (ii) contract logistics activities performed by CEVA and (iii) ground activities handled by CEVA and other subsidiaries.

For management purposes, since 2019, the Group reports three operating segments: (i) container shipping activity (ii) logistics and (iii) other activities. For container shipping activity, CMA CGM is organized as a worldwide container carrier, managing its customer base and fleet of vessels and containers on a global basis. Logistics includes freight management activities and contract logistics activities. Other activities mainly include container terminal operations.

Besides, in the context of IFRS 16 application, Management complemented EBITDA to the below metrics disclosed in segment reporting information as this indicator is considered as an appropriate metric to measure segments' profitability. It corresponds to the line item "EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES" reported on the Consolidated Statement of Profit & Loss.

Segment performance is evaluated by management based on the following measures:

- Revenue;
- EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries;
- EBIT ("Earnings Before Interests and Taxes") / Core EBIT.

EBIT and EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries are a non-IFRS quantitative measure used to assist in the assessment of the Company's ability to drive its operating performance. The Company believes that the presentation of these non-gaap measures is a relevant aggregate to management for decision making purposes. However, these measures are not defined in IFRS and should not be considered as an alternative to Profit / (Loss) for the year or any other financial metric required by such accounting principles. However, in terms of segment reporting, management believes that EBIT and EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries are more relevant aggregates to assess the segment performance as financial result and income tax are not allocated to segments.

***Application of IFRS 15 to specific transactions related to OCEAN Alliance***

**In Accordance with IFRS 15.BC58/59, sales and purchases of slots related to Ocean Alliance do not generate revenue and cost recognition.**

The segment information for the reportable segments for years ended December 31, 2019 and 2018 is as follows:

| | Revenue | | EBITDA | | EBIT | |
|---|---|---|---|---|---|---|
| | For the year ended December 31, | | | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Container shipping segment | 22,762.6 | 22,847.5 | 2,886.9 | 1,005.9 | 877.9 | 488.5 |
| Logistics segment | 7,457.9 | 606.2 | 639.6 | 26.7 | 161.4 | 32.4 |
| Other activities | 712.9 | 643.3 | 236.8 | 116.2 | 160.9 | 81.3 |
| **Total core measures before elimination** | **30,933.4** | **24,097.0** | **3,763.3** | **1,148.7** | **1,200.2** | **602.2** |
| Eliminations | (679.1) | (620.9) | (4.1) | — | (63.5) | — |
| **Total core measures** | **30,254.2** | **23,476.2** | **3,759.2** | **1,148.7** | **1,136.7** | **602.2** |
| Reconciling items | — | — | — | — | 148.1 | (108.6) |
| **Total consolidated measures** | **30,254.2** | **23,476.2** | **3,759.2** | **1,148.7** | **1,284.8** | **493.5** |

Certain items included in EBIT are unallocated as management considers that they do not affect the recurring operating performance of the Group. As a consequence, these items are not reported in the line item "Total Core measures".

Reconciling items impacting EBIT include (i) the impact of the disposal of property and equipment and subsidiaries (see Note 4.3), (ii) other income and expenses (see Note 4.4), (iii) operating exchange gain/loss and (iv) impairment charge of non recurring expenses recorded in associates and joint ventures (see Note 7.3).

Assets and liabilities are mostly allocated to the container shipping segment, hence there is no specific disclosure relative to their segment allocation. Regarding the investment in associates and joint ventures which primarily relates to the "Other activities" segment, see Note 7.3.

## 4.2 OPERATING EXPENSES

### 4.2.1 Variations of operating expenses

Operating expenses are analyzed as follows:

| | For the year ended December 31, 2019 | 2018 |
|---|---|---|
| Bunkers and consumables | (3,450.7) | (3,618.0) |
| Chartering and slot purchases | (1,390.3) | (2,351.0) |
| Handling and steevedoring | (6,385.5) | (6,266.4) |
| Inland and feeder transportation | (6,577.4) | (3,323.4) |
| Port and canal | (1,457.9) | (1,526.6) |
| Container equipment and repositioning | (1,427.2) | (2,127.7) |
| Employee benefits | (4,063.1) | (1,879.5) |
| General and administrative other than employee benefits | (1,361.0) | (848.1) |
| Additions to provisions, net of reversals and impairment of inventories and trade receivables | (51.9) | (32.6) |
| Others | (330.1) | (354.0) |
| **Operating expenses** | **(26,495.0)** | **(22,327.4)** |

The increase of operating expenses is mainly due to the integration of CEVA, which contributed to operating expenses (primarily "Inland and feeder transportation" costs) for USD 6,417.3 million for the year ended December 31, 2019, including IFRS 16 impacts and internal transactions. The integration of CEVA has been partly compensated by the effect of the IFRS 16 application (excluding CEVA) resulting in a decrease of operating expenses by USD 1,855.3 million, mainly chartering costs for USD 1,013.5 million and container rentals for USD 750.2 million (see Note 2.2.1).

Excluding the above-mentioned non-recurring effects, operating expenses slightly decreased by USD 394.3 million, mainly due to a decrease of bunker costs (resulting from price and consumption effects).

### 4.2.2 Employee benefits

Employee benefit expenses are analyzed as follows:

| | For the year ended December 31, 2019 | 2018 |
|---|---|---|
| Wages and salaries | (3,390.8) | (1,499.7) |
| Social security costs | (487.0) | (296.8) |
| Pension costs (see Note 8.1) | (86.0) | (30.1) |
| Other expenses | (99.2) | (52.9) |
| **Employee benefits** | **(4,063.1)** | **(1,879.5)** |

The number of employees of the controlled subsidiaries of the Group is 87,932 as at December 31, 2019 (29,740 as at December 31, 2018) mainly resulting from the integration of CEVA (+59,630 employees). The total number of employees, including those employed in certain joint-ventures or through international seafarer providers, is 114,354 as at December 31, 2019 (37,092 as at December 31, 2018) mainly resulting from the integration of CEVA (+78,554 employees).

The number of full-time equivalent employees of the controlled subsidiaries of the Group is 86,700 for the year ended December 31, 2019 (28,036 as at December 31, 2018).

### 4.3 GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES

Gains and losses on disposals correspond to the difference between the proceeds and the carrying amount of the asset disposed of.

Accounting principles related to sale and lease-back transactions are presented in Note 5.2.

Gains / (losses) on disposal of property and equipment and subsidiaries consist of the following:

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | **2018** |
| Disposal of vessels | 5.6 | 12.9 |
| Disposal of containers | 1.9 | 10.9 |
| Other fixed assets disposal | 6.9 | 4.5 |
| Disposal of subsidiaries | 0.8 | (0.8) |
| **Gains / (losses) on disposal of property and equipment and subsidiaries** | **15.2** | **27.5** |

### 4.4 OTHER INCOME AND (EXPENSES)

Other income and (expenses) can be analyzed as follows:

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | **2018** |
| Impairment (losses) / reversals of assets | (14.0) | (17.2) |
| Others | (54.5) | 1.6 |
| **Other income and (expenses)** | **(68.6)** | **(15.6)** |

In 2019:

- "Impairment losses of assets" mostly relates to the depreciation of a specific investment in our terminal business;
- "Others" line item includes USD (41.0) million from CEVA, mainly related to consulting costs, as well as some integration costs incurred in relation to the CEVA acquisition.

In 2018, the line item "Impairment losses of assets" mainly related to impairment of (i) a vessel that was sold and (ii) some intangible assets.

### 4.5 NPV BENEFITS RELATED TO ASSETS FINANCED BY TAX LEASES

Refer to Note 5.2 for the accounting principles related to tax leases.

*(c) Significant judgments and estimates*

Under leveraged tax leases, a tax benefit is passed on by the lessor either over the lease term through lower lease payments or at the end of the lease term through the recovery of a cash amount. More precisely, the Company recognizes the tax benefits as follows:

- When the Company receives the benefit through lower lease payments, its net present value is accounted for as "Deferred income" within liabilities in the Statement of Financial Position (allocated between current and non-current portion depending on twelve month maturity). This benefit is then credited to the statement of income on a vessel by vessel basis over the tax financing period under the heading "NPV benefits related to assets financed by tax leases" which range from 6 to 8 years. This income is presented within "Operating profit" as it is considered that this benefit is in effect a reduction of the operational running cost of the vessel;
- When the Company benefits from the tax advantage at the end of the lease term, a financial asset is recognized within "Other non-current financial assets" (see Note 6.3) progressively over the tax financing period and the corresponding income is recorded under the heading "NPV benefits related to assets financed by tax leases". At time the Company purchase the shares of the special purpose vehicle, the value of the financial asset should amount to the tax benefit transferred by the bank to CMA CGM.

### 4.6 FINANCIAL RESULT

Accounting principles related to borrowings and cash and cash equivalents have been presented in Notes 6.4 and 6.6.

In its consolidated statement of cash flows, the Company presents interest expenses as a cash flow used for financing activities.

The financial result is analyzed as follows:

| | For the year ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Interest expense on borrowings and lease liabilities | (1,396.3) | (491.2) |
| Interests income on cash and cash equivalents | 33.9 | 41.8 |
| **Cost of borrowings and lease liabilities, net of interest income on cash and cash equivalents** | **(1,362.3)** | **(449.4)** |
| Settlements and change in fair value of derivative instruments | (4.4) | 2.1 |
| Foreign currency income and expense, net | 21.5 | 103.1 |
| Other financial income and expense, net | 3.4 | 18.3 |
| **Other net financial items** | **20.4** | **123.5** |
| **Financial result** | **(1,341.9)** | **(325.9)** |

For the year ended December 31, 2019, "Interest expense on borrowings and lease liabilities" includes USD (627.1) million corresponding to IFRS 16 new finance cost and USD (183.8) million contribution from CEVA. In addition, it includes USD (57.8) million corresponding to the amortization of past issuance costs recognized using the effective interest method (USD (27.1) million for the year ended December 31, 2018 excluding CEVA).

"Settlements and change in fair value of derivative instruments" reflect the impact, on the portfolio of derivative financial instruments, of the volatility of currencies and interest rates during the periods presented.
"Foreign currency income and expense, net" is mainly composed of foreign currency exchange gains / (losses) on financial operations due to the translation of borrowings and financial instruments denominated in currencies different from USD (mainly but not limited to transactions in EUR). Among other minor effects, the exchange gains for the year ended December 31, 2019 are due to the depreciation of EUR currency versus USD at respective closing dates, as incurred in the year ended December 31, 2018 to a larger extent.

"Other financial income and expense, net" mainly includes unwinding of discount effects, some effect related to IFRS16 provisions for dismantling costs as well as potential effect on lease modifications, some interests income related to financial assets and some dividends received from related parties.

### 4.7 INCOME AND DEFERRED TAXES

#### 4.7.1 Current income taxes

In Accordance with IAS 12 "Income Taxes", current income tax is the amount of income tax payable (recoverable) in respect of the taxable profit (tax loss) for the year. Taxable profit (tax loss) is the profit (loss) for the year, determined in accordance with the rules established by the taxation authorities, upon which income tax is payable (recoverable).

*(d) Significant judgment*

The Group is subject to income tax in numerous jurisdictions. When permitted by local tax authorities, the Company elected for the tonnage tax regime. The French tonnage tax regime actually consists in determining the taxable result that will be subject to income tax on the basis of vessel's tonnage. For this reason, among others, the Company classifies the consequences of tonnage tax regime as current income tax.

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | **2018** |
| Current income tax income / (expense) | (162.3) | (108.5) |
| Deferred tax income / (expense) | 0.9 | 9.1 |
| **Income Taxes** | **(161.5)** | **(99.4)** |

The “current income tax expense” for the year ended December 31, 2019 includes USD (1.7) million related to prior year income tax (USD (2.1) million for the year ended December 31, 2018) and USD (25.1) million related to CEVA.

The “current income tax” for the year ended December 31, 2019 increased compared to the previous year mainly due to the inclusion of CEVA’s income tax expense as well as some non-recurring tax expense incurred in the current year.

Most of the shipping activities handled by the Group are subject to tonnage tax regimes in France, in Singapore and in the United States. For instance, no provision is made for taxation on qualifying shipping income derived from the operation of the vessels which is exempt from taxation under Section 13A of the Singapore Income Tax Act and Singapore’s Maritime Sector Incentive Approved International Shipping Enterprise Scheme. In France, income arising from liner activities are subject to a tonnage-based tax system under which the computation of tax is based on the tonnage of the qualifying vessel fleet. Other Group’s subsidiaries and/or branches are subject to income tax in accordance with the local tax laws of their respective countries.

Some companies in France are currently subject to a tax audit. No provision was recognized in this regard since, based on strong arguments and external advice, management believes that there should be no or limited final cash and/or accounting impacts of such audits.

Tax consolidation agreements are in place in certain countries in which the Group operates, mostly in France. It allows the Companies of the same Group to combine their taxable profits or losses to calculate the overall tax expense for which only the parent company is liable. In France, the tax consolidation scheme generated a decrease in the current income tax expense of USD 36.4 million in 2018 (decrease of USD 33.8 million in 2018).

### 4.7.2 Deferred income tax

In accordance with IAS 12, deferred income tax is provided for on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the CFS. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

The deferred income taxes are recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the deferred income taxes are recognized in other comprehensive income or directly in equity, respectively.

Regarding lease contracts under IFRS 16, there are two approaches permitted by the Standard:

- Asset and liability are treated as a whole:

  **Initial recognition**: the value of the asset and the value of the liability are quite the same. So, there is no temporary difference and no deferred tax.

  **Subsequently**: values are different. A deferred tax has to be recognized.

- Initial recognition exemption provided by IAS 12.15 & 24 regarding deferred tax based on the fact that assets and liabilities are quite equivalent at inception and that both assets and liabilities will be amortized at the end of the lease.

The Group has decided to follow the second approach.

*(e) Significant judgment and estimates*

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

Due to the tonnage tax regime applicable on the main part of the Company's activity, resulting in a lower income tax payable in the future, the amount of deferred tax assets to be recognized is limited.

The mechanism of tonnage tax requires to estimate the portion of the future results that will be treated as part of tonnage tax regime and the residual portion that will not be subject to tonnage tax regime. For the purpose of the recognition of the deferred tax assets in France, Management has also based its estimates on:

- The fact that the French tonnage tax regime has been renewed in 2013 for a 10-year period;
- The best estimates of the future taxable results of activities that are not subject to tonnage tax regime.

Considering the tonnage tax regime applicable to Group shipping activities, differences between taxable and book values of assets and liabilities are generally of a permanent nature. This is due to the fact that the taxable result for tonnage tax eligible activities has no correlation with either the carrying value or the generally applicable tax value of assets and liabilities. As a consequence, temporary differences are limited to those arising from other activities which are subject to usual tax laws.

Deferred tax balances break down as follows:

| **Deferred tax assets** | **As at December 31, 2019** | **As at December 31, 2018** |
|---|---|---|
| Investment tax credit | 0.2 | 0.3 |
| Tax losses carried forward | 80.8 | 21.6 |
| Retirement benefit obligations | 22.9 | 13.3 |
| Other temporary differences | 69.5 | 28.4 |
| **Total gross deferred tax assets** | **173.3** | **63.4** |
| **Total net deferred tax assets** | **158.9** | **63.4** |

| **Deferred tax liabilities** | **As at December 31, 2019** | **As at December 31, 2018** |
|---|---|---|
| Revaluation and depreciation of property and equipment | 19.5 | 8.6 |
| Intangible assets adjustment due to purchase price allocation (*) | 327.7 | 28.8 |
| Undistributed profits from subsidiaries | 51.2 | 36.4 |
| Other temporary differences | 36.7 | 30.0 |
| **Total deferred tax liabilities** | **435.2** | **103.8** |
| **Total net deferred tax liabillities** | **420.8** | **103.8** |
| **Total net deferred tax assets / (liabilities)** | **(261.8)** | **(40.4)** |

*(*) CEVA mainly*

The breakdown of deferred tax assets and deferred tax liabilities presented in the table above is based on gross amounts. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amount recognized in the statement of financial position corresponds to the net deferred tax assets and liabilities.

"Tax losses carried forward" mainly relate to losses generated by the logistics activities of CEVA. These tax losses are recognized only to the extent of the level of the corresponding deferred tax liability and the foreseeable taxable profit generated by these activities. None of the related entities have incurred losses in either the current or preceding years.

In France, unused tax losses and other taxable temporary differences to a lesser extent, whose recovery within a reasonable timeframe is considered less than likely are not recognized in the Statement of Financial Position and represented USD 1,111.7 million as at December 31, 2019 (USD 1,244.8 million in 2018). The corresponding unrecognized deferred tax asset amounts to USD 329.6 million in 2019 (USD 388.3 million in 2018). Most of these unused tax losses can be carried forward indefinitely.

Regarding CEVA, unused tax losses of USD 900 million are available for offset against future taxable profits for which no deferred tax asset has been recognized because the entities concerned reported losses in either the current or prior year, of which tax losses amounting to USD 295 million will not expire, USD 28 million will expire within one to three years, and USD 577 million will expire in 4 to 20 years.

The level of deferred tax liabilities recognized in relation to undistributed profits from subsidiaries increased by USD 14.8 million in 2019 (USD 1.7 million in 2018). Unlike the rest of the Group, CEVA did not recognize deferred tax liabilities on temporary differences associated with undistributed earnings of its subsidiaries for an aggregate amount of USD 127 million, because CEVA is in a position to control the timing of the reversal of the temporary difference, and it is probable that such differences will not reverse in the foreseeable future. However, CEVA recognized a deferred tax liability related to its associate and joint ventures for an amount of USD 11.2 million.

The increase in deferred tax assets and liabilities mainly relate to the acquisition of CEVA (see Note 3.1).

- CEVA recognized tax losses carried forward for an amount of USD 66.7 million and other gross deferred tax assets for USD 36.9 million;
- The change of control did not lead Management to reassess the value of deferred tax recognized by CEVA, except in relation to purchase price allocation, which resulted in the recognition of an additional deferred tax liability amounting to USD 322.0 million at acquisition date, reflecting the temporary difference resulting from the recognition of new intangible assets (see Note 3.1).

Income tax impacts related to other comprehensive income are presented in the statement of comprehensive income.

| | For the year ended December 31, 2019 |
|---|---|
| **Net deferred tax at the begining of the year** | **(40.4)** |
| Changes through Profit & Loss | 0.9 |
| Currency translation adjustment | (0.7) |
| Other variations | (222.7) |
| **Net deferred tax at the end of the period** | **(261.8)** |

The lines item "Other variations" in the table above mainly relate to the acquisition of CEVA (see Note 3.1).

**4.7.3 Tax proof**

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| **Profit / (Loss) before tax and excluding share of profit (or loss) of the associates and joint ventures** | **(200.2)** | **255.8** |
| Theoritical income tax (tax rate of 34.43% in 2019 / 34.43% in 2018) | 68.9 | (88.1) |
| Income tax expense | (161.5) | (99.4) |
| **Difference between theoritical and effective income tax** | **(230.4)** | **(11.4)** |
| Not taxable income (mainly due to impact of the tonnage tax regime) | 37.7 | (30.9) |
| Use or recognition of deferred tax assets previously unrecognized | 14.3 | 15.3 |
| Effect of different tax rates in foreign tax jurisdictions | (13.9) | 66.4 |
| Unrecognized tax losses generated by certain activities not liable to tonnage tax | (76.1) | (13.9) |
| Initial recognition of assets and liabilities exception | (1.8) | 93.0 |
| Other Permanent differences | (190.6) | (141.4) |
| **Difference** | **(230.4)** | **(11.4)** |

## Note 5 - Invested capital and working capital

### 5.1 GOODWILL AND OTHER INTANGIBLE ASSETS

### 5.1.1 Goodwill

***Goodwill and Business Combinations***

Business combinations are accounted for using the acquisition method defined in IFRS 3 "Business combinations". Accordingly, all acquisition-related costs are recognized as operating expenses.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets acquired, the liabilities assumed and the equity interests issued by the Group at transaction date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent payments classified as debt are subsequently remeasured through the consolidated income statement.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

***Determination of goodwill***

Goodwill is measured as the difference between:

- The aggregate of (i) the value of the consideration transferred, (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and
- The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, then the difference is recognized directly in the income statement.

Non-controlling interests represent the portion of the profit or loss and net assets (of the Group or of one of its subsidiaries) attributable to equity interests held by third parties.

Adjustments are recognized as changes to goodwill, provided they result from new information obtained about facts and circumstances that existed at acquisition date and are made within twelve months of the date of acquisition.

***Presentation and subsequent measurement of goodwill***

Goodwill on acquisition of subsidiaries is disclosed separately in the Statement of Financial Position. Goodwill on acquisition of associates and joint ventures is included in the Company's share in investments in associates and joint ventures.

At the time of the sale of a subsidiary or a jointly controlled entity, the amount of the goodwill attributable to the subsidiary or associates and joint ventures is included in the calculation of the gain and loss on disposal.

***Impairment of goodwill***

See Note 5.3.

The carrying amount of goodwill has been allocated to the following operating segments and cash generating units based on the management structure:

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| **Beginning of the year** | **1,166.1** | **1,054.5** |
| Goodwill from business combinations (see Note 3.1) | 1,688.5 | 142.8 |
| Other variations | 2.0 | (11.5) |
| Foreign currency translation adjustment | (4.8) | (19.7) |
| **At the end of the year** | **2,851.8** | **1,166.1** |

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| *of which:* | | |
| *Allocated to container shipping segment* | *1,143.1* | *1,145.8* |
| *Allocated to logistics segment* | *1,696.4* | *0.0* |
| *Allocated to other activities* | *12.4* | *20.4* |

In 2019, the line item "Goodwill from business combinations (see Note 3.1)" corresponds to:

- The goodwill recognized as a result of the purchase price allocation performed on CEVA acquisition (see Note 3.1);
- The line item "Other variations" corresponds mainly to the update of the purchase price allocation related to the acquisition of Containerships.

In 2018, the line item "Goodwill from business combinations (see Note 3.1)" corresponds to:

- The finalization of the purchase price allocation performed on Mercosul acquisition in December 2018;
- The goodwill recognized as part of the provisional purchase price allocation performed on Containerships acquisition.

### 5.1.2 Other intangible assets

Other intangible assets mainly consist of:

- Software developed and acquired for internal corporate use, which is recorded at the initial acquisition cost plus the cost of development minus the total of the amortization and any impairment loss. In-house software development costs are capitalized in accordance with criteria set out in IAS 38 "Intangible assets";
- Terminal concession rights, trademarks and customer relationships recognized as part of purchase price allocations and amortized over their respective useful life, except for the trademarks which usually have an indefinite useful life.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Software developed or acquired is amortized on a straight-line basis over five to ten years based on the estimated useful life.

Other intangible assets are analyzed as follows:

| | Software | | | | | |
|---|---|---|---|---|---|---|
| | In use | In-progress | Trademarks & Customer relationships | Terminal concession rights | Others | Total |
| **Cost of Other intangible assets** | | | | | | |
| **As at December 31, 2017** | **542.5** | **270.6** | **715.8** | **115.0** | **18.3** | **1,662.2** |
| Acquisitions | 13.5 | 72.6 | — | — | 1.1 | 87.3 |
| Acquisitions of subsidiaries (see Note 3.1) | 0.4 | — | 123.1 | — | 2.7 | 126.2 |
| Disposals | (41.2) | — | — | — | (0.7) | (41.9) |
| Reclassification | 51.6 | (59.7) | — | — | 4.0 | (4.1) |
| Foreign currency translation adjustment | (0.8) | (0.1) | (15.4) | — | (0.3) | (16.7) |
| **As at December 31, 2018** | **566.0** | **283.4** | **823.5** | **115.0** | **25.1** | **1,813.0** |
| Acquisitions | 18.7 | 65.2 | — | — | 0.4 | 84.2 |
| Acquisitions of subsidiaries (see Note 3.1) | 53.9 | 12.8 | 1,318.2 | — | 1.1 | 1,386.1 |
| Disposals | (10.0) | (1.5) | — | — | (0.4) | (11.8) |
| Reclassification to assets held-for-sale (see Note 5.5) | — | — | — | — | (14.1) | (14.1) |
| Reclassification | 39.8 | (29.4) | — | — | (2.6) | 7.8 |
| Foreign currency translation adjustment | (1.5) | (0.3) | (4.2) | — | 0.2 | (5.7) |
| **As at December 31, 2019** | **666.9** | **330.2** | **2,137.6** | **115.0** | **9.9** | **3,259.6** |

| | Software | | | | | |
|---|---|---|---|---|---|---|
| | In use | In-progress | Trademarks & Customer relationships | Terminal concession rights | Others | Total |
| **Amortization and impairment** | | | | | | |
| **As at December 31, 2017** | **(408.6)** | **—** | **(49.7)** | **(31.5)** | **(2.3)** | **(492.0)** |
| Amortization | (47.0) | — | (32.8) | (4.2) | (2.8) | (86.7) |
| Disposals | 39.4 | — | — | — | 0.7 | 40.2 |
| Reclassification | (0.1) | — | 1.0 | — | (0.4) | 0.5 |
| Foreign currency translation adjustment | 0.4 | — | 0.2 | — | 0.1 | 0.7 |
| **As at December 31, 2018** | **(426.7)** | **—** | **(81.2)** | **(35.6)** | **(5.4)** | **(549.0)** |
| Amortization | (60.8) | — | (82.7) | (4.2) | (3.3) | (151.1) |
| Acquisitions of subsidiaries | (0.0) | — | (0.6) | — | — | (0.6) |
| Disposals | 8.9 | — | — | — | — | 8.9 |
| Reclassification to assets held-for-sale (see Note 5.5) | — | — | — | — | 4.8 | 4.8 |
| Reclassification | (5.7) | — | — | — | (0.5) | (6.2) |
| Foreign currency translation adjustment | (0.5) | — | 0.1 | — | (0.1) | (0.5) |
| **As at December 31, 2019** | **(484.8)** | **—** | **(164.4)** | **(39.8)** | **(4.6)** | **(693.7)** |

| | Software | | | | | |
|---|---|---|---|---|---|---|
| | In use | In-progress | Trademarks & Customer relationships | Terminal concession rights | Others | Total |
| **Net book value of Other intangible assets** | | | | | | |
| **As at December 31, 2019** | **182.1** | **330.2** | **1,973.2** | **75.2** | **5.3** | **2,566.0** |
| **As at December 31, 2018** | **139.3** | **283.4** | **742.3** | **79.4** | **19.7** | **1,264.1** |
| **As at December 31, 2017** | **133.9** | **270.6** | **666.1** | **83.5** | **16.0** | **1,170.2** |

The net carrying value of other intangible assets mainly relates to (i) the trademark and customer relationships recognized as part of the purchase price allocations for USD 1,973.2 million (USD 742.3 million as at December 31, 2018), out of which USD 1,311.0 million consists of the customer relationships and trademarks recognized as part of CEVA purchase price allocation, (ii) USD 75.2 million to terminal concession rights (USD 79.4 million as at December 31, 2018) and (iii) software in use or in progress for an amount of USD 512.3 million (USD 422.7 million as at December 31, 2018) out of which CEVA contributes for USD 78.5 million.

High-performance information systems are critical within our industry, which requires significant internal and external software development. Software capitalized costs mainly correspond to costs incurred for the in-house development of (i) shipping agency systems, implemented throughout the worldwide Group agency network, which address bookings, billings and transportation documentation, (ii) the operating system including logistical support and container tracking and (iii) the comprehensive accounting and financial reporting ERP systems implemented in all Group shipping entities.

Through a strategic partnership with SAP, the Company decided some years ago to invest in a new innovative information system. It will enable the Group to develop an information system specifically designed for container shipping, it aims at enhancing efficiency and flexibility in an industry that is constantly evolving. Some preliminary parts of this new information system have been recently implemented within the Group.

The software in progress recorded as at December 31, 2019 and 2018 mainly corresponds to this project. During the year ended December 31, 2019, the capitalized costs of the future information system amounted to USD 33.5 million (USD 65.1 million during the year ended December 31, 2018). Most of the value of this program will be put into service in 2020.

The amortization schedule of the currently used ERP has been adjusted to its reassessed remaining useful life.

## 5.2 PROPERTY AND EQUIPMENT

***Recognition of property and equipment***

In accordance with IAS 16 “Property, Plant and Equipment”, items of property and equipment are recognized as assets when it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

***Right-of-use under IFRS 16***

IFRS 16 requires to recognize a right of use (and a lease liability) representing its obligation to make lease payments for leases. At the commencement date, the right-of-use asset should be measured at cost, which includes: (i) the amount of the initial measurement of the lease liability, (ii) prepayments, (iii) initial direct costs and (iv) dismantling and removing costs.

Depreciation of the right-of-use is calculated using the straight-line method. The right-of-use asset should be depreciated from the commencement date to the earlier between the end of the useful life of the right-of-use asset and the end of the lease term. Otherwise, if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset should be depreciated from the commencement date to the end of the useful life of the underlying asset, taking into account the relevant residual value.

***Sale and lease-back transactions***

In order to determine the accounting treatment applicable to a sale and leaseback transaction, the Group assesses whether the transfer of the asset is a sale under IFRS 15 requirements or not.

- If the transfer of an asset by the Group satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the Group recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The lease is accounted applying IFRS 16.
- If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group continue to recognise the transferred asset and recognise a financial liability equal to the transfer proceeds. It shall account for the financial liability applying IFRS 9.

*Measurement of property and equipment*

As required by IAS 16, property and equipment are recorded at the historical acquisition or manufacturing cost, less accumulated depreciation and any impairment loss. Acquisition or manufacturing costs comprise any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The pre-operating costs are expensed when incurred.

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

On initial recognition, the cost of property and equipment acquired is allocated to each component of the asset and depreciated separately.

Maintenance costs are recognized as expenses for the year, with the exception of mandatory dry-docks required to maintain vessel navigation certificates, which constitute an identifiable component upon the acquisition of a vessel and which are thereafter capitalized when the following dry-docks occur. Dry-docks are depreciated over the remaining useful life of the related vessel or to the date of the next dry-dock, whichever is sooner.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each part of the asset to its residual value (scrap value for vessels and estimated sale price for containers) over its estimated useful life, as follows:

| **Asset** | **Useful life in years** |
|---|---:|
| Buildings (depending on components) | 15 to 40 |
| New vessels | 25 |
| Dry-docks (component of vessels) | 1 to 7 |
| Second-hand container vessels and Roll-on Roll-off vessels (depending on residual useful life) | 6 to 22 |
| New barges/ Second-hand barges | 40 / 20 |
| New dry containers | 13 |
| New reefer containers | 12 |
| Second-hand containers (depending on residual useful life) | 3 to 5 |
| Fixtures and fittings | 10 |
| Other fixed assets such as handling and stevedoring equipment | 3 to 20 |

Concerning the scrubbers a 7-year useful life has been retained.

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at each Statement of Financial Position date. The residual value for vessels is based on the lightweight and the average market price of steel. The residual value for containers is based on the Company's historical experience of the sale of used containers.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 5.3).

*(f) Significant estimates: Determination of the vessels useful lives and residual values*

The depreciation of vessels is a significant expense for the Company. Vessels are depreciated over their expected useful lives to a residual value.

Useful lives and residual values are reassessed regularly based on available information such as the age of vessels in service on the market and the average age of scrapped vessels. This assessment also reflects current technology, service potential and vessel structure. This approach excludes short-term market fluctuations to the extent possible. Changes to estimates of useful lives and residual values may affect the depreciation expenses significantly.

***Significant judgments and estimates: Assessment of whether the lease contract options (purchase, extension, early termination…) are reasonably certain to be exercised or not and assessment of other items which may affect the lease term***

See Note 2.2.1

### 5.2.1 Variation of property and equipment

Property and equipment are analyzed as follows:

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| **Vessels net** | | |
| Owned | 7,071.6 | 7,628.2 |
| In-progress | 439.8 | 256.1 |
| Right-of-use (*) | 5,294.3 | 937.9 |
| | **12,805.6** | **8,822.2** |
| **Containers net** | | |
| Owned | 350.9 | 430.4 |
| Right-of-use (*) | 2,400.9 | 55.3 |
| | **2,751.9** | **485.7** |
| **Lands and buildings net** | | |
| Owned | 391.0 | 406.7 |
| In-progress | 103.1 | 20.8 |
| Right-of-use (*) | 1,330.0 | 20.4 |
| | **1,824.1** | **448.0** |
| **Other properties and equipments net** | | |
| Owned | 264.4 | 298.4 |
| In-progress | 21.0 | 177.0 |
| Right-of-use (*) | 98.8 | 10.0 |
| | **384.2** | **485.4** |
| **Total net** | | |
| Owned | 8,077.8 | 8,763.8 |
| In-progress | 564.0 | 454.0 |
| Right-of-use (*) | 9,124.0 | 1,023.6 |
| **Property and equipment** | **17,765.8** | **10,241.3** |

*(*) For better comparison, finance leases under IAS 17 have been presented within Right-of-use in 2018 figures above*

As at December 31, 2019, assets under IFRS 16 included in the above table represented a net book value of USD 9,124 million (USD 1,023.6 million as at December 31, 2018).

Variations in the cost of property and equipment for the year ended December 31, 2019 and the year ended December 31, 2018 are analyzed as follows:

| | Vessels | | | | | Other properties | |
|---|---|---|---|---|---|---|---|
| | **Owned** | **Right-of-use (*)** | **In-progress** | **Containers** | **Lands and buildings** | **and equipments** | **Total** |
| **As at January 1, 2018** | **9,526.8** | **1,083.9** | **463.7** | **922.5** | **697.1** | **649.2** | **13,343.2** |
| Acquisitions | 165.4 | 148.7 | 345.5 | 71.9 | 3.8 | 116.5 | 851.8 |
| Acquisitions of subsidiaries | 10.2 | — | 26.8 | 31.7 | 1.0 | 5.1 | 74.8 |
| Adjustment on purchase price allocation | (35.4) | — | — | — | — | — | (35.4) |
| Disposals | (54.8) | (1.8) | — | (151.9) | (7.6) | (14.8) | (230.9) |
| Reclassification to held-for-sale | — | — | — | — | (20.0) | — | (20.0) |
| Reclassification | (1.1) | — | — | (1.6) | — | 4.7 | 2.0 |
| Vessels put into service | 501.6 | 76.6 | (578.1) | — | — | — | 0.0 |
| Foreign currency translation adjustment | (17.4) | (1.6) | (1.8) | (2.4) | (30.2) | (13.3) | (66.7) |
| **As at December 31, 2018** | **10,095.3** | **1,305.8** | **256.1** | **870.3** | **644.1** | **747.3** | **13,918.9** |
| First time application IFRS 16 | (1,010.1) | 5,180.0 | — | 2,437.7 | 152.1 | 221.2 | 6,980.9 |
| Acquisitions | 268.4 | 567.9 | 329.7 | 543.6 | 435.1 | 135.1 | 2,279.8 |
| Acquisitions of subsidiaries | — | — | — | — | 1,268.3 | 103.1 | 1,371.3 |
| Disposals | (64.0) | (8.3) | — | (179.2) | (52.0) | (29.7) | (333.4) |
| Reclassification to held-for-sale | — | — | — | — | — | (464.1) | (464.1) |
| Reclassification | — | — | — | (0.8) | 1.9 | (10.3) | (9.2) |
| Vessels put into service | 188.6 | (42.9) | (145.6) | — | — | — | 0.0 |
| Foreign currency translation adjustment | (3.6) | (0.7) | (0.5) | (0.6) | (16.7) | (6.0) | (28.1) |
| **As at December 31, 2019** | **9,474.6** | **7,001.7** | **439.8** | **3,670.9** | **2,432.8** | **696.5** | **23,716.2** |

*(*) For better comparison, finance leases under IAS 17 have been presented within Right-of-use in 2018 figures above*

As at December 31, 2019, the Group operates 112 vessels owned and 188 under IFRS 16 or equivalent agreements (147 vessels as at December 31, 2018).

During the year ended December 31, 2019:

- "First time application of IFRS 16" relates to the effect of applying IFRS 16 as at January 1, 2019 (see Note 2.2.1);
- "Acquisitions" of owned vessels relate to the delivery of four TEU 3,300 vessel and 3 TEU 1,380 LNG-powered ships;
- "Acquisitions" of right-of-use vessels relate to 37 new leases entered into in the year ended December 31, 2019;
- "Acquisitions" of in-progress vessels relate to prepayments paid to shipyards in relation to the orderbook (including nine TEU 23,000 vessels), and includes the delivery instalments paid at the delivery date of four TEU 3,300 vessel and prepayments related to scrubbers;
- Acquisition of containers relate to the exercise of purchase options and to new leases entered into as well as some modification of existing leases;
- Acquisitions of land and buildings mainly include leases entered into by CEVA since acquisition date for an amount of USD 358.1 million;
- "Acquisition of subsidiaries" mainly relates to the fair value of property and equipment acquired through CEVA acquisition, including CEVA's right-of-use (see Note 3.1);
- "Reclassification to held-for-sale" relates to the reclassification of certain of the Group's terminals assets as held-for-sale (see Note 5.5);
- "Vessels put into service" relate to delivery of four TEU 3,300 vessel.

During the year ended December 31, 2018:

- "Acquisitions" of owned vessels relate to the purchase of four second-hand vessels (below TEU 2,000) and one tugboat;
- "Acquisitions" of leased vessels mainly relate to the delivery of one TEU 14,000 vessel and to the delivery of one LNG of Containerships;
- "Acquisitions" of in-progress vessels relate to prepayments paid to shipyards in relation to the orderbook (including nine TEU 23,000 vessels) and include the delivery installments paid at the delivery dates of three TEU 2,500 vessels and three TEU 20.600 vessels;
- "Vessels put into service" relate to the reclassification of the prepayments mainly following the deliveries of three TEU 20,600 vessel and three TEU 2,500 vessel.

Borrowing costs capitalized during the year ended December 31, 2019 amounted to USD 13.0 million (USD 13.1 million for the year ended December 31, 2018).

***Acquisition of property and equipment and reconciliation with the Consolidated Statement of Cash Flows***

Purchases of property and equipment amounted to USD 2,279.8 million for the year ended December 31, 2019 (USD 851.8 million for the year ended December 31, 2018).

The reconciliation of these acquisitions with the capital expenditures (CAPEX) presented in the statement of cash-flows, under the heading "Purchase of property and equipment" can be presented as follows:

| | | As at December 31, | |
|---|---|---|---|
| | | **2019** | **2018** |
| Acquisition of assets presented in the above table | a | 2,279.8 | 851.8 |
| (-) Assets not resulting in a cash outflow (i) | b | 391.2 | 425.0 |
| (-) IFRS16 leases increase | c | 1,365.6 | — |
| CAPEX cash from purchases of property and equipment | a (-) b (-) c = d | 522.9 | 426.8 |
| CAPEX cash from purchases of intangible assets | e | 83.8 | 79.7 |
| CAPEX cash from business combination | f | 853.0 | 769.6 |
| **Total CAPEX as per Consolidated Statement of Cash Flows** | **d (+) e (+) f** | **1,459.7** | **1,276.1** |

*(ii) The group assets include assets financed via financial leases or assets which purchase price is settled directly by the financing bank to the yard hence not resulting in a cash stream upon acquisition.*

Variations in the accumulated depreciation for the year ended December 31, 2019 and the year ended December 31, 2018 are analyzed as follows:

| | Vessels | | | | | Other properties and | |
|---|---|---|---|---|---|---|---|
| | **Owned** | **Right-of-use (*)** | **In-progress** | **Containers** | **Lands and buildings** | **equipments** | **Total** |
| **As at January 1, 2018** | **(2,140.8)** | **(312.8)** | **—** | **(359.9)** | **(187.3)** | **(222.8)** | **(3,223.6)** |
| Depreciation | (381.1) | (48.1) | — | (38.3) | (21.8) | (57.9) | **(547.3)** |
| Disposals | 44.2 | 1.8 | — | 13.2 | 5.0 | 11.7 | **75.8** |
| Impairment | (5.3) | — | — | — | (0.1) | — | **(5.4)** |
| Vessels refinancing & exercise of purchase option | 9.1 | (9.1) | — | — | — | — | **—** |
| Reclassification to held-for-sale | — | — | — | — | 1.2 | — | **1.2** |
| Reclassification | 2.3 | — | — | 0.1 | — | (0.2) | **2.2** |
| Foreign currency translation adjustment | 4.6 | 0.3 | — | 0.3 | 6.9 | 7.3 | **19.6** |
| **As at December 31, 2018** | **(2,467.1)** | **(367.9)** | **—** | **(384.6)** | **(196.1)** | **(261.8)** | **(3,677.5)** |

| | Vessels | | | | | Other properties and | |
|---|---|---|---|---|---|---|---|
| | Owned | Right-of-use (*) | In-progress | Containers | Lands and buildings | equipments | Total |
| First time application IFRS 16 | 405.5 | (404.4) | — | — | 0.1 | (0.8) | **0.5** |
| Depreciation | (374.9) | (951.1) | — | (643.4) | (461.2) | (141.0) | **(2,571.6)** |
| Disposals | 34.9 | 8.2 | — | 108.8 | 48.2 | 22.2 | **222.2** |
| Impairment | 5.3 | — | — | — | (0.0) | — | **5.3** |
| Vessels refinancing & exercise of purchase option | — | 7.9 | — | — | — | — | **7.9** |
| Reclassification to held-for-sale | — | — | — | — | — | 57.3 | **57.3** |
| Reclassification | (7.9) | — | — | 0.2 | (2.0) | 8.7 | **(0.9)** |
| Foreign currency translation adjustment | 1.1 | (0.0) | — | 0.0 | 2.2 | 3.1 | **6.4** |
| **As at December 31, 2019** | **(2,403.0)** | **(1,707.4)** | **—** | **(919.0)** | **(608.7)** | **(312.3)** | **(5,950.5)** |

*(*) For better comparison, finance leases under IAS 17 have been presented within Right-of-use in 2018 figures above*

The net book value of property and equipment at the opening and closing for the year ended December 31, 2019 and the year ended December 31, 2018 are analyzed as follows:

| | Vessels | | | | | Other properties and | |
|---|---|---|---|---|---|---|---|
| | Owned | Right-of-use (*) | In-progress | Containers | Lands and buildings | equipments | Total |
| **As at December 31, 2019** | 7,071.6 | 5,294.3 | 439.8 | 2,751.9 | 1,824.1 | 384.2 | **17,765.8** |
| **As at December 31, 2018** | 7,628.2 | 937.9 | 256.1 | 485.6 | 448.0 | 485.5 | **10,241.3** |
| **As at December 31, 2017** | 7,385.9 | 771.1 | 463.7 | 562.6 | 509.8 | 426.5 | **10,119.6** |

*(*) For better comparison, finance leases under IAS 17 have been presented within Right-of-use in 2018 figures above*

As at December 31, 2019, the carrying amount of property and equipment held as collateral (mainly of financial debts) amounts to USD 15,992.8 million (USD 7,091.0 million as at December 31, 2018) and USD 6,869.2 million excluding assets under IFRS 16.

The net book value of the container fleet as at December 31, 2019 includes USD 2,400.9 million related to containers under IFRS 16 (USD 55.3 million as at December 31, 2018 related to finance leases).

### 5.2.2 Group fleet development

Prepayments made to shipyards relating to owned vessels under construction are presented within "Vessels" in the consolidated statement of Financial Position and amount to USD 439.8 million as at December 31, 2019 (USD 256.1 million as at December 31, 2018).

Regarding the commitments related to ordered vessels, see Note 8.3.1.

## 5.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

As required by IAS 16 "Property, Plant and Equipment" and IAS 36 "Impairment of Assets", the Group reviews the carrying amounts of property and equipment (see Note 5.2) and intangible assets (see Note 5.1) annually in order to assess whether there is any indication that the value of these assets might not be recoverable. If such an indication exists, the recoverable value of the asset is estimated in order to determine the amount, if any, of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment of goodwill and other assets that do not generate independent cash inflows, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units or "CGU").

The impairment tests on goodwill and intangible assets with an indefinite useful life or unavailable for use are performed annually at the CGU level, irrespective of whether there is an indication of impairment.

Right-of-use assets under IFRS 16 are considered as non-financial assets. Thus, they are in the scope of IAS 36.

Right-of-use assets are tested annually or when impairment indicators exist. They are assessed for impairment at Group's CGUs level.

The impairment test is performed according to the following assumptions:

- Right-of-use assets are included in the carrying amount of the related CGU;
- Lease payments are taken into account in the cash flows; and
- The carrying amount of the lease liabilities is deducted from the carrying amount of the CGU.

Any impairment recorded on goodwill may not subsequently be reversed.

*(g) Significant judgment, estimates and assumptions*

When value in use calculations are undertaken, management must estimate the expected future cash flows of the asset or cash-generating unit and choose a suitable discount rate and a perpetual long-term growth rate in order to calculate the present value of those cash flows. These estimates take into account certain assumptions about the global economic situation and the future growth of the container shipping industry.

The main assumptions used by the Company in order to perform impairment testing of non-financial assets are the following:

- The level at which the assets were tested:

(i) CMA CGM, is organized as a global container carrier, managing its customer base and fleet of vessels and containers on a global basis. Large customers are dealt with centrally and assets are regularly reallocated within trades according to demand. Even though certain trades may have their own specificities, none generates cash flows independently of the others. As such, vessels, containers, goodwill and other long-term assets related to the container shipping activity are not tested individually but rather on the basis of the cash flows generated by the overall container shipping activity.

(ii) As far as logistics activities are concerned, Management monitors goodwill based on two cash generating units (Freight Management and Contract Logistics). The recoverable amount of each CGU is determined based on calculating its value in use.

(iii) For terminal operations, when the Company controls the entity, the CGU correspond to each individual terminal or entity, or to a group of terminals or entities when they operate in the same geographic area and their activities are interrelated.

- For the container shipping activity, the cash flows used to determine the value in use are based on the most recent business plan prepared by management, which covers a 4 or 5-year period. The container shipping industry remains volatile and pressure on freight rates and overcapacity in the global containership fleet are still a potential concern for the industry. To prepare its business plan, management considered historical data and opinions from independent shipping experts which tend to indicate that in the medium term, fleet capacity and demand will be more balanced.
- For logistics, the value in use is calculated by applying discounted cash flow modeling to management's own projections covering a five year period. Management's projections have been prepared on the basis of strategic and performance improvement plans, knowledge of the market, performance of competitors and management's views on achievable growth in market share and margins over the longer term.
- The post-tax discount rates, or Weighted Average Cost of Capital ("WACC") , used for testing purposes are included within the range 7%-18% (7.3%-14% in 2018) depending upon the inherent risk of each activity tested.
- The perpetual growth rate applied to periods subsequent to those covered by management's business plan was generally set between 1% and 2% (1% at end of 2018—see sensitivity analysis below).

*Sensitivity of the impairment test to changes in the assumptions used in the determination of the value in use*

Regarding the container shipping activity:

- If the discount rate had been increased by 1%, the net present value of future cash flows would have been lowered by USD 2.4 billion (USD 3.1 billion as at December 31, 2018), which would not have resulted in any impairment charge;

- The estimated value in use of the container shipping assets to be tested would have been approximately equal to its carrying amount if the discount rate had been increased by 4.1% (5.5% as at December 31, 2018);
- If the perpetual growth rate had been set at 0%, the net present value of future cash flows would have been lowered by USD 2.0 billion (USD 2.4 billion as at December 31, 2018), which would not have resulted in any impairment charge;
- The estimated value in use of the container shipping assets to be tested would have been approximately equal to its carrying amount if the perpetual growth rate had been decreased by 5.8% (9.4% as at December 31, 2018), i.e. negative perpetual growth rate of 4.8% (negative 8.4% as at December 31, 2018).

## 5.4 WORKING CAPITAL

*Inventories—Initial recognition*

Inventories are initially recorded at cost. Cost represents the purchase price and any directly attributable costs. Inventories mainly relate to bunker fuel at the end of the year. Cost is determined on a first-in, first-out basis.

*Inventories—Write-down rules*

When the net realizable value of an item of inventory is less than its cost, the excess is immediately written-down in profit or loss.

The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized through profit or loss so that the new carrying value is the lower of the cost and the revised net realizable value.

*Impairment of trade receivables*

According to the simplified approach allowed by IFRS 9 for trade receivables, the Group determined that the provision that would be recognized using a provision matrix based on historical and projected statistics for determining expected credit loss (ECL) on trade receivables would not be materially different from the provision accounted through the currently used methodology.

Write down is measured taking into account:

- Customer segments that have similar loss patterns : the Group differentiates freight receivables from demurrage receivables;
- The receivables' maturities in correlation with their estimated collection rate : at date, the Group fully depreciates aged receivables above one year.

Individual receivable identified as risky are also depreciated when:

- It is probable that the receivable will not be recovered; and
- The amount of the loss can be reliably measured.

*Impairment of contract assets*

Contract assets are impaired following the same rules as trade receivables.

*Securitization of receivables*

The Company transfers certain receivables of certain shipping agencies by way of a securitization program. As a portion of the risks and rewards of ownership related to these trade receivables have been retained by the Group, they are not derecognized and a borrowing is recorded against the cash consideration received from the lenders (collateralized borrowing). Similarly, when the Company receives shares from the securitization vehicle either (i) as a consideration for receivables transferred during the period or (ii) as an advance consideration for receivables to be transferred in a subsequent period, the related receivables are not derecognized and maintained in the Statement of Financial Position (see Note 6.6 and Note 8.3.2).

*(h) Significant estimates: Demurrage and detention receivables, accruals for port call expenses, transportation costs and handling services*

The amount of demurrage receivables as well as port call expenses, transportation costs and handling services are estimated on the basis of standard costs, as there can be delays between the provision of services and the receipt of the final invoices from shipping agents and customers or suppliers throughout the world (see Note 4 for revenue recognition accounting principles).

5.4.1 Inventories

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| Bunkers | 474.2 | 451.7 |
| Other inventories | 69.5 | 78.4 |
| Provision for obsolescence | (0.8) | (1.4) |
| **Inventories** | **542.9** | **528.7** |

5.4.2 Trade receivables and payables

Trade and other receivables are analyzed as follows:

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| Trade receivables | 2,418.1 | 1,644.2 |
| Less impairment of trade receivables | (110.1) | (101.0) |
| **Trade receivables net** | **2,308.1** | **1,543.2** |
| Prepayments | 179.9 | 129.4 |
| Other receivables, net | 781.9 | 680.6 |
| Employee, social and tax receivables | 273.0 | 186.4 |
| **Trade and other receivables (*)** | **3,542.9** | **2,539.7** |

*(*) including current income tax asset*

CEVA contribution to trade and other receivables amounts to USD 1,167.9 million, mainly explaining the variation occurred from December 31, 2018.

“Other receivables, net” mainly include accrued income estimated due to the time between the provision of services and the issue of the final invoices from shipping agents to customers throughout the world.

A large portion of trade receivables included in the table above have been pledged as collateral under its securitization programs (see Note 8.3.2).

Trade and other payables are analyzed as follows:

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| Trade payables | 2,901.5 | 2,031.3 |
| Employee, social and tax payables | 493.6 | 340.7 |
| Other payables (mainly accruals for port call expenses, transportation costs, handling services) | 2,737.3 | 2,290.0 |
| **Trade and other payables (*)** | **6,132.4** | **4,662.0** |

*(*) including current income tax liability*

CEVA contribution to trade and other payables amounts to USD 1,373.5 million, mainly explaining the variation occurred from December 31, 2018.

In 2019, “other payables” includes USD 80.5 million related to dividends declared prior December 31, 2019 which have been paid early January 2020.

The working capital can be analyzed as follows:

| | As at December 31, 2018 | Variations linked to operations | Acquisition of subsidiaries (see Note 3.1) | Currency translation adjustment | IFRS 16 first time application (***) | Others | As at December 31, 2019 |
|---|---|---|---|---|---|---|---|
| Inventories | 528.7 | 21.1 | 6.0 | (0.2) | — | (12.8) | 542.9 |
| Trade and other receivables (*) | 2,539.7 | 14.0 | 1,201.2 | (38.6) | — | (173.4) | 3,542.9 |
| Contract assets | 515.9 | 119.9 | 138.7 | (1.8) | — | 1.5 | 774.2 |
| Prepaid expenses | 499.6 | 23.2 | 16.9 | (0.2) | (189.8) | 42.7 | 392.3 |
| Trade and other payables (**) | (4,662.0) | (116.6) | (1,444.8) | 52.2 | 59.0 | (20.2) | (6,132.4) |
| Deferred income | (85.6) | (46.3) | (36.1) | (0.0) | 72.3 | (2.8) | (98.5) |
| **Net working capital** | **(663.7)** | **15.3** | **(118.2)** | **11.3** | **(58.4)** | **(165.0)** | **(978.6)** |

*(*) including current income tax asset*
*(**) including current income tax liability*
*(***) Mainly related to IFRS 16 first time application described in Note 2.2.1*

Acquisition of subsidiaries is mainly related to CEVA (see Note 3.1).

Prepaid expenses mainly correspond to expenses related to voyages in progress at the Statement of Financial Position date resulting from the revenue recognition accounting principles disclosed in Note 4.

Trade receivables and payables, including current income tax assets and liabilities, mature as follows:

| | As at December 31, 2019 | Not yet due | 0 to 30 days | 30 to 60 days | 60 to 90 days | 90 to 120 days | Over 120 days |
|---|---|---|---|---|---|---|---|
| **Trade and other receivables** | **3,542.9** | 1,203.6 | 1,239.6 | 321.4 | 248.4 | 208.7 | 321.3 |
| **Trade and other payables** | **6,132.4** | 4,793.1 | 705.9 | 277.0 | 88.5 | 68.0 | 199.9 |

## 5.5 NON-CURRENT ASSETS (OR DISPOSAL GROUP) HELD FOR SALE

Non-current assets (or disposal group) to be disposed of are classified as non-current assets (or disposal group) held-for-sale and measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets are classified as held-for-sale only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for the sale of such items. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. If the fair value is lower than the carrying amount, an impairment charge is recognized in the income statement.

A disposal group may include both current and non-current assets as well as liabilities (current and non-current) directly related to those assets to be disposed of in the same transaction.

Liabilities directly associated with these assets are presented in a separate line in the balance sheet.

When a non-current asset or a group of assets is classified as held-for-sale, the depreciation of its non-current assets is discontinued.

As at December 31, 2019, non-current assets (or disposal group) held for sale relate mainly to stakes in 10 terminals. Indeed, on December 20, 2019, the Group signed an agreement with China Merchant to sell a portfolio of stakes in 10 terminals to Terminal Link, a joint-venture 51% held by the Group and 49% by China Merchant. This agreement represents an investment to the benefit of the Group of USD 968 million payable in cash at the closing of the transaction.

For the sake of simplification, the retained date for IFRS 5 application is December 31, 2019.

At the end of the transaction, Terminal Link will hold new stakes in the following sites: Odessa Terminal (Ukraine), CMA CGM PSA Lion Terminal (CPLT) in Singapore, Mundra Terminal (India), Kingston Freeport Terminal (Jamaica), Rotterdam World Gateway (Netherlands), Gemalink in Cai Mep (Vietnam), Qingdao Qianwan United Advance Container Terminal (China), Vietnam International Container Terminal in Hô-Chi-Minh-Ville (Vietnam), Laem Chabang International Terminal (Thailand), Umm Qasr Terminal (Iraq).

The transaction is expected to be finalized in the first half of 2020 (i.e. within 12 months), subject in particular to the approval of the relevant competition authorities and regulatory bodies.

Current and non-current assets and liabilities related to the 10 terminals have been reclassified into dedicated accounts. Apart from a non-significant amount, fair value less cost to sell was higher than the carrying value; hence, no significant impairment charge has been recorded.

The disposal project is not constitutive of a business that would have to be treated as discontinued operations, and hence the P&L related to these activities has been considered as continuing operations for the year-ended December 31, 2019.

The assets and liabilities related to these terminal activities are as follows:

| | **As at December 31, 2019** |
|---|---|
| Intangible assets | 9.3 |
| Harbor equipment | 403.5 |
| Other tangible assets | 3.3 |
| Shares in associates and joint ventures | 419.4 |
| Other financial assets | 102.1 |
| Other assets | 40.1 |
| **TOTAL Assets held for sale** | **977.7** |
| Financial debt | 376.0 |
| Other liabilities | 42.6 |
| **TOTAL Liabilities associated to assets held for sale** | **418.6** |

Such terminal assets contributed to the continuing operations as follows:

- USD 40.6 million in EBITDA
- USD 15.4 million in Core EBIT; and
- USD (12.2) million in Profit / (Loss) for the period.

### 5.6 FREE CASH FLOW

Free cash flow is USD 2,309.9 million for the year ended December 31, 2019. It is composed of cash flow from operations for USD 3,559.9 million (of which EBITDA contributed for USD 3,759.2 million, income tax paid for USD (198.9) million and variation of working capital for USD (15.3) million) and cash flow provided by investing activities for USD (1,250.0) million.

Cash flow from investing activities has been mainly impacted by capital expenditures from intangible assets and purchasing of property and equipment, representing a cash outflow of USD (606.7) million, as well as the net cash out resulting from business combinations, primarily due to the acquisition of CEVA, for USD (1,772.3) million, the proceeds from disposal of properties and equipment for USD 138.6 million, the net cash flow resulting from the variation of other financial assets for USD 24.3 million and the dividends received from investments in associates and joint ventures for USD 28.9 million.

Free cash flow has been positively impacted by IFRS 16 application as lease payments are now regarded as financing cash flows while it used to be reported as operating cash flows under IAS 17 (see Note 3.1).

### Note 6—Capital structure and financial debt

The Group’s activities entail a variety of financial risks: market risk (including foreign exchange risk, bunker costs risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial and oil/commodity markets and seeks to minimize potential adverse consequences on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department and a bunkering department in accordance with policies approved by management. These departments identify, evaluate and hedge financial risks in close relation with operational needs. Management provides written principles for overall risk management, as well as written policies covering specific areas, such as bunker risk, foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of liquidity.

## 6.1 FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

6.1.1 Market risk

Bunker costs risk

The Group seeks to apply bunker surcharges (Bunker Adjustment Factor "BAF") in addition to freight rates to compensate for fluctuations in the price of fuel. The Group's risk management policy is also to hedge through fixed price forward contracts. The analyzes of the exposure to price fluctuations is performed on a continual basis.

The fuel prices over the last three years are as follows:

| | Closing rate | | | Average rate | | |
|---|---|---|---|---|---|---|
| **Market data as at :** | **2019** | **2018** | **2017** | **2019** | **2018** | **2017** |
| Nymex WTI (1st nearby, in $ per barrel) * | 61.06 | 45.41 | 60.42 | 57.04 | 64.90 | 50.85 |
| Brent (1st nearby, in $ per barrel) * | 66.00 | 53.80 | 66.44 | 64.16 | 71.79 | 54.74 |

* *Based on the future contract maturing at the closest maturity on each considered date*

As at December 31, 2019, the Company hedged approximately 0.8% of expected purchase of bunkers for the next year through a forward fixed price with delivery (10.0% of expected purchase for the year 2019 as at December 31, 2018). These bunker purchases are treated as executory contracts.

As at December 31, 2019, the Group has no outstanding derivative financial instruments relating to bunker cost hedging (USD 1.7 million as at December 31, 2018), other than the contracts accounted as executory contracts ("own use").

Based on the fuel consumption for the year ended December 31, 2019, an increase of the fuel prices by USD 10 (in USD per ton) would have had a negative impact on the Statement of Profit & Loss of approximately USD 78.0 million, excluding any effect on the BAF mechanism mentioned above as well as any other correlation with freight prices.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The functional currency of the Group being the U.S. Dollar, the Company is primarily exposed to the Euro currency fluctuations regarding its operational and financing transactions. Transactional currency exposure risks arise from sales or purchases by an operating unit in a currency other than the Group's functional currency.

The Company may conclude certain derivative transactions to hedge specific risks.

The Group's exposure to the transaction currencies, taking into account the effect of hedges, can be presented as follows:

| **As at December 31, 2019** | **Carrying amount** | USD | EUR | CNY | GBP | Others |
|---|---|---|---|---|---|---|
| Trade receivables and prepaid expenses | **3,872.0** | 2,360.0 | 477.4 | 86.3 | 74.3 | 873.9 |
| Cash and cash equivalents and securities | **1,750.8** | 935.6 | 320.8 | 41.8 | 6.7 | 445.9 |
| Trade payables and current deferred income | **6,135.6** | 4,125.0 | 946.7 | 125.2 | 81.0 | 858.4 |
| Borrowings | **19,514.1** | 14,694.3 | 4,066.4 | 16.9 | 62.1 | 674.4 |

This exposure is mitigated to a certain extent by the currency mix of operating revenues and expenses.

Cash Flow Interest rate risk

The evolution of short-term USD rates is as follows:

| Market data: | Closing rate as at December 31, 2019 | 2018 | 2017 | Annual average rate 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| LIBOR USD 3 M | 1.91% | 2.81% | 1.69% | 2.33% | 2.31% | 1.26% |

The Group's interest rate risk mainly arises from borrowings. The Company has borrowings (including obligations under capital leases) issued at variable rates (USD Libor) that expose the Company to a cash flow interest rate risk.

As at December 31, 2019, taking into account the interest rate hedges, the borrowings bearing interest at variable rates represent 33% of total debts 67% at fixed rates.

The table below presents the fair value of the Group's interest rate derivatives in relevant maturity groupings based on the remaining period, from the Statement of Financial Position date to the contractual maturity date:

| As at December 31, 2019 | Nominal amount | Maturity<br>Less than 5 years | More than 5 years | Fair value of derivatives |
|---|---|---|---|---|
| Interest swaps—cash flow hedge | **403.5** | 380.4 | 23.1 | (1.4) |
| Interest swaps—not qualifying for cash flow hedge | **38.3** | 38.3 | — | (0.1) |
| Cross currency interest rates swaps—fair value hedge | **385.1** | 131.2 | 253.9 | (37.9) |
| Cross currency interest rates swaps—cash flow hedge | **995.7** | 995.7 | — | (50.8) |
| FX Forward Contracts—Cashflow Hedges | **296.0** | 296.0 | — | 3.5 |
| **Total** | **1,822.6** | **1,545.6** | **277.0** | **(86.6)** |

The following table presents the sensitivity of the Group's profit before tax and of the Cash Flow reserve as at December 31, 2019 to a possible change in interest rates, assuming no change in other parameters:

| | | Income Statement impact | | Balance Sheet impact |
|---|---|---|---|---|
| | | Change in fair value of derivatives | Interest expenses* | Cash Flow Reserve |
| U.S Dollar | +100 bps | (6.2) | 1.1 | 4.6 |
| U.S Dollar | -100 bps | (5.1) | 0.4 | (9.0) |

* *excluding the effect on underlying hedged transactions*

6.1.2 Credit risk

The Group trades with large, recognized, creditworthy third parties and also with a very large number of smaller customers for which prepayments are often required. Trade receivables and third party agents outstanding balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant (bad debts represent 0.5% of revenue in 2019 and 0.4% of revenue in 2018). Because of the large customer base, the Group has no significant concentration of credit risk. No customer represents more than 5% of Group revenue.

Counterparties for transactions on derivatives are limited to high-credit-quality financial institutions. The Group has policies that limit its exposure to credit risk towards financial institutions when dealing derivative financial instruments.

### 6.1.3 Liquidity risk

The table below presents the undiscounted cash flows of interest swap derivatives based on spot rate as at December 31, 2019 and on the interest rate curve as at December 31, 2019:

| | 2020 | 2021 | 2022 | 2023 | 2024 | Onwards |
|---|---|---|---|---|---|---|
| Interest swaps—Assets | 0.0 | 0.1 | 0.1 | — | — | — |
| Interest swaps—Liabilities | (0.8) | (0.8) | (0.6) | (0.2) | (0.1) | (0.1) |
| Cross currency interest rates swaps—Liabilities | (16.0) | (37.2) | (13.9) | (10.1) | (7.6) | (9.1) |
| **Total** | **(16.7)** | **(37.8)** | **(14.3)** | **(10.3)** | **(7.7)** | **(9.3)** |

Since end of 2018, the Group's financing arrangements are subject to compliance with the following financial covenants:

- A ratio of leverage ratio, calculated as adjusted net debt to a 3-year average adjusted EBITDA);
- Minimum liquidity balance.

These covenants are based on specific calculations as defined in the financing arrangements (see below).

CEVA is subject, under the terms of certain facilities, with a relevant period on a twelve month rolling basis ending on the last day of each calendar quarter end, to respect:

- A ratio of consolidated EBITDA as defined in the agreement to net finance charges; and
- A ratio of total net debt to consolidated EBITDA.

As at 31 December 2019, the Group is in compliance with its financial covenants.

The definition of EBITDA in the agreements allows adjustments and certain items to be added back to the reported EBITDA for the purpose of calculating the covenants.

Adjusted net debt is calculated as the difference between total borrowings (see Note 6.6) less the aggregate of (i) the remaining value of Bonds and preferred shares redeemable in shares disclosed in borrowings in Note 6.6, (ii) cash deposited in escrow accounts in relation to certain loan-to-value provisions disclosed in Note 6.3.1 and (iii) unrestricted cash and cash equivalents as defined below.

Unrestricted cash and cash equivalents correspond to the sum of (i) cash and cash equivalents as per statement of financial position as disclosed in note 6.4 and (ii) "securities" as disclosed in Note 6.3.2, less the amount of restricted cash as disclosed in Note 6.4.

On the basis of these definitions, adjusted net debt is calculated as follows

| | Note | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|---|
| **Total Borrowings and lease liabilities** | 6.6 | **19,514.1** | **9,180.5** |
| (-) Bonds redeemable in shares in Borrowings and lease liabilities | 6.6 | (16.7) | (31.9) |
| (-) LTV deposits | 6.3.1 | — | (23.2) |
| **Adjusted gross debt : A** | | **19,497.3** | **9,125.4** |
| **Cash and cash equivalents as per statement of financial position** | 6.4 | **1,750.8** | **1,401.9** |
| (+) Securities | 6.3.2 | 16.7 | 35.3 |
| (-) Restricted cash | 6.4 | (65.6) | (46.7) |
| **Unrestricted cash and cash equivalents : B** | | **1,701.9** | **1,390.6** |
| **Adjusted net debt : A (-) B** | | **17,795.4** | **7,734.8** |

Regarding the liquidity risk linked to vessel financing, please refer to the financial commitments presented in the Note 8.3.1 Commitments on vessels and containers.

6.1.4 Capital risk management

The Group monitors capital on the basis of the ratios described above.

6.1.5 Fair value hierarchy

Fair Value of financial assets

The fair values of quoted investments are based on current mid-market prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are largely similar and discounted cash flow analyses refined to reflect the issuer's specific circumstances.

The table in the Note 6.3.3 Classification of financial assets and liabilities that presents a breakdown of financial assets and liabilities categorized by value meets the amended requirements of IFRS 7. The fair values are classified using a scale which reflects the nature of the market data used to make the valuations. This scale has three levels of fair value:

- Level 1: fair value based on the exchange rate/price quoted on the active market for identical instruments;
- Level 2: fair value calculated from valuation techniques based on observable data such as active prices or similar liabilities or scopes quoted on the active market;
- Level 3: fair value from valuation techniques which rely completely or in part on non-observable data such as prices on an inactive market or the valuation on a multiples basis for non-quoted securities.

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2019:

| As at December 31, 2019 | Level 1 | Level 2 | Level 3 | Total Balance |
|---|---|---|---|---|
| **Assets** | | | | |
| Securities | 16.7 | — | — | 16.7 |
| Derivatives not qualified to hedge accounting | — | — | — | — |
| Derivatives used for hedging | — | 0.7 | — | 0.7 |
| Net investment hedge | — | 8.9 | — | 8.9 |
| Fair value through other comprehensive income | — | — | 31.0 | 31.0 |
| Fair value through P&L | — | — | 39.8 | 39.8 |
| **Total Assets** | **16.7** | **9.6** | **70.7** | **97.0** |
| **Liabilities** | | | | |
| Interest swaps—cash flow hedge | — | 2.1 | — | 2.1 |
| Interest swaps—not qualifying to hedge accounting | — | 0.1 | — | 0.1 |
| Cross currency interest rates swaps—fair value hedge | — | 37.9 | — | 37.9 |
| Cross currency interest rates swaps—cash flow hedge | — | 50.8 | — | 50.8 |
| **Total Liabilities** | **—** | **90.9** | **—** | **90.9** |

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2018:

| As at December 31, 2018 | Level 1 | Level 2 | Level 3 | Total Balance |
|---|---|---|---|---|
| **Assets** | | | | |
| Securities | 35.4 | — | — | 35.4 |
| Derivatives not qualified to hedge accounting | — | 0.6 | — | 0.6 |
| Derivatives used for hedging | — | 7.6 | — | 7.6 |
| Fair value through other comprehensive income | — | — | 30.7 | 30.7 |
| Fair value through P&L | — | — | 34.5 | 34.5 |
| **Total Assets** | **35.4** | **8.2** | **65.2** | **108.7** |
| **Liabilities** | | | | |
| Cross currency interest rates swaps—fair value hedge | — | 57.8 | — | 57.8 |
| Cross currency interest rates swaps—cash flow hedge | — | 22.9 | — | 22.9 |
| **Total Liabilities** | **—** | **80.7** | **—** | **80.7** |

The variations of assets included in level 3 are as follows:

| | ASSETS | |
|---|---|---|
| | Fair value through other comprehensive income | Fair value through P&L |
| **Opening balance** | **30.7** | **34.5** |
| **Total gains or losses for the period** | | |
| Included in other comprehensive income | — | 5.3 |
| Foreign Currency impact | (0.4) | — |
| **Purchases, issues, sales and settlements** | | |
| Purchases | 12.6 | — |
| Held-for-sale | (10.0) | — |
| Depreciation | (0.5) | — |
| Settlements | (0.5) | — |
| Others | (1.0) | (0.0) |
| **Closing balance** | **31.0** | **39.8** |

## 6.2 DERIVATIVE FINANCIAL INSTRUMENTS

*Derivative instruments and hedging activities*

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-evaluated at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if this is the case, on the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedge).

The Group documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve are shown in other comprehensive income.

*Classification of the Company's derivative instruments*

- Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The impact in the Statement of Profit & Loss (effective and ineffective portion) of bunker hedging activities that qualify as cash flow hedges is presented in the line item "Bunkers and Consumables".

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowing is recognized in the Statement of Profit & Loss within "Interest expense on borrowings". The gain or loss relating to the ineffective portion is recognized in the income statement under the heading "Other financial items".

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the non-financial asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at this time remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

- Fair value hedge

Fair value hedges apply when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment or an identified portion of such an asset, liability or unrecognized firm commitment that is attributable to a particular risk.

The fair value changes on the effective portion of derivatives that are designated and qualify as fair value hedges are recognized in the income statement within the same line item as the fair value changes from the hedged item. The fair value changes relating to the ineffective portion of the derivatives are recognized separately in the income statement.

- Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as assets or liabilities at fair value through profit and loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement. The impact in the Statement of Profit & Loss of such derivatives is presented in the line item "Other financial items".

- Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income; the gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Gains and losses accumulated in other comprehensive income are included in the income statement when the foreign operation is disposed of.

6.2.1 Derivative financial instruments

Derivative financial instruments can be analyzed as follows:

| | As at December 31, 2019 | | As at December 31, 2018 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Interest swaps—cash flow hedge | 0.7 | 2.1 | 7.6 | — |
| Interest swaps—not qualifying to hedge accounting | — | 0.1 | 0.6 | — |
| Bunker hedge—cash flow hedge | — | — | — | 1.7 |
| Cross currency interest rates swaps—fair value hedge | — | 37.9 | — | 57.8 |
| Cross currency interest rates swaps—cash flow hedge | — | 50.8 | — | 22.9 |
| Net Investment hedge | 8.9 | — | — | — |
| Currency forward contracts—not qualifying to hedge accounting | — | — | 3.4 | 0.8 |
| FX Forward Contracts—Cashflow Hedges | 3.5 | — | — | — |
| **Total derivative financial instruments** | **13.1** | **90.9** | **11.6** | **83.3** |
| *of which non-current portion (greater than 1 year)* | *0.7* | *62.1* | *6.0* | *80.7* |
| *of which current portion (less than 1 year)* | *12.4* | *28.8* | *5.6* | *2.6* |

As at December 31, 2019 and December 31, 2018, the Company did not record any transfer between derivative financial instruments' categories.

6.2.2 Net investment hedge

A foreign currency exposure arises from the Group's net investment in certain subsidiaries, associates or joint ventures with a euro functional currency.

The risk arises from the fluctuation in spot exchange rates between the Euro and the US Dollar, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening euro against the US dollar that will result in a reduction in the carrying amount of the Group's net investment in the euro investees.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate.

Part of the Group's net investment in its euro investees is hedged by certain Euro denominated senior notes, which mitigates the foreign currency exposure arising from the investee's net assets. A portion of the euro loan has been designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the EUR/USD exchange rates.

The amount of the change in the value of the Senior Notes that has been recognized in OCI to offset the currency translation adjustment of the foreign operation amounts to USD (12.3) million for the year ended December 31, 2019 (USD 21.3 million for the year ended December 31, 2018).

In addition, FX derivatives have been recognized as NIH instruments within CEVA, for an amount of USD 8.9 million.

### 6.3 OTHER NON-CURRENT FINANCIAL ASSETS—SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

The Group classifies its financial assets in the following categories, depending on their nature (i.e. their contractual cash flow characteristics) and how they are managed (i.e. the Group business model used for managing these financial assets):

*Financial assets subsequently measured at amortized cost*

These financial assets are initially recognized at fair value plus directly attributable costs.

They are classified as subsequently measured at amortised cost if they meet both of the following criteria:

- The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date.

Amortized cost is determined using the effective interest method, less impairment.

*Financial assets subsequently measured at fair value through other comprehensive income*

These financial assets are initially recognized at fair value plus directly attributable costs.

They are classified as subsequently measured at fair value through other comprehensive income (FVOCI) if they meet both of the following criteria:

- The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest(SPPI) on the principal amount outstanding.

The business model mentioned as first criteria involves greater frequency and volume of sales than the business model used for financial assets measured at amortized cost. Integral to this business model is an intention to sell the instrument before the investment matures.

*Financial assets subsequently measured at fair value through profit or loss*

These financial assets are initially recognized at fair value excluding directly attributable costs that are immediately recognized in profit and loss.

These financial assets are classified and measured at Fair value through profit or loss (FVTPL) if:

- The asset is held within a business model that does not correspond to the business model used to classify financial assets at amortized cost or at fair value through other comprehensive income; and

- The contractual terms of the financial asset give rise to cash flows that are not solely payments of principal and interest(SPPI).

A financial asset is thus classified and measured at FVTPL if the financial asset is:

- A held-for-trading financial assets;
- A debt instruments that do not qualify to be measured at amortised cost or FVOCI;
- An equity investments which the Group has not elected to classify as at FVOCI.

Changes in fair value are recognized in profit and loss as they arise.

*Impairment of financial assets*

At each Statement of Financial Position date, the Group performs impairments tests using a forward-looking expected credit loss (ECL) model.

The amount of impairment to be recognised as expected credit losses (ECL) at each reporting date as well as the amount of interest revenue to be recorded in future periods are determined through a three-stage impairment model based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition:

- Stage 1: When the credit risk has not increased significantly since initial recognition, the Group accounts expected losses over next 12 months and recognises interest on a gross basis;
- Stage 2: When the credit risk has increased significantly since initial recognition and is not considered as low, the Group accounts expected losses over the lifetime of the asset and recognises interest on a gross basis;
- Stage 3: In case of a credit deterioration that threatens its recoverability, the Group accounts expected losses over the lifetime of the asset and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

6.3.1 Other non-current financial assets

Other non-current financial assets are analyzed as follows:

| | **As at December 31, 2019** | **As at December 31, 2018** |
|---|---|---|
| Gross | 75.1 | 71.4 |
| Impairment | (4.4) | (6.2) |
| **Investments in non consolidated companies** | **70.7** | **65.2** |
| Gross | 50.4 | 80.9 |
| Impairment | (18.2) | (18.2) |
| **Loans** | **32.2** | **62.6** |
| Gross | 83.6 | 120.1 |
| Impairment | — | — |
| **Deposits** | **83.6** | **120.1** |
| Gross | 35.0 | 73.8 |
| Impairment | (16.6) | (4.5) |
| **Receivable from associates & joint ventures** | **18.4** | **69.3** |
| Gross | 126.9 | 138.2 |
| Impairment | (11.2) | (7.5) |
| **Other financial assets** | **115.7** | **130.7** |
| Gross | 370.9 | 484.4 |
| Impairment | (50.4) | (36.4) |
| **Total other non-current financial assets, net** | **320.6** | **448.0** |

Change in other non-current financial assets is presented within "Cash flow resulting from other financial assets" in the consolidated statement of cash flows.

*Investments in non-consolidated companies*

"Investments in non-consolidated companies" mainly relate to various stakes individually not significant, classified either as assets at fair value through P&L or as assets at fair value through OCI (see Note 6.1.5).

*Loans and receivables from associates and joint ventures*

"Loans" and "receivables from associates and joint ventures" mainly relate to funds borrowed by certain terminal joint ventures.

*Deposits*

"Deposits" correspond to USD 83.6 million of cash deposits which do not qualify as cash and cash equivalents as at December 31, 2019 (USD 120.1 million as at December 31, 2018).

*Other financial assets*

As at December 31, 2019, "Other financial assets" mainly include USD 115.7 million (USD 130.7 million as at December 31, 2018) of financial tax benefit to be received at the maturity of the tax financing period.

6.3.2 Securities and other current financial assets

"Securities and other current financial assets" as at December 31, 2019 include securities at fair value for an amount of USD 16.7 million (USD 35.3 million as at December 31, 2018).

As part of the freight securitization program, an amount of USD 21.9 million is deposited as a collateral of the amount drawn under the facility.

Apart from the above, other current financial assets mainly include (i) the current portion of the financial assets, (ii) some short term loans to joint-ventures or associates, (iii) as well as certain cash deposits which do not qualify as cash and cash equivalents since their inception.

6.3.3 Classification of financial assets and liabilities

Set out below is a breakdown by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements as at December 31, 2019:

| **Assets** | **As at December 31, 2019** | **Financial assets at amortised cost** | **Financial assets at fair value through other comprehensive income** | **Financial assets at fair value through profit and loss** | **Derivative instruments** |
|---|---|---|---|---|---|
| Derivative financial instruments | **13.1** | — | — | — | 13.1 |
| Other financial assets | **320.6** | 249.9 | 31.0 | 39.8 | — |
| Trade and other receivables (*) | **3,542.9** | 3,542.9 | — | — | — |
| Contract assets | **774.2** | 774.2 | | | |
| Securities and other financial assets (current) | **193.4** | 193.4 | — | (0.0) | — |
| Cash and cash equivalents | **1,750.8** | 1,750.8 | — | — | — |
| **Total financial instruments—Assets** | **6,595.0** | **6,511.2** | **31.0** | **39.7** | **13.1** |

| **Liabilities** | **As at December 31, 2019** | **Financial liabilities at amortized cost** | **Derivative instruments** |
|---|---|---|---|
| Borrowings and lease liabilities | **19,514.1** | 19,514.1 | — |
| Derivative financial instruments | **90.9** | — | 90.9 |
| Trade and other payables (**) | **6,132.4** | 6,132.4 | — |
| **Total financial instruments—Liabilities** | **25,737.3** | **25,646.4** | **90.9** |

*(*) including current income tax asset*
*(**) including current income tax liability*

## 6.4 CASH AND CASH EQUIVALENTS, AND LIQUIDITY

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and margin calls related to the Company's derivative financial instruments. Those financial assets are classified as amortised cost and valued as described above. Bank overdrafts are presented within borrowings on the Statement of Financial Position.

6.4.1 Cash and cash equivalents

Cash and cash equivalents can be analyzed as follows:

| | **As at December 31, 2019** | **As at December 31, 2018** |
|---|---|---|
| Cash on hand | 1,470.0 | 727.8 |
| Short term deposits | 215.2 | 627.4 |
| Restricted cash | 65.6 | 46.7 |
| **Cash and cash equivalents as per statement of financial position** | **1,750.8** | **1,401.9** |
| Bank overdrafts | (156.9) | (87.1) |
| **Cash and cash equivalents and bank overdraft** | **1,593.9** | **1,314.8** |
| **Cash reported in assets held-for-sale** | **4.1** | **—** |
| **Cash and cash equivalents and bank overdrafts, as per cash flow statement** | **1,598.0** | **1,314.8** |
| Restricted Cash | (65.6) | (46.7) |
| Marketable securities | 16.7 | 35.3 |
| **Group available cash** | **1,545.0** | **1,303.5** |
| Undrawn committed facilities | 79.3 | 622.1 |
| **Total Group Liquidity** | **1,624.3** | **1,925.6** |

6.4.2 Undrawn committed credit facilities and liquidity position

As at December 31, 2019, the Group has access to undrawn committed credit facilities amounting to USD 79.3 million (USD 622.1 million as at December 31, 2018) granted by various financial institutions.

As at December 31, 2019, CEVA contributes to cash and cash equivalents and Group liquidity position for USD 664.0 million and USD 685.5 million, respectively.

## 6.5 SHARE CAPITAL, OTHER RESERVES AND EARNINGS PER SHARE

*Share capital and other reserves*

Incremental costs directly attributable to the issue of new shares are presented in equity as a deduction from the proceeds, net of tax.

The share capital is constituted of (i) 10,578,355 ordinary shares held by MERIT Corporation, its shareholders and related persons, (ii) 3,626,865 ordinary shares held by Yildirim and (iii) 1 preference share held by the Banque Publique d'Investissement (Bpifrance formerly FSI) for a total of 14,205,221 shares.

In 2011 and 2013, Yildirim subscribed for USD 600 million to bonds mandatorily redeemable in the Company's preferred shares as at December 31, 2015. As at December 31, 2015, the bonds have been redeemed in preferred shares and as at December 31, 2017 into ordinary shares as per their terms and conditions. Since then, Yildirim holds 24% of the Company's ordinary shares on a fully diluted basis.

In June 2013, Bpifrance subscribed for USD 150 million to bonds mandatorily redeemable in the Company's ordinary shares as at December 31, 2020, representing 6% of the Company's ordinary shares upon conversion on a fully diluted basis.

No other share option plans or dilutive equity instruments have been issued.

The fully diluted share capital can be presented as follows:

| Fully diluted share capital | Number of shares | % of share capital | Number of voting rights | % of voting rights |
|---|---|---|---|---|
| Outstanding shares as of December 31, 2019 | 14,205,221 | 94% | 14,205,221 | 94% |
| Shares resulting from the conversion of bonds redeemable in shares subscribed by BPI in 2013 | 906,717 | 6% | 906,717 | 6% |
| **Total** | **15,111,938** | **100%** | **15,111,938** | **100%** |

Fully diluted share capital

Other comprehensive income / (Loss) reclassifiable to profit and loss break down as follows:

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| Cash flow hedge | (0.2) | 15.3 |
| Share of other comprehensive income / (Loss) of associates and joint ventures | 4.2 | 5.7 |
| Deferred tax on reserve | 1.4 | 1.4 |
| Net investment hedge | (17.0) | (29.3) |
| Currency translation adjustments | (124.4) | (142.9) |
| **Total Other Comprehensive Income / (Loss)** | **(136.0)** | **(149.8)** |

*Earnings per share*

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Except in cases where the result of the year is a loss, basic earnings per share also take into account the impact of the bonds mandatorily redeemable into common shares from the date that the contract is entered into. Basic and diluted earnings per share are similar due to the fact that there is no potentially dilutive instrument.

### 6.6 BORROWINGS AND LEASE LIABILITIES

*Financial liabilities*

Financial liabilities within the scope of IFRS 9 "Financial instruments and related amendments" are classified as financial liabilities at amortised cost or at fair value through profit and loss (when they are held for trading). The Group determines the classification of its financial liabilities at initial recognition. The Group does not hold over the period presented financial liabilities at fair value through profit and loss except derivative instruments.

Financial liabilities are recognized initially at fair value, less directly attributable costs in case of liabilities that are not measured at fair value through profit and loss. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivatives.

Except for obligations recognized under IFRS16, borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Statement of Profit & Loss over the period of the borrowings using the effective interest method.

Borrowings also comprise obligations recognized under IFRS16.

*Lease liabilities under IFRS 16*

IFRS 16 requires to recognize a lease liability (and a right-of-use) representing its obligation to make lease payments for leases. At the commencement date, the lease liability should be measured at the present value of the lease payments that are not paid at date.

Under IFRS 16, the amount recognized as lease liabilities relating to leases contracts largely depends on assumptions used in terms of discount rates and lease terms. Renewal, extension and early termination options are also taken into consideration when calculating the lease liability if the lessee is reasonably certain to exercise those options.

As previously disclosed, Management reassessed the substance of certain transactions having the legal form of a lease and concluded that, due to the fact that the tax incentive was the primarily objective of the lease arrangement or due to the "in-substance purchase" nature of certain leases, such contracts should not be considered as lease arrangements. Hence, the corresponding assets are presented as owned assets and the related liabilities as bank borrowings.

6.6.1 Maturity schedule, variations and detail of borrowings

Borrowings and lease liabilities are presented below and include bank overdrafts, long-term bank borrowings, lease liabilities (including ex finance leases and similar arrangements) and have the following maturities:

| | As at December 31, 2019 | Current portion | Non current portion | Maturity schedule : December 31, | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2021 | 2022 | 2023 | 2024 | Onwards |
| Senior notes | **2,864.2** | **173.9** | **2,690.3** | 1,021.4 | 723.5 | (4.6) | 107.6 | 842.4 |
| Bonds and preferred shares redeemable in shares | **16.7** | **16.7** | **—** | — | — | — | — | — |
| Bank borrowings—Credit facilities and acquisition facilities | **2,516.8** | **1,011.7** | **1,505.1** | 53.4 | 107.8 | 456.9 | 108.3 | 778.7 |
| Bank borrowings—Other | **3,138.2** | **409.9** | **2,728.3** | 402.3 | 475.0 | 385.3 | 312.1 | 1,153.6 |
| Bank overdrafts | **156.9** | **156.9** | **—** | — | — | — | — | — |
| Securitization programs | **1,926.5** | **222.4** | **1,704.1** | 1,531.0 | 173.0 | — | — | — |
| Other borrowings | **284.7** | **261.8** | **22.9** | 7.9 | 4.9 | 4.9 | 5.0 | 0.3 |
| **Total excluding lease liabilities** | **10,904.0** | **2,253.3** | **8,650.7** | 3,016.0 | 1,484.3 | 842.5 | 532.9 | 2,775.0 |
| Lease liabilities under IFRS16 | **8,610.0** | **1,802.1** | **6,807.9** | 1,535.6 | 1,282.7 | 1,175.8 | 797.2 | 2,016.6 |
| **Total including lease liabilities** | **19,514.1** | **4,055.5** | **15,458.6** | 4,551.6 | 2,767.0 | 2,018.4 | 1,330.1 | 4,791.5 |

Leases previously treated under finance leases are now included within "Lease liabilities under IFRS16".

Current portion of borrowings, excluding lease liabilities, amounts to USD 2,253.3 million but includes a number of items that should be considered as specific or non-current:

- USD 192.8 million related to the bridge acquisition facility, initially amounting to USD 725.0 million, put in place to finance the acquisition of CEVA, for which the Group (i) has the ability to extend the maturity until September 2020 and (ii) is about to finalize its refinancing (see Note 6.6.3 and 8.4);
- Accrued interests amounting to USD 111.0 million;
- Overdrafts amounting to USD 156.9 million, with an opposite impact in cash;
- Securitization programs for USD 222.4 million (CEVA program) which are generally rolled-over (see Note 6.6.3);
- Other uncommitted facilities for which the Group generally obtains a rollover for USD 141.4 million.

Variations in borrowings and lease liabilities can be analyzed as follows:

| | Senior notes | Bonds and preferred shares redeemable in shares | Bank borrowings | Lease liabilities under IFRS16(*) | Bank overdrafts | Securitization programs | Other borrowings | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2019(*)** | **2,943.7** | **31.9** | **3,487.0** | **763.6** | **87.1** | **1,682.5** | **184.8** | **9,180.5** |
| Proceeds from new borrowings, net of issuance costs | — | — | 2,566.7 | — | — | — | 446.4 | 3,013.2 |
| IFRS 16 first time application (see Note 2.2.1) | — | — | (250.5) | 7,163.1 | — | — | — | 6,912.6 |
| Repayment of financial borrowings | (394.8) | (15.2) | (1,691.9) | (1,878.2) | — | (160.7) | (363.0) | (4,504.0) |
| Other increase/decrease in borrowings and lease liabilities | 20.2 | — | 265.1 | 1,385.3 | 49.1 | (15.7) | 5.2 | 1,709.1 |
| Accrued interests and fees amortization | 6.1 | — | 30.7 | 81.5 | — | (2.8) | (0.5) | 115.0 |
| Reclassification to liabilities associated with assets held for sale | — | — | (259.6) | (116.4) | — | — | — | (376.0) |
| Refinancing of assets, net of issuance costs | — | — | 770.0 | — | — | — | — | 770.0 |
| Acquisition of subsidiaries (see Note 3.1) | 336.9 | — | 729.1 | 1,217.8 | 22.1 | 433.8 | 11.2 | 2,750.9 |
| Foreign currency translation adjustments | (47.9) | — | 8.5 | (6.5) | (1.4) | (10.5) | 0.6 | (57.3) |
| **Balance as at December 31, 2019** | **2,864.2** | **16.7** | **5,655.0** | **8,610.0** | **156.9** | **1,926.5** | **284.7** | **19,514.1** |

* *Opening balance of finance leases under IAS 17 presented as lease liabilities*

The line item "Other increase / decrease in borrowings" mainly corresponds to variation in borrowings and lease liabilities which did not have any cash impact for the Group either because (i) the asset is financed through a lease contract under IFRS16, (ii) the drawdown was directly made by the bank to the benefit of the shipyard or (iii) variation in overdraft has an opposite impact in cash and cash equivalents.

Borrowings and lease liabilities relate to the following assets and their respective average interest rates are as follows:

| | Senior notes | Bonds and preferred shares redeemable in shares | Bank borrowings | Lease liabilities under IFRS16 | Other borrowings, securitization and overdrafts | Average Interest rate after hedging, amortized cost and "PPA" | |
|---|---|---|---|---|---|---|---|
| | | | | | | Excluding leases | Including leases |
| Vessels | — | — | 3,253.0 | 4,661.9 | — | 4.50% | 6.85% |
| Containers | — | — | (0.1) | 2,420.9 | — | — | 13.57% |
| Land and buildings | — | — | 99.7 | 1,392.6 | — | 0.51% | 4.53% |
| Terminal concession | — | — | — | 96.2 | — | — | 9.49% |
| Other tangible assets | — | — | 6.5 | 38.4 | — | 1.64% | 9.48% |
| Other secured borrowings | — | — | 1,544.6 | — | 1,931.1 | 4.11% | 4.11% |
| General corporate purposes (unsecured) | 2,864.2 | 16.7 | 751.3 | — | 437.0 | 5.95% | 5.95% |
| **Total** | **2,864.2** | **16.7** | **5,655.0** | **8,610.0** | **2,368.1** | | |

Secured borrowings (either affected to a tangible asset or included in "other secured borrowing" in the table above) corresponds to financial borrowings secured by tangible assets or other kind of assets (for instance but not limited to pledges over shares, bank account or receivables). Borrowings included in "General corporate purposes (unsecured)" are fully unsecured.

Financial cash-flows on borrowings including repayment of principal and financial interest have the following maturities. As required by IFRS 7, these cash-flows are not discounted:

| | As at December 31, 2019 | Current portion | Non current portion | Maturity schedule : December 31, | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2021 | 2022 | 2023 | 2024 | Onwards |
| Senior notes | **3,496.6** | 395.5 | 3,101.1 | 1,197.4 | 831.2 | 53.6 | 165.4 | 853.6 |
| Bonds and preferred shares redeemable in shares | **18.0** | 18.0 | — | — | — | — | — | — |
| Bank borrowings—Credit facilities and acquisition facilities | **2,928.5** | 1,125.5 | 1,802.9 | 130.4 | 182.2 | 527.1 | 161.7 | 801.5 |
| Bank borrowings—Other | **3,872.5** | 583.5 | 3,289.0 | 548.2 | 579.0 | 467.6 | 393.5 | 1,300.7 |
| Lease liabilities under IFRS16 | **11,063.2** | 2,524.4 | 8,538.8 | 2,080.1 | 1,689.9 | 1,463.5 | 992.5 | 2,312.8 |
| Bank overdrafts | **161.5** | 161.5 | — | — | — | — | — | — |
| Securitization programs | **2,022.9** | 288.1 | 1,734.8 | 1,557.5 | 177.3 | — | — | — |
| Other borrowings excl. accrued interests | **178.8** | 154.1 | 24.7 | 8.6 | 5.4 | 5.2 | 5.1 | 0.3 |
| **Total** | **23,742.0** | **5,250.7** | **18,491.3** | **5,522.2** | **3,465.1** | **2,516.9** | **1,718.2** | **5,268.9** |

6.6.2 Details of Senior Notes

As at December 31, 2019, the Group has 6 unsecured Senior Notes outstanding which can be detailed as follows:

- SGD 280 million of nominal amount, issued by NOL Limited and maturing in September 2020;
- EUR 725 million of nominal amount, issued by CMA CGM and maturing in January 2021;
- SGD 300 million of nominal amount, issued by NOL Limited and maturing in June 2021;
- EUR 650 million of nominal amount, issued by CMA CGM and maturing in July 2022;
- USD 116.5 million of nominal amount, originally issued by APL Limited and transferred to APL Investments America as part of GGS disposal, and maturing in January 2024;
- EUR 750 million of nominal amount, issued by CMA CGM and maturing in January 2025.

The EUR 60 million Senior Notes issued by CONTAINERSHIPS and maturing in November 2021 has been early repaid during the period, and the Group is working on its refinancing.

On May 10, 2019, CEVA issued a Tender Offer for the full amount of its 5.25% Senior Notes at a price of 101% plus accrued interest.

EUR 284.1 million of 5.25% Senior Notes were tendered (94.7% of the total) and were settled and cancelled on July 9, 2019. On the same date, CEVA issued a notice to the Agent that the remaining Notes not tendered would be repaid and cancelled on July 22, 2019 at a price of 101% plus accrued interest.

On July 5, 2019, CEVA entered into a bridge facility provided by three banks, which was subsequently drawn on July, 9, 2019 to fund the Tender Offer of the 5.25% Senior Notes. It carries an initial margin of 4.25% and the initial maturity is 12 months. In the event that the Bridge Facility is not refinanced within 12 months, the borrowing will be converted into term loans with a maturity no earlier than August 3, 2025 as part of the backstop facility mentioned in Note 6.6.3

6.6.3 Acquisition of subsidiaries (CEVA borrowings and lease liabilities) and CEVA acquisition facility

CEVA and its subsidiaries' main borrowings are as follows as at December 31, 2019:

- EUR 293.1 million Bridge loan;
- USD 457.2 million Term Loan B
- USD 372.7 million revolving credit facility;
- USD 394.8 million securitization programs
- USD 1,256 million of lease liabilities.

Some of CEVA financings were subject to early redemption as a consequence of the change of control and hence the Company negotiated a backstop facility amounting to USD 825 million whose objective was to refinance the borrowings should the change of control clause be exercised.

On 24 April 2019, CEVA prepaid the outstanding principal balance of its existing term loan B in the amount of USD 473 million and issued a new term loan B in the amount of USD 475 million under the above-mentioned backstop, maturing August 3, 2025.

On November 22, 2019, the Company closed a USD 460 million trade receivables securitization facility ("the CEVA Global Securitization Program") with a three years renewable commitment from six banks. This program has fully refinanced the existing European Securitization and will refinance the US ABL facility and the Australian Receivables Facility both maturing in 2020. As of December 31, 2019, the outstanding drawn amount under the facility was USD 174 million, while USD 224 million were still drawn under historical programs.

In April 2019, the Group financed the CEVA acquisition through a bridge acquisition facility amounting to USD 725 million which has already been significantly refinanced as follows:

- The refinancing operations consisted in sale and leaseback transactions of 12 vessels over 8 years, closed between June and December for USD 769.7 million, and permitted the refinancing of a portion of the acquisition facility. Such sale-and-leaseback transactions have not been recognized as a sale to the lessor in accordance with IFRS 15 criteria because of the absence of commercial substance (repurchase options reasonably certain to be exercised). Therefore and in accordance with IFRS 16, these transactions assimilated to financing operations have resulted in the recognition of a financial liability treated under IFRS 9.
- Other similar operations are ongoing in order to refinance the remaining portion of the acquisition facility amounting to USD 192.8 million as at December 31, 2019 (see Note 8.4).

6.6.4 Securitization program

During the year ended December 31, 2019, the securitization programs decreased by USD 160.7 million.

6.6.5 Bonds and preferred shares redeemable in shares

The balance of the bonds as at December 31, 2019, amounting to USD 16.7 million, represents the interests payable till maturity as a remuneration of the bonds redeemable in shares held by BPI.

As a consequence of the interests payments on bonds and preferred shares redeemable in ordinary shares, the Company records:

- A financial expense based on the market rate used to determine the liability component of these instruments; and
- A reduction in borrowings for the residual amount paid corresponding to the interest portion initially recorded in borrowings.

6.6.6 Other borrowings

As at December 31, 2019, other borrowings include USD 111.0 million of accrued interests (USD 102.8 million as at December 31, 2018).

## 6.7 CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities amounts to USD (2,004.6) million for the year ended December 31, 2019. The financing cash flows mainly consisted in drawdown of borrowings for USD 3,012 million, balanced by the repayment of borrowings for USD (2,625.7) million, the payment of financial interests for USD (546.1) million and cash payments related to IFRS 16 leases : principal portion of leases for USD (1,834.8) million and interests portion for USD (692.2) million. The financing cash flow has also been impacted by the refinancing of certain vessels under sale and leaseback operations for an amount of USD 769.7 million.

Cash flow from financing activities has been negatively impacted by IFRS 16 application as lease payments are now regarded as financing cash flows while it used to be reported as operating cash flows under IAS 17.

The bridge from the previous to the new presentation is presented in Note 3.1.

## Note 7—Scope of consolidation

### 7.1 ACCOUNTING PRINCIPLES AND JUDGMENTS USED IN DETERMINING THE SCOPE OF CONSOLIDATION

The control analysis, as defined by IFRS 10 "Consolidated Financial Statements", involves judgment as certain situations are not obviously conclusive. Management has based its conclusion based on the following principles and on all the facts and circumstances, as well as existing contractual agreements.

*Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Company has control.

The control over an entity is effective only if the following elements are reached:

- Power, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- Exposure, or rights, to variable returns from its involvement with the entity;
- The ability to use its power over the entity to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are fully eliminated.

The financial statements of subsidiaries have been prepared for the same reporting period as the parent company, using consistent accounting policies.

Non-controlling interests represent the portion of profit and loss and net assets that is not held by the Group. They are presented within equity and in the income statement, respectively separately from Group shareholders' equity and Group profit for the year.

*Transactions with non-controlling interests*

When purchasing non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in consolidated income statement. The fair value subsequently represents the initial carrying amount of the retained interest as an associate, joint venture or financial asset.

*Interests in joint-venture & significant influence*

Companies on which the Group has no control alone can be part of a joint arrangement. A joint arrangement is defined as an arrangement of which two or more parties have joint control.

Joint control exists when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. The requirement for unanimous consent means that any party with joint control of the arrangement can prevent any of the other parties, or a group of the parties, from making unilateral decisions (about the relevant activities) without its consent.

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer recognises its interest in a joint venture as an investment and shall account for that investment using the equity method (in accordance with IAS 28 Investments in Associates and Joint Ventures).

The significant influence is the power to participate in the financial and operating policy decisions of the investee without granting control or joint control on the investee:

- A party that participates in, but does not have joint control of a joint venture, accounts for its interest in the arrangement in accordance with IFRS 9,

- Unless it has significant influence over the joint venture, in which case it accounts for it in accordance with IAS 28.

Under the equity method, equity interests are accounted for at cost, adjusted for by the post-acquisition changes in the investor's share of net assets of the associate, and reduced by any distributions (dividends).

The carrying amount of these equity interests is presented in the line item "Investments in associates and joint ventures" on the Statement of Financial Position (see Note 7.3.2).

"Share of profit of associates and joint ventures" is presented within EBIT as it was concluded that the business of these entities forms part of the Company's ongoing operating activities and that such entities cannot be considered as financial investments. This line item includes impairment of goodwill, financial income and expense and income tax related to associates and joint ventures.

An associate's losses exceeding the value of the Group's interest in this entity are not accounted for, unless the Group has a legal or constructive obligation to cover the losses or if the Group has made payments on the associate's behalf.

Any surplus of the investment cost over the Group's share in the fair value of the identifiable assets and liabilities of the associate company on the date of acquisition is accounted for as goodwill and included in the carrying amount of the investment.

Any remaining investment in which the Group has ceased to exercise significant influence or joint control is no longer accounted for under the equity method and is valued at fair value.

### 7.2 JUDGMENTS LINKED TO STRUCTURED ENTITIES

*Freight securitization*

The Group entered in late 2013 into a securitization program with certain financial institutions and also implemented in 2016 the same kind of structure to finance NOL receivables.

As part of these programs, 2 structured entities named CMA CGM & ANL Singapore Securities BV and APL Securities S.A R.L. have been dedicated to purchase the trade receivables of certain shipping carriers. The entities are structured in such a manner that the significant risks (e.g. Forex risk, late payment risk, credit risk, etc.) remain with the sellers. As consequence, both entities have been consolidated since inception. In terms of liquidity risk management, see Note 6.1.3 for Group policies and Note 6.6.1 for financial liabilities maturity schedules.

*Asset financing*

As part of certain lease arrangements, the Company may be partly involved with structured entities owning the asset. The control over these entities is assessed based on all facts and circumstances. Since the implementation of IFRS 16 and, in particular, the cancellation of the distinction between operating lease and financial lease, these assessments have been modified. Indeed, lease arrangements accounted according to IFRS 16 are no longer concerned. Only tax lease transactions and "in-substance purchase" transactions are concerned. For this kind of transaction, an asset and a financial liability are recognized in the CFS of the Group as if they were owned, i.e. as if the entity was consolidated (see Note 5.2 and Note 6.6).

### 7.3 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

7.3.1 Significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures

*Global Ship Lease ("GSL")—accounted as an associate under equity method*

The analysis is based on the participation to the decision making process (power of the shareholders and the management board) upon GSL's relevant activities.

Despite the merger occurred end of 2018 and some subsequent capital operations, diluting the Group from 44.4% to 9.98%, Management believes its still exercises a significant influence over this investee, mainly due to the designation of one Board member and the proposal of another one to GSL Board. As a consequence, the accounting of this investment under equity method is appropriate under IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements".

*Terminal Link SA and its subsidiaries ("TL")—accounted as a joint venture*

Since June 2013, TL is 51% owned by CMA CGM (through CMA Terminals Holding ("CMATH") 100% owned by CMA CGM) and 49% owned by China Merchants Holding International ("CMHI").

The contractual arrangement between CMHI and CMA CGM over TL results in accounting joint control whereby the power to govern the financial and operational policies of the company is jointly shared. Indeed, the shareholders' agreement stipulates that any major decision requires the unanimous consent of the shareholders. CMHI also has substantive rights on TL. The parties have no direct rights to the assets or obligations for the liabilities.

As a result, the investment in Terminal Link is accounted for under the equity method under IFRS 11 "Joint Arrangements".

7.3.2 Investments in associates and joint ventures—Variation in the Consolidated Statement of Financial Position

Investments in associates and joint ventures can be analyzed as follows:

| | **As at December 31, 2019** | **As at December 31, 2018** |
|---|---|---|
| **Beginning of the year** | **1,478.9** | **1,049.0** |
| Impact of IFRS16 application | (13.9) | — |
| Fair value adjustment of newly controlled entities | 96.5 | — |
| Transfer of carrying value of newly controlled entities | (547.4) | — |
| Acquisition of subsidiaries (see Note 3.1) | 201.0 | 23.7 |
| New investments in associates and joint ventures | — | 535.5 |
| Capital increase / decrease | — | 5.0 |
| Share of (loss) / profit | 46.5 | (88.2) |
| Dividend paid or payable to the Company | (28.9) | (23.1) |
| Other comprehensive income / (expense) | (4.2) | (23.0) |
| Reclassification to assets held-for-sale (see Note 5.5) | (419.4) | — |
| Reclassification from / to other items | 0.3 | (1.3) |
| Other | (3.6) | 1.1 |
| **At the end of the year** | **805.9** | **1,478.9** |

The line item "Share of (loss) / profit" corresponds to the Company's share in the profit or loss of its associates and joint ventures, which includes impairment losses recognized by associates and joint ventures where applicable.

The change of control in CEVA as of January 4, 2019 resulted in the revaluation through P&L of the pre-existing ownership in CEVA at fair value for an amount of USD 96.5 million presented in "Fair value adjustment of newly controlled entities", and the derecognition of this investment for USD 547.4 million presented in line item "Transfer of carrying value of newly controlled entities".

The line item "Acquisition of subsidiaries" corresponds to the contribution of Anji-CEVA for USD 201.0 million. CEVA had an investment totaling USD 99.0 million as at January 4, 2019, being a 50% interest in ANJICEVA Logistics Co. Ltd ("Anji-CEVA"), a Chinese joint-venture. As part of the purchase price allocation, the fair value of this investment has been revalued at USD 201.0 million.

Anji-CEVA principally engages in contract logistics activities, including warehousing, distribution, transportation, domestic freight, technical consulting and training. For year ended December 31 2019, CEVA's share in Anji-CEVA's net result was USD 16.6 million. Summarized financial statements of Anji-CEVA are presented in Note 7.3.4.

The line item "reclassification to assets held-for-sale" relates to the reclassification of the stakes in 8 terminals as part of the disposal project disclosed in Notes 3.1.2 and Note 5.5.

As at December 31, 2019, the main contributors to investments in associates and joint ventures are as follows:

- 51% of Terminal Link Group for USD 422.2 million (USD 416.2 million as at December 31, 2018);
- 50% of Anji-CEVA for USD 202.1 million;
- 10% of Global Ship Lease for USD 40.0 million (13% for USD 43.8 million as at December 31, 2018). The fair value of Global Ship Lease quoted shares, at the Company's share, amounts to approximately USD 26.9 million as at December 31, 2019 (USD 15.1 million as at December 31, 2018); a value in use allows to support the fact that using GSL's equity share to value our investment in this associate is appropriate.

For the year ended December 31, 2018, the line item "New investment in associates and joint ventures" mainly corresponded to the investment in CEVA, of which the Group obtained full control in 2019.

During the year ended December 31, 2019, as disclosed in Note 3.1.4, the Group's share in Global Ship Lease decreased from 13.3% to 10.0% following a diluting capital increase, hence generated a dilution loss amounting to USD 5.7 million.

7.3.3 Additional disclosures related to associates

The contribution of our investments in associates can be presented as follows, no of which being individually significant:

| in million of USD | ASSOCIATED ENTITIES | |
|---|---|---|
| | **December 31, 2019** | December 31, 2018 |
| % of shareholding | n.a. | n.a. |
| % of voting rights | n.a. | n.a. |
| Equity method Balance sheet contribution | 147.0 | 860.1 |
| Equity method P&L contribution | (6.5) | (122.4) |
| Equity method OCI contribution | (1.9) | (9.0) |
| Equity method total comprehensive income contribution | (8.4) | (131.3) |
| Fair value (for listed entities) | n.a. | n.a. |
| Distributed dividends for CMA CGM | 8.5 | 11.8 |

7.3.4 Additional disclosures related to joint ventures

| in million of USD | TERMINAL LINK GROUP | | ANJI CEVA | | OTHER ENTITIES | |
|---|---|---|---|---|---|---|
| | **December 31, 2019** | December 31, 2018 | **December 31, 2019** | December 31, 2018 | **December 31, 2019** | December 31, 2018 |
| % of shareholding | 51.0% | 51.0% | 50.0% | n.a. | n.a. | n.a. |
| % of voting rights (if different from above) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Equity method Balance sheet contribution | 422.2 | 416.2 | 202.1 | | 34.6 | 202.6 |
| Equity method P&L contribution | 11.3 | 14.3 | 16.6 | | 25.2 | 19.9 |
| Equity method OCI contribution | (4.6) | (7.1) | (2.6) | | 4.9 | (6.9) |
| Equity method total comprehensive income contribution | 6.7 | 7.1 | 14.1 | | 30.1 | 13.0 |
| Fair value (for listed entities) | n.a. | n.a. | n.a. | | n.a. | n.a. |
| Distributed dividends to CMA CGM | — | 2.4 | 13.0 | | 7.4 | 9.0 |
| ***Data based on a 100% basis*** | | | | | | |
| Non-current assets | 891.8 | 904.2 | 224.0 | | | |
| Other current assets | 97.2 | 106.6 | 619.5 | | | |
| Cash & cash equivalents | 122.2 | 67.2 | 217.5 | | | |
| **Total Assets** | **1,111.2** | **1,077.9** | **1,061.0** | | | |
| Equity | 838.5 | 827.1 | 222.0 | | | |
| Non-current borrowings | 151.7 | 135.0 | 43.6 | | | |
| Other non-current liabilities | 9.4 | 10.8 | 4.0 | | | |
| Current borrowings | 61.1 | 60.3 | 66.3 | | | |
| Other current liabilities | 50.5 | 44.8 | 725.1 | | | |
| **Total Liabilities** | **1,111.2** | **1,077.9** | **1,061.0** | | | |

| in million of USD | TERMINAL LINK GROUP | | ANJI CEVA | | OTHER ENTITIES | |
|---|---|---|---|---|---|---|
| | **December 31, 2019** | December 31, 2018 | **December 31, 2019** | December 31, 2018 | **December 31, 2019** | December 31, 2018 |
| **Reconciliation of 100% figures to investments in joint ventures** | | | | | | |
| **Equity of the joint venture excluding non controlling interests (100%)** | **827.9** | **816.1** | **196.0** | | | |
| Equity attributable to the joint venturer | (405.7) | (399.9) | (98.0) | | | |
| Purchase Price Allocation | | | 101.7 | | | |
| Other | — | — | 2.4 | | | |
| **Equity method balance sheet contribution** | **422.2** | **416.2** | **202.1** | | | |
| **Revenue** | **164.0** | **154.3** | **1,410.0** | | | |
| Depreciation & amortization | (10.3) | (8.6) | (48.6) | | | |
| Financial result | (4.2) | (2.3) | 2.2 | | | |
| Income tax | (9.9) | (8.1) | 23.4 | | | |
| **Profit / Loss) for the year** | **22.1** | **28.0** | **57.5** | | | |
| **Other comprehensive income / Loss)** | **(4.3)** | **(0.0)** | **(5.1)** | | | |
| **Total comprehensive income / Loss)** | **17.8** | **28.0** | **52.4** | | | |
| **Reconciliation of 100% figures to share of profit / (loss) from joint venture** | | | | | | |
| **Share of profit / (loss) for the year** | **22.1** | **28.0** | **57.5** | | | |
| Non-controlling interests | | | (17.8) | | | |
| Share of profit for the year for the joint venturer | (10.8) | (13.7) | (19.9) | | | |
| Other | — | — | (3.2) | | | |

### 7.4 LIST OF COMPANIES OR SUBGROUPS INCLUDED IN THE CONSOLIDATION SCOPE

With the objective to improve the relevance of the information, the Group decided since 2016 to only disclose the material entities or subgroups by applying the following thresholds:

- Fully integrated entities contributing to the Group revenue by more than USD 10 million;
- Associates and joint ventures contributing to equity by more than USD 5 million;
- As well as certain intermediate holding companies.

As at December 31, 2019, 575 entities are fully consolidated or accounted under equity method either directly or through sub-groups (363 as at December 31, 2018).

The main entities are detailed below :

| Legal Entity | Country | Direct and indirect percentage of interest |
|---|---|---|
| **CMA CGM SA (parent company)** | **France** | |
| **Consolidation method—Full** | | |
| **SHIPPING** | | |
| ANL CONTAINER LINE LTD | Australia | 100.00% |
| MERCOSUL Line Navegacao LTD | Brazil | 100.00% |
| CONTAINERSHIPS Group | Finland | 100.00% |
| CMA SHIPS SAS | France | 100.00% |
| CONTAINERSHIPS—CMA CGM | Germany | 100.00% |
| CNC LINE LTD | Hong Kong | 100.00% |
| COMANAV | Morocco | 99.92% |
| CMA CGM INTERNATIONAL SHIPPING PTE LTD | Singapore | 100.00% |
| ANL SINGAPORE | Singapore | 100.00% |
| NOL LINER (PTE.) LIMITED | Singapore | 100.00% |
| APL CO. PTE LIMITED | Singapore | 100.00% |
| CHENG LIE NAVIGATION CO, LTD | Taiwan | 100.00% |

| Legal Entity | Country | Direct and indirect percentage of interest |
|---|---|---|
| COASTAL NAVIGATION CO LTD | Taiwan | 25.00% |
| CMA CGM UK SHIPPING | United Kingdom | 100.00% |
| AMERICAN PRESIDENT LINES LTD | United States of America | 100.00% |
| **AGENCIES** | | |
| CMA CGM ALGERIE | Algeria | 79.80% |
| CMA CGM AUSTRALIA | Australia | 100.00% |
| CMA CGM CANADA | Canada | 100.00% |
| CMA CGM CHINA | China | 100.00% |
| CMA CGM AGENCES France | France | 100.00% |
| CMA CGM DEUTSCHLAND | Germany | 100.00% |
| CMA CGM AGENCIES INDIA | India | 100.00% |
| CMA CGM KOREA | South Korea | 100.00% |
| CMA CGM MAROC | Morocco | 100.00% |
| CMA CGM SOUTH AFRICA | South Africa | 100.00% |
| CMA CGM HOLLAND | The Netherlands | 100.00% |
| CMA CGM DENIZ ACENTELIGI A.S | Turkey | 95.00% |
| CMA CGM SHIPPING AGENCIES UKRAINE | Ukraine | 100.00% |
| CMA CGM VIETNAM | Viet Nam | 100.00% |
| CMA CGM MALAYSIA SDN BHD | Malaysia | 100.00% |
| CMA CGM ANL DUBAI | United Arab Emirates | 65.00% |
| CMA CGM AMERICA | United States of America | 100.00% |
| **HANDLING** | | |
| INTRAMAR SA | France | 100.00% |
| MARSEILLE MANUTENTION | France | 100.00% |
| SOMARIG | France (Guyane) | 100.00% |
| GMM | France (Martinique) | 100.00% |
| SOCIETE D’ACCONAGE ET DE MANUTENTION DE LA REUNION | France (Réunion) | 69.99% |
| KINGSTON FREEPORT TERMINAL LTD | Jamaica | 100.00% |
| LATTAKIA INT. CONT. TERMINAL LLC | Syria | 51.00% |
| **CONTAINERS (MAINTENANCE & REPAIRS)** | | |
| ANL CONTAINER HIRE AND SALES PTY LTD | Australia | 100.00% |
| PROGECO France | France | 100.00% |
| **LOGISTICS & SUPPLY CHAIN** | | |
| CEVA LOGISTICS | Switzerland | 100.00% |
| CMA CGM Transit SARL | Ivory Coast | 75.00% |
| CC TERMINAL CONTENEURS DAKAR (TCD) | Senegal | 100.00% |
| ALTERCO | Algeria | 58.98% |
| **FINANCIAL HOLDING** | | |
| CMA CGM AGENCIES WORLDWIDE | France | 100.00% |
| CMA TERMINALS HOLDING | France | 100.00% |
| CMA TERMINALS | France | 100.00% |
| NEPTUNE ORIENT LINES LIMITED | Singapore | 100.00% |
| EAGLE MARINE TERMINAL HOLDINGS PTE. LTD | Singapore | 100.00% |
| **Consolidation method—Equity** | | |
| **Associates and joint ventures are disclosed in the table below** | | |
| QINGDAO QIANWAN UNITED ADVANCE CONTAINER TERMINAL CO., LTD | China | 24.00% |
| OTHL | Cyprus | 50.00% |
| ANJI CEVA | China | 50.00% |
| TERMINAL LINK GROUP | France | 51.00% |
| CMA MUNDRA TERMINAL Pvt Ltd | India | 50.00% |
| AMEYA LOGISTICS PRIVATE LTD | India | 50.00% |
| GLOBAL SHIP LEASE | Marshall Islands | 9.98% |

| Legal Entity | Country | Direct and indirect percentage of interest |
|---|---|---|
| CMA CGM PSA LION TERMINAL | Singapore | 49.00% |
| ROTTERDAM WORLD GATEWAY BV | The Netherlands | 30.00% |
| PACIFIC MARITIME SERVICE | United States of America | 10.00% |
| LOGOPER LLC | Russia | 50.00% |
| GEMALINK | Viet Nam | 25.00% |
| FIRST LOGISTICS DEVELOPMENT (JV) COMPANY | Viet Nam | 47.00% |

**7.5 RELATED PARTY TRANSACTIONS**

For the purposes of this note, the following group of related parties have been identified:

- Terminal activities handled through associates and joint ventures which mainly include Terminal Link and its subsidiaries, as well as other terminals under associates and joint ventures (Rotterdam World Gateway, Global Gateway South, Kribi, Mundra, Brooklyn Kiev Port, Laem Chabang International Terminal Co., Qingdao Qianwan United Advance Container Terminal and First Logistics Development (JV) Company.
- Global Ship Lease, Inc. ("GSL") a ship-owner listed in the U.S. currently owning a fleet of 38 vessels of which 17 time chartered to CMA CGM under agreements ranging from January 2020 till October 2025.
- Shipping agencies which mainly include CMA CGM Kuwait, an associate Company.
- Management and / or shareholder's related entities which mainly include:
  - Merit Corporation, incorporated in Lebanon, whose ultimate shareholders are the Saadé family and members of his immediate family, who owns a large part of the ordinary shares of the Company;
  - Certain subsidiaries of Merit Corporation, including Merit SAL, a service company providing CMA CGM with cost and revenue control and internal audit support, CMA Liban, a shipping agent and Investment and Financing Corp. Ltd, a container leasing company;
  - Yildirim, incorporated in Turkey, a Company with whom the Company signed two significant transactions in 2011 and 2013 regarding the issuance of bonds, then converted into ordinary shares as at December 31, 2017 (see Note 6.5), and another agreement in 2011 regarding the sale of 50% of its shareholding in Malta Freeport Terminals Limited for a cash amount of EUR 200.0 million (USD 289.0 million at that time);
  - The Banque Publique d'Investissement (Bpifrance formerly FSI), an investment fund established by the French Government in 2008 whose main mission is to consolidate the French companies share capital who need to find stable investors to finance their development projects. Bpifrance subscribed in 2013 to bonds mandatorily redeemable in 2020 in ordinary shares issued by the Company (see Note 6.5);
  - A non-profit foundation "Fondation d'Entreprise CMA CGM" which promotes certain cultural activities.
- Others activities which mainly include the following TRAXENS, which is developing a breakthrough technology for "smart" containers in which CMA holds 29.6% ownership.

The related party transactions included in the Statement of Profit & Loss, excluding the share of income / (loss) from associates and joint ventures can be analysed as follows:

| | Total related parties | | Terminal activities | | GSL | | Agencies | | Management / Shareholder's related entities | | Others | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the year ended December 31, | | For the year ended December 31, | | For the year ended December 31, | | For the year ended December 31, | | For the year ended December 31, | | For the year ended December 31, | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenue | **43.6** | **26.5** | 3.0 | 6.3 | 0.1 | 0.1 | — | — | 17.5 | 3.2 | 23.0 | 16.9 |
| Operating expenses | **(412.6)** | **(421.0)** | (178.2) | (204.3) | (149.9) | (124.5) | (12.6) | (22.6) | (48.0) | (51.7) | (23.8) | (17.9) |
| Other income and expenses | **(8.5)** | **—** | (8.5) | — | — | — | — | — | — | — | — | — |
| Financial result | **20.9** | **18.7** | 1.1 | 6.0 | — | — | 12.6 | 5.9 | (2.7) | (4.7) | 9.9 | 11.5 |

The Statement of Financial Positions corresponding to the related parties listed above, excluding the investments in associates and joint ventures, are:

| | Total related parties | | Terminal activities | | GSL | | Agencies | | Management / Shareholder's related entities | | Others | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the year ended December 31, | | For the year ended December 31, | | For the year ended December 31, | | For the year ended December 31, | | For the year ended December 31, | | For the year ended December 31, | |
| | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Non current assets | **44.9** | **76.7** | 36.7 | 70.5 | — | — | 0.0 | 5.5 | 7.5 | 0.0 | 0.7 | 0.6 |
| Current assets | **145.3** | **227.1** | 48.2 | 49.0 | 5.1 | 5.4 | 37.5 | 49.5 | 27.0 | 20.5 | 27.4 | 102.7 |
| Non current liabilities | **124.2** | **148.7** | 107.5 | 116.8 | — | — | 0.0 | — | 16.7 | 31.9 | — | — |
| Current liabilities | **149.4** | **89.2** | 19.7 | 25.7 | 0.0 | 0.0 | 26.1 | 54.0 | 87.1 | 8.3 | 16.5 | 1.2 |

Besides, the Group is committed towards INVESTMENT AND FINANCING CORP. LIMITED, a related party, in relation to leases payables for an amount of USD 148.4 million, recognized as a lease liability under IFRS 16.

Besides, the Group is committed towards GLOBAL SHIP LEASE, INC, a related party, in relation to leases payables for an amount of USD 119.3 million, recognized as a lease liability under IFRS 16.

As at December 31, 2019, dividends declared and not yet paid to shareholders amounting to USD 80.5 million are included in "current liabilities" (see Note 5.4.2). Such liability has been paid to Merit early 2020.

Key management compensations for a total amount of USD 5.8 million for the year ended December 31, 2019 (USD 7.5 million for the year ended December 31, 2018) are included in "Employee benefits" in the Consolidated Statement of Profit & Loss.

## Note 8—Other Notes

### 8.1 PROVISIONS, EMPLOYEE BENEFITS AND CONTINGENT LIABILITIES

The Group recognizes provisions when:

- It has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Judgments and estimates made in determining the risk related to cargo and corporate claims and related accounting provisions:

The Group evaluates provisions based on facts and events known at the closing date, from its past experience and to the best of its knowledge. Certain provisions may also be adjusted as a consequence of a post Statement of Financial Position adjusting event. Provisions mainly cover litigation with third parties such as shipyards, restructuring and cargo claims.

Certain provision may require a certain level of judgment and estimates (see below disclosures).

Provisions can be analyzed as follows:

| | Litigation | Other risks and obligations | Provisions | *of which* *non current portion* | *of which* *current portion* | Employee benefits | *of which* *non current portion* | *of which* *current portion* |
|---|---|---|---|---|---|---|---|---|
| **As at January 1, 2018** | **139.8** | **263.7** | **403.5** | *326.6* | *76.9* | **190.2** | *188.0* | *2.2* |
| Additions for the period | 42.9 | 30.9 | **73.8** | | | **21.6** | | |
| Reversals during the period (unused) | (28.9) | (5.1) | **(34.0)** | | | **(2.3)** | | |
| Reversals during the period (used) | (6.7) | (39.6) | **(46.3)** | | | **(19.3)** | | |
| Disposal of subsidiaries | — | — | **—** | | | **(4.2)** | | |
| Reclassification | (0.2) | 0.2 | **(0.0)** | | | **(1.3)** | | |
| Acquisition of subsidiaries | — | 18.6 | **18.6** | | | **—** | | |
| Actuarial (gain) / loss recognized in the OCI | — | — | **—** | | | **3.8** | | |
| Foreign currency translation adjustment | (1.8) | (9.0) | **(10.8)** | | | **(3.8)** | | |
| **As at December 31, 2018** | **145.2** | **259.5** | **404.7** | *332.7* | *72.0* | **184.6** | *182.4* | *2.2* |
| Additions for the period | 34.4 | 107.0 | **141.3** | | | **31.1** | | |
| Reversals during the period (unused) | (3.6) | (3.0) | **(6.6)** | | | **(0.2)** | | |
| Reversals during the period (used) | (82.3) | (112.5) | **(194.8)** | | | **(31.4)** | | |
| Impact of IFRS16 application | — | 23.6 | **23.6** | | | **—** | | |
| Reclassification | 7.4 | (112.3) | **(105.0)** | | | **(0.4)** | | |
| Acquisition of subsidiaries | 58.9 | 142.3 | **201.2** | | | **97.4** | | |
| Actuarial (gain) / loss recognized in the OCI | — | — | **—** | | | **11.7** | | |
| Foreign currency translation adjustment | (1.8) | (3.0) | **(4.7)** | | | **(2.3)** | | |
| **As at December 31, 2019** | **158.2** | **301.5** | **459.7** | *304.8* | *154.9* | **290.5** | *289.2* | *1.3* |

8.1.1 Provisions for litigation and other risks and obligations

*Litigation*

Provisions for litigation as at December 31, 2019 corresponds to cargo related and other claims incurred in the normal course of business, including for CEVA (same as at December 31, 2018). None of these claims taken individually represents a significant amount.

While the outcome of these legal proceedings is uncertain, the Company believes that it has provided for all probable and estimable liabilities arising from the normal course of business, and therefore does not expect any un-provisioned liability arising from any of these legal proceedings to have a material impact on the results of operations, liquidity, capital resources or the statement of financial position.

*Other risks and obligations*

Provisions for other risks and obligations mainly include:

- Insurance provisions (mainly at CEVA) related to self-insurance schemes which represent estimates, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported at the balance sheet date on risks retained by the Group;
- Restructuring provisions including staff redundancy costs, and site closure costs;
- Provisions for onerous contracts, notably in contract logistics business where contracts and related commitments can last several years;
- Provisions for dismantling costs in relation to lease contracts (see below).

In the context of IFRS 16 application, Management relied on previous assessments on whether leases are onerous. Hence, the provision for onerous lease contract that was recorded with respect to a specific lease in the United States has been reclassified as a decrease of the corresponding right-of-use asset for an amount of USD 38.8 million.

As mentioned in note 2.2.1 regarding the first-time application of IFRS 16, a provision for dismantling costs amounting to USD 70.4 million has been measured and recognized in accordance with IAS 37, in order to reflect obligations liable to the lessee in certain container lease contracts to restore the leased asset before redelivering it to the lessor. Such provision amounts to USD 87.1 million at balance sheet date.

Besides, some provisions mainly related to dry-docking of chartered vessels have been reclassified in the retained earnings for an amount of USD 8.0 million.

8.1.2 Provisions related to employee benefits

Group companies operate in various jurisdictions and provide various pension schemes to employees. The Company has both defined benefit and defined contribution pension plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The post-employment benefit paid to all employees in the Group’s home country qualifies as a post-employment defined benefit plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group’s obligations in respect of defined benefit schemes are calculated using the projected unit credit method, taking into consideration specific economic conditions prevailing in the various countries concerned and actuarial assumptions. These obligations might be covered by plan assets. The Company obtains an external valuation of these obligations annually.

*Measurement*

In accordance with IAS 19 “Employee benefits”, the liability recognized in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets. Actuarial gains and losses resulting from changes in actuarial assumptions or from experience adjustments are recognized as other items of comprehensive income, together with the return on assets excluding the interest income.

Payments made by the Company for defined contribution plans are accounted for as expenses in the Statement of Profit & Loss in the period in which the services are rendered.

The service cost of the periodic pension cost is presented in employee benefits included in operating expenses. The interest component is presented within other financial income and expenses, net.

Past service costs are recognized immediately in the consolidated income statement.

In France, certain companies operating in terminal activities, as part of collective bargaining agreements, participate together with other enterprises—so called multi-employer plans—in the funding of plans deemed to cover pension obligations and asbestos programs. These plans are by their nature difficult to value as they require detailed information which is only available at the beneficiary’s request and for their individual pension calculation. In addition, the regime brings together the assets of several employers and the individual obligation of each employer in the plan is therefore difficult to precisely determine as it varies from one year to another based on activity levels. As per IAS 19 paragraph 34, where sufficient information is not available to use defined benefit accounting for defined benefit multi-employer plans, the plans are treated as defined contribution plans.

*Description of the Company’s plans*

The Company’s employees are generally entitled to pension benefits, in accordance with local regulations:

- Retirement and medical benefits, paid by the Company on retirement (defined benefit plan); and
- Pension payments from outside institutions, financed by contributions from employers and employees (defined contribution plan).

In accordance with the regulatory environment and collective agreements, the Group has established both defined contribution and defined benefit pension plans (company or multi-employer) to provide such benefit to employees.

(2) Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations.

Contributions are fixed (e.g. based on salary) and are paid to these outside institutions. These institutions are responsible for maintaining and distributing employee benefits. The Company has no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employees the benefits relating to contributions in the current and prior financial years. The employer contributions are recognised as employee benefit expense in the financial year to which they relate.

Certain subsidiaries of CMA CGM, NOL and CEVA also contribute to a number of collectively bargained, multi-employer plans that provide pension benefits to certain union-represented employees. These plans are treated as defined contribution plans in accordance with IAS 19.34.

The Group contributed USD 62.9million to its defined contribution plans in 2019 (USD 13.7 million in 2018).

(3) Defined benefit plans

Major defined benefit plans can be described as follows:

(a) Retirement Indemnities (France)

French retirement indemnity plans provide a lump sum benefit paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee and salary at the retirement date and is prescribed by collective bargaining agreements (“CBA”). Those agreements are negotiated by Union representatives of the employer and of the employees, by sector of activity and at a national level. Their application is compulsory. The retirement indemnities are not linked to other standard French retirement benefits, such as pensions provided by Social Security or complementary funds (ARRCO and AGIRC).

(b) Article 23 (France)

The benefits consist of an annuity payable to a closed group of beneficiaries. All the beneficiaries are retired. This plan has been partially funded through a contribution to an insurer, but the annuities are currently directly paid by the employer.

Pensions are indexed each year based on the general salary increase of the company. The surviving spouse of a retiree is entitled to a pension equal to 60% of the pension benefit paid at time of death.

(c)

(d) Jubilee Awards (France)

The benefits consist of a lump sum payable to employees when they reach various service anniversaries.

(e) Asbestos/hardness indemnities (France)

In Terminal activities operated by certain of the Group’s subsidiaries in France, employees having spent the required number of years under hardness qualifying extreme work conditions and/or having been exposed to asbestos while working at the terminal are eligible to early retire 2 to 5 years ahead of normal retirement age.

The early retirement pensions are financed through state program (asbestos) and/or multi-employer program. As mentioned above, where sufficient information is not available to use defined benefit accounting for defined benefit multi-employer plans, the plans are treated as defined contribution plans.

Nevertheless, at early retirement leave, the indemnity lump sum payable by the employer differs from the retirement indemnity, and have been set by a local collective bargaining agreement. These specific lump sum indemnities are taken into account to value the appropriate retirement indemnity of employees concerned.

(f) Retirement Indemnities (Morocco)

Retirement indemnity benefits in our subsidiaries in Morocco are lump sums paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee and salary at the retirement date and is prescribed by collective bargaining agreements.

(g) Medical insurance (Morocco)

The benefits provide continuous medical coverage to retirees and their dependent subject to conditions. The program is a top up plan supplementing the Assurance Maladie Obligatoire reimbursements and is insured through an insurance contract with a local insurer.

This estimated yearly reimbursment cost is indexed by 2.5% per year in order to reflect the medical consumption and cost inflation.

(h) Retirement Indemnities (The Netherlands)

Retirement indemnity benefits at Company subsidiaries in Netherlands are lump sums paid by the Company to the employees when they retire. The amount of this benefit depends on the length of service of the employee and salary at the retirement date and is prescribed by a collective bargaining agreements.

(i) Superannuation Plan (Australia)

Retirement indemnity benefits at Company subsidiaries in Australia are lump sums paid by the Company to the employees when they retire or resignate from the Company. The amount of this benefit depends on the length of service of the employee and salary at the retirement or resignation. This plan is closed to new members.

(j) Annual leave plans and long service leave plans (Australia)

These unfunded plans provide a right to annual leave to employees depending of the length of service.

(k) NOL's defined benefit plans

NOL's employee benefits provisions mainly relate to defined benefits for employees which are generally based on the final pensionable salary and years of service. Most plans cover employees located in the US and Taiwan. In the US, all non-union plans are frozen to future accruals.

(l) Ceva's defined benefit plans

CEVA operates a number of pension plans around the world, most of which are defined contribution plans. CEVA has a small number of defined benefit plans of which the main ones are based in Italy, the United Kingdom and the United States. The plans in Italy, the United Kingdom and the United States are closed to new members.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the Company meets the benefit payment as it falls due. The pension plan in the Netherlands changed to a career average plan with no indexation as from 1 January 2013. The new plan is treated as a defined contribution plan for accounting purposes.

(m) Italian pension plan for the Group's activities

In accordance with the Trattamento di Fine Rapporto ("TFR") legislation in Italy, employees are entitled to a termination payment on leaving the Company. The TFR regulation changed from 1 January 2007 and employees were given the option to either remain under the prior regulation or to transfer the future accruals to external pension funds. The funded provision for TFR maturing after 1 January 2007 is treated as a defined contribution plan under both options.

*Actuarial assumptions*

The actuarial assumptions used for the principal countries are as follows:

| | As at December 31, 2019 | | | | | As at December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Euro Zone | Morocco | Australia | United Kingdom | United States | Euro Zone | Morocco | Australia | United States |
| Discount rate | 0.83% | 2.89% | 2.01% | 2.03% | 3.13% | 1.65% | 3.50% | 3.20% | 4.01% |
| Future salary increase | 2.49% | 2.50% | 3.50% | 2.30% | 2.50% | 2.72% | 2.50% | 4.00% | 2.50% |
| Long-term inflation | 1.47% | 2.00% | n.a. | 3.20% | 2.50% | 1.50% | 2.00% | n.a. | 2.50% |

The future salary increase mentioned in the table above includes the impact of inflation.

(n) Discount rates determination

Euro zone: The Company used as a reference rate the IBoxx Corporate AA 10+.

Morocco: The Company used a state bonds average rate due to a lack of liquidity on corporate market, reflecting the average duration of plans (around 13 years).

Australia: The Company used a corporate bonds average rate reflecting the average duration of plans (around 5 years).

United Kingdom: The company used as a reference rate the Merrill Lynch AA Corporate yield curve with a term of 20 years

United States: The discount rates in the US are usually based on each individual plan. Hence, as it is common in the US, the discount rate is determined using the actual plan cashflows and applying a full yield curve (in this case the Mercer Yield Curve) to determine a weighted average discount rate. The discount rate presented above is a DBO-weighted average discount rate.

(o) Evolution of rates

Due to the decrease of interest rates in Europe, the discount rate being used to evaluate the Company's liability regarding pension and employee benefits were down in most countries from December 31, 2019 compared to December 31, 2018. Taking into account all the impact recognized in OCI, the overall negative impact of remeasurement of defined pension and medical plans recorded in other comprehensive income amounts to USD 11.7 million.

*Variation of obligations, plan assets and provisions*

The net liability recognized in the Statement of Financial Position breaks down as follows:

| | **As at December 31, 2019** | **As at December 31, 2018** |
|---|---|---|
| Liabilities | (576.2) | (351.7) |
| Assets | 285.7 | 167.1 |
| **Net liability** | **(290.5)** | **(184.6)** |

| | **As at December 31, 2019** | **As at December 31, 2018** |
|---|---|---|
| Present value of unfunded obligations | (182.1) | (144.5) |
| Present value of funded obligations | (394.1) | (207.2) |
| Fair value of plan assets | 285.7 | 167.1 |
| **Net present value of obligations** | **(290.5)** | **(184.6)** |

Variations in the defined benefit obligations over the year are as follows:

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| **Beginning of year** | **351.7** | **380.0** |
| Plan amendment—past service cost | 0.2 | (0.1) |
| Service cost | 21.4 | 16.9 |
| Interest cost | 14.9 | 9.6 |
| Actuarial losses/(gains) | 45.2 | (7.5) |
| Benefits paid | (36.8) | (31.9) |
| Employee contributions | (0.1) | (2.1) |
| Expenses Paid | (0.0) | (0.0) |
| Taxes paid | (0.0) | (0.1) |
| Premiums paid | (0.0) | (0.0) |
| Reclassification of liabilities | — | — |
| Acquisition / disposal of subsidiaries and other | 181.9 | (5.6) |
| Plan curtailments | — | — |
| Exchange differences | (2.1) | (7.5) |
| **End of year** | **576.2** | **351.7** |

Plan assets vary as follows:

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| **Beginning of year** | **167.1** | **189.8** |
| Interest on assets | 7.8 | 5.5 |
| Actuarial (losses)/gains | 32.1 | (11.3) |
| Benefits paid and interest income | (17.4) | (17.9) |
| Employer contributions | 11.9 | 5.4 |
| Employee contributions | 0.1 | 0.2 |
| Acquisition of subsidiaries and other | 84.9 | 0.5 |
| Expenses paid | (1.1) | (1.2) |
| Taxes paid | (0.0) | (0.1) |
| Premiums paid | (0.0) | (0.0) |
| Exchange differences | 0.2 | (3.7) |
| **End of the year** | **285.7** | **167.1** |

The plan assets are invested as follows:

| | As at December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Cash and cash equivalents | 1.7% | 0.8% |
| Equity instruments | 15.4% | 1.6% |
| Debt instruments | 7.9% | 1.0% |
| Real estate | 0.2% | 0.4% |
| Investment funds | 37.5% | 61.8% |
| Assets held by insurance company | 19.7% | 28.8% |
| Other | 14.0% | 5.4% |

The amounts recognized in the Statement of Profit & Loss are as follows:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| a. Current service cost excluding taxes, expenses, employees contributions and premiums | 21.4 | 16.9 |
| b. Administrative expenses and taxes | 1.1 | 1.2 |
| c. Employees contributions | — | — |
| d. Past service cost/curtailment | 0.2 | (0.1) |
| e. Non-routine settlements | — | — |
| **Total service cost** | **22.8** | **18.0** |
| a. Interest on the DBO (gains) / losses | 14.9 | 9.6 |
| b. Interest on Assets gains /(losses) | (7.8) | (5.5) |
| c. Interest on Assets ceiling (gains) / losses | — | — |
| d. Interest on reimbursement rights (gains) / losses | (0.0) | — |
| **Total net interest** | **7.0** | **4.1** |
| Remeasurements of Other Long Term Benefits | 1.4 | (0.5) |
| **Benefit expense recognized in the income statement** | **31.1** | **21.6** |
| **Remeasurements (recognized in other comprehensive income)** | **11.7** | **3.8** |
| Total defined benefit cost recognized in P&L and OCI | 42.9 | 25.4 |

The amounts recognized in the Statement of Financial Position in the net liability are as follows:

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| **Net liability as of beginning of year** | **(184.6)** | **(190.2)** |
| Benefit expense recognized in the income statement | (31.1) | (21.6) |
| Remeasurements (recognized in other comprehensive income) | (11.7) | (3.8) |
| Employer contributions | 12.2 | 7.7 |
| Benefits paid directly | 19.5 | 14.0 |
| Acquisition / disposal of subsidiaries and other | (97.0) | 5.6 |
| Others | 0.0 | — |
| Exchange differences | 2.3 | 3.8 |
| **Net liability as of end of year** | **(290.4)** | **(184.6)** |

The defined benefit obligation, the plan assets and the accumulated actuarial gains and losses for the current year and previous four periods are as follows:

| | Defined Benefit Obligation | Plan Assets | Funded Status | Variation of actuarial gains and losses: On Defined Benefit Obligation | Variation of actuarial gains and losses: On Plan Assets |
|---|---|---|---|---|---|
| As at December 31, 2015 | (163.5) | 32.5 | (131.0) | 0.7 | (1.0) |
| As at December 31, 2016 | (342.1) | 159.5 | (182.6) | 10.9 | 12.0 |
| As at December 31, 2017 | (380.0) | 189.8 | (190.2) | (4.4) | 15.2 |
| As at December 31, 2018 | (351.7) | 167.1 | (184.6) | (8.0) | (11.3) |
| As at December 31, 2019 | (576.2) | 285.7 | (290.5) | 45.2 | 32.1 |

*Sensitivity analysis*

The sensitivity of the defined benefit obligation to the following changes of discount rates and long term inflation is as follows:

| As at December 31, 2019 | Discount rate | Long-term inflation |
|---|---|---|
| - 25 basis points | 13.7 | (0.1) |
| +25 basis points | (12.7) | 0.1 |

8.1.3 Contingent liabilities

The Group is involved in a number of legal and tax disputes in certain countries, including but not limited to alleged breaches of competition rules. Some of these may involve significant amounts, the outcome of which being subject to a high level of uncertainty, that cannot be accurately quantified at the closing date.

Certain of the Group's entities are involved in tax audits and tax proceedings in various jurisdictions relating to the normal conduct of its business. While the outcome of these audits and proceedings is uncertain and can involve material amounts, Management recorded liabilities for uncertain income tax treatments and other non income tax risks; Management therefore does not expect any liability arising from these audits to have a material impact on its results.

In all cases, the Group fully cooperates with the authorities.

The main contingent liabilities are as follows:

*Belgium customs*

CMA CGM was informed in February 2018 by the Belgian customs of the discovery of smuggled cigarettes in 2 sets of 7 containers ordered by a freight forwarder through CMA CGM's agency in Istanbul and shipped from Turkey to Rotterdam, while the documentation said to concern glassware.

Early 2020, the Belgium customs notified all parties involved in this investigation and asked for significant amounts of fines, taxes and penalties of which the portion to be incurred by CMA CGM, in the case of a negative outcome, cannot be assessed reliably.

Management and its advisors consider that the Company has numerous legal arguments to exclude its responsibility from this. CMA CGM is also currently discussing with its insurance companies the amounts that could be covered by them in the event of an ultimate negative outcome.

Management also considers that the procedure could last many years.

Given the above and in particular the fact that it is not possible to estimate reliably any financial liability, if any, that CMA CGM may incur as a result of these proceedings, no provision is included within the 2019 consolidated financial statements.

*CIL Related Proceedings (CEVA)*

CIL Limited (formerly CEVA Investments Limited), the former parent of CEVA Group Plc, is involved in a consensually filed liquidation proceeding in the Cayman Islands and an involuntary Chapter 7 proceeding in the Bankruptcy Court for the Southern District of New York. The Trustee in the Chapter 7 proceeding filed a claim against CIL Limited's former directors, CEVA Group Plc, and affiliated entities relating mostly to CEVA's recapitalization in 2013. In 2015 the defendants filed motions to dismiss certain of the claims asserted by the Trustee, and in January 2018, the Bankruptcy Court issued an order granting in part and denying in part the defendants' motions including dismissing the disputed payable claim against one of the defendants for lack of personal jurisdiction. In July 2018, the Trustee filed an amended complaint as well as a new action in the Netherlands related to the disputed payable claim against the entity that had been dismissed from the Bankruptcy Court action, and other CEVA-affiliated entities. The defendants and the Trustee have filed motions for summary judgment in the Bankruptcy Court action, which have been fully briefed and argued to the court. One of the creditors in the bankruptcy proceeding has also filed a claim against CEVA Logistics AG in New York state court related to CEVA's 2013 recapitalization. The Company cannot provide assurances regarding the outcome of these matters and it is possible that if the Trustee or the creditor were to prevail on their claims, the Company could incur a material loss in connection with those matters, including the payment of substantial damages and/or with regard to the matter in the bankruptcy court, the unwinding of the recapitalization in 2013. However, the Company believes the claims are without merit and intends to vigorously defend itself.

A former CEVA employee and CIL shareholder has asserted a putative class action against CEVA Group Plc, among others, in a U.S. District Court in the Middle District of Florida. Plaintiff claims that CEVA Group should have treated him differently in connection with the 2013 recapitalization. In January 2019, CEVA Group filed a motion to dismiss. The court has converted the motion to dismiss to a summary judgment motion and ordered the parties to proceed with summary judgment practice. While CEVA cannot provide assurances with respect to the outcome of this matter and it is possible that CEVA could incur a material loss, CEVA believes the claim is without merit and intends to vigorously defend itself.

At December 31, 2019, the Group (through CEVA) reports a net payable to CIL Limited, amounting to USD 14 million. This mainly relates to intercompany cash pooling arrangements and is included within trade and other payables in the Consolidated Statement of Financial Position.

## 8.2 OTHER CURRENT LIABILITIES

This line item includes the liability corresponding to the future cash-outflows in relation to the minimum dividend guaranteed to CMHI as part of the disposal of the 49% stake in Terminal Link in June 2013. This liability amounts to USD 107.7 million (USD 116.6 million as at December 31, 2018), down USD 8.9 million mainly as a consequence of the reassessment of Terminal Link dividend distribution capacity which is now almost certain as the period covered by this agreement ends with 2019 financial year. The timing of the payment of such liability is not known to date.

## 8.3 COMMITMENTS

*8.3.1 Commitments on assets*

*Lease commitments*

The Group applied IFRS 16 Leases from January 1, 2019. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases, except where the lease term is below one year or where the leased asset is not made available for use to the lessee.

Previously, the Group classified leases as operating leases under IAS 17, until December 31, 2018.

The Group leases vessels, containers, terminal premises, various offices and warehouses under non-cancellable operating lease agreements. The Group also leases various motor vehicles, trailers and equipment under operating lease agreements.

The total amount of operating lease expenses related to leased assets outside the scope of IFRS 16 was USD 1,153.3 million in 2019 (USD 2,737.8 million in 2018 before IFRS 16 application).

Besides, the service component related to leased assets within the scope of IFRS 16, mainly related to running costs, amounted to USD 219.6 million.

*Vessels operated under time charters (or bareboat charters) and container leases which are not within the scope of IFRS 16*

As at December 31, 2019 the Group operates 393 leased vessels of which 188 have been recorded under IFRS 16.

The Group is committed to pay time chart (including running costs) in relation to 203 vessels leases with a residual lease term of 12 months or less for an amount of USD 162.8 million.

The Group is committed to pay leases in relation to container leases with a residual lease term of 12 months or less for an amount of USD 7.8 million.

*Commitments related to ordered vessels*

The orderbook corresponds to nine TEU 23,000 LNG-fuelled vessels, two Guyanamax, two TEU 1,400 vessels, five TEU 15,000 LNG vessels and five TEU 15,000 scrubberized vessels. All vessels included in this orderbook are under committed financing (see below).

The contractual commitments related to the construction of these vessels can be analyzed as follows (in USD million):

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| **Orderbook** | | |
| - units | 23 | 20 |
| - Remaining commitments, net of prepayments * | 1,163.8 | 1,488.9 |
| - Commited financings | 1,022.4 | 1,300.4 |
| * of which payable in: | | |
| 2019 | | 350.5 |
| 2020 | 812.6 | 851.0 |
| 2021 | 351.2 | 287.4 |
| **Total** | **1,163.8** | **1,488.9** |

During the construction of the vessels, the Company obtains refund guarantees from the shipyards' banks covering the amount of prepayments made by the Company until the completion of the delivery. These guarantees relate to the construction of 11 vessels as at December 31, 2019 and amount to USD 397.0 million (USD 224.0 million as at December 31, 2018 for 20 vessels).

**Commitments relating to concession fees**

The Group carries out certain stevedoring activities under long-term concession arrangements, most of which being recognized as a lease liability within the scope of IFRS 16 when the operating subsidiary is controlled by the Company.

Regarding commitments of associates and joint ventures, the Group issued guarantees amounting to USD 846.0 million on a discounted basis as at December 31, 2019 for the payment of concession fees by certain of its associates or joint ventures (USD 838.0 million as at December 31, 2018).

8.3.2 Other financial commitments

In the normal course of our business, we provide bank guarantees or letters of credit to various customs authorities, landlords, port authorities, suppliers and insurance underwriters.

Most of the Group's subsidiaries credit facilities are unconditionally guaranteed by the Group's main legal entities, such as CMA CGM, CEVA Logistics AG or NOL Limited. All obligations under these facilities and the guarantees of those obligations are (subject to the agreed security principles) secured on a first-priority basis by charges over (i) shares held in the obligors under these facilities; (ii) certain bank accounts of, and intra-group receivables due to, the obligors; and (iii) in the case of the obligors incorporated in the United States of America, substantially all of the other property and assets to the extent a security interest is able to be granted or perfected therein.

As at December 31, 2019, guarantees on behalf of CEVA's subsidiaries amounting to USD 186.0 million were issued, but undrawn. The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and certain of its subsidiaries.

Other financial commitments primarily relate to the following:

*Other financial commitments given*

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| Bank guarantees | 175.4 | 262.1 |
| Guarantees on terminal financing | 122.8 | 135.1 |
| Customs guarantees | 8.1 | 8.7 |
| Port authorities and administration | 16.1 | 19.1 |
| Others guarantees granted for non-current assets | 425.5 | 503.8 |
| Mortgage on share of associates | 4.4 | 4.8 |
| Pledge | — | 4.4 |
| Other | 95.9 | 125.4 |

The financial commitments included in the table above relate to guarantees or pledges granted to third-parties in addition to recognized liabilities. However, there is no indication to date that any significant item out of these commitments may require a cash outflow.

"Other guarantees granted for non-current assets" mainly correspond to the CAPEX commitment in relation to the information system.

As at December 31, 2019, the Company transferred USD 1,640.3 million of trade receivables as collateral under its securitization programs (USD 1,682.8 million as at December 31, 2018).

*Other financial commitments received*

| | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|
| Guarantees received from independent shipping agents | 0.9 | 1.8 |
| Guarantees received from customers | 0.6 | 4.3 |
| Other financial commitments received | 2.2 | 45.6 |

## 8.4 SIGNIFICANT SUBSEQUENT EVENTS

*Terminal portfolio disposal project*

Management expects to close the disposal of the main assets of the portfolio by end of March, and to receive approximately 80% of the transaction proceeds by then. The final closing is expected during the second quarter.

*Update on financing*

As part of the global refinancing and liquidity enhancement program, the Group obtained agreements to rollover 2020 bank debt maturities amounting to USD 535 million.

The outstanding amount on the CEVA acquisition facility stands at USD 143 million, after repayment of USD 50 million after the balance sheet date. The residual amount is expected to be fully refinanced by end of March.

*Situation in Lebanon*

As at December 31, 2019, the group holds USD 225 million deposited in a number of Lebanese banks as short term dollar denominated deposit accounts and reported in cash equivalents.

The recent evolution of the political and economic environment in Lebanon is closely monitored and the situation will be reassessed as at March 31, 2020 if need be.

*Implementation of IMO 2020*

On 1st January 2020, the IMO 2020 regulation came into effect. CMA CGM fleet is fully compliant with this new regulation. From January onwards, CMA CGM has implemented a full pass-through pricing policy in order to ensure full compensation of the additional costs from its client.

*COVID-19*

In the recent weeks, China enacted protection measures against Covid-19, with a significant impact on the production and transportation of goods in the country and beyond. The evolution of the Covid-19 as well as its impact on the global economy and more specifically on the group is hard to predict at this stage as the current slow activity might be followed by a sharp rebound at a later stage. The Group is monitoring the situation on a daily basis to ensure the safety of its staff as well as to adapt its deployed capacity.

## Note 9—Glossary

*BAF*

"Bunker Adjustment Factor" is a surcharge assessed by carrier which is applied to freight rates and invoiced to customers in order to compensate unexpected fuel oil price variations.

*CGU*

A "Cash-Generating Unit" is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

*EBIT—Core EBIT*

EBIT, as presented in the consolidated statement of Profit & Loss, means "Earning Before Interests and Taxes" and corresponds to Operating profit.

Core EBIT, as presented in the consolidated statement of Profit & Loss, corresponds to EBIT, as defined above, less certain unallocated items as defined in Note 4.1 Operating segments.

*EBITDA*

EBITDA, as presented in the consolidated statement of Profit & Loss, means "Earning Before Interests, Taxes, Depreciation and Amortization" and corresponds to revenue less operating expenses.

*IASB*

"International Accounting Standards Board" is the principal body within the IFRS foundation and is in charge of establishing (i.e. develop and issue) IFRS as defined below.

*IFRIC or IFRS Interpretations Committee (IFRS IC)*

The Interpretations Committee's responsibilities are to interpret the application of the IFRS, report to the IASB and obtain IASB approval for final interpretations.

*IFRS & IAS*

"International Financial Reporting Standards" & "International Accounting Standards" are designed as a single set of accounting standards, developed and maintained by the IASB with the intention of those standards being capable of being applied on a globally consistent basis by developed, emerging and developing economies, thus providing investors and other users of financial statements with the ability to compare the financial performance of publicly listed companies on a like-for-like basis with their international peers.

*LIBOR*

"London Inter-Bank Offer Rate" is used as a reference rate for many financial instruments in both financial markets and commercial fields.

*NPV*

"Net Present Value" is the worth at the present date of an expected cash flow of an asset or a liability, determined by applying a discount rate to these cash flows.

*WACC*

The "Weighted Average Cost of Capital" is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All sources of capital, including common stock, preferred stock, bonds and any other long-term debt, are included in a WACC calculation.

# CONSOLIDATED FINANCIAL STATEMENTS

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**Year ended December 31, 2018**

## Contents

## Consolidated Statement of Profit & Loss

*(in USD million, except for earnings per share)*

| | Note | For the year ended December 31, 2018 | 2017 (*) |
|---|---|---|---|
| **REVENUE** | 4.1 | 23,476.2 | 21,116.2 |
| Operating expenses | 4.2 | (22,319.2) | (18,998.9) |
| **EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES** | | **1,157.0** | **2,117.4** |
| Gains / (losses) on disposal of property and equipment and subsidiaries | 4.3 | 27.5 | 96.1 |
| Depreciation and amortization of non-current assets | 5.1.2 & 5.2.1 | (634.0) | (624.1) |
| Other income and (expenses) | 4.4 | (15.6) | (59.2) |
| Net present value (NPV) benefits related to assets financed by tax leases | | 46.8 | 38.2 |
| **EBIT BEFORE SHARE OF INCOME / (LOSS) FROM ASSOCIATES AND JOINT VENTURES** | | **581.7** | **1,568.4** |
| Share of income / (loss) from associates and joint ventures | 7.3 | (88.1) | 5.5 |
| **EBIT** | 4.1 | **493.6** | **1,573.8** |
| **CORE EBIT** | | **610.4** | **1,574.8** |
| Interests expense on borrowings | | (491.2) | (494.3) |
| Interests income on cash and cash equivalent | | 41.8 | 37.2 |
| Other net financial items | | 123.5 | (316.0) |
| **FINANCIAL RESULT** | 4.6 | **(325.9)** | **(773.1)** |
| **PROFIT / (LOSS) BEFORE TAX** | | **167.7** | **800.7** |
| Income taxes | 4.7 | (99.4) | (70.0) |
| **PROFIT / (LOSS) FOR THE YEAR** | | **68.3** | **730.7** |
| of which: | | | |
| Non-controlling interests | | 34.4 | 34.1 |
| **OWNERS OF THE PARENT COMPANY** | | **33.9** | **696.6** |
| *Basic and diluted Earnings Per Share (EPS) attributable to owners of the parent company (in USD)* | | *2.2* | *46.1* |

*(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9*

## Consolidated Statement of Comprehensive Income

*(in USD million)*

| | Note | For the year ended December 31, 2018 | 2017 (*) |
|---|---|---|---|
| **PROFIT / (LOSS) FOR THE YEAR** | | **68.3** | **730.7** |
| **Other comprehensive income / (loss) reclassifiable to Profit and Loss** | | | |
| Cash flow hedges: | | | |
| Effective portion of changes in fair value | | 14.2 | 24.7 |
| Reclassified to profit or loss | | 1.9 | 6.4 |
| Net investment hedge | 6.2 | 9.1 | (19.9) |
| Net investment hedge—Share of other comprehensive income of associates and joint ventures | 7.3.2 | 12.3 | (30.8) |
| Foreign operations—foreign currency translation differences | | (40.3) | 22.4 |
| Share of other comprehensive income of associates and joint ventures | 7.3.2 | (35.4) | 71.5 |
| **Other comprehensive income / (loss) non reclassifiable to Profit and Loss** | | | |
| Remeasurment of defined benefit pension plans | 8.1.2 | (3.8) | 19.6 |
| Remeasurement of defined benefit pension plans of associates and joint ventures | 7.3.2 | 0.2 | 5.4 |
| Tax on other comprehensive income non reclassifiable to Profit and Loss | 4.7.2 | (1.3) | (23.6) |
| Tax on other comprehensive income non reclassifiable to Profit and Loss—Associates and joint ventures | 7.3.2 | (0.1) | (1.7) |
| **TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX** | | **(43.1)** | **74.0** |
| **TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX** | | **25.1** | **804.7** |
| of which: | | | |
| Non-controlling interests | | 34.3 | 35.9 |
| Owners of the parent company | | (9.1) | 768.9 |

*(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9*

## Consolidated Statement of Financial Position-Assets

*(in USD million)*

| | Note | As at December 31, 2018 | As at December 31, 2017 (*) |
|---|---|---|---|
| Goodwill | 5.1.1 | 1,166.1 | 1,054.5 |
| Other intangible assets | 5.1.2 | 1,264.1 | 1,170.2 |
| **INTANGIBLE ASSETS** | | **2,430.2** | **2,224.7** |
| Vessels | 5.2.1 | 8,822.2 | 8,620.7 |
| Containers | 5.2.1 | 485.6 | 562.6 |
| Lands and buildings | 5.2.1 | 448.0 | 509.8 |
| Other properties and equipments | 5.2.1 | 485.4 | 426.5 |
| **PROPERTY AND EQUIPMENT** | 5.2.1 | **10,241.3** | **10,119.6** |
| Deferred tax assets | 4.7.2 | 63.4 | 50.9 |
| Investments in associates and joint ventures | 7.3.2 | 1,478.9 | 1,049.0 |
| Derivative financial instruments | 6.2.1 | 6.0 | 4.9 |
| Other financial assets | 6.3.1 | 448.0 | 571.6 |
| **NON-CURRENT ASSETS** | | **14,667.7** | **14,020.7** |
| Inventories | 5.4.1 | 528.7 | 466.8 |
| Trade and other receivables | 5.4.2 | 2,494.7 | 1,996.9 |
| Income tax assets | 5.4.2 | 45.0 | 33.5 |
| Derivative financial instruments | 6.2.1 | 5.6 | — |
| Securities and other financial assets | 6.3.2 | 144.4 | 142.5 |
| Cash and cash equivalents | 6.4.1 | 1,401.9 | 1,383.5 |
| Contract assets | 5.4.2 | 515.9 | 439.7 |
| Prepaid expenses | 5.4.2 | 499.6 | 423.1 |
| Assets classified as held-for-sale | 5.5 | 18.8 | — |
| **CURRENT ASSETS** | | **5,654.7** | **4,886.0** |
| **TOTAL ASSETS** | | **20,322.4** | **18,906.7** |

*(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9 and IFRS 15*

## Consolidated Statement of Financial Position-Liabilities & Equity

*(in USD million)*

| | Note | As at December 31, 2018 | As at December 31, 2017 (*) |
|---|---|---|---|
| Share capital | | 234.7 | 234.7 |
| Reserves and retained earnings | | 5,179.2 | 4,599.5 |
| Profit / (Loss) for the year attributable to owners of the parent company | | 33.9 | 696.6 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY** | | **5,447.8** | **5,530.9** |
| Non-controlling interests | | 77.2 | 89.5 |
| **TOTAL EQUITY** | | **5,525.0** | **5,620.4** |
| Borrowings | 6.6 | 8,159.9 | 7,235.4 |
| Derivative financial instruments | 6.2.1 | 80.7 | 76.6 |
| Deferred tax liabilities | 4.7.2 | 103.8 | 80.4 |
| Provisions | 8.1 | 332.7 | 326.6 |
| Employee benefits | 8.1 | 182.4 | 188.0 |
| Deferred income | | 92.9 | 150.9 |
| **NON-CURRENT LIABILITIES** | | **8,952.4** | **8,058.0** |
| Borrowings | 6.6 | 1,020.6 | 1,183.9 |
| Derivative financial instruments | 6.2.1 | 2.6 | 1.5 |
| Provisions | 8.1 | 72.0 | 76.9 |
| Employee benefits | 8.1 | 2.2 | 2.2 |
| Trade and other payables | 5.4.2 | 4,565.8 | 3,800.8 |
| Income tax liabilities | 5.4.2 | 96.1 | 84.1 |
| Deferred income | 5.4.2 | 85.6 | 79.0 |
| **CURRENT LIABILITIES** | | **5,845.0** | **5,228.4** |
| **TOTAL LIABILITIES & EQUITY** | | **20,322.4** | **18,906.7** |

*(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9 and IFRS 15*

## Consolidated Statement of changes in Equity

*(in USD million)*

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Reserves, retained earnings and Profit for the year | | | | | |
| | Share capital (i) | Bonds redeemable in shares (ii) | Premium, legal reserves, Profit / (Loss) for the year and other comprehensive income non reclassifiable to profit and loss | Other comprehensive income reclassifiable to profit and loss | **TOTAL** | **Non-controlling interests** | **Total Equity** |
| **Balance as at January 1, 2017 (*)** | **234.7** | **56.5** | **4,734.7** | **(186.7)** | **4,839.1** | **69.5** | **4,908.6** |
| Profit / (Loss) for the year | — | — | 696.6 | — | **696.6** | 34.1 | **730.7** |
| Other comprehensive income / (expense), net of tax | — | — | (4.2) | 76.3 | **72.2** | 1.8 | **74.0** |
| **Total comprehensive income / (expense) for the year** | **—** | **—** | **692.4** | **76.3** | **768.9** | **35.9** | **804.8** |
| Transaction with non-controlling interests | — | — | 3.6 | (0.2) | **3.4** | (2.6) | **0.9** |
| Dividends | — | — | (80.5) | — | **(80.5)** | (20.2) | **(100.7)** |
| **Total transactions with Shareholders** | **—** | **—** | **(76.9)** | **(0.2)** | **(77.1)** | **(15.9)** | **(93.0)** |
| **Balance as at December 31, 2017 (*)** | **234.7** | **56.5** | **5,350.2** | **(110.5)** | **5,530.9** | **89.5** | **5,620.4** |
| **Balance as at January 1, 2018 (*)** | **234.7** | **56.5** | **5,350.2** | **(110.5)** | **5,530.9** | **89.5** | **5,620.4** |
| Profit / (Loss) for the year | — | — | 33.9 | — | **33.9** | 34.4 | **68.3** |
| Other comprehensive income / (expense), net of tax | — | — | (4.3) | (38.7) | **(43.0)** | (0.1) | **(43.1)** |
| **Total comprehensive income / (expense) for the year** | **—** | **—** | **29.5** | **(38.7)** | **(9.1)** | **34.3** | **25.1** |
| Acquisition of subsidiaries | — | — | — | — | **—** | 1.4 | **1.4** |
| Transaction with non-controlling interests | — | — | 6.7 | (0.6) | **6.1** | (18.1) | **(12.0)** |
| Dividends | — | — | (80.0) | — | **(80.0)** | (29.8) | **(109.8)** |
| **Total transactions with Shareholders** | **—** | **—** | **(73.3)** | **(0.6)** | **(73.9)** | **(46.5)** | **(120.4)** |
| **Balance as at December 31, 2018** | **234.7** | **56.5** | **5,306.5** | **(149.8)** | **5,447.8** | **77.2** | **5,525.0** |

*(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9*

(i) The share capital is constituted of (i) 10,578,355 ordinary shares held by MERIT Corporation, its shareholders and related persons, (ii) 3,626,865 ordinary shares held by Yildirim and (iii) 1 preference share held by the Banque Publique d'Investissement (Bpifrance formerly FSI) for a total of 14,205,221 shares.

(ii) Bonds redeemable in shares correspond to the equity portion of the bonds mandatorily redeemable in ordinary shares, subscribed in June 2013 by Bpifrance. Such bonds should be redeemed as at December 31, 2020, representing 6% of the Company's ordinary shares upon conversion on a fully diluted basis.

## Consolidated Statement of Cash Flows

*(in USD million)*

| | Note | For the year ended December 31, 2018 | 2017 (*) |
|---|---|---|---|
| **Profit / (Loss) for the year** | | **68.2** | **730.7** |
| **Reconcilation of profit / (loss) for the year to cash generated from operations:** | | | |
| - Depreciation and amortization | 5.2.1 | 634.0 | 624.1 |
| - Net present value (NPV) benefits related to assets financed by tax leases | | (46.8) | (38.2) |
| - Other income and expense | 4.4 | 15.6 | 59.2 |
| - Increase / (Decrease) in provisions | | (51.5) | 1.9 |
| - Loss / (Gains) on disposals of property and equipment and subsidiaries | 4.3 | (27.5) | (96.1) |
| - Share of (Income) / Loss from associates and joint ventures | 7.3 | 88.2 | (5.5) |
| - Interest expenses on net borrowings | | 448.5 | 522.4 |
| - Income tax | 4.7.1 | 99.4 | 70.0 |
| - Other non cash items | | (89.9) | 120.3 |
| **Changes in working capital** | 5.4.2 | **167.3** | **(322.2)** |
| **Cash flow from operating activities before tax** | | **1,305.5** | **1,666.6** |
| - Income tax paid | | (105.0) | (78.7) |
| **Cash flow from operating activities net of tax** | | **1,200.5** | **1,587.9** |
| Purchases of intangible assets | 5.1.2 | (79.7) | (71.9) |
| Business combinations, transaction with non controlling interests, net of cash acquired / divested | 3.1 | (247.0) | 538.8 |
| New investments in associates and joint ventures | 7.3.2 | (522.6) | |
| Purchases of property and equipment | 5.2.1 | (426.8) | (757.2) |
| Proceeds from disposal of property and equipment | | 167.8 | 150.9 |
| Dividends received from associates and joint ventures | 7.3 | 18.1 | 11.9 |
| Cash flow resulting from other financial assets | | 125.4 | 162.0 |
| Variation in securities | | 1.2 | (19.6) |
| **Net cash (used in) / provided by investing activities** | | **(963.6)** | **14.9** |
| **Free Cash Flow** | **5.6** | **236.9** | **1,602.8** |
| Dividends paid to the owners of the parent company and non-controlling interest | | (184.4) | (17.5) |
| Proceeds from borrowings, net of issuance costs | 6.6 | 994.1 | 2,123.6 |
| Repayments of borrowings | 6.6 | (540.2) | (3,029.3) |
| Principal repayments on finance leases | 6.6 | (63.1) | (51.3) |
| Interest paid on net borrowings | | (394.2) | (418.4) |
| Refinancing of assets, net of issuance costs | 6.6 | 54.0 | (0.0) |
| Other cash flow from financing activities | | 2.6 | (129.9) |
| **Net cash (used in) / provided by financing activities** | **6.7** | **(131.2)** | **(1,522.8)** |
| Effect of exchange rate changes on cash and cash equivalents and bank overdrafts | | (16.8) | 19.6 |
| **Net increase / (decrease) in cash and cash equivalents and bank overdrafts** | | **88.9** | **99.6** |
| Cash and cash equivalents as per balance sheet | | 1,383.5 | 1,204.0 |
| Cash reported in assets held-for-sale | | — | 1.9 |
| Bank overdrafts | | (157.6) | (79.5) |
| **Cash and cash equivalents and bank overdrafts at the beginning of the year** | | **1,226.0** | **1,126.3** |
| Cash and cash equivalents as per balance sheet | | 1,401.9 | 1,383.5 |
| Cash reported in assets held-for-sale | | — | — |
| Bank overdrafts | | (87.1) | (157.6) |
| **Cash and cash equivalents and bank overdrafts at the end of the year** | 6.4.1 | **1,314.8** | **1,226.0** |
| **Net increase / (decrease) in cash and cash equivalents and bank overdrafts** | | **88.9** | **99.6** |
| Supplementary information: non cash investing or financing activities: | | | |
| *- Refinancing of assets* | | *54.0* | |
| Supplementary information: Interest paid on net borrowings | | | |
| *- Interests received* | | *44.2* | *39.3* |
| *- Interests paid* | | *(438.4)* | *(457.8)* |

*(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9*

## Notes to the Consolidated Financial Statements

### Note 1 - Corporate information

The Consolidated Financial Statements ("CFS") of CMA CGM S.A. ("CMA CGM") and its subsidiaries (hereafter referred to together as "the Group" or "the Company") for the year ended December 31, 2018 were approved by the Board of Directors on March 1, 2019, subject to the approval by the shareholders during the next Annual General Meeting.

The Group is headquartered in France and is one of the largest container shipping company in the world. The Group operates primarily in the international containerized transportation of goods. Other activities mainly include container terminal operations and freight forwarding.

CMA CGM S.A. is a limited liability company ("Société Anonyme") incorporated and located in France. The address of its registered office is 4, Quai d'Arenc, 13002 Marseille, France.

### Note 2 - General accounting principles

Starting from Note 4, the accounting principles have been highlighted in blue.

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of CMA CGM have been prepared under the historical cost basis, with the exception of financial assets measured at fair value, securities, derivative financial instruments and net assets acquired through business combinations which have all been measured at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods.

#### 2.1.1 Statement of compliance

The CFS of CMA CGM have been prepared in accordance with IFRS as adopted by the European Union ("EU").

IFRSs can be found at: https://eur-lex.europa.eu/legal-content/FR/TXT/?uri=LEGISSUM%3Al26040

IFRSs include the standards approved by the IASB, that is, IAS and accounting interpretations issued by the IFRIC or the former SIC.

#### 2.1.2 Basis of consolidation

The CFS comprise:

- The financial statements of CMA CGM;
- The financial statements of its subsidiaries; and
- The share in the net result and the net asset of associates and joint ventures.

The CFS are presented in U.S. Dollar ("USD"), which is also the currency of the primary economic environment in which CMA CGM operates (the "functional currency"). The functional currency of the shipping activities is U.S. Dollar, except for certain regional carriers. This means that, among other things, the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortization are maintained in USD from the date of acquisition. For other activities, the functional currency is generally the local currency of the country in which such activities are operated.

All values are rounded to the nearest million (USD 000,000) with a decimal unless otherwise indicated.

### 2.2 CHANGE IN ACCOUNTING POLICIES AND NEW ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these CFS have been applied consistently with those described in the annual financial statements for the year ended December 31, 2017, except as outlined in the paragraphs below.

### 2.2.1 Adoption of new and amended IFRS and IFRIC interpretations from January 1, 2018

*IFRS 9: Financial instruments and related amendments*

This new standard replaces the existing guidance in IAS 39 "Financial instruments: Recognition and measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The guidance on recognition and derecognition of financial instruments is carried forward from current IAS 39 principles.

Management assessed that this new standard had the following impacts on the CFS which have been applied in accordance with transition guidelines:

- Classification and measurement of financial assets and liabilities: the implementation of IFRS 9 did not affect the current classification and measurement of the Group's financial instruments; the review of financial liabilities modifications led the Group to slightly adjust the carrying value of some borrowings (see Note 6.6), for an amount impacting equity by USD (1.2) million and USD (1.9) million as of January 1, 2018 and 2017, respectively; the impact on profit and loss amounts to USD 0.9 million as at December 31, 2017;
- Depreciation of financial assets: the change from the "incurred loss" model under IAS 39 to the "expected credit loss" model under IFRS 9 has impacted the Group's equity for an amount of USD (22.6) million and USD (16.9) million as of January 1, 2018 and 2017, respectively; the impact on profit and loss amounts to USD (5.8) million as at December 31, 2017; the above impacts relate to the Group's non current financial assets (see Note 6.3.1) and the Group's cash equivalents (see Note 6.4.1).

  Regarding depreciation of the Group's trade receivables, to date, Management did not identify material changes compared to the impacts currently recorded (see Note 5.4).
- Hedge accounting: the new standard does not materially change the hedging relationships as well as the accounting consequences therefrom, based on the current derivative financial instruments' portfolio.

*IFRS 15 and amendments to IFRS 15: Revenue from contracts with customers*

IFRS 15 was initially issued in May 2014 by the IASB on the recognition of revenue from contracts with customers. The Group applied IFRS 15 under full retrospective approach; however, since the below impacts are not considered as material and mainly consisted in reclassification between currents assets and current liabilities, Management decided not to present a statement of financial position for the annual period preceding the first application of IFRS 15.

The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard also results in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

As disclosed in the 2017 annual CFS, CMA CGM practice for container shipping revenue recognition under the previous standard, based on the percentage of completion, is still an appropriate method under the new standard. Management assessed that there was a single performance obligation per shipment in the shipping container business.

Management reviewed the accounting entries related to revenue recognition and concluded (see Note 4) that:

- Contract assets should be reflected in the statement of financial position, corresponding to freight receivables for which the Company transferred a portion of the services to the customers as per revenue recognition principles; hence, deferred income which were recognized under the previous standard, corresponding to the portion of the services not performed at cut-off dates, have been reclassified as a reduction of contract assets for an amount of USD 727.9 million as at January 1, 2018;
- No contract liabilities should be identified.

Further analysis has been performed regarding freight forwarding activity for which one could see the freight forwarder as an agent rather than a principal. However, the result of the analysis performed regarding the responsibility of the Group subsidiaries operating in such business, with regards to the customers, concluded that those entities were the primary responsible of determining the transaction price, delivering the performance obligation and dealing with the customer's credit risk. As a result, such entities were determined as being principal rather than agent and hence, the freight forwarding revenue has been maintained in the Group's revenue rather than only accounting the net remuneration derived from the obligation.

Hence, the new standard did not have any material impact on the Group's financial position and performance.

**The following amended Standards did not have any significant impact on the Group's CFS and performance:**

*Amendments to IAS 40: Transfer of Investment Property*
*Amendments to IFRS 2: Classification and Measurement of Share-based payments transactions*
*Amendments to IFRS 4: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts*
***Annual improvements to IFRS 2014-2016***

***IFRIC 22: Foreign Currency Transactions and Advance Consideration***

**2.2.2 New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2018, endorsed by the European Union and not early adopted**

***IFRS 16: Leases: adopted by the European Union on November 9, 2017;* effective date January 1, 2019 with earlier application permitted**

In January 2016, the IASB published IFRS 16 regarding the accounting for leases. IFRS 16 will have a significant impact on the Company's Statement of Financial Position and Statement of Profit & Loss because it eliminates the distinction between operating leases and finance leases for lessees. This new standard will be applicable for periods beginning on or after January 1, 2019. The Group currently anticipates adopting the standard on January 1, 2019, using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information. The Group expects to opt for the short-term and low-value leases exemptions where applicable, except for containers.

IFRS 16 changes the lease recognition method for leases, requiring lessees to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments for all leases, unless the exemption options for short-term leases (12 months or less) or leases of low-value items are applied. The right-of-use is depreciated on a straight-line basis while the lease liability is amortized using the actuarial method over the lease term.

Under IFRS 16, the amount recognized as lease liabilities relating to leases contracts largely depends on assumptions used in terms of discount rates (implicit rate of the lease if that can be readily determined, or if the rate cannot be readily determined, at the lessee's incremental borrowing rate) and the lease term. Renewal, extension and early termination options are also taken into consideration when calculating the lease liability if the lessee is reasonably certain to exercise those options.

Management anticipates that the application of IFRS 16 will have a material impact on amounts reported in respect of the Group's non-current assets and financial liabilities, given the magnitude of the Group's operating lease arrangements. Under the current standard, expenses from operating lease contracts are recognized in the income statement under chartering expenses, logistic expenses, general and administrative and other operating expenses. After the implementation of IFRS 16, expenses from operating lease contracts will instead consist primarily of straight-line amortization of the right of use and the recognition of an interest expense for lease liabilities. As a consequence of the this new classification of expenses, the Group's EBITDA margin and Core EBIT margin are expected to improve.

Information related to the Company's outstanding commitments under operating leases, mainly related to vessels and containers, is presented in Note 8.2.1.

As of December 31, 2018, excluding leases with an initial or remaining lease term of 12 months or less and based on discount rates as at December 31, 2018:

- The lease liability of equivalent bareboat commitments under vessel operating leases can be estimated at USD 4.0 to 4.2 billion;
- The lease liability corresponding to commitments under container operating leases can be estimated at USD 1.9 to 2.1 billion;

- The lease liability corresponding to commitments under terminal concession operating leases can be estimated at USD 0.2 to 0.3 billion; and
- The lease liability corresponding to commitments under real estate operating leases can be estimated at USD 0.1 to 0.2 billion.

The above figures illustrate the material impact that the new IFRS 16 standard, when implemented, will have on the Group's financial statements as described above.

Based on analysis to date and on interest rates prevailing as at December 31, 2018, the Group estimates for FY19:

- An increase of the lease liabilities in the range of USD 6.2-6.8 billion,
- An increase of EBITDA in the range of USD 1.6 - 1.8 billion,
- Additional depreciation expense of nearly USD 1.3 billion,
- Additional interest expenses of nearly USD 0.5 billion.

Hence, Management estimates that the 2019 Profit and Loss may be negatively impacted by an amount of USD 0.1 to 0.3 billion, based on the lease portfolio as at December 31, 2018.

The actual impact of IFRS 16 implementation as at January 1, 2019 may vary compared to the above latest estimates due to, among other things, the exact composition of the lease portfolio at that time, latest data regarding time charter rates and potential changes in the level of prevailing interest rates.

***IFRIC 23: Uncertainty over Income Tax Treatments***

IFRIC 23 clarifies the principles of uncertain tax treatments included in the scope of IAS 12 "Income taxes". In essence, it assumes that taxation authorities will examine all uncertain tax treatments and will have full knowledge of all related information when doing so. Hence, a tax liability should be recognized when it is probable that the tax authority will refuse the tax treatment.

Management extensively reviewed the features of the new interpretation, notably in terms of tax risks included in the scope of the interpretation or not. Although the final estimate is not determined to date, the impacts of the interpretation is not expected to materially impact the Group's equity. The Group will apply IFRIC 23 retrospectively with the cumulative effect recognized in retained earnings as at January 1, 2019.

### 2.2.3 New IFRS and IFRIC interpretations effective for the financial year beginning on or after January 1, 2018 and not yet endorsed by the European Union

- *New IFRS and IFRIC interpretations effective for the financial year beginning on January 1, 2018 and not yet endorsed by the European Union*

***IFRS 14: Regulatory Deferral Accounts;*** **the endorsement process of this interim standard has been suspended until the publication of the final IFRS standard.**

- *New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2018 and not yet endorsed by the European Union*

**The impacts of the following new or amended Standards are currently being assessed by the Company:**

***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement***
***Amendments to IAS 28: Long-term interests in associates and joint-ventures***
***IFRS 17: Insurance contracts***
***Annual Improvements to IFRS Standards 2015-2017 Cycle***
***Amendments to References to the Conceptual Framework in IFRS Standards***
***Amendments to IFRS 3 Business Combinations***
***Amendments to IAS 1 and IAS 8: Definition of Material***

## 2.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the CFS requires the use of judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date.

Although these CFS reflect management's best estimates based on information available at the time of the preparation of these financial statements, the outcome of transactions and actual situations could differ from those estimates due to changes in assumptions or economic conditions.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2017 annual CFS, have been described in the below mentionned notes of the annual CFS and are as follows:

- Judgments used for the purpose of the purchase price allocations (see Note 3.1);
- Judgments used for the purpose of determining the operating segments (see Note 4.1);
- Judgments and estimates used for the accounting of NPV benefits related to assets financed by tax leases (see Note 4.5);
- Deferred income tax (see Note 4.7.2);
- Impairment of non-financial assets (see Note 5.3);
- Determination of the vessels useful lives and residual values (see Note 5.2);
- Demurrage receivables, accruals for port call expenses, transportation costs and handling services (see Note 5.4);
- Classification of lease contracts between operating lease and finance lease and judgement of whether a contract involves a lease arrangement based on SIC 27 (see Note 5.2);
- Judgments used for the purpose of determining the consolidation scope (see Note 7.2);
- Significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures (see Note 7.3.1); and
- Judgments and estimates made in determining the risk related to cargo and corporate claims and related accounting provisions (see Note 8.1).

## 2.4 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

### 2.4.1 Translation of financial statements of foreign entities

The financial statements of foreign entities are translated into the presentation currency on the following basis:

- Assets and liabilities are translated using the closing exchange rate;
- The Statement of Profit & Loss is translated at the average exchange rate for the reporting period;
- The results of translation differences are recorded as "Currency translation differences" within other comprehensive income; and
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recorded within other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognized in the statement of Profit & Loss as part of the gain or loss on sale.

### 2.4.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income when qualified as cash flow hedges or net investment hedge.

Foreign exchange gains and losses relating to operating items (mainly trade receivables and payables) are recorded in the line item "Operating exchange gains / (losses), net" within "Operating expenses". Foreign exchange gains and losses relating to financial items are recorded in the line item "Foreign currency income and expense" within the financial result.

Exchange rates used for the translation of significant foreign currency transactions against one USD are as follows:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Euro | 0.87336 | 0.83382 | 0.84721 | 0.88710 |
| British pound sterling | 0.78122 | 0.73976 | 0.74958 | 0.77678 |
| Australian Dollar | 1.41659 | 1.27958 | 1.33857 | 1.30454 |
| Chinese Yuan | 6.87782 | 6.50746 | 6.61692 | 6.76078 |
| Singapore Dollar | 1.36166 | 1.33611 | 1.34922 | 1.38120 |

## Note 3 - Business combinations and significant events

### 3.1 BUSINESS COMBINATIONS

***(p) Significant judgments and estimates***

In accordance with IFRS 3, all acquired assets, liabilities and contingent liabilities assumed have been measured at fair value according to IFRS 13 principles. The valuation methods used to determine the fair values of the main assets and liabilities are as follows:

- **Market comparison method**: This valuation method considers the prices observable on the principal market of similar assets if these are available. This method was mainly used for the valuation of the acquiree's vessels and other property and equipment, as well as for the measurement of advantageous and disadvantageous contracts;
- **Discounted cash flow method:** This valuation method considers future cash flows and appropriate discounting valuation to measure the present value of assets and liabilities for which there are no market datas. Such valuation is based on observable datas to the extent possible.
- **Income approach:** this valuation consists in both (i) the relief from royalty method applied to the valuation of brands and (ii) the excess earnings method applied to the valuation of customer contracts and terminal concession rights.

#### 3.1.1 Mercosul Line

As at December 31, 2017, the purchase price allocation resulted in the recognition of a provisional goodwill of USD 48.4 million. The measurement period to adjust the purchase price allocation ended on December 8, 2018, one year after the acquisition date. Hence, the Group seeked to obtain the final information about facts and circumstances that existed as of the acquisition date, in order to finalize the purchase price allocation. It resulted in the recognition of a final goodwill of USD 87.2 million. The change, from December 31, 2017 to December 8, 2018, of the fair value for the assets acquired and the liabilities assumed, and the resulting goodwill, can be analyzed as follows (all figures being translated to USD using the rate of exchange applicable at acquisition date):

| | | In USD million |
|---|---|---|
| *A* | **Preliminary goodwill as at December 31, 2017** | **48.4** |
| | Change in fair value of intangible assets | 13.2 |
| *B* | Change in fair value of vessels | (35.4) |
| | Change in fair value of other assets and liabilities | (16.7) |
| ***C = A (-) B*** | **Final Goodwill** | **87.2** |

Among others, this goodwill consists in the buyer-specific synergies expected as a result of the integration of Mercosul such as assembled workforce, additional value to customer relationships which have been excluded due to the application of the churn rate.

Hence, the final purchase price allocation to the assets acquired and the liabilities assumed can be presented as follows (all figures being translated to USD using the rate of exchange applicable at acquisition date):

| | | In USD million |
|---|---|---|
| **Total consideration transferred for 100% stake in Mercosul** | **A** | **237.6** |
| **Cash and cash equivalents of Mercosul at acquisition date** | **B** | **5.5** |
| **Cash consideration paid for 100% stake in Mercosul, net of cash acquired** | **C = A (-) B** | **232.1** |
| **Identifiable assets acquired** | | |
| Intangible assets | | 73.4 |
| Vessels | | 66.2 |
| Other non current assets | | 22.0 |
| Current assets | | 61.8 |
| **Liabilities assumed** | | |
| Non current liabilities | | 18.3 |
| Current liabilities | | 60.1 |
| **Fair value of net assets acquired** | **D** | **144.9** |
| **Goodwill** | **C (-) D** | **87.2** |

In February 2019, the Group reached an agreeement with the seller to adjust the consideration paid by an amount of USD 3.8 million in favor of CMA CGM ,which will be recognized in 2019 Profit and loss upon cash payment.

### 3.1.2 Acquisition of Container Finance Group

On June 20, 2018, the Group announced the signature of an agreement with Container Finance Ltd Oy pursuant to which the container shipping and logistics business Containerships (and Container Finance's holdings in Multi-Link Terminals Ltd and CD Holding Oy) would become part of the CMA CGM Group.

At acquisition date on October 31, 2018, the Group announced it has completed the takeover of the Finnish operator after having gained regulatory approvals.

Founded in 1966, Containerships is an Intra-European Shortsea specialist with a strong presence in the Baltic market, Russia, Northern Europe, North Africa and Turkey. With a workforce of 560 people, Containerships offers its customers a complete range of services, as well as logistics solutions by ship, truck, rail and barges. Containerships' network will efficiently complement CMA CGM and its affiliate MacAndrews' service offering in North Europe and the Mediterranean. Containerships will take delivery of four LNG-fueled vessels between August 2018 and January 2019. For the year ended December 31, 2017, Containerships reported revenue for an amount of EUR 226.7 million.

As at the acquisition date, the consideration paid, the measurement of fair values recognized for the assets acquired and liabilities assumed and the resulting provisional goodwill can be presented as follows:

| | | In USD million |
|---|---|---|
| **Total consideration paid for 100% stake in Containerships** | **A** | **209.9** |
| **Cash and cash equivalents of Containerships at acquisition date** | **B** | **12.6** |
| **Cash consideration paid for 100% stake in Containerships, net of cash acquired** | **C = A (-) B** | **197.3** |
| **Identifiable assets acquired** | | |
| Trademarks gross | | 9.6 |
| Customer relationships gross | | 89.5 |
| Other intangible assets | | 2.7 |
| Vessels | | 37.0 |
| Containers | | 31.7 |
| Lands and buildings | | 0.8 |
| Other property and equipment | | 4.6 |
| Associates and joint ventures | | 23.7 |
| Deferred tax assets | | 8.7 |
| Other non current assets | | 0.4 |
| Inventories | | 2.6 |
| Working capital—assets | | 53.4 |
| Current assets | | 0.7 |
| **Liabilities assumed** | | |
| Non controlling interests | | 1.4 |
| Non current borrowings | | 82.9 |
| Deferred tax liabilities | | 24.0 |
| Current borrowings | | 12.7 |
| Working capital—liabilities | | 50.5 |
| **Fair value of net assets acquired** | **D** | **94.1** |
| **Goodwill** | **C (-) D** | **103.2** |

The above provisional amounts may be subsequently adjusted, within 12 months from the acquisition date, to reflect any new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognized at the acquisition date. In addition, the consideration transferred is still being subject to discussion with the sellor and hence, any adjustment to the consideration transferred may have an impact on the above provisional figures.

Among others, this preliminary goodwill consists in the buyer-specific synergies expected as a result of the integration of Containerships such as assembled workforce, additional value to customer relationships which have been excluded due to the application of the churn rate

Since acquisition date, Containerships Group reported revenues, Core EBIT and Net Income amounting to USD 57.7 million, USD (1.6) million and USD (2.1) million, respectively.

### 3.1.3 Investment in CEVA Logistics

On May 3, 2018, the Group confirmed its investment in CEVA Logistics ("CEVA"), a global leading player in the logistics sector, on the occasion of CEVA's initial public offering (IPO). This investment initially took the form of convertible bonds, subsequently converted into CEVA common shares on August 13, 2018, upon obtaining all the requisite regulatory approvals. CMA CGM's investment then represented 24.99% of CEVA's capital. At an IPO price of CHF 27.5 per share, CMA CGM's investment amounted to CHF 379 million (or USD 381 million).

On October 17,2018, the Group acquired additional shares increasing its stake by 7.88%, for a total of 32.87%.

These investments gave CMA CGM two seats on CEVA's Board of Directors, thus granting the Group a significant influence. Hence, the investment has been recognized as an associate (see Note 7.1) since inception.

The Group announced on October 25, 2018, its intention to make a tender offer to the shareholders of CEVA Logistics AG at CHF 30 per share. Such tender offer has been opened on January 28, 2019, and is expected to close in April 2019. Besides, the transaction is being reviewed by certain regulatory bodies for which the Company already received the approval of main bodies in January and February. Lastly, apart from the 32.9% ownership as at December 31, 2018, the Group secured another 17.6% through derivative instruments, the last one being entered into on January 4, 2019.

The main objective of this takeover is to offer door-to-door service to its customers, as well as creating economies of scale from combining CMA CGM Logistics with CEVA's freight management business.

As at December 31, 2018, only the Group's share in CEVA's results have been taken into account and no purchase price allocation has been performed due to the ongoing transactions and the takeover of CEVA.

At change of control date, the investment in CEVA will be derecognized and revalued at fair value, resulting in a gain in the Statement of Profit and Loss.

On December 31, 2018, the Group and CEVA signed an agreement by which the freight forwarding activities of CMA CGM will be sold to CEVA after the closing of the takeover.

The Group's share in CEVA's losses for the year ended December 31, 2018 amounts to USD (50.6) million and is recorded in the line item "Share of income / (loss) from associates and joint ventures". Because CEVA will shortly be under the control of CMA-CGM in 2019, the 2018 loss has been considered as non recurring in the calculation of core EBIT.

#### 3.1.4 Global Ship Lease ("GSL")

On November 15, GSL, a related party, closed a combination with Poseidon Containers, thus generating a dilution for CMA CGM from 44.4% to 13.3%, recorded as a loss in Profit or Loss in the line item "share of income / (Loss" from associates and joint ventures amouting to USD 65.3 million. Besides, GSL recorded an impairment charge end of 2018 which impacted the Group's results by USD 8.0 million. These 2 impacts have been treated as non recurring items (see Note 4.1 and 7.3).

#### 3.1.5 Global Gateway South terminal in Los Angeles ("GGS")

Refer to the 2017 CFS (Note 3.1.2) for the description of the transaction and the accounting consequences there from.

The final price agreed with the acquirer dit not have a material impact on the CFS compared to the preliminary price received in 2017.

#### 3.1.6 10% investment in CSP Zeebrugge Terminal

On July 20, 2018, the Group announced the acquisition from China Shipping Ports Development Co. Limited, a wholly-owned subsidiary of COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports"), of 10% equity interest in CSP Zeebrugge Terminal NV ("CSP Zeebrugge"), through its wholly-owned subsidiary CMA Terminals.

Such investment is presented in non-current financial assets.

### 3.2 GROUP FLEET DEVELOPMENT

#### 3.2.1 Financing of the 9 container ships of TEU 22,000

The Group obtained an agreement from its core banks to finance this USD 1.4 billion orderbook for an amount up to 75% of the orderbook.

#### 3.2.2 Other development

On January 26, 2018, May 25, 2018 and October 9, 2018, CMA CGM took delivery of its new flagships and world's biggest containerships flying the French flag, named CMA CGM ANTOINE DE SAINT EXUPERY, CMA CGM JEAN MERMOZ and CMA CGM LOUIS BLERIOT, respectively. With a capacity of 20,600 TEUs (Twenty Foot Equivalent Unit), all three vessels are strong symbols of the Group's dynamism and development.

Refer to the information disclosed in Note 5.2, notably for the deliveries occurred during the period.

### 3.3 FINANCIAL STRUCTURE

In the context of structural changes mentioned above such as CEVA investments and IFRS 16 implementation early 2019, Management obtained mid-December the agreement of its financial counterparties on a new set of financial covenants. Basically, the whole financing documentation has been adapted to this new context, switching from a gearing to a 3-year average leverage covenant (see Note 6).

### 3.4 RATING

On April 24, 2018, Standard and Poors affirmed the B+ CMA CGM 's long term corporate credit rating. At the same time, the rating agency revised its outlook to positive from stable. On November 6, 2018, Standard and Poors reaffirmed the B+ CMA CGM 's long term corporate credit rating with a positive outlook.

On November 2, 2018, Moody's revised downward its outlook on CMA CGM 's B1 long term corporate credit rating from a positive to a negative outlook.

### 3.5 GLOBAL SHIPPING ENVIRONMENT

**Low sulphur regulation**

The new International Maritime Organization (IMO) Low Sulphur Regulation will be effective from January 1, 2020 and will require all shipping companies to reduce their Sulphur emissions by 85%. This new regulation aims to reduce the environmental impact of the industry and significantly improve air quality, an initiative in which the CMA CGM Group has been involved for more than 15 years.

In this context, CMA CGM has decided to favor the use of 0.5% fuel oil for its fleet and to invest significantly by using LNG to power some of its future container ships (notably 9 giant ships on order), notably resulting in a 99% reduction in Sulphur emissions and by ordering several scrubbers for its ships.

Additional cost resulting from this new regulation will be taken into account through the application or adjustment of fuel surcharges on a trade-by-trade basis.

## Note 4 - Results for the year

***Revenue recognition and related expenses***

Revenue comprises the payment the Company expects to be entitled in exchange for the sale of services, net of value-added tax, rebates and discounts after eliminating sales within the Group.

As required by IFRS 15 "Revenue from contracts with customers", the Group recognize revenue respecting the following five steps approach: (i) identify the contract with a customer, (ii) identifiy all the individual performance obligations within the contract, (iii) determine the transaction price, (iv) allocate the price to the performance obligations, (v) recognize revenue as the performance obligations are fulfilled.

***Container shipping***

For container shipping activity, no individual performance obligations have been identified by the Group for container transportation itself, inland transportation and ancillary services (such as THC, BAF…) as they are all part of one global shipping transportation performance obligation and as the transaction is contracted with the customers as a whole transaction.

Freight revenues and costs directly attributable to the transport of containers are recognized on a percentage of completion basis, which is based on the proportion of transit time completed at report date for each individual container.

Deferred freight costs directly attributable to containers are reported as prepaid expenses.

Freight receivables for which the Company transferred a portion of the services to the customers as per revenue recognition principles, are reported as contract assets; hence, deferred income which were recognized under the previous standard, corresponding to the portion of the services not performed at cut-off dates, have been reclassified from current liabilities to contract assets (net).

***Other activities***

For other activities, no individual performance obligations have been identified in the contracts: revenue is recognized when the services have been rendered or when the goods have been delivered.

## 4.1 OPERATING SEGMENTS

As required by IFRS 8 "Operating Segments", the segment information reported below is based on the internal reporting used by the Company's management to allocate resources between segments and to assess their performance.

*(q) Significant judgments*

For management purposes, the Group reports two operating segments: container shipping activity, which represented approximately 94.8% of revenue excluding inter-segment elimination during the year ended December 31, 2018, and other activities. CMA CGM is organized as a worldwide container carrier, managing its customer base and fleet of vessels and containers on a global basis. Other activities include container terminal operations and logistics.

These segments do not result of an agregation of operating segments.

Segment performance is evaluated by management based on the following measures:

- Revenue;
- EBIT ("Earnings Before Interests and Taxes").

EBIT is a non-IFRS quantitative measure used to assist in the assessment of the Company's ability to drive its operating performance. The Company believes that the presentation of EBIT is a relevant aggregate to management for decision making purposes. EBIT is not defined in IFRS and should not be considered as an alternative to Profit / (Loss) for the year or any other financial metric required by such accounting principles. However, in terms of segment reporting, management believes that EBIT is a more relevant aggregate to assess the segment performance as financial result and income tax are not alllocated to segments.

As disclosed in Note 3.2 of the 2017 annual CFS, the Company is part of Ocean Alliance since April 1, 2017.

In Accordance with IFRS 15.BC58/59 (IAS 18§12 until December 31, 2017), sales and purchases of slots related to Ocean Alliance do not generate revenue and cost recognition.

The segment information for the reportable segments for years ended December 31, 2018 and 2017 is as follows:

| | Revenue | | EBIT | |
|---|---|---|---|---|
| | For the year ended December 31, | | | |
| | 2018 | 2017 | 2018 | 2017 |
| Container shipping segment | 22,847.5 | 20,381.2 | 569.1 | 1,474.0 |
| Other activities | 1,249.5 | 1,385.2 | 41.3 | 100.8 |
| **Total core measures** | **24,097.0** | **21,766.5** | **610.4** | **1,574.8** |
| Reconciling items & Eliminations | (620.9) | (650.2) | (116.8) | (1.0) |
| **Total consolidated measures** | **23,476.2** | **21,116.2** | **493.6** | **1,573.8** |

Certain items included in EBIT are unallocated as management considers that they do not affect the recurring operating performance of the Group. As a consequence, these items are not reported in the line item "Total Core measures".

Reconciling items impacting EBIT include (i) the impact of the disposal of property and equipment and subsidiaries (see Note 4.3), (ii) other income and expenses (see Note 4.4) and (iii) impairment charge or non recurring expenses recorded in associates and joint ventures (see Note 7.1 and Note 3.1.3).

Since most of the Group's assets and liabilities are allocated to the container shipping segment and that this information is reviewed by the chief operating decision maker only on a consolidated basis, there is no specific disclosure relative to their segment allocation. Regarding the investment in associates and joint ventures which primarily relates to the "Other activities" segment, see Note 7.1.

## 4.2 OPERATING EXPENSES

### 4.2.1 Variations of operating expenses

Operating expenses are analyzed as follows:

| | For the year ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Bunkers and consumables | (3,618.0) | (2,568.5) |
| Chartering and slot purchases | (2,351.0) | (2,064.4) |
| Handling and steevedoring | (6,266.4) | (5,547.0) |
| Inland and feeder transportation | (3,323.4) | (2,918.0) |
| Port and canal | (1,526.6) | (1,334.0) |
| Container rentals and other logistic expenses | (2,127.7) | (1,731.3) |
| Employee benefits | (1,879.5) | (1,699.7) |
| General and administrative other than employee benefits | (848.1) | (729.3) |
| Additions to provisions, net of reversals and impairment of inventories and trade receivables | (32.6) | (37.0) |
| Operating exchange gains / (losses), net | 8.2 | 73.1 |
| Others | (354.0) | (442.7) |
| **Operating expenses** | **(22,319.2)** | **(18,998.9)** |

Out of the volume, the increase of the operating expenses is mainly due to the rise of bunker prices and some of operating costs such as handlling, logistics and transportation expenses.

### 4.2.2 Employee benefits

Employee benefit expenses are analyzed as follows:

| | For the year ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Wages and salaries | (1,499.7) | (1,344.0) |
| Social security costs | (296.8) | (266.7) |
| Pension costs (see Note 8.1) | (30.1) | (37.7) |
| Other expenses | (52.9) | (51.3) |
| **Employee benefits** | **(1,879.5)** | **(1,699.7)** |

The number of employees of the controlled subsidiaries of the Group is 29,740 as at December 31, 2018 (27,201 as at December 31, 2017). The total number of employees, including those employed in certain joint-ventures or through international seafarer providers, is 37,092 as at December 31, 2018 (34,647 as at December 31, 2017).

The number of full-time equivalent employees of the controlled subsidiaries of the Group is 28,036 for the year ended December 31, 2018 (26,161 as at December 31, 2017).

## 4.3 GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES

Gains and losses on disposals correspond to the difference between the proceeds and the carrying amount of the asset disposed of.

Accounting principles related to sale and lease-back transactions are presented in Note 5.2.

Gains / (losses) on disposal of property and equipment and subsidiaries consist of the following:

| | For the year ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Disposal of vessels | 12.9 | 20.5 |
| Disposal of containers | 10.9 | 7.7 |
| Other fixed assets disposal | 4.5 | (6.1) |
| Disposal of subsidiaries | (0.8) | 74.0 |
| **Gains / (losses) on disposal of property and equipment and subsidiaries** | **27.5** | **96.1** |

For the year ended December 31, 2018:

- "Disposal of vessels" mainly relates to some deferred gain on sale and leaseback transactions occurred in 2016.

For the year ended December 31, 2017:

- "Disposal of subsidiaries" mainly relates to the disposal of 90% stake in the terminal of GGS (see Note 3.1.5);
- "Disposal of vessels" is related to vessels sold for scrapping as well as some deferred gain on sale and leaseback transactions occurred in 2016.

### 4.4 OTHER INCOME AND (EXPENSES)

Other income and (expenses) can be analyzed as follows:

| | For the year ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Impairment (losses) / reversals of assets | (17.2) | (29.8) |
| Others | 1.6 | (29.4) |
| **Other income and (expenses)** | **(15.6)** | **(59.2)** |

In 2018, the line item "Impairment losses of assets" mainly relates to impairment of (i) a vessel that will be sold and (ii) some intangible assets (see Note 5.1.2).

In 2017:

- The line item "Impairment losses of assets" mainly relates to impairment of (i) vessels that will be sold for scrapping and (ii) a terminal held by NOL;
- The line item "Others" mainly relates to (i) transactions fees related to GGS disposal (see Note 3.1.5) and (ii) termination costs on agency network reorganisation.

### 4.5 NPV BENEFITS RELATED TO ASSETS FINANCED BY TAX LEASES

Refer to Note 5.2 for the accounting principles related to tax leases.

*(r) Significant judgments and estimates*

Under leveraged tax leases, a tax benefit is passed on by the lessor either over the lease term through lower lease payments or at the end of the lease term through the recovery of a cash amount. More precisely, the Company recognizes the tax benefits as follows:

- When the Company receives the benefit through lower lease payments, its net present value is accounted for as "Deferred income" within liabilities in the Statement of Financial Position (allocated between current and non-current portion depending on twelve month maturity). This benefit is then credited to the statement of income on a vessel by vessel basis over the tax financing period under the heading "NPV benefits related to assets financed by tax leases" which range from 1 to 6 years. This income is presented within "Operating profit" as it is considered that this benefit is in effect a reduction of the operational running cost of the vessel;

- When the Company benefits from the tax advantage at the end of the lease term, a financial asset is recognized within "Other non-current financial assets" (see Note 6.3) progressively over the tax financing period and the corresponding income is recorded under the heading "NPV benefits related to assets financed by tax leases".

### 4.6 FINANCIAL RESULT

Accounting principles related to borrowings and cash and cash equivalents have been presented in Notes 6.4 and 6.6.

In its consolidated statement of cash flows, the Company presents interest expenses as a cash flow used for financing activities.

The financial result is analyzed as follows:

| | For the year ended December 31, | |
|---|---|---|
| | **2018** | **2017 (*)** |
| Interest expense on borrowings | (491,2) | (494,3) |
| Interests income on cash and cash equivalents | 41,8 | 37,2 |
| **Cost of borrowings net of interest income on cash and cash equivalents** | **(449,4)** | **(457,1)** |
| Settlements and change in fair value of derivative instruments | 2,1 | (35,2) |
| Foreign currency income and expense, net | 103,1 | (228,5) |
| Other financial income and expense, net | 18,3 | (52,4) |
| **Other net financial items** | **123,5** | **(316,0)** |
| **Financial result** | **(325,9)** | **(773,1)** |

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

For the year ended December 31, 2018, "Interest expense on borrowings" includes USD (27.1) million corresponding to the amortization of past issuance costs recognized using the effective interest method (USD (50.5) million for the year ended December 31, 2017).

"Settlements and change in fair value of derivative instruments" reflect the impact, on the portfolio of derivative financial instruments, of the volatility of currencies and interest rates during the periods presented.

"Foreign currency income and expense, net" is mainly composed of foreign currency exchange gains / (losses) on financial operations due to the translation of borrowings and financial instruments denominated in currencies different from USD (mainly but not limited to transactions in EUR). Among other minor effects, the exchange gains for the year ended December 31, 2018 are due to the depreciation of EUR currency versus USD at respective closing dates, as opposed to the losses incurred in the year ended December 31, 2017 in relation with the appreciation of EUR against USD between respective closing dates.

In 2018, "Other financial income and expense, net" mainly includes:

- USD (15.7) million of unwinding of discount related to NOL onerous chartering contracts recognized as part of the purchase price allocation;
- USD 9.8 million related to the revaluation of some investments recognized as assets at fair value through P&L;
- USD 9.9 million related to interests income related to financial assets;
- USD 8.6 million related to dividends received from related parties;
- USD 5.3 million related to a favorable debt renegotiation impact (interest margin reduction).

In 2017, "Other financial income and expense, net" mainly includes:

- USD (13.4) million of non recurring financial expense related to the anticipated repayments of bonds (see Note 6.6.2);
- USD (13.0) million of non recurring financial expense related to the anticipated repayments of secured vessel borrowings;

- USD (12.6) million of unwinding of discount related to NOL onerous chartering contracts recognized as part of the purchase price allocation.

## 4.7 INCOME AND DEFERRED TAXES

### 4.7.1 Current income taxes

In Accordance with IAS 12 "Income Taxes", current income tax is the amount of income tax payable (recoverable) in respect of the taxable profit (tax loss) for the year. Taxable profit (tax loss) is the profit (loss) for the year, determined in accordance with the rules established by the taxation authorities, upon which income tax is payable (recoverable).

*(s) Significant judgment*

The Group is subject to income tax in numerous jurisdictions. When permitted by local tax authorities, the Company elected for the tonnage tax regime. The French tonnage tax regime actually consists in determining the taxable result that will be subject to income tax on the basis of vessel's tonnage. For this reason, among others, the Company classifies the consequences of tonnage tax regime as current income tax.

| | For the year ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Current income tax income / (expense) | (108.5) | (78.8) |
| Deferred tax income / (expense) | 9.1 | 8.8 |
| **Income Taxes** | **(99.4)** | **(70.0)** |

The "current income tax expense" for the year ended December 31, 2018 includes USD (2.1) million related to prior year income tax (USD (1.4) million for the year ended December 31, 2017 ).

The "current income tax" for the year ended December 31, 2017 included a non-recurring tax income of USD 6.7 million, related to the 3% tax levy paid in past years on dividends paid by CMA CGM, following the decision made by the French courts declaring that such levy was unconstitutional. Such amount have been claimed from the tax authorities and recovered early 2018.

NOL contributed to "income taxes" presented above for a negative amount of USD 12.9 million, and positive amount of USD 2.2 million in 2017, such positive amount being mainly due to the settlement of certain tax litigation following exchanges with the relevant tax authorities and concluded after NOL acquisition date. Such settlement resulted in a lower payment than accruals made in prior periods.

Most of the shipping activities handled by the Group are subject to tonnage tax regimes in Singapore and the United States, as well as in France. For instance, no provision is made for taxation on qualifying shipping income derived from the operation of the vessels which is exempt from taxation under Section 13A of the Singapore Income Tax Act and Singapore's Maritime Sector Incentive Approved International Shipping Enterprise Scheme. In the United States of America in which NOL operates and in France, income arising from liner activities are subject to a tonnage-based tax system under which the computation of tax is based on the tonnage of the qualifying vessel fleet. Other Group's subsidiaries and/or branches are subject to income tax in accordance with the local tax laws of their respective countries.

Some companies in France are currently subject to a tax audit. No provision was recognized in this regard since, based on strong arguments and external advice, management believes that there should be no or limited final cash and/or accounting impacts of such audits.

Tax consolidation agreements are in place in certain countries in which the Group operates, mostly in France. It allows the Companies of the same Group to combine their taxable profits or losses to calculate the overall tax expense for which only the parent company is liable. In France, the tax consolidation scheme generated a decrease in the current income tax expense of USD 33.8 million in 2018 (USD 6.8 million in 2017).

### 4.7.2 Deferred income tax

In accordance with IAS 12, deferred income tax is provided for on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the CFS. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

The deferred income taxes are recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the deferred income taxes are recognized in other comprehensive income or directly in equity, respectively.

*(t) Significant judgment and estimates*

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

Due to the tonnage tax regime applicable on the main part of the Company's activity, resulting in a lower income tax payable in the future, the amount of deferred tax assets to be recognized is limited.

The mechanism of tonnage tax requires to estimate the portion of the future results that will be treated as part of tonnage tax regime and the residual portion that will not be subject to tonnage tax regime. For the purpose of the recognition of the deferred tax assets in France, Management has also based its estimates on:

- The fact that the French tonnage tax regime has been renewed in 2013 for a 10-year period;
- The best estimates of the future taxable results of activities that are not subject to tonnage tax regime.

Considering the tonnage tax regime applicable to Group shipping activities, differences between taxable and book values of assets and liabilities are generally of a permanent nature. This is due to the fact that the taxable result for tonnage tax eligible activities has no correlation with either the carrying value or the generally applicable tax value of assets and liabilities. As a consequence, temporary differences are limited to those arising from other activities which are subject to usual tax laws.

Deferred tax balances break down as follows:

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Deferred tax assets** | | |
| Tax losses carried forward | 21.6 | 12.9 |
| Retirement benefit obligations | 13.3 | 15.0 |
| Other temporary differences | 28.4 | 23.1 |
| **Total gross deferred tax assets** | **63.4** | **50.9** |
| **Total net deferred tax assets** | **63.4** | **50.9** |

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Revaluation and depreciation of property and equipment | 17.4 | 18.0 |
| Undistributed profits from subsidiaries | 36.4 | 34.7 |
| Other temporary differences | 50.0 | 27.7 |
| **Total gross deferred tax liabilities** | **103.8** | **80.4** |
| **Total net deferred tax liabilities** | **103.8** | **80.4** |
| **Total net deferred tax assets / (liabilities)** | **(40.4)** | **(29.5)** |

The breakdown of deferred tax assets and deferred tax liabilities presented in the table above is based on gross amounts. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amount recognized in the statement of financial position corresponds to the net deferred tax assets and liabilities.

"Tax losses carried forward" mainly relate to losses generated by the activities liable to corporate income tax in France. These tax losses are recognized only to the extent of the level of the corresponding deferred tax liability and the foreseeable taxable profit generated by these activities.

Unused tax losses and other taxable temporary differences to a lesser extent, whose recovery within a reasonable timeframe is considered less than likely are not recognized in the Statement of Financial Position and represented USD 1,244.8 million as at December 31, 2018 (USD 1,293.2 million in 2017). The corresponding unrecognized deferred tax asset amounts to USD 388.3 million in 2018 (USD 445.2 million in 2017). The unused tax losses can be carried forward indefinitely.

The level of deferred tax liabilities recognized in relation to undistributed profits from subsidiaries increased by USD 1.7 million in 2018 (USD 2.1 million in 2017).

Income tax impacts related to other comprehensive income are presented in the statement of comprehensive income.

| | For the year ended December 31, 2018 |
|---|---|
| **Net deferred tax at the begining of the year** | **(29.5)** |
| Changes through Profit & Loss | 9.1 |
| Changes through Other Comprehensive Income | (1.3) |
| Currency translation adjustment | (2.2) |
| Other variations | (16.5) |
| **Net deferred tax at the end of the year** | **(40.4)** |

Other variations mainly relate to purchase price allocation performed in relation of Containerships and Mercosul acquisitions (see Notes 3.1.1 and 3.1.2).

### 4.7.3 Tax proof

| | For the year ended December 31, | |
|---|---|---|
| | **2018** | **2017 (*)** |
| **Profit / (Loss) before tax and excluding share of profit (or loss) of the associates and joint ventures** | **255.8** | **795.3** |
| Theoritical income tax (tax rate of 34.43% in 2018 / 34.43% in 2017) | (88.1) | (273.8) |
| Income tax expense | (99.4) | (70.0) |
| **Difference between theoritical and effective income tax** | **(11.4)** | **203.8** |
| Not taxable income (mainly due to impact of the tonnage tax regime) | (30.9) | 232.0 |
| Use or recognition of deferred tax assets previously unrecognized | 15.3 | 10.5 |
| Effect of different tax rates in foreign tax jurisdictions | 66.4 | 31.5 |
| Unrecognized tax losses generated by certain activities not liable to tonnage tax | (13.9) | (27.2) |
| Initial recognition of assets and liabilities exception | 93.0 | 19.0 |
| Other Permanent differences | (141.4) | (62.0) |
| **Difference** | **(11.4)** | **203.8** |

## Note 5 - Invested capital and working capital

### 5.1 GOODWILL AND OTHER INTANGIBLE ASSETS

#### 5.1.1 Goodwill

***Goodwill and Business Combinations***

Business combinations are accounted for using the acquisition method defined in IFRS 3 "Business combinations". Accordingly, all acquisition-related costs are recognized as operating expenses.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets acquired, the liabilities assumed and the equity interests issued by the Group at transaction date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent payments classified as debt are subsequently remeasured through the consolidated income statement.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

***Determination of goodwill***

Goodwill is measured as the difference between:

- The aggregate of (i) the value of the consideration transferred, (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and
- The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase then the difference is recognized directly in the income statement.

Non-controlling interests represent the portion of the profit or loss and net assets (of the Group or of one of its subsidiaries) attributable to equity interests held by third parties.

Adjustments are recognized as changes to goodwill, provided they result from new information obtained about facts and circumstances that existed at acquisition date and are made within twelve months of the date of acquisition.

***Presentation and subsequent measurement of goodwill***

Goodwill on acquisition of subsidiaries is disclosed separately in the Statement of Financial Position. Goodwill on acquisition of associates and joint ventures is included in the Company's share in investments in associates and joint ventures.

At the time of the sale of a subsidiary or a jointly controlled entity, the amount of the goodwill attributable to the subsidiary or associates and joint ventures is included in the calculation of the gain and loss on disposal.

***Impairment of goodwill***

See Note 5.3.

The carrying amount of goodwill has been allocated to the following operating segments and cash generating units based on the management structure:

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Beginning of the year** | **1,054.5** | **1,007.9** |
| Goodwill from business combinations (see Note 3.1) | 142.8 | 51.1 |
| Other variations | (11.5) | (4.8) |
| Reclassification to assets held-for-sale | — | (4.0) |
| Foreign currency translation adjustment | (19.7) | 4.4 |
| **At the end of the year** | **1,166.1** | **1,054.5** |
| *of which:* | | |
| *Allocated to container shipping segment* | *1,145.8* | *1,033.4* |
| *Allocated to other activities* | *20.4* | *21.1* |

In 2018, the line item "Goodwill from business combinations (see Note 3.1)" corresponds to:

- The finalization of the purchase price allocation performed on Mercosul acquisition in December 2018 (see Note 3.1.1);
- The goodwill recognized as part of the provisional purchase price allocation performed on Container Finance Group acquisition (see Note 3.1.2).

In 2017, the line item "Goodwill from business combinations corresponds to:

- The finalization of the purchase price allocation performed on NOL acquisition as at June 13, 2017;
- The goodwill recognized as part of the provisional purchase price allocation performed on Mercosul acquisition;
- The goodwill recognized as part of the provisional purchase price allocation performed on other acquisitions.

### 5.1.2 Other intangible assets

Other intangible assets mainly consist of:

- Software developed and acquired for internal corporate use, which is recorded at the initial acquisition cost plus the cost of development minus the total of the amortization and any impairment loss. In-house software development costs are capitalized in accordance with criteria set out in IAS 38 "Intangible assets";
- Terminal concession rights, trademarks and customer relationships recognized as part of purchase price allocations and amortized over their respective useful life, except for the trademark which has an indefinite useful life.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Software developed or acquired is amortized on a straight-line basis over five to ten years based on the estimated useful life.

Other intangible assets are analyzed as follows:

| | Software | | Trademarks & Customer relationships | Terminal concession rights | Others | Total |
|---|---|---|---|---|---|---|
| | In use | In-progress | | | | |
| **Cost of Other intangible assets** | | | | | | |
| **As at January 1, 2017** | **512,0** | **219,6** | **613,8** | **116,0** | **10,6** | **1 472,1** |
| Acquisitions | 8,4 | 77,3 | — | — | 0,8 | 86,5 |
| Acquisitions of subsidiaries (see Note 3.1) | 0,3 | (0,0) | 102,2 | (1,0) | — | 101,5 |
| Disposals | (3,5) | (0,0) | — | — | (1,3) | (4,9) |
| Reclassification | 24,0 | (26,3) | — | — | 8,0 | 5,7 |
| Foreign currency translation adjustment | 1,3 | 0,1 | (0,3) | — | 0,1 | 1,3 |
| **As at December 31, 2017** | **542,5** | **270,6** | **715,8** | **115,0** | **18,3** | **1 662,2** |
| Acquisitions | 13,5 | 72,6 | — | — | 1,1 | 87,3 |
| Acquisitions of subsidiaries (see Note 3.1) | 0,4 | — | 123,1 | — | 2,7 | 126,2 |
| Disposals | (41,2) | — | — | — | (0,7) | (41,9) |
| Reclassification | 51,6 | (59,7) | — | — | 4,0 | (4,1) |
| Foreign currency translation adjustment | (0,8) | (0,1) | (15,4) | — | (0,3) | (16,7) |
| **As at December 31, 2018** | **566,0** | **283,4** | **823,5** | **115,0** | **25,1** | **1 813,0** |

| | Software | | Trademarks & Customer relationships | Terminal concession rights | Others | Total |
|---|---|---|---|---|---|---|
| | In use | In-progress | | | | |
| **Amortization and impairment** | | | | | | |
| **As at January 1, 2017** | **(366,4)** | **—** | **(16,6)** | **(4,4)** | **(1,4)** | **(388,8)** |
| Amortization | (44,1) | — | (32,6) | (5,4) | (1,5) | (83,6) |
| Disposals | 3,4 | — | — | — | 0,7 | 4,1 |
| Impairment | — | — | — | (20,9) | — | (20,9) |
| Reclassification | (0,4) | — | — | (0,8) | (0,1) | (1,3) |
| Foreign currency translation adjustment | (1,1) | — | (0,4) | — | (0,1) | (1,5) |
| **As at December 31, 2017** | **(408,6)** | **—** | **(49,7)** | **(31,5)** | **(2,3)** | **(492,0)** |
| Amortization | (47,0) | — | (32,8) | (4,2) | (2,8) | (86,7) |
| Disposals | 39,4 | — | — | — | 0,7 | 40,2 |
| Impairment | (10,9) | — | — | | (0,7) | (11,6) |
| Reclassification | (0,1) | — | 1,0 | — | (0,4) | 0,5 |
| Foreign currency translation adjustment | 0,4 | — | 0,2 | — | 0,1 | 0,7 |
| **As at December 31, 2018** | **(426,7)** | **—** | **(81,2)** | **(35,6)** | **(5,4)** | **(549,0)** |

| **Net book value of Other intangible assets** | Software | | Trademarks & Customer relationships | Terminal concession rights | Others | Total |
|---|---|---|---|---|---|---|
| | In use | In-progress | | | | |
| **As at December 31, 2018** | **139.3** | **283.4** | **742.3** | **79.4** | **19.7** | **1,264.1** |
| **As at December 31, 2017** | **133.9** | **270.6** | **666.1** | **83.5** | **16.0** | **1,170.2** |
| **As at December 31, 2016** | **145.7** | **219.6** | **597.2** | **111.6** | **9.3** | **1,083.3** |

High-performance information systems are critical within our industry, which requires significant internal and external software development. Software capitalized costs mainly correspond to costs incurred for the in-house development of (i) shipping agency systems, implemented throughout the worldwide Group agency network, which address bookings, billings and transportation documentation, (ii) the operating system including logistical support and container tracking and (iii) the comprehensive accounting and financial reporting ERP systems implemented in all Group shipping entities.

Through a strategic partnership with SAP, the Company decided some years ago to invest in a new innovative information system. It will enable the Group to develop an information system specifically designed for container shipping, it aims at enhancing efficiency and flexibility in an industry that is constantly evolving. Some preliminary parts of this new information system have been recently implemented within the Group.

The software in progress recorded as at December 31, 2018 and 2017 mainly corresponds to this project. During the year ended December 31, 2018, the capitalized costs of the future information system amounted to USD 65.1 million (USD 52.6 milion during the year ended December 31, 2017).

The amortization schedule of the currently used ERP has been adjusted to its reassessed remaining useful life.

## 5.2 PROPERTY AND EQUIPMENT

***Recognition of property and equipment***

In accordance with IAS 16 “Property, Plant and Equipment”, items of property and equipment are recognized as assets when it is probable that the future economic benefits associated with the asset will flow to the Company; and the cost of the asset can be measured reliably.

In accordance with IAS 17 “Lease contracts”, when the Company leases assets under long-term contracts or other similar arrangements that transfer substantially all risks and rewards of ownership to the Company, the leased asset is recognized in the Statement of Financial Position at the lower of its fair value and the net present value of the minimum lease payments. The net present value of the minimum lease payments is recorded as a liability.

***Sale and lease-back transactions***

In the context of sale and operating leaseback transactions and in accordance with IAS 17 “Leases”, the related gains or losses are accounted for as follows:

- If the transaction is at fair value, gains or losses are recognized immediately;

- If the sale price is below fair value, any profit or loss is recognized immediately except if the loss is compensated for by future lease payments at below market price, in which case it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used; or
- If the sale price is above fair value, the excess over the fair value is deferred and amortized over the period for which the asset is expected to be used.

In the context of sale and finance leaseback transactions, any gain on the sale is deferred and recognized as income over the lease term.

*Measurement of property and equipment*

As required by IAS 16, property and equipment are recorded at the historical acquisition or manufacturing cost, less accumulated depreciation and any impairment loss. Acquisition or manufacturing costs comprise any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The pre-operating costs are expensed when incurred.

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

On initial recognition, the cost of property and equipment acquired is allocated to each component of the asset and depreciated separately.

Maintenance costs are recognized as expenses for the year, with the exception of mandatory dry-docks required to maintain vessel navigation certificates, which constitute an identifiable component upon the acquisition of a vessel and which are thereafter capitalized when the following dry-docks occur. Dry-docks are depreciated over the remaining useful life of the related vessel or to the date of the next dry-dock, whichever is sooner.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each part of the asset to its residual value (scrap value for vessels and estimated sale price for containers) over its estimated useful life, as follows:

| Asset | Useful life in years |
|---|---|
| Buildings (depending on components) | 15 to 40 |
| New vessels | 25 |
| Dry-docks (component of vessels) | 1 to 7 |
| Second-hand container vessels and Roll-on Roll-off vessels (depending on residual useful life) | 6 to 22 |
| New barges/ Second-hand barges | 40 / 20 |
| New dry containers | 13 |
| New reefer containers | 12 |
| Second-hand containers (depending on residual useful life) | 3 to 5 |
| Fixtures and fittings | 10 |
| Other fixed assets such as handling and stevedoring equipment | 3 to 20 |

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at each Statement of Financial Position date. The residual value for vessels is based on the lightweight and the average market price of steel. The residual value for containers is based on the Company's historical experience of the sale of used containers.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 5.3).

*(u) Significant estimates: Determination of the vessels useful lives and residual values*

The depreciation of vessels is a significant exepnse for the Company. Vessels are depreciated over their expected useful lives to a residual value.

Useful lives and residual values are reassessed regularly based on available information such as the age of vessels in service on the market and the average age of scrapped vessels. This assessment also reflects current technology, service potential and vessel structure. This approach excludes short-term market fluctuations to the extent possible. Changes to estimates of useful lives and residual values may affect the depreciation expenses significantly.

***Significant judgments and estimates: classification of lease contracts***

The classification of lease contracts between operating lease and finance lease requires judgment. The Group enters into a substantial number of lease contracts, some of which being combined lease and service contracts like time-charter agreements. Management applies a formalized process for classification, mainly in determining the present value of the minimum lease payments and assessing the incitative nature of the potential purchase or renewal options.

The outcome of the transaction (at option exercice's dates in particular) may differ from the original assesment made at inception of the lease contract.

*Evaluation of the substance of lease arrangements*

The Company benefits from leveraged tax leases in France, the United Kingdom, Taiwan and Singapore. When such agreements qualify as finance leases, the Company recognizes the cost of building vessels as property and equipment and the net present value ("NPV") of future lease payments as obligations under finance leases.

However, although such contracts often have the legal form of a lease, the conditions of the purchase option are such that there is sufficient certainty that such option will be exercised, hence such contracts are classified as acquisitions in substance in accordance with SIC 27 "Evaluating the substance of transactions in the legal form of a lease" (see Notes 5.2.1 and 6.6).

### 5.2.1 Variation of property and equipment

Property and equipment are analyzed as follows:

| | **As at December 31, 2018** | **As at December31, 2017** |
|---|---|---|
| **Vessels** | | |
| Cost | 11,657.2 | 11,074.3 |
| Cumulated depreciation | (2,835.0) | (2,453.6) |
| | **8,822.2** | **8,620.7** |
| **Containers** | | |
| Cost | 870.3 | 922.5 |
| Cumulated depreciation | (384.6) | (359.9) |
| | **485.6** | **562.6** |
| **Lands and buildings** | | |
| Cost | 644.1 | 697.1 |
| Cumulated depreciation | (196.1) | (187.3) |
| | **448.0** | **509.8** |
| **Other properties and equipments** | | |
| Cost | 747.3 | 649.2 |
| Cumulated depreciation | (261.9) | (222.8) |
| | **485.4** | **426.5** |
| **Total** | | |
| Cost | 13,918.9 | 13,343.2 |
| Cumulated depreciation | (3,677.6) | (3,223.6) |
| **Property and equipment** | **10,241.3** | **10,119.6** |

As at December 31, 2018, assets under finance leases and other similar arrangements included in the above table represented a cost of USD 1,425.9 million (USD 1,159.6 million as at December 31, 2017) and a cumulated depreciation of USD 402.7 million (USD 342.5 million as at December 31, 2017).

Variations in the cost of property and equipment for the year ended December 31, 2018 and the year ended December 31, 2017 are analyzed as follows:

| | Vessels | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Owned** | **Leased** | **In-progress** | **Containers** | **Lands and buildings** | **Other properties and equipments** | **Total** |
| **As at January 1, 2017** | **8,959.6** | **831.5** | **408.8** | **796.1** | **631.0** | **520.4** | **12,147.5** |
| Acquisitions | 145.9 | 244.5 | 550.6 | 154.8 | 15.5 | 210.9 | **1,322.3** |
| Acquisitions of subsidiaries | 93.6 | — | 8.1 | 2.2 | (7.9) | — | **96.0** |
| Disposals | (108.3) | (3.9) | (67.0) | (29.1) | (1.3) | (89.2) | **(298.7)** |
| Reclassification | — | — | — | (2.6) | 1.1 | (12.7) | **(14.2)** |
| Reclassification to assets held-for-sale | 427.0 | 9.7 | (436.7) | — | — | — | **—** |
| Vessels refinancing & exercise of purchase option | 5.2 | (5.2) | — | — | — | — | **—** |
| Foreign currency translation adjustment | 3.8 | 7.3 | (0.1) | 1.0 | 58.7 | 20.3 | **90.9** |
| **As at December 31, 2017** | **9,526.8** | **1,083.9** | **463.7** | **922.5** | **697.1** | **649.2** | **13,343.2** |
| Acquisitions | 165.4 | 148.7 | 345.5 | 71.9 | 3.8 | 116.5 | **851.8** |
| Acquisitions of subsidiaries | 10.2 | — | 26.8 | 31.7 | 1.0 | 5.1 | **74.8** |
| Adjustment on purchase price allocation | (35.4) | — | — | — | — | — | **(35.4)** |
| Disposals | (54.8) | (1.8) | — | (151.9) | (7.6) | (14.8) | **(230.9)** |
| Reclassification to held-for-sale | — | — | — | — | (20.0) | — | **(20.0)** |
| Reclassification | (1.1) | — | — | (1.6) | — | 4.7 | **2.0** |
| Vessels put into service | 501.6 | 76.6 | (578.1) | — | — | — | **0.0** |
| Foreign currency translation adjustment | (17.4) | (1.6) | (1.8) | (2.4) | (30.2) | (13.3) | **(66.7)** |
| **As at December 31, 2018** | **10,095.3** | **1,305.8** | **256.1** | **870.3** | **644.1** | **747.3** | **13,918.9** |

As at December 31, 2018 , the Group operates 147 vessels owned or under finance lease or equivalent agreements (136 vessels as at December 31, 2017).

During the year ended December 31, 2018:

- "Acquisitions" of leased vessels mainly relate to the delivery of one TEU 14,000 vessel and to the delevery of one LNG of Containerships;
- "Acquisitions" of owned vessels relate to the purchase of four second-hand vessels (below TEU 2,000) and one tugboat;
- "Acquisitions" of in-progress vessels relate to prepayments paid to shipyards in relation to the orderbook (including nine TEU 22,000 vessels) and include the delivery installments paid at the delivery dates of three TEU 2,500 vessels and three TEU 20.600 vessels;
- "Vessels put into service" relate to the reclassification of the prepayments mainly following the deliveries of three TEU 20,600 vessel and three TEU 2,500 vessel.

During the year ended December 31, 2017:

- "Acquisitions" of leased vessels mainly relate to the delivery of two TEU 14,000 vessels through finance leases;
- "Acquisitions" of in-progress vessels relate to prepayments paid to shipyards in relation to the orderbook;
- "Vessels put into service" relate to the reclassification of the prepayments in relation to the deliveries of two TEU 1,700 owned vessels and three TEU 14,000 vessels through tax lease for which some prepayments had been paid to the shipyard;
- "Acquisitions of subsidiairies" mainly relates to the acquisition of Mercosul which owns three TEUs 2,500 vessels recognized at their acquisition date fair values;
- "Acquisitions" of owned vessels relate to five second-hand vessels bought by NOL.

Borrowing costs capitalized during the year ended December 31, 2018 amounted to USD 13.1 million (USD 20.4 million for the year ended December 31, 2017).

***Acquisition of property and equipment and reconciliation with the Consolidated Statement of Cash Flows***

Purchases of property and equipment amounted to USD 851.8 million for the year ended December 31, 2018 (USD 1,322.3 million for the year ended December 31, 2017).

The reconciliation of these acquisitions with the capital expenditures (CAPEX) presented in the statement of cash-flows, under the heading "Purchase of property and equipment" can be presented as follows:

| | | As at December 31, | |
|---|---|---|---|
| | | **2018** | **2017** |
| Acquisition of assets presented in the above table | a | 851.8 | 1,322.3 |
| (-) Assets not resulting in a cash outflow (i) | b | 425.0 | 565.1 |
| CAPEX cash from purchases of property and equipment | a (-) b = c | 426.8 | 757.2 |
| CAPEX cash from purchases of intangible assets | d | 79.7 | 71.9 |
| CAPEX cash from business combination (excluding NOL) | e | 769.6 | (538.8) |
| **Total CAPEX as per Consolidated Statement of Cash Flows** | **c (+) d (+) e** | **1,276.1** | **290.2** |

*(iii) The group assets include assets financed via financial leases or assets which purchase price is settled directly by the financing bank to the yard hence not resulting in a cash stream upon acquisition.*

Variations in the accumulated depreciation for the year ended December 31, 2018 and the year ended December 31, 2017 are analyzed as follows:

| | Vessels | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Owned** | **Leased** | **In-progress** | **Containers** | **Lands and buildings** | **Other properties and equipments** | **Total** |
| **As at January 1, 2017** | **(1,841.2)** | **(271.5)** | **—** | **(325.7)** | **(151.4)** | **(208.6)** | **(2,798.3)** |
| Depreciation | (375.0) | (44.2) | — | (42.0) | (22.8) | (57.1) | **(541.0)** |
| Acquisitions of subsidiaries | — | — | — | — | 0.0 | — | **0.0** |
| Disposals | 88.5 | 4.0 | — | 7.8 | 0.8 | 51.8 | **152.8** |
| Impairment | (7.8) | — | — | 0.0 | — | — | **(7.8)** |
| Vessels refinancing & exercise of purchase option | (8.1) | 8.1 | — | — | — | — | **(0.0)** |
| Reclassification | — | — | — | 0.4 | (0.5) | 1.0 | **0.9** |
| Foreign currency translation adjustment | 2.8 | (9.2) | — | (0.4) | (13.5) | (9.9) | **(30.2)** |
| **As at December 31, 2017** | **(2,140.8)** | **(312.8)** | **—** | **(359.9)** | **(187.3)** | **(222.8)** | **(3,223.6)** |
| Depreciation | (381.1) | (48.1) | — | (38.3) | (21.8) | (57.9) | **(547.3)** |
| Disposals | 44.2 | 1.8 | — | 13.2 | 5.0 | 11.7 | **75.8** |
| Impairment | (5.3) | — | — | — | (0.1) | — | **(5.4)** |
| Vessels refinancing & exercise of purchase option | 9.1 | (9.1) | — | — | — | — | **—** |
| Reclassification to held-for-sale | — | — | — | — | 1.2 | — | **1.2** |
| Reclassification | 2.3 | — | — | 0.1 | — | (0.2) | **2.2** |
| Foreign currency translation adjustment | 4.6 | 0.3 | — | 0.3 | 6.9 | 7.3 | **19.6** |
| **As at December 31, 2018** | **(2,467.1)** | **(367.9)** | **—** | **(384.6)** | **(196.1)** | **(261.8)** | **(3,677.5)** |

Including intangible assets, the total depreciation for the year ended December 31, 2018 amounts to USD 634.0 million (USD 624.1 million for the year ended December 31, 2017).

The net book value of property and equipment at the opening and closing for the year ended December 31, 2018 and the year ended December 31, 2017 are analyzed as follows:

| | Vessels | | | Containers | Lands and buildings | Other properties and equipments | Total |
|---|---|---|---|---|---|---|---|
| | Owned | Leased | In-progress | | | | |
| **As at December 31, 2018** | 7,628.2 | 937.9 | 256.1 | 485.6 | 448.0 | 485.5 | **10,241.3** |
| **As at December 31, 2017** | 7,385.9 | 771.1 | 463.7 | 562.6 | 509.8 | 426.5 | **10,119.6** |
| **As at December 31, 2016** | 7,118.4 | 560.0 | 408.8 | 470.4 | 479.7 | 311.8 | **9,349.2** |

As at December 31, 2018, the carrying amount of property and equipment held as collateral (mainly of financial debts) amounts to USD 7,091.0 million (USD 7,975.5 million as at December 31, 2017).

The net book value of the container fleet as at December 31, 2018 includes USD 55.3 million related to containers under finance leases (USD 11.2 million as at December 31, 2017).

### 5.2.2 Group fleet development

Prepayments made to shipyards relating to owned vessels under construction are presented within "Vessels" in the consolidated statement of Financial Position and amount to USD 256.1 million as at December 31, 2018 (USD 463.7 million as at December 31, 2017).

Regarding the commitments related to ordered vessels, see Note 8.2.1.

### 5.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

As required by IAS 16 "Property, Plant and Equipment" and IAS 36 "Impairment of Assets", the Group reviews the carrying amounts of property and equipment (see Note 5.2) and intangible assets (see Note 5.1) annually in order to assess whether there is any indication that the value of these assets might not be recoverable. If such an indication exists, the recoverable value of the asset is estimated in order to determine the amount, if any, of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment of goodwill and other assets that do not generate independent cash inflows, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units or "CGU").

The impairment tests on goodwill and intangible assets with an indefinite useful life or unavailable for use are performed annually at the CGU level, irrespective of whether there is an indication of impairment.

Any impairment recorded on goodwill may not subsequently be reversed.

*(v) Significant judgment, estimates and assumptions*

When value in use calculations are undertaken, management must estimate the expected future cash flows of the asset or cash-generating unit and choose a suitable discount rate and a perpetual long-term growth rate in order to calculate the present value of those cash flows. These estimates take into account certain assumptions about the global economic situation and the future growth of the container shipping industry.

The main assumptions used by the Company in order to perform impairment testing of non-financial assets are the following:

- The level at which the assets were tested:
  - (iv) CMA CGM, is organized as a global container carrier, managing its customer base and fleet of vessels and containers on a global basis. Large customers are dealt with centrally and assets are regularly reallocated within trades according to demand. Even though certain trades may have their own specificities, none generates cash flows independently of the others. As such, vessels, containers, goodwill and other long-term assets related to the container shipping activity are not tested individually but rather on the basis of the cash flows generated by the overall container shipping activity.
  - (v) For terminal operations, when the Company controls the entity, the CGU correspond to each individual terminal or entity, or to a group of terminals or entities when they operate in the same geographic area and their activities are interrelated.

- For the container shipping activity, which represents the vast majority of the Company's business, the cash flows used to determine the value in use are based on the Group's most recent business plan prepared by management, which covers a 4 or 5-year period.
- The post-tax discount rates, or Weighted Average Cost of Capital ("WACC") , used for testing purposes are included within the range 7.3%-14% (7.9%-14% in 2017) depending upon the inherent risk of each activity tested.
- The perpetual growth rate applied to periods subsequent to those covered by management's business plan was generally set at 1% (1% at end of 2017—see sensitivity analysis below).

The container shipping industry remains volatile and pressure on freight rates and overcapacity in the global containership fleet are still a potential concern for the industry. To prepare its business plan, management considered historical data and opinions from independent shipping experts which tend to indicate that in the medium term, fleet capacity and demand will be more balanced.

*Sensitivity of the impairment test to changes in the assumptions used in the determination of the value in use*

Regarding the container shipping activity:

- If the discount rate had been increased by 1%, the net present value of future cash flows would have been lowered by USD 3.1 billion (USD 3.4 billion as at December 31, 2017), which would not have resulted in any impairment charge;
- The estimated value in use of the container shipping assets to be tested would have been approximately equal to its carrying amount if the discount rate had been increased by 5.5% (8.1% as at December 31, 2017);
- If the perpetual growth rate had been set at 0%, the net present value of future cash flows would have been lowered by USD 2.4 billion (USD 2.8 billion as at December 31, 2017), which would not have resulted in any impairment charge;
- The estimated value in use of the container shipping assets to be tested would have been approximately equal to its carrying amount if the perpetual growth rate had been decreased by 9.4% (13.1% as at December 31, 2017), i.e. negative perpetual growth rate of 8.4% (negative 12.1% as at December 31, 2017).

## 5.4 WORKING CAPITAL

***Inventories—Initial recognition***

Inventories are initially recorded at cost. Cost represents the purchase price and any directly attributable costs. Inventories mainly relate to bunker fuel at the end of the year. Cost is determined on a first-in, first-out basis.

***Inventories—Write-down rules***

When the net realizable value of an item of inventory is less than its cost, the excess is immediately written-down in profit or loss.

The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized through profit or loss so that the new carrying value is the lower of the cost and the revised net realizable value.

***Impairment of trade receivables***

According to the simplified approach allowed by IFRS 9 for trade receivables, the Group determined that the provision that would be recognized using a provision matrix based on historical and projected statistics for determining expected credit loss (ECL) on trade receivables would not be materially different from the provision accounted through the currently used methodology.

Write down is measured taking into account :

- Customer segments that have similar loss patterns : the Group differentiates freight receivables from demurrage receivables;

- The receivables' maturities in correlation with their estimated collection rate : at date, the Group fully depreciates aged receivables above one year.

Individual receivable identified as risky are also depreciated when :

- It is probable that the receivable will not be recovered; and
- The amount of the loss can be reliably measured.

***Impairment of contract assets***

Contract assets are impaired following the same rules as trade receivables.

***Securitization of receivables***

The Company transfers certain receivables of certain shipping agencies by way of a securitization program. As a portion of the risks and rewards of ownership related to these trade receivables have been retained by the Group, they are not derecognized and a borrowing is recorded against the cash consideration received from the lenders (collateralized borrowing). Similarly, when the Company receives shares from the securitization vehicle either (i) as a consideration for receivables transferred during the period or (ii) as an advance consideration for receivables to be transferred in a subsequent period, the related receivables are not derecognized and maintained in the Statement of Financial Position (see Note 6.6).

*(w) Significant estimates: Demurrage and detention receivables, accruals for port call expenses, transportation costs and handling services*

The amount of demurrage receivables as well as port call expenses, transportation costs and handling services are estimated on the basis of standard costs, as there can be delays between the provision of services and the receipt of the final invoices from shipping agents and customers or suppliers throughout the world (see Note 4 for revenue recognition accounting principles).

### 5.4.1 Inventories

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Bunkers | 451.7 | 391.1 |
| Other inventories | 78.4 | 76.6 |
| Provision for obsolescence | (1.4) | (1.0) |
| **Inventories** | **528.7** | **466.8** |

### 5.4.2 Trade receivables and payables

Trade and other receivables are analyzed as follows:

| | As at December 31, 2018 | As at December 31, 2017 (**) |
|---|---|---|
| Trade receivables | 1,644.2 | 1,288.4 |
| Less impairment of trade receivables | (101.0) | (102.7) |
| **Trade receivables net** | **1,543.2** | **1,185.7** |
| Prepayments | 129.4 | 165.1 |
| Other receivables, net | 680.6 | 511.8 |
| Employee, social and tax receivables | 186.4 | 167.7 |
| **Trade and other receivables (*)** | **2,539.7** | **2,030.4** |

*(*) including current income tax asset*
*(**) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 15*

"Other receivables, net" mainly include accrued income estimated due to the time between the provision of services and the issue of the final invoices from shipping agents to customers throughout the world.

Trade and other payables are analyzed as follows:

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Trade payables | 2,031.3 | 1,465.0 |
| Employee, social and tax payables | 340.7 | 336.3 |
| Other payables (mainly accruals for port call expenses, transportation costs, handling services) | 2,290.0 | 2,083.6 |
| **Trade and other payables (*)** | **4,662.0** | **3,884.9** |

*(*) including current income tax liability*

In 2017, "other payables" included USD 80.5 million related to dividends declared prior December 31, 2017 which have been paid early January 2018.

The working capital can be analyzed as follows:

| | As at December 31, 2017 (***) | Variations linked to operations | Acquisition of subsidiairies (see Note 3.1) | Currency translation adjustment | Others | As at December 31, 2018 |
|---|---|---|---|---|---|---|
| Inventories | 466.8 | 59.1 | 2.6 | (1.1) | 1.4 | 528.7 |
| Trade and other receivables (*) | 2,030.4 | 662.7 | 76.1 | (126.0) | (103.5) | 2,539.7 |
| Contract assets | 439.7 | 76.2 | — | — | — | 515.9 |
| Prepaid expenses | 423.1 | 58.8 | 5.0 | (1.3) | 14.0 | 499.6 |
| Trade and other payables (**) | (3,884.9) | (891.8) | (60.9) | 108.3 | 67.3 | (4,662.0) |
| Deferred income | (79.0) | (56.0) | (0.0) | (1.6) | 51.0 | (85.6) |
| **Net working capital** | **(603.9)** | **(91.1)** | **22.9** | **(21.7)** | **30.2** | **(663.7)** |

*(*) including current income tax asset*
*(**) including current income tax liability*
*(***) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 15*

Prepaid expenses mainly correspond to expenses related to voyages in progress at the Statement of Financial Position date resulting from the revenue recognition accounting principles dislosed in Note 4.

Trade receivables and payables, including current income tax assets and liabilities, mature as follows :

| | As at December 31, 2018 | Not yet due | 0 to 30 days | 30 to 60 days | 60 to 90 days | 90 to 120 days | Over 120 days |
|---|---|---|---|---|---|---|---|
| **Trade and other receivables** | **2,539.7** | 1,302.2 | 583.5 | 145.7 | 135.1 | 56.9 | 316.3 |
| **Trade and other payables** | **4,662.0** | 3,418.5 | 402.3 | 185.6 | 75.7 | 150.2 | 429.6 |

## 5.5 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets to be disposed of are classified as non-current assets held-for-sale and measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets are classified as held-for-sale only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for the sale of such items. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Liabilities directly associated with these assets are presented in a separate line in the balance sheet.

When a non-current asset or a group of assets is classified as held-for-sale, the depreciation of its non-current assets is discontinued.

Non-current assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. If the fair value is lower than the carrying amount, an impairment charge is recognized in the income statement.

The asset classified as held for sale as at December 31, 2018 corresponds to an individual asset in the US for which a disposal decision has been made (no asset was classified as held-for-sale as at December 31, 2017).

### 5.6 FREE CASH FLOW

Free cash flow is USD 236.9 million for the year ended December 31, 2018. It is composed of cash flow from operations for USD 1,200.5 million (of which EBITDA contributed for USD 1,157.0 million, income tax paid for USD (105) million and variation of working capital for USD 167.3 million) and cash flow provided by investing activities for USD (963.6) million.

Cash flow from investing activities has been mainly impacted by capital expenditures from purchasing of property and equipment as well as intangible assets, representing a cash outflow of USD (506.4) million, the consideration paid to acquire 32.9% of CEVA for USD (501.5) million and Containerships for USD (209.9) million (net of cash acquired), as well as the proceeds from disposal of property and equipment for USD 167.8 million, and the net proceeds received as part of the variation of other financial assets for USD 125.4 million.

## Note 6 - Capital structure and financial debt

The Group's activities entail a variety of financial risks: market risk (including foreign exchange risk, bunker costs risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial and oil/commodity markets and seeks to minimize potential adverse consequences on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department and a bunkering department in accordance with policies approved by management. These departments identify, evaluate and hedge financial risks in close relation with operational needs. Management provides written principles for overall risk management, as well as written policies covering specific areas, such as bunker risk, foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of liquidity.

### 6.1 FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

#### 6.1.1 Market risk

***Bunker costs risk***

The Group seeks to apply bunker surcharges (Bunker Adjustment Factor "BAF") in addition to freight rates to compensate for fluctuations in the price of fuel. The Group's risk management policy is also to hedge through fixed price forward contracts. The analyzes of the exposure to price fluctuations is performed on a continual basis.

The fuel prices over the last three years are as follows:

| Market data as at : | Closing rate 2018 | Closing rate 2017 | Closing rate 2016 | Average rate 2018 | Average rate 2017 | Average rate 2016 |
|---|---|---|---|---|---|---|
| Nymex WTI (1st nearby, in $ per barrel) * | 45.41 | 60.42 | 53.72 | 64.90 | 50.85 | 43.47 |
| Brent (1st nearby, in $ per barrel) * | 53.80 | 66.44 | 57.49 | 71.79 | 54.74 | 45.16 |

* *Based on the future contract maturing at the closest maturity on each considered date*

As at December 31, 2018, the Company hedged approximately 10% of expected purchase of bunkers for the next year through a forward fixed price with delivery (2.1% of expected purchase for the year 2018 as at December 31, 2017). These bunker purchases are treated as executory contracts.

As disclosed in Note 6.2.1, as at December 31, 2018, the Group has limited amounts of derivative financial instruments relating to bunker cost hedging (no instrument as at December 31, 2017) and some contracts accounted as executory contracts ("own use").

Based on the fuel consumption for the year ended December 31, 2018, an increase of the fuel prices by USD 10 (in USD per ton) would have had a negative impact on the Statement of Profit & Loss of approximately USD 84.0 million, excluding any effect on the BAF mechanism mentioned above as well as any other correlation with freight prices.

The following table presents the sensitivity of the Group's profit before tax as at December 31, 2018 to a possible change in bunker swap fixings, assuming no change in other parameters:

| (in MUSD) | | Income Statement impact: Change in fair value of derivatives | Income Statement impact: Bunker operating expenses * |
|---|---|---|---|
| Platts HSFO 3,5% S Rotterdam FOB Barge | + 50 USD | — | 4.0 |
| Platts HSFO 3,5% S Rotterdam FOB Barge | - 50 USD | — | (4.0) |

* *excluding the effect on underlying hedged transactions*

### *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The functional currency of the Group being the U.S. Dollar, the Company is primarily exposed to the Euro currency fluctuations regarding its operational and financing transactions. Transactional currency exposure risks arise from sales or purchases by an operating unit in a currency other than the Group's functional currency.

The Company may conclude certain derivative transactions to hedge specific risks.

The Group's exposure to the transaction currencies, taking into account the effect of hedges, can be presented as follows:

| **As at December 31, 2018** | **Carrying amount** | USD | EUR | CNY | GBP | Others |
|---|---|---|---|---|---|---|
| Trade receivables and prepaid expenses | **2,994.3** | 1,118.0 | 1,287.4 | 36.1 | 36.6 | 516.3 |
| Cash and cash equivalents and securities | **1,437.3** | 904.7 | 70.6 | 36.6 | 14.6 | 410.8 |
| Trade payables and current deferred income | **4,651.4** | 2,934.6 | 795.0 | 44.2 | 23.6 | 854.0 |
| Borrowings | **9,180.5** | 5,956.7 | 3,092.2 | — | 13.1 | 118.5 |

This exposure is mitigated to a certain extent by the currency mix of operating revenues and expenses.

### *Price risk on equity securities*

The Group is exposed to an equity securities price risk due to investments held by the Group and classified on the consolidated Statement of Financial Position as securities. To manage the price risk arising from investments in equity securities, the Group diversifies its portfolio.

However, the Group exposure to equity securities price risk is not significant as at December 31, 2018 (same as at December 31, 2017).

### *Cash Flow Interest rate risk*

The increase of short-term USD rates has continued in 2018 with a net acceleration on the first and last quarter.

| Market data: | **Closing rate as at December 31,** | | | **Annual average rate** | | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2018** | **2017** | **2016** |
| LIBOR USD 3 M | 2.81% | 1.69% | 1.00% | 2.31% | 1.26% | 0.74% |

The Group's interest rate risk mainly arises from borrowings. The Company has borrowings (including obligations under capital leases) issued at variable rates (USD Libor) that expose the Company to a cash flow interest rate risk.

As at December 31, 2018, taking into account the interest rate hedges, the borrowings bearing interest at variable rates represent 48% of total debts against 52% at fixed rates.

The table below presents the fair value of the Group's interest rate derivatives in relevant maturity groupings based on the remaining period, from the Statement of Financial Position date to the contractual maturity date:

| As at December 31, 2018 | Nominal amount | Maturity | | Fair value of derivatives |
|---|---|---|---|---|
| | | Less than 5 years | More than 5 years | |
| Interest swaps—cash flow hedge | **485.3** | 453.0 | 32.3 | 7.0 |
| Interest swaps—not qualifying for cash flow hedge | **44.7** | 44.7 | — | 0.6 |
| Cross currency interest rates swaps—fair value hedge | **513.3** | 293.5 | 219.7 | (57.8) |
| Cross currency interest rates swaps—cash flow hedge | **450.2** | 450.2 | — | (22.9) |
| **Total** | **1,493.5** | **1,241.5** | **252.1** | **(73.1)** |

The following table presents the sensitivity of the Group's profit before tax and of the Cash Flow reserve as at December 31, 2018 to a possible change in interest rates, assuming no change in other parameters:

| | | Income Statement impact | | Balance Sheet impact |
|---|---|---|---|---|
| | | Change in fair value of derivatives | Interest expenses * | Cash Flow Reserve |
| U.S Dollar | +100 bps | 0.5 | 0.7 | 3.5 |
| Singapore Dollar | +100 bps | (13.2) | 4.7 | (7.7) |

* *excluding the effect on underlying hedged transactions*

### 6.1.2 Credit risk

The Group trades with large, recognized, creditworthy third parties and also with a very large number of smaller customers for which prepayments are often required. Trade receivables and third party agents outstanding balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant (bad debts represent 0.4% of revenue in 2018 and 0.5% of revenue in 2017). Because of the large customer base, the Group has no significant concentration of credit risk. No customer represents more than 5% of Group revenue.

Counterparties for transactions on derivatives are limited to high-credit-quality financial institutions. The Group has policies that limit its exposure to credit risk towards financial institutions when dealing derivative financial instruments.

### 6.1.3 Liquidity risk

The table below presents the undiscounted cash flows of interest swap derivatives based on spot rate as at December 31, 2018 and on the interest rate curve as at December 31, 2018:

| | 2019 | 2020 | 2021 | 2022 | 2023 | Onwards |
|---|---|---|---|---|---|---|
| Interest swaps—Assets | 1.6 | 1.1 | 0.6 | 0.5 | — | — |
| Interest swaps—Liabilities | 1.1 | 0.9 | 0.4 | 0.2 | 0.1 | 0.2 |
| Cross currency interest rates swaps—Liabilities | 24.9 | 15.6 | 33.9 | 7.0 | 6.4 | 19.9 |
| Total | 27.6 | 17.7 | 34.9 | 7.6 | 6.5 | 20.1 |

As explained in Note 3.3, the Company's financing arrangements have been amended and are nowsubject to compliance with the following financial covenants:

- Leverage ratio (Adjusted net debt / 3-year average adjusted EBITDA) including impacts of IFRS 16 application;
- Loan-to-value ratio (financing / market value of related asset);
- Minimum liquidity balance.

These covenants are based on specific calculations as defined in the Company's financing arrangements (see below).

As at and for the year ended December 31, 2018, the Company fully complied with these covenants.

Adjusted net debt is calculated as the difference between total borrowings (see Note 6.6) less the aggregate of (i) the remaining value of Bonds and preferred shares redeemable in shares disclosed in borrowings in Note 6.6, (ii) cash deposited in escrow accounts in relation to certain loan-to-value provisions disclosed in Note 6.3.1 and (iii) unrestricted cash and cash equivalents as defined below.

Unrestricted cash and cash equivalents correspond to the sum of (i) cash and cash equivalents as per statement of financial position as disclosed in note 6.4 and (ii) "securities" as disclosed in Note 6.3.2, less the amount of restricted cash as disclosed in Note 6.4.

On the basis of these definitions, adjusted net debt is calculated as follows (excluding IFRS 16 impacts):

| | Note | As at December 31, 2018 | As at December 31, 2017 (*) |
|---|---|---|---|
| **Total Borrowings** | 6.6 | **9,180.5** | **8,419.3** |
| (-) Bonds redeemable in shares in Borrowings | 6.6 | (31.9) | (52.1) |
| (-) LTV deposits | 6.3.1 | (23.2) | (33.6) |
| **Adjusted gross debt : A** | | **9,125.4** | **8,333.6** |
| **Cash and cash equivalents as per statement of financial position** | 6.4 | **1,401.9** | **1,383.5** |
| (+) Securities | 6.3.2 | 35.3 | 35.2 |
| (-) Restricted cash | 6.4 | (46.7) | (9.8) |
| **Unrestricted cash and cash equivalents : B** | | **1,390.6** | **1,408.9** |
| **Adjusted net debt : A (-) B (+) C** | | **7,734.8** | **6,924.7** |

*(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9*

Regarding the liquidity risk linked to vessel financing, please refer to the financial commitments presented in the Note 8.2.1 Commitments on vessels and containers.

### 6.1.4 Capital risk management

The Group monitors capital on the basis of the ratios described above.

### 6.1.5 Fair value hierarchy

***Fair Value of financial assets***

The fair values of quoted investments are based on current mid-market prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are largely similar and discounted cash flow analyses refined to reflect the issuer's specific circumstances.

The table in the Note 6.3.3 Classification of financial assets and liabilities that presents a breakdown of financial assets and liabilities categorized by value meets the amended requirements of IFRS 7. The fair values are classified using a scale which reflects the nature of the market data used to make the valuations. This scale has three levels of fair value:

- Level 1: fair value based on the exchange rate/price quoted on the active market for identical instruments;
- Level 2: fair value calculated from valuation techniques based on observable data such as active prices or similar liabilities or scopes quoted on the active market;
- Level 3: fair value from valuation techniques which rely completely or in part on non-observable data such as prices on an inactive market or the valuation on a multiples basis for non-quoted securities.

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2018:

| As at December 31, 2018 | Level 1 | Level 2 | Level 3 | Total Balance |
|---|---|---|---|---|
| **Assets** | | | | |
| Securities | 35.4 | — | — | 35.4 |
| Derivatives not qualified to hedge accounting | — | 0.6 | — | 0.6 |
| Derivatives used for hedging | — | 7.6 | — | 7.6 |
| Fair value through other comprehensive income | — | — | 30.7 | 30.7 |
| Fair value through P&L | — | — | 34.5 | 34.5 |
| **Total Assets** | **35.4** | **8.2** | **65.2** | **108.7** |
| **Liabilities** | | | | |
| Cross currency interest rates swaps—fair value hedge | — | 57.8 | — | 57.8 |
| Cross currency interest rates swaps—cash flow hedge | — | 22.9 | — | 22.9 |
| **Total Liabilities** | **—** | **80.7** | **—** | **80.7** |

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2017:

| As at December 31, 2017 | Level 1 | Level 2 | Level 3 | Total Balance |
|---|---|---|---|---|
| **Assets** | | | | |
| Securities | 35.2 | — | — | 35.2 |
| Derivatives not qualified to hedge accounting | — | 0.3 | — | 0.3 |
| Derivatives used for hedging | — | 4.5 | — | 4.5 |
| Fair value through other comprehensive income | — | — | 30.2 | 30.2 |
| Fair value through P&L | — | | 19.2 | 19.2 |
| **Total Assets** | **35.2** | **4.8** | **49.4** | **89.4** |
| **Liabilities** | | | | |
| Interest swaps—cash flow hedge | — | 1.1 | — | 1.1 |
| Interest swaps—not qualifying to hedge accounting | — | — | — | — |
| Cross currency interest rates swaps—fair value hedge | — | 54.8 | — | 54.8 |
| Cross currency interest rates swaps—cash flow hedge | — | 22.2 | — | 22.2 |
| **Total Liabilities** | **—** | **78.1** | **—** | **78.1** |

The variations of assets included in level 3 are as follows:

| | ASSETS | |
|---|---|---|
| | Fair value through other comprehensive income | Fair value through P&L |
| **Opening balance** | **30.2** | **19.2** |
| **Total gains or losses for the period** | | |
| Foreign Currency impact | (0.6) | |
| **Purchases, issues, sales and settlements** | | |
| Purchases | 16.2 | 5.0 |
| Depreciation | (2.7) | |
| Settlements | (8.6) | |
| Others | (3.3) | 10.3 |
| **Closing balance** | **30.7** | **34.5** |

## 6.2 DERIVATIVE FINANCIAL INSTRUMENTS

***Derivative instruments and hedging activities***

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-evaluated at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if this is the case, on the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedge).

The Group documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve are shown in other comprehensive income.

***Classification of the Company's derivative instruments***

- Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The impact in the Statement of Profit & Loss (effective and ineffective portion) of bunker hedging activities that qualify as cash flow hedges is presented in the line item "Bunkers and Consumables".

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowing is recognized in the Statement of Profit & Loss within "Interest expense on borrowings". The gain or loss relating to the ineffective portion is recognized in the income statement under the heading "Other financial items".

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the non-financial asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at this time remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

- Fair value hedge

Fair value hedges apply when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment or an identified portion of such an asset, liability or unrecognized firm commitment that is attributable to a particular risk.

The fair value changes on the effective portion of derivatives that are designated and qualify as fair value hedges are recognized in the income statement within the same line item as the fair value changes from the hedged item. The fair value changes relating to the ineffective portion of the derivatives are recognized separately in the income statement.

- Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as assets or liabilities at fair value through profit and loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement. The impact in the Statement of Profit & Loss of such derivatives is presented in the line item "Other financial items".

- Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income; the gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Gains and losses accumulated in other comprehensive income are included in the income statement when the foreign operation is disposed of.

### 6.2.1 Derivative financial instruments

Derivative financial instruments can be analyzed as follows :

| | As at December 31, 2018 | | As at December 31, 2017 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Interest swaps—cash flow hedge | 7.6 | — | 1.9 | 1.1 |
| Interest swaps—not qualifying to hedge accounting | 0.6 | — | 0.3 | — |
| Bunker hedge—cash flow hedge | — | 1.7 | — | — |
| Cross currency interest rates swaps—fair value hedge | — | 57.8 | — | 54.8 |
| Cross currency interest rates swaps—cash flow hedge | — | 22.9 | 2.6 | 22.2 |
| Currency forward contracts—not qualifying to hedge accounting | 3.4 | 0.8 | — | — |
| **Total derivative financial instruments** | **11.6** | **83.3** | **4.8** | **78.1** |
| *of which non-current portion (greater than 1 year)* | 6.0 | 80.7 | 4.9 | 76.6 |
| *of which current portion (less than 1 year)* | 5.6 | 2.6 | — | 1.5 |

As at December 31, 2018 and December 31, 2017, the Company did not record any transfer between derivative financial instruments' categories.

### 6.2.2 Net investment hedge

A foreign currency exposure arises from the Group's net investment in certain subsidiaries, associates or joint ventures with a euro functional currency.

The risk arises from the fluctuation in spot exchange rates between the Euro and the US Dollar, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening euro against the US dollar that will result in a reduction in the carrying amount of the Group's net investment in the euro investees.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate.

Part of the Group's net investment in its euro investees is hedged by certain Euro denominated senior notes, which mitigates the foreign currency exposure arising from the investee's net assets. A portion of the euro loan has been designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the EUR/USD exchange rates.

Management implemented this net investment hedge from January 1, 2017.

The cumulated amount, from January 1, 2018, of the change in the value of the Senior Notes that has been recognized in OCI to offset the currency translation adjustment of the foreign operation amounts to USD (21.3) million.

## 6.3 OTHER NON-CURRENT FINANCIAL ASSETS—SECURITIES AND OTHER CURRENT FINANCIAL ASSETS

The Group classifies its financial assets in the following categories, depending on their nature (i.e. their contractual cash flow characteristics) and how they are managed (i.e. the Group business model used for managing these financial assets):

***Financial assets subsequently measured at amortized cost***

These financial assets are initially recognized at fair value plus directly attributable costs.

They are classified as subsequently measured at amortised cost if they meet both of the following criteria:

- The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date.

Amortized cost is determined using the effective interest method, less impairment.

***Financial assets subsequently measured at fair value through other comprehensive income***

These financial assets are initially recognized at fair value plus directly attributable costs.

They are classified as subsequently measured at fair value through other comprehensive income (FVOCI) if they meet both of the following criteria:

- The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest(SPPI) on the principal amount outstanding.

The business model mentioned as first criteria involves greater frequency and volume of sales than the business model used for financial assets measured ate amortized cost. Integral to this business model is an intention to sell the instrument before the investment matures.

***Financial assets subsequently measured at fair value through profit or loss***

These financial assets are initially recognized at fair value excluding directly attributable costs that are immediately recognized in profit and loss.

These financial assets are classified and measured at Fair value through profit or loss (FVTPL) if:

- The asset is held within a business model that does not correspond to the business model used to classify financial assets at amortized cost or at fair value through other comprehensive income; and
- The contractual terms of the financial asset give rise to cash flows that are not solely payments of principal and interest(SPPI).

A financial asset is thus classified and measured at FVTPL if the financial asset is:

- A held-for-trading financial assets;
- A debt instruments that do not qualify to be measured at amortised cost or FVOCI;
- An equity investments which the Group has not elected to classify as at FVOCI.

Changes in fair value are recognized in profit and loss as they arise.

***Impairment of financial assets***

At each Statement of Financial Position date, the Group performs impairments tests using a forward-looking expected credit loss (ECL) model.

The amount of impairment to be recognised as expected credit losses (ECL) at each reporting date as well as the amount of interest revenue to be recorded in future periods are determined through a three-stage impairment model based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition:

- Stage 1: When the credit risk has not increased significantly since initial recognition, the Group accounts expected losses over next 12 months and recognises interest on a gross basis;
- Stage 2: When the credit risk has increased significantly since initial recognition and is not considered as low, the Group accounts expected losses over the lifetime of the asset and recognises interest on a gross basis;
- Stage 3: In case of a credit deterioration that threatens its recoverability, the Group accounts expected losses over the lifetime of the asset and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

### 6.3.1 Other non-current financial assets

Other non-current financial assets are analyzed as follows:

| | As at December 31, 2018 | As at December 31, 2017 (*) |
|---|---|---|
| Gross | 71.4 | 59.1 |
| Impairment | (6.2) | (9.6) |
| **Investments in non consolidated companies** | **65.2** | **49.4** |
| Gross | 80.9 | 100.2 |
| Impairment | (18.2) | (18.7) |
| **Loans** | **62.6** | **81.6** |
| Gross | 120.1 | 227.2 |
| Impairment | — | — |
| **Deposits** | **120.1** | **227.2** |
| Gross | 73.8 | 63.1 |
| Impairment | (4.5) | (4.3) |
| **Receivable from associates & joint ventures** | **69.3** | **58.8** |
| Gross | 138.2 | 167.2 |
| Impairment | (7.5) | (12.6) |
| **Other financial assets** | **130.7** | **154.6** |
| Gross | 484.4 | 616.8 |
| Impairment | (36.4) | (45.2) |
| **Total other non-current financial assets, net** | **448.0** | **571.6** |

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

As disclosed in Note 2.2.1, the impairment charges of non-current financial assets have been revised following the adoption of IFRS 9, resulting in an additional impairment amounting to USD (12.7) million as at December 31, 2017.

Change in other non-current financial assets is presented within "Cash flow resulting from other financial assets" in the consolidated statement of cash flows.

***Investments in non consolidated companies***

"Investments in non consolidated companies" mainly relate to various participations individually not significant, classified either as assets at fair value through P&L or as assets at fair value through OCI (see Note 6.1.5).

***Loans and receivables from associates and joint ventures***

"Loans" and "receivables from associates and joint ventures" mainly relate to funds borrowed by certain terminal joint ventures. The recoverability of some of such loans has been reassessed during the fourth quarter, which leaded to the reverse of certain impairment.

***Deposits***

Included in "Deposits" are mainly:

- USD 23.4 million as at December 31, 2018 (USD 33.6 million as at December 31, 2017) of cash deposited in escrow accounts in relation to certain loan-to-value provisions in vessel financing agreements; and
- USD 67.2 million as at December 31, 2018 (USD 157.7 million as at December 31, 2017) of cash deposits which do not qualify as cash and cash equivalents.

*Other financial assets*

As at December 31, 2018, "Other financial assets" mainly include USD 86.7 million (USD 123.8 million as at December 31, 2017) of financial tax benefit to be received at the maturity of the tax financing period. The decrease in other financial assets, compared to December 31, 2017, relates to the tax benefits received following the exercice of the purchase option on the shares of Special Purpose Entities in relation to 5 vessels which were already recognized in the statement of financial position, which generated a cash inflow of USD 121.6 million and a positive impact in other financial result of USD 3.4 million.

### 6.3.2 Securities and other current financial assets

"Securities and other current financial assets" as at December 31, 2018 include securities at fair value for an amount of USD 35.3 million (USD 35.2 million as at December 31, 2017).

Other current financial assets mainly include (i) the current portion of the financial assets, (ii) cash held in escrow in the context of the Kingston terminal project (proceeds from financing still to be used in the construction project), (iii) as well as certain cash deposits which do not qualify as cash and cash equivalents since their inception.

### 6.3.3 Classification of financial assets and liabilities

Set out below is a breakdown by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements as at December 31, 2018:

| Assets | As at December 31, 2018 | Financial assets at amortised cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit and loss | Derivative instruments |
|---|---|---|---|---|---|
| Derivative financial instruments | **11.6** | — | — | — | 11.6 |
| Other financial assets | **448.0** | 382.8 | 30.7 | 34.5 | — |
| Trade and other receivables (*) | **2,539.7** | 2,539.7 | — | — | — |
| Contract assets | **515.9** | 515.9 | | | |
| Securities and other financial assets (current) | **144.4** | 109.1 | — | 35.4 | — |
| Cash and cash equivalents | **1,401.9** | 1,401.9 | — | — | — |
| **Total financial instruments—Assets** | **5,061.5** | **4,949.4** | **30.7** | **69.8** | **11.6** |

| Liabilities | As at December 31, 2018 | Financial liabilities at amortized cost | Derivative instruments |
|---|---|---|---|
| Borrowings | **9,180.5** | 9,180.5 | — |
| Derivative financial instruments | **83.3** | — | 83.3 |
| Trade and other payables (**) | **4,662.0** | 4,662.0 | — |
| **Total financial instruments—Liabilities** | **13,925.8** | **13,842.5** | **83.3** |

(*) including current income tax asset
(**) including current income tax liability

## 6.4 CASH AND CASH EQUIVALENTS, AND LIQUIDITY

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and margin calls related to the Company's derivative financial instruments. Those financial assets are classified as amortised cost and valued as described above. Bank overdrafts are presented within borrowings on the Statement of Financial Position.

### 6.4.1 Cash and cash equivalents

Cash and cash equivalents can be analyzed as follows:

| | As at December 31, 2018 | As at December 31, 2017 (*) |
|---|---|---|
| Cash on hand | 727.8 | 585.8 |
| Short term deposits | 627.4 | 788.0 |
| Restricted cash | 46.7 | 9.8 |
| **Cash and cash equivalents as per statement of financial position** | **1,401.9** | **1,383.5** |
| Bank overdrafts | (87.1) | (157.6) |
| **Cash and cash equivalents and bank overdraft** | **1,314.8** | **1,226.0** |
| **Cash reported in assets held-for-sale** | **—** | **—** |
| **Cash and cash equivalents and bank overdrafts, as per cash flow statement** | **1,314.8** | **1,226.0** |

*(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9*

As disclosed in Note 2.2.1, the impairment charges of cash equivalents (short term deposits) have been slightly revised following the adoption of IFRS 9, resulting in an increased impairment of USD (9.9) million as at December 31, 2017.

### 6.4.2 Undrawn committed credit facilities and liquidity position

On September 14, 2017, CMA CGM signed an agreement with certain lenders with respect to a new undrawn unsecured revolving credit facility for an initial amount of USD 205 million, maturing in three years, subsequently upsized to USD 405 million.

As a consequence, as at December 31, 2018, the Group has access to undrawn committed credit facilities amounting to USD 622.1 million (USD 1,303.9 million as at December 31, 2017) granted by various financial institutions, of which the average maturity is around 1.5 years ranging from less than three months to 1.7 years.

Together with the abovementionned "cash and cash equivalents and bank overdraft" line item, excluding restricted cash and including securities disclosed in Note 6.3.2, the total liquidity of the Group amounts to USD 1,925.6 million as of December 31, 2018 (USD 2,555.3 million as December 31, 2017 – slightly revised following the adoption of IFRS 9).

## 6.5 SHARE CAPITAL, OTHER RESERVES AND EARNINGS PER SHARE

*Share capital and other reserves*

Incremental costs directly attributable to the issue of new shares are presented in equity as a deduction from the proceeds, net of tax.

The share capital is constituted of (i) 10,578,355 ordinary shares held by MERIT Corporation, its shareholders and related persons, (ii) 3,626,865 ordinary shares held by Yildirim and (iii) 1 preference share held by the Banque Publique d'Investissement (Bpifrance formerly FSI) for a total of 14,205,221 shares.

In 2011 and 2013, Yildirim subscribed for USD 600 million to bonds mandatorily redeemable in the Company's preferred shares as at December 31, 2015. As at December 31, 2015, the bonds have been redeemed in preferred shares and as at December 31, 2017 into ordinary shares as per their terms and conditions. Since then, Yildirim holds 24% of the Company's ordinary shares on a fully diluted basis.

In June 2013, Bpifrance subscribed for USD 150 million to bonds mandatorily redeemable in the Company's ordinary shares as at December 31, 2020, representing 6% of the Company's ordinary shares upon conversion on a fully diluted basis.

No other share option plans or dilutive equity instruments have been issued.

The fully diluted share capital can be presented as follows:

| Fully diluted share capital | Number of shares | % of share capital | Number of voting rights | % of voting rights |
|---|---|---|---|---|
| Outstanding shares as of December 31, 2018 | 14,205,221 | 94% | 14,205,221 | 94% |
| Shares resulting from the conversion of bonds redeemable in shares subscribed by BPI in 2013 | 906,717 | 6% | 906,717 | 6% |
| **Total** | **15,111,938** | **100%** | **15,111,938** | **100%** |

Other comprehensive income / (Loss) reclassifiable to profit and loss break down as follows:

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Cash flow hedge | 15.3 | (0.8) |
| Share of other comprehensive income / (Loss) of associates and joint ventures | 5.7 | 6.3 |
| Net investment hedge | 9.1 | (50.7) |
| Deferred tax on reserve | 1.4 | 1.4 |
| Currency translation adjustments | (181.3) | (66.8) |
| **Total Other Comprehensive Income / (Loss)** | **(149.8)** | **(110.5)** |

*Earnings per share*

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Except in cases where the result of the year is a loss, basic earnings per share also take into account the impact of the bonds mandatorily redeemable into common shares from the date that the contract is entered into. Basic and diluted earnings per share are similar due to the fact that there is no potentially dilutive instrument.

## 6.6 BORROWINGS

***Financial liabilities***

Financial liabilities within the scope of IFRS 9 "Financial instruments and related amendments" are classified as financial liabilities at amortised cost or at fair value through profit and loss (when they are held for trading). The Group determines the classification of its financial liabilities at initial recognition. The Group does not hold over the period presented financial liabilities at fair value through profit and loss except derivative instruments.

Financial liabilities are recognized initially at fair value, less directly attributable costs in case of liabilities that are not measured at fair value through profit and loss. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivatives.

Except for obligations recognized under finance leases, borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Statement of Profit & Loss over the period of the borrowings using the effective interest method.

Borrowings also comprise obligations recognized under finance lease agreements (see Note 5.2).

As previously disclosed, Management reassessed the substance of certain transactions having the legal form of a lease and concluded that, due to the fact that the purchase option exercise could be considered as certain, or that the tax incentive was the primarily objective of the lease arrangement, such contracts should not be considered as lease arrangements. Hence, the corresponding assets are presented as owned assets and the related liabilities as bank borrowings.

### 6.6.1 Maturity schedule, variations and detail of borrowings

Borrowings are presented below and include bank overdrafts, long-term bank borrowings, finance leases and similar arrangements and have the following maturities:

| | As at December 31, 2018 | Current portion | Non current portion | Maturity schedule : December 31, 2020 | 2021 | 2022 | 2023 | Onwards |
|---|---|---|---|---|---|---|---|---|
| Senior notes | **2,943.7** | **(23.5)** | **2,967.2** | 179.4 | 1,096.2 | 733.9 | (4.9) | 962.5 |
| Bonds and preferred shares redeemable in shares | **31.9** | **15.2** | **16.7** | 16.7 | — | — | — | — |
| Bank borrowings | **3,487.0** | **696.1** | **2,790.8** | 517.4 | 372.8 | 468.1 | 444.6 | 988.0 |
| Obligations under finance leases | **763.6** | **70.5** | **693.0** | 106.0 | 64.4 | 32.0 | 61.5 | 429.2 |
| Bank overdrafts | **87.1** | **87.1** | **—** | — | — | — | — | — |
| Securitization programs | **1,682.5** | **(0.2)** | **1,682.7** | (0.2) | 1,683.0 | — | — | — |
| Other borrowings | **184.8** | **175.4** | **9.4** | 1.4 | 0.6 | 0.5 | 0.4 | 6.4 |
| **Total** | **9,180.5** | **1,020.6** | **8,159.9** | 820.7 | 3,216.9 | 1,234.6 | 501.6 | 2,386.1 |

Variations in borrowings can be analyzed as follows:

| | Senior notes | Bonds and preferred shares redeemable in shares | Bank borrowings | Obligations under finance leases | Bank overdrafts | Securitization programs | Other borrowings | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2018 (*)** | **2,976.9** | **52.1** | **3,137.9** | **574.6** | **157.6** | **1,397.5** | **122.9** | **8,419.3** |
| Proceeds from new borrowings, net of issuance costs | — | — | 542.6 | — | — | 301.6 | 150.4 | 994.6 |
| Repayment of financial borrowings | — | (20.1) | (428.6) | (63.1) | — | — | (91.5) | (603.3) |
| Other increase/decrease in borrowings | 16.0 | — | 223.1 | 192.1 | (68.3) | — | (7.6) | 355.3 |
| Accrued interests and fees amortization | 5.8 | 0.0 | 18.8 | 1.9 | — | 0.7 | 1.4 | 28.5 |
| Refinancing of assets, net of issuance costs | — | — | — | 54.0 | — | — | — | 54.0 |
| Acquisition of subsidiaries | 69.9 | — | 10.6 | 5.5 | 0.2 | — | 9.6 | 95.8 |
| Foreign currency translation adjustments | (124.8) | — | (17.3) | (1.4) | (2.4) | (17.3) | (0.5) | (163.7) |
| **Balance as at December 31, 2018** | **2,943.7** | **31.9** | **3,487.0** | **763.5** | **87.1** | **1,682.5** | **184.8** | **9,180.5** |

*(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9*

As disclosed in Note 2.2.1, the adoption of IFRS 9 resulted in an slight change in the value of certain historically modified financial liabilities, representing USD 1.2 million as at December 31, 2017.

The line item "Other increase / decrease in borrowings" mainly corresponds to variation in borrowings which did not have any cash impact for the Group either because (i) the asset is financed through obligation under finance lease, (ii) the drawdown was directly made to the benefit of the shipyard or (iii) variation in overdraft has an opposite impact in cash and cash equivalents.

Borrowings relate to the following assets and their respective average interest rates are as follows:

| | Senior notes | Bonds and preferred shares redeemable in shares | Bank borrowings | Obligations under finance leases | Other borrowings, securitization and overdrafts | Average Interest rate after hedging, amortized cost and "PPA" |
|---|---|---|---|---|---|---|
| Vessels | — | — | 2,464.2 | 695.6 | — | 4.93% |
| Containers | — | — | 125.6 | 58.5 | — | 6.80% |
| Land and buildings | — | — | 116.6 | 1.0 | — | 0.63% |
| Handling | — | — | 5.9 | 8.1 | — | 1.81% |
| Other tangible assets | — | — | 66.7 | 0.3 | — | 3.00% |
| General corporate purposes | 2,943.7 | 31.9 | 708.0 | — | 1,954.4 | 5.33% |
| **Total** | **2,943.7** | **31.9** | **3,487.0** | **763.6** | **1,954.4** | |

Financial cash-flows on borrowings including repayment of principal and financial interest have the following maturities. As required by IFRS 7, these cash-flows are not discounted:

| | As at December 31, 2018 | Current portion | Non current portion | Maturity schedule : December 31, | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2020 | 2021 | 2022 | 2023 | Onwards |
| Senior notes | **3,822.4** | 196.0 | 3,626.4 | 402.7 | 1,286.0 | 847.0 | 54.4 | 1,036.2 |
| Bonds and preferred shares redeemable in shares | **36.0** | 18.0 | 18.0 | 18.0 | — | — | — | — |
| Bank borrowings | **4,242.8** | 881.1 | 3,361.8 | 658.5 | 480.3 | 574.8 | 502.5 | 1,145.7 |
| Obligations under finance leases | **1,092.7** | 121.3 | 971.4 | 151.2 | 103.6 | 68.3 | 95.3 | 553.1 |
| Bank overdrafts | **87.7** | 87.7 | — | — | — | — | — | — |
| Securitization programs | **1,728.0** | 19.9 | 1,708.1 | 20.0 | 1,688.1 | — | — | — |
| Other borrowings excl. accrued interests | **82.4** | 73.0 | 9.4 | 1.4 | 0.6 | 0.5 | 0.4 | 6.4 |
| **Total** | **11,092.0** | **1,396.9** | **9,695.0** | **1,251.7** | **3,558.6** | **1,490.6** | **652.6** | **2,741.4** |

### 6.6.2 Details of Senior Notes

As at December 31, 2018, the Group has 7 unsecured Senior Notes outstanding which can be detailed as follows:

- SGD 280 million of nominal amount, issued by NOL Limited and maturing in September 2020;
- EUR 725 million of nominal amount, issued by CMA CGM and maturing in January 2021;
- SGD 300 million of nominal amount, issued by NOL Limited and maturing in June 2021;
- EUR 60 million of nominal amount, issued by CONTAINERSHIPS and maturing in November 2021 (see Note 3.1.2);
- EUR 650 million of nominal amount, issued by CMA CGM and maturing in July 2022;
- USD 116.5 million of nominal amount, originally issued by APL Limited and transferred to APL Investments America as part of GGS disposal, and maturing in January 2024;
- EUR 750 million of nominal amount, issued by CMA CGM and maturing in January 2025.

### 6.6.3 Securitization program

During the year ended December 31, 2018, the securitization programs increased by USD 301.6 million.

### 6.6.4 Bonds and preferred shares redeemable in shares

The balance of the bonds as at December 31, 2018, amounting to USD 31.9 million, represents the interests payable till maturity as a remuneration of the bonds redeemable in shares held by BPI.

As a consequence of the interests payments on bonds and preferred shares redeemable in ordinary shares, the Company records:

- A financial expense based on the market rate used to determine the liability component of these instruments; and
- A reduction in borrowings for the residual amount paid corresponding to the interest portion initially recorded in borrowings.

#### 6.6.5 Other borrowings

As at December 31, 2018, other borrowings include USD 102.8 million of accrued interests (USD 100.5 million as at December 31, 2017).

### 6.7 CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities amounting to USD (131.2) million for the year ended December 31, 2018. The financing cash flows mainly consisted in drawdown of borrowings for USD 1,048.1 million, not exceeding the repayment of borrowings for USD (603.3) million, as well as the payment of financial interests for USD (394.2) million, and the payment of dividends for USD (184.4) million (half of it resulting from a decision made in 2017 but paid early 2018).

## Note 7 - Scope of consolidation

### 7.1 ACCOUNTING PRINCIPLES AND JUDGMENTS USED IN DETERMINING THE SCOPE OF CONSOLIDATION

The control analysis, as defined by IFRS 10 "Consolidated Financial Statements", involves judgement as certain situations are not obviously conclusive. Management has based its conclusion based on the following principles and on all the facts and circumstances, as well as existing contractual agreements.

***Subsidiaries***

Subsidiaries are all entities (including special purpose entities) over which the Company has control.

The control over an entity is effective only if the following elements are reached:

- Power, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- Exposure, or rights, to variable returns from its involvement with the entity;
- The ability to use its power over the entity to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are fully eliminated.

The financial statements of subsidiaries have been prepared for the same reporting period as the parent company, using consistent accounting policies.

Non-controlling interests represent the portion of profit and loss and net assets that is not held by the Group. They are presented within equity and in the income statement, respectively separately from Group shareholders' equity and Group profit for the year.

***Transactions with non-controlling interests***

When purchasing non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in consolidated income statement. The fair value subsequently represents the initial carrying amount of the retained interest as an associate, joint venture or financial asset.

***Interests in joint-venture & significant influence***

Companies on which the Group has no control alone can be part of a joint arrangement. A joint arrangement is defined as an arrangement of which two or more parties have joint control.

Joint control exists when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. The requirement for unanimous consent means that any party with joint control of the arrangement can prevent any of the other parties, or a group of the parties, from making unilateral decisions (about the relevant activities) without its consent.

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer recognises its interest in a joint venture as an investment and shall account for that investment using the equity method (in accordance with IAS 28 Investments in Associates and Joint Ventures).

The significant influence is the power to participate in the financial and operating policy decisions of the investee without granting control or joint control on the investee:

- A party that participates in, but does not have joint control of a joint venture, accounts for its interest in the arrangement in accordance with IFRS 9,
- Unless it has significant influence over the joint venture, in which case it accounts for it in accordance with IAS 28.

Under the equity method, equity interests are accounted for at cost, adjusted for by the post-acquisition changes in the investor’s share of net assets of the associate, and reduced by any distributions (dividends).

The carrying amount of these equity interests is presented in the line item “Investments in associates and joint ventures” on the Statement of Financial Position (see Note 7.3.2).

“Share of profit of associates and joint ventures” is presented within EBIT as it was concluded that the business of these entities forms part of the Company’s ongoing operating activities and that such entities cannot be considered as financial investments. This line item includes impairment of goodwill, financial income and expense and income tax related to associates and joint ventures.

An associate’s losses exceeding the value of the Group’s interest in this entity are not accounted for, unless the Group has a legal or constructive obligation to cover the losses or if the Group has made payments on the associate’s behalf.

Any surplus of the investment cost over the Group’s share in the fair value of the identifiable assets and liabilities of the associate company on the date of acquisition is accounted for as goodwill and included in the carrying amount of the investment.

Any remaining investment in which the Group has ceased to exercise significant influence or joint control is no longer accounted for under the equity method and is valued at fair value.

### 7.2 JUDGMENTS LINKED TO STRUCTURED ENTITIES

***Freight securitization***

The Group entered in late 2013 into a securitization program with certain financial institutions and also implemented in 2016 the same kind of structure to finance NOL receivables.

As part of these programs, 2 structured entities named CMA CGM & ANL Securities BV and APL Securities S.A R.L. have been dedicated to purchase the trade receivables of certain shipping carriers. The entities are structured in such a manner that the significant risks (e.g. Forex risk, late payment risk, credit risk, etc.) remain with the sellers. As consequence, both entities have been consolidated since inception. In terms of liquidity risk management, see Note 6.1.3 for Group policies and Note 6.6.1 for financial liabilities maturity schedules.

***Asset financing***

As part of certain lease arrangements, the Company may be partly involved with structured entities owning the asset. The control over these entities is assessed based on all facts and circumstances. It is primarily assessed based on IAS 17 principles, and specifically the analysis of the transfer of the risks and rewards such as credit risk and residual value risk. Basically, whether the lease is classified as a finance lease, the entity is consolidated and whether the lease is classified as an operating lease, the entity is deemed as not being controlled and therefore not consolidated.

## 7.3 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

### 7.3.1 Significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures

***CEVA—accounted as an associate***

The control analysis over CEVA is based on the power of the shareholders and the management board upon the relevant activities.

As at December 31, 2018, the Group owns 32.9% of CEVA and has secured 12.6% of additional voting rights through derivative instruments. The Group has 2 seats at CEVA's Board of Director, out of a total of 8 seats.

As at December 31, 2018, Management considers it has a significant inflence over CEVA and that the accounting of this investment under equity method is appropriate under IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements".

***Global Ship Lease ("GSL")—accounted as an associate***

The control analysis over GSL is based on the power of the shareholders and the management board upon the relevant activities.

Despite the merger occurred end of 2018, diluting the Group from 44.4% to 13.3%, Management believes its still exercises a significant influence over this investee, mainly due to the designation of one Board member and the proposal of another one to GSL Board. As a consequence, the accounting of this investment under equity method is appropriate under IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements".

***Terminal Link SA and its subsidiaries ("TL")—accounted as a joint venture***

Since June 2013, TL is 51% owned by CMA CGM (through CMA Terminals Holding ("CMATH") 100% owned by CMA CGM) and 49% owned by China Merchants Holding International ("CMHI").

The contractual arrangement between CMHI and CMA CGM over TL results in accounting joint control whereby the power to govern the financial and operational policies of the company is jointly shared. Indeed, the shareholders' agreement stipulates that any major decision requires the unanimous consent of the shareholders. CMHI also has substantive rights on TL. The parties have no direct rights to the assets or obligations for the liabilities.

As a result, the investment in Terminal Link is accounted for under the equity method under IFRS 11 "Joint Arrangements".

### 7.3.2 Investments in associates and joint ventures—Variation in the Consolidated Statement of Financial Position

Investments in associates and joint ventures can be analyzed as follows:

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Beginning of the year** | **1,049.0** | **900.2** |
| Acquisition of subsidiaries | 23.7 | — |
| New investments in associates and joint ventures | 535.5 | 116.0 |
| Capital increase / decrease | 5.0 | — |
| Share of (loss) / profit | (88.2) | 5.5 |
| Dividend paid or payable to the Company | (23.1) | (11.9) |
| Other comprehensive income / (expense) | (23.0) | 44.5 |
| Reclassification from / to other items | (1.3) | (5.0) |
| Other | 1.1 | (0.2) |
| **At the end of the year** | **1,478.9** | **1,049.0** |

The line item "Share of (loss) / profit" corresponds to the Company's share in the profit or loss of its associates and joint ventures, which includes impairment losses recognized by associates and joint ventures where applicable.

As at December 31, 2018, the main contributors to investments in associates and joint ventures are as follows:

- 32.9% of CEVA Group for USD 450.9 million;
- 51% of Terminal Link Group for USD 416.2 million (USD 411.4 million as at December 31, 2017);
- 13% of Global Ship Lease for USD 43.8 million (44% for USD 110.7 million as at December 31, 2017). The fair value of Global Ship Lease quoted shares, at the Company's share, amounts to approximately USD 15.1 million as at December 31, 2018 (USD 28.3 million as at December 31, 2017); Management believes, as this was the case in previous CFS, that using GSL's equity share to value our investment in this associate is appropriate;
- 30% of Rotterdam World Gateway ("RWG") for USD 188.6 million (USD 197.3 million as at December 31, 2017);
- 49% of CPLT for USD 115.8 million (USD 113.5 million as at December 31, 2017).

For the year ended December 31, 2017:

- The line item "New investment in associates and joint ventures" mainly corresponds to the additional capital injection in the Group's joint venture with PSA in Singapore for USD 23.7 million, in the terminal project of Kribi in Cameroon for USD 25.3 million and to the fair value of the 10% ownership retained by the Group in Global Gateway South for USD 58.2 million.

During the year ended December 31, 2018, as disclosed in Note 3.1.4, the Group's share in Global Ship Lease decreased from 44.4% to 13.3% following the merger of Global Ship Lease with Poseidon Containers, hence generated a dilution loss amounting to USD 65.3 million. In the year ended December 31, 2018, GSL recorded an impairment charge and non-recurring costs amounting to USD 8.0 million at Group share in Global Ship Lease (USD 47.3 million as at December 31, 2017), which have been treated as non-recurring expenses in the Core EBIT calculation.

### 7.3.3 Additional disclosures related to associates

| in million of USD | GLOBAL SHIP LEASE INC December 31, 2018 | GLOBAL SHIP LEASE INC December 31, 2017 | ROTTERDAM WORLD GATEWAY BV December 31, 2018 | ROTTERDAM WORLD GATEWAY BV December 31, 2017 | CEVA LOGISTICS December 31, 2018 | CEVA LOGISTICS December 31, 2017 | OTHER ENTITIES December 31, 2018 | OTHER ENTITIES December 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| % of shareholding | 13.33% | 44.41% | 30.00% | 30.00% | 32.94% | n.a. | n.a. | n.a. |
| % of voting rights | 13.33% | 44.41% | 30.00% | 30.00% | 32.94% | n.a. | n.a. | n.a. |
| Equity method Balance sheet contribution | 43.8 | 110.7 | 188.6 | 197.3 | 450.9 | n.a. | 176.8 | 137.1 |
| Equity method P&L contribution | (66.9) | (35.6) | (5.0) | (2.0) | (50.6) | n.a. | 0.1 | 17.2 |
| Equity method OCI contribution | — | — | (3.7) | 10.2 | — | n.a. | (5.3) | 3.0 |
| Equity method total comprehensive income contribution | (66.9) | (35.6) | (8.6) | 8.3 | (50.6) | n.a. | (5.2) | 20.2 |
| Fair value (for listed entities) | 15.1 | 28.3 | n.a. | n.a. | 542.2 | n.a. | n.a. | n.a. |
| Distributed dividends for CMA CGM | — | — | — | — | — | n.a. | 11.8 | 4.6 |
| ***Data based on a 100% basis*** | | | | | | | | |
| Non-current assets | 1,139.8 | 597.8 | 692.0 | 745.0 | 1,887.0 | n.a. | | |
| Current assets | 106.3 | 73.3 | 146.9 | 57.9 | 1,733.0 | n.a. | | |
| **Total Assets** | **1,246.1** | **671.0** | **838.8** | **802.9** | **3,620.0** | **n.a.** | | |
| Equity | 327.7 | 251.6 | 306.2 | 341.2 | 225.0 | n.a. | | |
| Non-current liabilities | 823.9 | 414.8 | 456.9 | 376.0 | 1,789.0 | n.a. | | |
| Current liabilities | 94.5 | 4.6 | 75.7 | 85.8 | 1,606.0 | n.a. | | |
| **Total Liabilities** | **1,246.1** | **671.0** | **838.8** | **802.9** | **3,620.0** | **n.a.** | | |
| **Revenue** | **156.9** | **159.0** | **168.1** | **138.6** | **3,621.5** | **n.a.** | | |
| **Profit / (Loss) for the year** | **(46.0)** | **(80.2)** | **(16.6)** | **(9.8)** | **(262.0)** | **n.a.** | | |
| **Other comprehensive income / (Loss)** | **—** | **—** | **(18.3)** | **51.2** | **—** | **n.a.** | | |
| **Total comprehensive income / (Loss)** | **(46.0)** | **(80.2)** | **(34.9)** | **41.4** | **(262.0)** | **n.a.** | | |

Regarding Rotterdam World Gateway, the balance sheet contribution as at December 31, 2018 included in the table above includes USD 96.7 million mostly related to the purchase price allocation performed in the context of NOL acquisition.

Regarding CEVA, the purchase price alocation will be performed after the change of control (see Note 3.1.3).

### 7.3.4 Additional disclosures related to joint ventures

| in million of USD | TERMINAL LINK GROUP December 31, 2018 | December 31, 2017 | OTHER ENTITIES December 31, 2018 | December 31, 2017 |
|---|---|---|---|---|
| % of shareholding | 51.0% | 51.0% | n.a. | n.a. |
| % of voting rights (if different from above) | n.a. | n.a. | n.a. | n.a. |
| Equity method Balance sheet contribution | 416.2 | 411.4 | 202.6 | 192.6 |
| Equity method P&L contribution | 14.3 | 5.2 | 19.9 | 20.7 |
| Equity method OCI contribution | (7.1) | 23.2 | (6.9) | 8.0 |
| Equity method total comprehensive income contribution | 7.1 | 28.5 | 13.0 | 28.6 |
| Fair value (for listed entities) | n.a. | n.a. | n.a. | n.a. |
| Distributed dividends to CMA CGM | (2.4) | — | 9.0 | 7.3 |
| ***Data based on a 100% basis*** | | | | |
| Non-current assets | 904.2 | 889.8 | | |
| Other current assets | 106.6 | 77.2 | | |
| Cash & cash equivalents | 67.2 | 74.2 | | |
| **Total Assets** | **1,077.9** | **1,041.2** | | |
| Equity | 827.1 | 815.6 | | |
| Non-current borrowings | 135.0 | 116.5 | | |
| Other non-current liabilities | 10.8 | 11.9 | | |
| Current borrowings | 60.3 | 60.7 | | |
| Other current liabilities | 44.8 | 36.4 | | |
| **Total Liabilities** | **1,077.9** | **1,041.2** | | |
| **Reconciliation of 100% figures to investments in joint ventures** | | | | |
| **Equity of the joint venture excluding non controlling interests (100%)** | **816.1** | **806.7** | | |
| Equity attributable to the joint venturer (49%) | (399.9) | (395.3) | | |
| Other | — | — | | |
| **Equity method balance sheet contribution** | **416.2** | **411.4** | | |
| **Revenue** | **154.3** | **142.1** | | |
| Depreciation & amortization | (8.6) | (7.7) | | |
| Financial result | (2.3) | (5.2) | | |
| Income tax | (8.1) | (7.6) | | |
| **Profit / Loss) for the year** | **28.0** | **10.3** | | |
| **Other comprehensive income / Loss)** | **(0.0)** | **8.4** | | |
| **Total comprehensive income / Loss)** | **28.0** | **18.7** | | |
| **Reconciliation of 100% figures to share of profit / (loss) from joint venture** | | | | |
| **Share of profit / (loss) for the year** | **28.0** | **10.3** | | |
| Share of profit for the year for the joint venturer (49%) | (13.7) | (5.0) | | |
| Other | — | — | | |
| **Equity method P&L contribution** | **14.3** | **5.2** | | |

### 7.4 LIST OF COMPANIES OR SUBGROUPS INCLUDED IN THE CONSOLIDATION SCOPE

With the objective to improve the relevance of the information, the Group decided in 2016 to disclose the material entities or subgroups by applying the following thresholds:

- Fully integrated entities contributing to the Group revenue by more than USD 10 million;
- Associates and joint ventures contributing to equity by more than USD 5 million;
- As well as certain intermediate holding companies.

As at December 31, 2018, 363 entities are fully consolidated or accounted under equity method (343 as at December 31, 2017). The main entities are detailed below :

| Legal Entity | Country | Direct and indirect percentage of interest |
|---|---|---|
| **CMA CGM SA (parent company)** | **France** | |
| **Consolidation method—Full** | | |
| **SHIPPING** | | |
| ANL CONTAINER LINE LTD | Australia | 100.00% |
| MERCOSUL Line Navegacao LTD | Brazil | 100.00% |
| CONTAINERSHIPS Group | Finland | 100.00% |
| CMA CGM ANTILLES GUYANE | France | 100.00% |
| CMA SHIPS SAS | France | 100.00% |
| OPDR GmbH & Co. KG | Germany | 100.00% |
| CNC LINE LTD | Hong Kong | 100.00% |
| COMANAV | Morocco | 99.92% |
| CMA CGM INTERNATIONAL SHIPPING PTE LTD | Singapore | 100.00% |
| ANL SINGAPORE | Singapore | 100.00% |
| NOL LINER (PTE.) LIMITED | Singapore | 100.00% |
| APL CO. PTE LIMITED | Singapore | 100.00% |
| CHENG LIE NAVIGATION CO, LTD | Taiwan | 100.00% |
| COASTAL NAVIGATION CO LTD | Taiwan | 25.00% |
| CMA CGM UK SHIPPING | United Kingdom | 100.00% |
| AMERICAN PRESIDENT LINES LTD | United States of America | 100.00% |
| **AGENCIES** | | |
| CMA CGM ALGERIE | Algeria | 79.80% |
| CMA CGM AUSTRALIA | Australia | 100.00% |
| CMA CGM CANADA | Canada | 100.00% |
| CMA CGM CHINA | China | 100.00% |
| CMA CGM AGENCES France | France | 100.00% |
| CMA CGM DEUTSCHLAND | Germany | 100.00% |
| CMA CGM AGENCIES INDIA | India | 100.00% |
| CMA CGM KOREA | South Korea | 100.00% |
| CMA CGM MAROC | Morocco | 100.00% |
| CMA CGM SOUTH AFRICA | South Africa | 100.00% |
| CMA CGM HOLLAND | The Netherlands | 100.00% |
| CMA CGM TURKEY | Turkey | 95.00% |
| CMA CGM SOUTH TURKEY | Turkey | 60.00% |
| CMA CGM SHIPPING AGENCIES UKRAINE | Ukraine | 100.00% |
| CMA CGM ANL DUBAI | United Arab Emirates | 65.00% |
| CMA CGM AMERICA | United States of America | 100.00% |
| **HANDLING** | | |
| INTRAMAR SA | France | 100.00% |
| MARSEILLE MANUTENTION | France | 100.00% |
| SOMARIG | France (Guyane) | 100.00% |
| GMM | France (Martinique) | 100.00% |
| SOCIETE D'ACCONAGE ET DE MANUTENTION DE LA REUNION | France (Réunion) | 69.99% |
| KINGSTON FREEPORT TERMINAL LTD | Jamaica | 100.00% |
| LATTAKIA INT. CONT. TERMINAL LLC | Syria | 51.00% |
| **CONTAINERS (MAINTENANCE & REPAIRS)** | | |
| ANL CONTAINER HIRE AND SALES PTY LTD | Australia | 100.00% |
| PROGECO France | France | 100.00% |
| **LOGISTICS & SUPPLY CHAIN** | | |
| ANL LOGISTICS PTY LTD | Australia | 100.00% |
| CMA CGM LOGISTICS CANADA | Canada | 100.00% |
| CMA CGM CHINA LOGISTICS CO, LTD | China | 100.00% |

| Legal Entity | Country | Direct and indirect percentage of interest |
| --- | --- | --- |
| CMA CGM LOGISTICS FRANCE | France | 100.00% |
| LCL LOGISTIX INDIA PVT LTD | India | 100.00% |
| CMA CGM Transit SARL | Ivory Coast | 75.00% |
| CC TERMINAL CONTENEURS DAKAR (TCD) | Senegal | 100.00% |
| ALTERCO | Algeria | 58.98% |
| USL LOGISTICS LLC | United States of America | 100.00% |
| **FINANCIAL HOLDING** | | |
| CMA CGM AGENCIES WORLDWIDE | France | 100.00% |
| CMA CGM LOGISTICS | France | 100.00% |
| CMA TERMINALS HOLDING | France | 100.00% |
| CMA TERMINALS | France | 100.00% |
| NEPTUNE ORIENT LINES LIMITED | Singapore | 100.00% |
| EAGLE MARINE TERMINAL HOLDINGS PTE. LTD | Singapore | 100.00% |
| **Consolidation method—Equity** | | |
| **Associates and joint ventures are disclosed in the table below** | | |
| CEVA LOGISTICS | The Netherlands | 32.94% |
| QINGDAO QIANWAN UNITED ADVANCE CONTAINER TERMINAL CO., LTD | China | 24.00% |
| OTHL | Cyprus | 50.00% |
| TERMINAL LINK GROUP | France | 51.00% |
| CMA MUNDRA TERMINAL Pvt Ltd | India | 50.00% |
| AMEYA LOGISTICS PRIVATE LTD | India | 50.00% |
| GLOBAL SHIP LEASE | Marshall Islands | 13.30% |
| CMA CGM PSA LION TERMINAL | Singapore | 49.00% |
| ROTTERDAM WORLD GATEWAY BV | The Netherlands | 50.00% |
| PACIFIC MARITIME SERVICE | United States of America | 10.00% |
| GEMALINK | Viet Nam | 25.00% |
| FIRST LOGISTICS DEVELOPMENT (JV) COMPANY | Viet Nam | 47.00% |

### 7.5 RELATED PARTY TRANSACTIONS

For the purposes of this note, the following group of related parties have been identified:

- Terminal activities which mainly include Terminal Link and its subsidiaries, terminals under associates and joint ventures (Rotterdam World Gateway, Global Gateway South, Kribi, Mundra, Brooklyn Kiev Port, Laem Chabang International Terminal Co., Qingdao Qianwan United Advance Container Terminal and First Logistics Development (JV) Company.
- Global Ship Lease, Inc. ("GSL") a ship-owner listed in the U.S. currently owning a fleet of 38 vessels of which 17 time chartered to CMA CGM under agreements ranging from January 2019 till October 2025.
- Shipping agencies which mainly include CMA CGM Qatar, an associate Company.
- Management and / or shareholder's related entities which mainly include:
  - Merit Corporation, incorporated in Lebanon, whose ultimate shareholders are Jacques R. Saadé and members of his immediate family, who owns most of the ordinary shares of the Company;
  - Certain subsidiaries of Merit Corporation, including Merit SAL, a service company providing CMA CGM with cost and revenue control and internal audit support, CMA Liban, a shipping agent and Investment and Financing Corp. Ltd, a container leasing company;
  - Yildirim, incorporated in Turkey, a Company with whom the Company signed two significant transactions in 2011 and 2013 regarding the issuance of bonds redeemed in preferred shares as at December 31, 2015 and converted into ordinary shares as at December 31, 2017 (see Note 6.5), and another agreement in 2011 regarding the sale of 50% of its shareholding in Malta Freeport Terminals Limited for a cash amount of EUR 200.0 million (USD 289.0 million);
  - The Banque Publique d'Investissement (Bpifrance formerly FSI), an investment fund established by the French Government in 2008 whose main mission is to consolidate the French companies

share capital who need to find stable investors to finance their development projects. Bpifrance subscribed in 2013 to bonds mandatorily redeemable in 2020 in ordinary shares issued by the Company (see Note 6.5);

- A non-profit foundation "Fondation d'Entreprise CMA CGM" which promotes certain cultural activities.

- Others activities which mainly include the following entities:
  - INTTRA, a company whose activity is to develop e-commerce in the container shipping industry, which has been sold late 2018;
  - TRAXENS, which is developing a breakthrough technology for "smart" containers in which CMA holds 29.6% ownership.

The related party transactions included in the Statement of Profit & Loss, excluding the share of income / (loss) from associates and joint ventures can be analysed as follows:

| | **Total related parties** | | **Terminal activities** | | **GSL** | | **Agencies** | | **Management / Shareholder's related entities** | | **Others** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **For the year ended December 31,** | | **For the year ended December 31,** | | **For the year ended December 31,** | | **For the year ended December 31,** | | **For the year ended December 31,** | | **For the year ended December 31,** | |
| | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Revenue | **26.4** | **6.1** | 6.3 | 2.0 | 0.1 | — | 0.0 | — | 3.2 | 3.4 | 16.9 | 0.6 |
| Operating expenses | **(421.1)** | **(363.4)** | (204.3) | (186.7) | (124.5) | (126.6) | (22.6) | (4.8) | (51.7) | (41.1) | (17.9) | (4.2) |
| Other income and expenses | **—** | **(68.1)** | — | (20.8) | — | (47.3) | — | — | — | — | — | — |
| Financial result | **18.6** | **10.6** | 5.9 | 11.2 | (0.0) | — | 5.9 | 6.1 | (4.7) | 21.5 | 11.5 | 14.7 |

The Statement of Financial Positions corresponding to the related parties listed above, excluding the investments in associates and joint ventures, are:

| | **Total related parties** | | **Terminal activities** | | **GSL** | | **Agencies** | | **Management / Shareholder's related entities** | | **Others** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **For the year ended December 31,** | | **For the year ended December 31,** | | **For the year ended December 31,** | | **For the year ended December 31,** | | **For the year ended December 31,** | | **For the year ended December 31,** | |
| | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Non current assets | **76.7** | **89.2** | 70.5 | 86.8 | — | — | 5.5 | 2.4 | 0.0 | — | 0.6 | — |
| Current assets | **227.1** | **294.1** | 49.0 | 44.8 | 5.4 | 3.9 | 49.5 | 52.4 | 20.5 | 12.9 | 102.7 | 180.1 |
| Non current liabilities | **148.7** | **171.3** | 116.8 | 116.6 | — | — | — | — | 31.9 | 54.7 | — | — |
| Current liabilities | **89.2** | **184.8** | 25.7 | 21.9 | 0.0 | — | 54.0 | 78.9 | 8.3 | 83.3 | 1.2 | 0.7 |

A new container finance lease has been signed with INVESTMENT AND FINANCING CORP. LIMITED, a related party, for USD 45.2 million, following an amendment to the initial contract, switching from a purchase option to a purchase obligation at the end of the lease term.

As at December 31, 2017, dividends declared and not yet paid to Merit amounting to USD 80.5 million are included in "current liabilities" (see Note 5.4.2). Such liability has been paid to Merit early 2018.

Key management compensations for a total amount of USD 7.5 million for the year ended December 31, 2018 (USD 6.1 million for the year ended December 31, 2017) are included in "Employee benefits" in the Consolidated Statement of Profit & Loss.

## Note 8 - Other Notes

### 8.1 PROVISIONS, EMPLOYEE BENEFITS AND CONTINGENT LIABILITIES

The Group recognizes provisions when:

- It has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Judgments and estimates made in determining the risk related to cargo and corporate claims and related accounting provisions:

The Group evaluates provisions based on facts and events known at the closing date, from its past experience and to the best of its knowledge. Certain provisions may also be adjusted as a consequence of a post Statement of Financial Position adjusting event. Provisions mainly cover litigation with third parties such as shipyards, restructuring and cargo claims.

Certain provision may require a certain level of judgement and estimates (see below disclosures).

Provisions can be analyzed as follows:

| | | | | *of which* | | | *of which* | |
|---|---|---|---|---|---|---|---|---|
| | **Litigation** | **Other risks and obligations** | **Provisions** | *non current portion* | *current portion* | **Employee benefits** | *non current portion* | *current portion* |
| **As at January 1, 2017** | **126,0** | **272,6** | **398,6** | *358,2* | *40,5* | **182,6** | *180,4* | *2,2* |
| Additions for the period | 38,3 | 37,1 | **75,4** | | | **24,8** | | |
| Reversals during the period (unused) | (21,7) | (12,6) | **(34,4)** | | | **(0,4)** | | |
| Reversals during the period (used) | (17,8) | (44,9) | **(62,7)** | | | **(16,4)** | | |
| Reclassification to other financial assets (see | — | (5,3) | **(5,3)** | | | **(0,4)** | | |
| Acquisition of subsidiaries | 14,9 | 1,4 | **16,3** | | | **3,5** | | |
| Actuarial (gain) / loss recognized in the OCI | — | — | **—** | | | **(19,6)** | | |
| Foreign currency translation adjustment | 0,2 | 15,4 | **15,6** | | | **16,1** | | |
| **As at December 31, 2017** | **139,8** | **263,7** | **403,5** | *326,6* | *76,9* | **190,2** | *188,0* | *2,2* |
| Additions for the period | 42,9 | 30,9 | **73,8** | | | **21,6** | | |
| Reversals during the period (unused) | (28,9) | (5,1) | **(34,0)** | | | **(2,3)** | | |
| Reversals during the period (used) | (6,7) | (39,6) | **(46,3)** | | | **(19,3)** | | |
| Disposal of subsidiaries | — | — | **—** | | | **(4,2)** | | |
| Reclassification | (0,2) | 0,2 | **(0,0)** | | | **(1,3)** | | |
| Acquisition of subsidiaries | — | 18,6 | **18,6** | | | **—** | | |
| Actuarial (gain) / loss recognized in the OCI | — | — | **—** | | | **3,8** | | |
| Foreign currency translation adjustment | (1,8) | (9,0) | **(10,8)** | | | **(3,8)** | | |
| **As at December 31, 2018** | **145,2** | **259,5** | **404,7** | *332,7* | *72,0* | **184,6** | *182,4* | *2,2* |

#### 8.1.1 Provisions for litigation and other risks and obligations

***Litigation***

Provisions for litigation as at December 31, 2018 corresponds to cargo related and other claims incurred in the normal course of business (same as at December 31, 2017). None of these claims taken individually represents a significant amount.

*Other risks and obligations*

Provisions for other risks and obligations mainly include (i) the provision corresponding to the estimated future cash-outflows in relation to the minimum dividend guaranteed to CMHI as part of the disposal of the 49% stake in Terminal Link in June 2013 and (ii) provisions related to onerous contracts identified as part of the NOL acquisition. The CMHI provision amounts to USD 116.8 million (USD 116.6 million as at December 31, 2017), up USD 4.1 million mainly as a consequence of the reassesment of the present value of Terminal Link dividend distribution capacity, partly compensated by the FOREX impacts for USD (5.5) million.

**8.1.2 Provisions related to employee benefits**

Group companies operate in various jurisdictions and provide various pension schemes to employees. The Company has both defined benefit and defined contribution pension plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The post-employment benefit paid to all employees in the Group's home country qualifies as a post-employment defined benefit plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's obligations in respect of defined benefit schemes are calculated using the projected unit credit method, taking into consideration specific economic conditions prevailing in the various countries concerned and actuarial assumptions. These obligations might be covered by plan assets. The Company obtains an external valuation of these obligations annually.

*Measurement*

In accordance with IAS 19 "Employee benefits", the liability recognized in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets. Actuarial gains and losses resulting from changes in actuarial assumptions or from experience adjustments are recognized as other items of comprehensive income, together with the return on assets excluding the interest income.

Payments made by the Company for defined contribution plans are accounted for as expenses in the Statement of Profit & Loss in the period in which the services are rendered.

The service cost of the periodic pension cost is presented in employee benefits included in operating expenses. The interest component is presented within other financial income and expenses, net.

Past service costs are recognized immediately in the consolidated income statement.

In France, certain companies operating in terminal activities, as part of collective bargaining agreements, participate together with other enterprises – so called multi-employer plans – in the funding of plans deemed to cover pension obligations and asbestos programs. These plans are by their nature difficult to value as they require detailed information which is only available at the beneficiary's request and for their individual pension calculation. In addition, the regime brings together the assets of several employers and the individual obligation of each employer in the plan is therefore difficult to precisely determine as it varies from one year to another based on activity levels. As per IAS 19 paragraph 34, where sufficient information is not available to use defined benefit accounting for defined benefit multi-employer plans, the plans are treated as defined contribution plans.

*Description of the Company's plans*

The Company's employees are generally entitled to pension benefits, in accordance with local regulations:

- Retirement and medical benefits, paid by the Company on retirement (defined benefit plan); and
- Pension payments from outside institutions, financed by contributions from employers and employees (defined contribution plan).

In accordance with the regulatory environment and collective agreements, the Group has established both defined contribution and defined benefit pension plans (company or multi-employer) to provide such benefit to employees.

(4) Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations.

Contributions are fixed (e.g. based on salary) and are paid to these outside institutions. These institutions are responsible for maintaining and distributing employee benefits. The Company has no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employees the benefits relating to contributions in the current and prior financial years. The employer contributions are recognised as employee benefit expense in the financial year to which they relate.

Certain subsidiaries of CMA CGM and NOL also contribute to a number of collectively bargained, multi-employer plans that provide pension benefits to certain union-represented employees. These plans are treated as defined contribution plans in accordance with IAS 19.34.

The Group contributed USD 13.7 million to its defined contribution plans in 2018 (USD 16.4 million in 2017).

(5) Defined benefit plans

Major defined benefit plans can be described as follows:

(a) Retirement Indemnities (France)

French retirement indemnity plans provide a lump sum benefit paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee and salary at the retirement date and is prescribed by collective bargaining agreements (“CBA”). Those agreements are negotiated by Union representatives of the employer and of the employees, by sector of activity and at a national level. Their application is compulsory. The retirement indemnities are not linked to other standard French retirement benefits, such as pensions provided by Social Security or complementary funds (ARRCO and AGIRC).

(b) Article 23 (France)

The benefits consist of an annuity payable to a closed group of beneficiaries. All the beneficiaries are retired. This plan has been partially funded through a contribution to an insurer, but the annuities are currently directly paid by the employer.

Pensions are indexed each year based on the general salary increase of the company. The surviving spouse of a retiree is entitled to a pension equal to 60% of the pension benefit paid at time of death.

(c) Jubilee Awards (France)

The benefits consist of a lump sum payable to employees when they reach various service anniversaries.

(d) Asbestos/hardness indemnities (France)

In Terminal activities operated by certain of the Group’s subsidiaries in France, employees having spent the required number of years under hardness qualifying extreme work conditions and/or having been exposed to asbestos while working at the terminal are eligible to early retire 2 to 5 years ahead of normal retirement age.

The early retirement pensions are financed through state program (asbestos) and/or multi-employer program. As mentioned above, where sufficient information is not available to use defined benefit accounting for defined benefit multi-employer plans, the plans are treated as defined contribution plans.

Nevertheless, at early retirement leave, the indemnity lump sum payable by the employer differs from the retirement indemnity, and have been set by a local collective bargaining agreement. These specific lump sum indemnities are taken into account to valuate the appropriate retirement indemnity of employees concerned.

(e) Retirement Indemnities (Morocco)

Retirement indemnity benefits in our subsidiaries in Morocco are lump sums paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee and salary at the retirement date and is prescribed by collective bargaining agreements.

(f) Medical insurance (Morocco)

The benefits provide continuous medical coverage to retirees and their dependants subject to conditions. The program is a top up plan supplementing the Assurance Maladie Obligatoire reimbursements and is insured through an insurance contract with a local insurer.

This estimated yearly reimbursment cost is indexed by 2.5% per year in order to reflect the medical consumption and cost inflation.

(g) Retirement Indemnities (The Netherlands)

Retirement indemnity benefits at Company subsidiaries in Netherlands are lump sums paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee and salary at the retirement date and is prescribed by a collective bargaining agreements.

(h) Superannuation Plan (Australia)

Retirement indemnity benefits at Company subsidiaries in Australia are lump sums paid by the company to the employees when they retire or resignate from the Company. The amount of this benefit depends on the length of service of the employee and salary at the retirement or resignation. This plan is closed to new members.

(i) Annual leave plans and long service leave plans (Australia)

These unfunded plans provide a right to annual leave to employees depending of the length of service.

(j) NOL’s defined benefit plans

NOL’s employee benefits provisions mainly relate to defined benefits for employees which are generally based on the final pensionable salary and years of service. Most plans cover employees located in the US and Taiwan. In the US, all non-union plans are frozen to future accruals.

***Actuarial assumptions***

The actuarial assumptions used for the principal countries are as follows:

| | As at December 31, 2018 | | | | As at December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Euro Zone | Morocco | Australia | United States | Euro Zone | Morocco | Australia | United States |
| Discount rate | 1.65% | 3.50% | 3.20% | 4,01% | 1.65% | 3.75% | 3.42% | 3.51% |
| Future salary increase | 2.72% | 2.50% | 4.00% | 2.50% | 2.83% | 2.50% | 4.00% | 2.50% |
| Long-term inflation | 1.50% | 2,00% | n.a. | 2.50% | 1.66% | 2,00% | n.a. | 2.50% |

The future salary increase mentioned in the table above includes the impact of inflation.

(k) Discount rates determination

Euro zone: The Company used as a reference rate the IBoxx Corporate AA 10+.

Morocco: The Company used a state bonds average rate due to a lack of liquidity on corporate market, reflecting the average duration of plans (around 13 years).

Australia: The Company used a corporate bonds average rate reflecting the average duration of plans (around 5 years).

United States: The discount rates in the US are usually based on each individual plan. Hence, as it is common in the US, the discount rate is determined using the actual plan cashflows and applying a full yield curve (in this case the Citigroup Pension Yield curve) to determine a weighted average discount rate. The discount rate presented above is a DBO-weighted average discount rate.

(l) Evolution of rates

Due to the increase of interest rates in the United States, the discount rate being used to evaluate the Company's liability regarding pension and employee benefits were up from 3.51% to 4.01% as at December 31, 2018 compared to December 31, 2017. Taking into account all the impact recognized in OCI, the overall impact of remeasurement of defined pension and medical plans recorded in other comprehensive income amounts to USD 3.8 million.

***Variation of obligations, plan assets and provisions***

The net liability recognized in the Statement of Financial Position breaks down as follows:

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Liabilities | (351.7) | (380.0) |
| Assets | 167.1 | 189.8 |
| **Net liability** | **(184.6)** | **(190.2)** |

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Present value of unfunded obligations | (144.5) | (157.3) |
| Present value of funded obligations | (207.2) | (222.6) |
| Fair value of plan assets | 167.1 | 189.8 |
| **Net present value of obligations** | **(184.6)** | **(190.2)** |

Variations in the defined benefit obligations over the year are as follows:

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Beginning of year** | **380.0** | **342.1** |
| Plan amendment—past service cost | (0.1) | (0.7) |
| Service cost | 16.9 | 20.4 |
| Interest cost | 9.6 | 9.2 |
| Actuarial losses/(gains) | (7.5) | (4.4) |
| Benefits paid | (31.9) | (28.7) |
| Employee contributions | (2.1) | (1.3) |
| Expenses Paid | (0.0) | (0.1) |
| Taxes paid | (0.1) | (0.1) |
| Premiums paid | (0.0) | (0.0) |
| Reclassification of liabilities | — | — |
| Acquisition / disposal of subsidiaries and other | (5.6) | 22.3 |
| Exchange differences | (7.5) | 21.3 |
| **End of year** | **351.7** | **380.0** |

Plan assets vary as follows:

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Beginning of year** | **189.8** | **159.5** |
| Interest on assets | 5.5 | 5.2 |
| Actuarial (losses)/gains | (11.3) | 15.2 |
| Benefits paid and interest income | (17.9) | (16.8) |
| Employer contributions | 5.4 | 4.1 |
| Employee contributions | 0.2 | 0.2 |
| Acquisition of subsidiaries and other | 0.5 | 18.6 |
| Expenses paid | (1.2) | (1.4) |
| Taxes paid | (0.1) | (0.1) |
| Premiums paid | (0.0) | (0.0) |
| Exchange differences | (3.7) | 5.3 |
| **End of the year** | **167.1** | **189.8** |

The plan assets are invested as follows:

| | As at December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Cash and cash equivalents | 0.8% | 0.9% |
| Equity instruments | 1.6% | 2.5% |
| Debt instruments | 1.0% | 1.4% |
| Real estate | 0.4% | 0.7% |
| Investment funds | 61.8% | 64.3% |
| Assets held by insurance company | 28.8% | 25.4% |
| Other | 5.4% | 4.9% |

The amounts recognized in the Statement of Profit & Loss are as follows:

| | For the year ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| a. Current service cost excluding taxes, expenses, employees contributions and premiums | 16.9 | 20.4 |
| b. Administrative expenses and taxes | 1.2 | 0.3 |
| c. Employees contributions | — | 1.1 |
| d. Past service cost/curtailment | (0.1) | (0.7) |
| e. Non-routine settlements | — | — |
| **Total service cost** | **18.0** | **21.1** |
| a. Interest on the DBO (gains) / losses | 9.6 | 9.2 |
| b. Interest on Assets gains /(losses) | (5.5) | (5.2) |
| c. Interest on Assets ceiling (gains) / losses | — | — |
| d. Interest on reimbursement rights (gains) / losses | — | — |
| **Total net interest** | **4.1** | **4.0** |
| Remeasurements of Other Long Term Benefits | (0.5) | (0.3) |
| **Benefit expense recognized in the income statement** | **21.6** | **24.8** |
| **Remeasurements (recognized in other comprehensive income)** | **3.8** | **(19.6)** |
| Total defined benefit cost recognized in P&L and OCI | 25.4 | 5.2 |

The amounts recognized in the Statement of Financial Position in the net liability are as follows:

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| **Net liability as of beginning of year** | **(190.2)** | **(182.6)** |
| Benefit expense recognized in the income statement | (21.6) | (24.8) |
| Remeasurements (recognized in other comprehensive income) | (3.8) | 19.6 |
| Employer contributions | 7.7 | 5.6 |
| Benefits paid directly | 14.0 | 11.9 |
| Acquisition / disposal of subsidiaries and other | 5.6 | (3.5) |
| Others | — | (0.3) |
| Exchange differences | 3.8 | (16.1) |
| **Net liability as of end of year** | **(184.6)** | **(190.2)** |

The defined benefit obligation, the plan assets and the accumulated actuarial gains and losses for the current year and previous four periods are as follows:

| | | | | Variation of actuarial Gains and Losses | |
|---|---|---|---|---|---|
| | Defined Benefit Obligation | Plan Assets | Funded Status | On Defined Benefit Obligation | On Plan Assets |
| As at December 31, 2014 | (161,9) | 34,7 | (127,2) | 21,8 | 4,8 |
| As at December 31, 2015 | (163,5) | 32,5 | (131,0) | 0,7 | (1,0) |
| As at December 31, 2016 | (342,1) | 159,5 | (182,6) | 10,9 | 12,0 |
| As at December 31, 2017 | (380,0) | 189,8 | (190,2) | (4,4) | 15,2 |
| As at December 31, 2018 | (351,7) | 167,1 | (184,6) | (8,0) | (11,3) |

***Sensitivity analysis***

The sensitivity of the defined benefit obligation to the following changes of discount rates and long term inflation is as follows:

| As at December 31, 2018 | Discount rate | Long-term inflation |
|---|---|---|
| - 25 basis points | 10.8 | (1.7) |
| +25 basis points | (11.4) | 0.3 |

***8.1.3 Contingent liabilities***

The Group is involved in a number of legal and tax disputes in certain countries, including but not limited to alleged breaches of competition rules. Some of these may involve significant amounts, the outcome of which being subject to a high level of uncertainty, that cannot be accurately quantified at the closing date.

In all cases, the Group fully cooperates with the authorities.
The main contingent liabilities are as follows:

***Antitrust matters***

CMA CGM S.A.'s U.S. agent was served with a subpoena by the Department of Justice in the United States on March 15, 2017. The subpoena related to a broad anti-trust investigation of ocean container shipping services in the U.S.; many other ocean carriers were also served with similar subpoenas. The Department of Justice has recently advised CMA CGM that it has decided to close its investigation as to all CMA CGM Group companies. We do not expect any further adverse actions by the Department of Justice in connection with this subpoena or related investigation.

## 8.2 COMMITMENTS

### 8.2.1 Commitments on vessels and containers

***Operating leases***

Leases where the lessor retains a substantial part of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit & Loss on a straight-line basis over the period of the lease.

Amounts of operating lease payments charged to the Statement of Profit & Loss during the year are disclosed in this note.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset, unless it is judged to be reasonably certain that a renewal option, if existing, will be exercised.

***Vessels operated under time charters (or bareboat charters) which qualify as operating leases***

As at December 31, 2018 the Group operates 360 vessels under time charters (370 as at December 31, 2017).

The due dates of leases, excluding for 2018 those with a residual lease term of 12 months or less, payable for 113 vessels under bareboat or time charters as at December 31, 2018, can be analyzed as follows:

| | **Total** | **Less 1 year** | **1 to 5 years** | **6 to 10 years** | **Over 10 years** |
|---|---|---|---|---|---|
| Vessels under operating leases as of December 31, 2018—not discounted | **5,116.9** | 975.5 | 3,023.1 | 1,065.8 | 52.5 |
| Vessels under operating leases as of December 31, 2018—discounted | **3,882.7** | 903.2 | 2,424.3 | 534.6 | 20.5 |
| Vessels under operating leases as of December 31, 2017—not discounted | **5,487.5** | 912.0 | 3,029.5 | 1,466.2 | 79.7 |
| Vessels under operating leases as of December 31, 2017—discounted | **4,058.2** | 844.5 | 2,351.2 | 829.5 | 33.0 |

The discount rate used in the table above has been fixed at 8%, approximating the Group's WACC, which does not reflect the rates that will be used under IFRS 16 which will have to be determined on a lease by lease basis.

The amounts payable to ship-owners presented above only correspond to the equivalent bareboat charter payable and do not include running costs. The Company generally charters vessels under time charts which are composed of a bareboat, and a running cost component which is considered as a service component. Such running costs will be recognized as a service component under IFRS 16 and hence will not be part of the lease liability (see Note 2.2.2).

In addition to the above table representing the current operating leases that would be included in the scope of IFRS 16, the Group is committed to pay time chart (including running costs) in relation to 247 vessels leases with a residual lease term of 12 months or less, representing an amount of USD 86.7 million to be paid during the year ended December 31, 2019. These short term leases would be excluded from the application of IFRS 16 (see Note 2.2.2).

The table above also includes commitments to Global Ship Lease Inc., a related party, for an undiscounted amount of USD 259.9 million and a discounted amount of 208.8 USD million as at December 31, 2018 (USD 253.8 million as at December 31, 2017).

In certain cases, the Group may benefit from non-bargain purchase options to acquire the vessel at the end of the lease term, non-bargain renewing options, as well as potential termination sums due to the lessor in case of not exercising the purchase option not taken into account in the above table.

*Container leases qualifying as operating leases*

The due dates of the container operating leases, excluding those with a residual lease term of 12 months or less, can be analyzed as follows:

| | **Total** | **Less 1 year** | **1 to 5 years** | **6 to 10 years** | **Over 10 years** |
|---|---|---|---|---|---|
| Containers under operating leases as of December 31, 2018—not discounted | **2,680.1** | 598.2 | 1,658.8 | 421.8 | 1.2 |
| Containers under operating leases as of December 31, 2018—discounted | **1,940.1** | 542.2 | 1,197.1 | 200.4 | 0.3 |
| Containers under operating leases as of December 31, 2017—not discounted | **2,673.8** | 637.2 | 1,645.4 | 391.3 | — |
| Containers under operating leases as of December 31, 2017—discounted | **2,116.0** | 590.0 | 1,293.0 | 233.1 | — |

The discount rates used in the table above have been determined on a lease by lease basis, and hence should not materially differ from the rates that will be used under IFRS 16.

The table above includes commitments to Investment and Financing Corp. Ltd., a related party, for an undiscounted amount of USD 113.3 million and a discounted amount of 74.2 USD million as at December 31, 2018 (USD 116.8 million as at December 31, 2017).

The total amount of operating lease expenses related to vessels and containers was USD 2,737.8 million in 2018 (USD 2,343.1 million in 2017). However, these lease operating expenses are not comparable with pure lease payments that would be eliminated as part of IFRS 16 as it includes additional lease payments, service payments, short term leases, among others, for which the Group is not systematically committed at year-end.

*Commitments related to ordered vessels*

The orderbook corresponds to nine TEU 22,000 LNG-fuelled vessels, four Neo PCRF, five TEU 1500 LNG vessels and 2 guyanamax vessels. Part of the vessels included in this orderbook are under committed financing (see below), and the Group is currently seeking financings for the others.

The contractual commitments related to the construction of these vessels can be analyzed as follows (in USD million):

| | **As at December 31, 2018** | **As at December 31, 2017** |
|---|---|---|
| **Orderbook** | | |
| —units | 20 | 22 |
| —Remaining commitments, net of prepayments * | 1,488.9 | 1,787.8 |
| —Commited financings | 1,300.4 | 396.2 |
| ** of which payable in:* | | |
| 2018 | | 446.9 |
| 2019 | 350.5 | 256.9 |
| 2020 | 851.0 | 851.0 |
| 2021 | 287.4 | 233.0 |
| **Total** | **1,488.9** | **1,787.8** |

During the construction of the vessels, the Company obtains refund guarantees from the shipyards' banks covering the amount of prepayments made by the Company until the completion of the delivery (see Note 5.2). These guarantees relate to the construction of 20 vessels as at December 31, 2018 and amount to USD 224.0 million (USD 633.5 million as at December 31, 2017 for 22 vessels).

### 8.2.2 Commitments relating to concession fees

The Group carries out certain stevedoring activities under long-term concession arrangements.

The due dates of the concession operating leases, excluding those with a residual lease term of 12 months or less, as at December 31, 2017, can be analyzed as follows:

| | Total | Less 1 year | 1 to 5 years | 6 to 10 years | Over 10 years |
|---|---|---|---|---|---|
| Concessions under operating leases as of December 31, 2018—not discounted | **622.6** | 35.2 | 114.7 | 110.0 | 362.7 |
| Concessions under operating leases as of December 31, 2018—discounted | **186.7** | 31.1 | 76.6 | 41.5 | 37.6 |

Besides, the Group issued guarantees amounting to USD 838.0 million on a discounted basis as at December 31, 2018 for the payment of concession fees by certain of its associates or joint ventures (USD 809.5 million as at December 31, 2017).

### 8.2.3 Commitments relating to real estate rents

The Group rents offices all over the world for its activities (agency, carrier, logistic, …).

The due dates of the operating leases payments, excluding those with a residual lease term of 12 months or less, as at December 31, 2018, can be analyzed as follows:

| | Total | Less 1 year | 1 to 5 years | 6 to 10 years | Over 10 years |
|---|---|---|---|---|---|
| Real estate under operating leases as of December 31, 2018—not discounted | **110.0** | 35.2 | 56.8 | 6.7 | 11.4 |
| Real estate under operating leases as of December 31, 2018—discounted | **83.4** | 32.6 | 45.6 | 4.0 | 1.2 |

As at December 31, 2017, the level of undiscounted commitments related to real estate was USD 129.6 million.

### 8.2.4 Other Financial Commitments

Other financial commitments primarily relate to the following:

***Financial Commitments given***

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Bank guarantees | 262.1 | 271.6 |
| Guarantees on terminal financing | 135.1 | 156.5 |
| Customs guarantees | 8.7 | 7.9 |
| Port authorities and administration | 19.1 | 18.1 |
| Others guarantees granted for non-current assets | 503.8 | 628.2 |
| Mortgage on share of associates | 4.8 | 5.0 |
| Pledge | 4.4 | 4.4 |
| Other | 125.4 | 147.3 |

The financial commitments included in the table above relate to guarantees or pledges granted to third-parties in addition to recognized liabilities. However, there is no indication to date that any significant item out of these commitments may require a cash outflow.

"Other guarantees granted for non-current assets" mainly correspond to the CAPEX commitment in relation to the information system.

As at December 31, 2018, the Company transferred USD 1,682.8 million of trade receivables as collateral under its securitization programs (USD 1,397.4 million as at December 31, 2017).

*Financial Commitments received*

| | As at December 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Guarantees received from independent shipping agents | 1.8 | 2.6 |
| Guarantees received from customers | 4.3 | 3.9 |
| Other financial commitments received | 45.6 | 43.1 |

## 8.3 SIGNIFICANT SUBSEQUENT EVENTS

*CEVA*

On January 4, 2019, CMA CGM entered into additional derivative instruments allowing the Company to obtain more than 50% ownership of CEVA, when aggregating with the shares owned by the Group and other instruments subscribed in 2018.

On January 28, in line with the communication made around the strengthened strategic partnership with Ceva Logistics, CMA CGM published the prospectus related to the takeover bid on Ceva Logistics.

## Note 9 - Glossary

***BAF***

“Bunker Adjustment Factor” is a surcharge assessed by carrier which is applied to freight rates and invoiced to customers in order to compensate unexpected fuel oil price variations.

***CGU***

A “Cash-Generating Unit” is the smallest identifiable group of assets that generates cash inflows that are largelly independent of the cash inflows from other assets or group of assets.

***EBIT—Core EBIT***

EBIT, as presented in the consolidated statement of Profit & Loss, means “Earning Before Interests and Taxes” and corresponds to Operating profit.

Core EBIT, as presented in the consolidated statement of Profit & Loss, corresponds to EBIT, as defined above, less certain unallocated items as defined in Note 4.1 Operating segments.

***EBITDA***

EBITDA, as presented in the consolidated statement of Profit & Loss, means “Earning Before Interests, Taxes, Depreciation and Amortization” and corresponds to revenue less operating expenses.

***IASB***

“International Accounting Standards Board” is the principal body within the IFRS foundation and is in charge of establishing (i.e. develop and issue) IFRS as defined below.

***IFRIC or IFRS Interpretations Committee (IFRS IC)***

The Interpretations Committee’s responsibilities are to interpret the application of the IFRS, report to the IASB and obtain IASB approval for final interpretations.

***IFRS & IAS***

“International Financial Reporting Standards” & “International Accounting Standards” are designed as a single set of accounting standards, developed and maintained by the IASB with the intention of those standards being capable of being applied on a globally consistent basis by developed, emerging and developing economies, thus providing investors and other users of financial statements with the ability to compare the financial performance of publicly listed companies on a like-for-like basis with their international peers.

***LIBOR***

"London Inter-Bank Offer Rate" is used as a reference rate for many financial instruments in both financial markets and commercial fields.

***NPV***

"Net Present Value" is the worth at the present date of an expected cash flow of an asset or a liability, determined by applying a discount rate to these cash flows.

***WACC***

The "Weighted Average Cost of Capital" is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All sources of capital, including common stock, preferred stock, bonds and any other long-term debt, are included in a WACC calculation.

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