



CMA CGM S.A.

€650,000,000 6.500% Senior Notes due 2022

CMA CGM S.A. (“we,” “us,” the “Company” or the “Issuer”) are offering €650,000,000 aggregate principal amount of our 6.500% Senior Notes due 2022 (the “notes”). Interest on the notes is payable on January 15 and July 15, beginning on January 15, 2018.

The notes will mature on July 15, 2022. Prior to July 15, 2019, 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 July 15, 2019 at the redemption prices described under the caption “Description of Notes—Optional Redemption of Notes.” In addition, until July 15, 2019, 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 Euro MTF market of the Luxembourg Stock Exchange. This offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended.

This offering memorandum includes information on the terms of the notes, including redemption prices, covenants and transfer restrictions.

Investing in the notes involves a high degree of risk. See “Risk Factors” beginning on page 51.

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.

Price: 100.000%, plus accrued interest if any.

Interest on the notes will accrue from July 13, 2017 to the date of delivery of the notes.

We expect that the notes will be delivered in book-entry form through the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”) on or about July 13, 2017.

Joint Global Coordinators and Bookrunners

BNP PARIBAS

HSBC

Joint Bookrunners

Crédit Agricole CIB

Société Générale

UniCredit Bank

Joint Lead Managers

CM-CIC Market Solutions

ODDO BHF

The date of this offering memorandum is July 7, 2017

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We are responsible for the information contained in this offering memorandum. We have not authorized anyone to provide you with information that is different from the information contained in this offering memorandum. This offering memorandum may only be used where it is legal to sell the notes. The information in this offering memorandum may only be accurate on the date of this document. The offering of the notes is being made on the basis of this offering memorandum, 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 this offering memorandum.

The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this offering memorandum. The Issuer, and not the Initial Purchasers, has ultimate authority over the statements contained in this offering memorandum, including their content and whether and how to communicate them. Nothing contained in this offering memorandum 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 this offering memorandum 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 this offering memorandum 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 this offering memorandum 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, this offering memorandum contains 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.

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

This offering memorandum does 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 this offering memorandum 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 this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase, offer or sell any notes or possess or distribute this offering memorandum. 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 this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

This offering memorandum is based on information provided by us and by other sources that we believe are reliable. The Initial Purchasers named in this offering memorandum, the Trustee, the Paying Agent, the Registrar and the Transfer Agent make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this offering memorandum 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 this offering memorandum 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 this offering memorandum to provide any information or to make any representations other than those contained in this offering memorandum.

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 this offering memorandum.

The information contained in this offering memorandum is presented as of the date hereof. Neither the delivery of this offering memorandum 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 this offering memorandum or in our business since the date of this offering memorandum.

None of us, the Initial Purchaser, 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 this offering memorandum 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 this offering memorandum 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 or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (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 (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 this offering memorandum or purchasing any notes, you will be deemed to have represented and agreed to all of the provisions contained in those sections of this offering memorandum.

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 fourth business day following the date of pricing of the notes (such settlement being referred to as "T+4"). See "*Plan of Distribution—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 acknowledgements that are described in this offering memorandum 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 this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Member State”), each Initial Purchaser has represented and agreed that it has not made and will not make an offer of notes which are the subject of the offering contemplated by this offering memorandum to the public in that Member State other than offers:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall result in a requirement for the publication by the Issuer or any Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any notes in any Member State means 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 the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU), and includes any relevant implementing measure in the relevant individual Member States.

France

Each Initial Purchaser has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed any notes to the public in France, within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title I of Book II of the *Règlement Général* of the *Autorité des Marchés Financiers* (the French financial markets authority) (the “AMF”). Consequently, the notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France (*offre au public de titres financiers*), and neither this offering memorandum nor any offering or marketing materials relating to the notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

This offering memorandum or any other offering material relating to the notes and such offers, sales and distributions have been and will be made in France only to (a) investment services providers authorized to engage in portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account as defined in, and in accordance with, Articles L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Prospective investors are informed that:

- (i) neither this offering memorandum nor any other offering material relating to the notes has been or will be submitted for clearance to the AMF;
- (ii) in compliance with Articles L.411-2 and D.411-1 of the French *Code monétaire et financier*, any qualified investors subscribing for the notes should be acting for their own account; and
- (iii) the direct and indirect distribution or sale to the public of the notes acquired by those investors to whom offers and sales of the notes may be made as described above may only be made in compliance with Articles L.411-1 to L.411-4, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier* and applicable regulations thereunder.

United Kingdom

Each Initial Purchaser has represented and agreed that:

- (a) 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 Financial Services and Markets Act 2000 (“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
- (b) 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 United Kingdom.

Notice to investors in other jurisdictions

The distribution of this offering memorandum and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum (or any part hereof) comes 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 this offering memorandum and, to the extent provided to the Initial Purchasers by us, any related amendment or supplement to this offering memorandum. 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 this offering memorandum 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 this offering memorandum. This offering memorandum will also be available on the website of the Luxembourg Stock Exchange (www.bourse.lu). See “General Information.”

CERTAIN TERMS AND CONVENTIONS

In this offering memorandum, “we,” “us,” “our” and “our 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 this offering memorandum, 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,” “dollars,” “U.S.\$” and “\$” are to the United States dollar, the official currency of the United States of America, 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 this offering memorandum to:

- “2018 Senior Notes” means the €300.0 million 8.750% Senior Notes due 2018 issued by the Company on December 16, 2013;
- “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;
- “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 equity” means total equity less reserves for currency translation adjustments plus the portion of bonds and preferred shares redeemable in shares that are accounted for as financial debt under IFRS;
- “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);
- “Agility” means our global efficiency plan rolled out in July 2016, which is designed to improve our operating results by improving our operational efficiency and leveraging our global presence, scale and resources to generate significant cost savings; the announced targets for the Agility program are (i) to reduce our cost base by delivering a \$1 billion reduction in standalone operating expenses by the end of 2017, calculated as described herein and excluding the effects of bunker price variations since Q3 2015, exchange rate variations and the purchase price allocation in connection with the NOL Acquisition, and (ii) to achieve an additional approximately \$500 million in annual run-rate cost and revenue synergies related to the NOL Acquisition by 2018; for further discussion, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Agility Cost Efficiency Program*,” “*Risk Factors—We could be unable to continue reducing costs sufficiently to support our profitability or achieve the benefits targeted by our Agility cost savings program*” and “*Risk Factors—We may not succeed in smoothly and timely integrating NOL into our existing business and we may fail to achieve the synergies targeted from the acquisition of NOL*”;
- “ANL Singapore” means ANL Singapore Pte Ltd;
- “APL 2024 Senior Notes” means the U.S.\$150.0 million notes issued by American President Companies, Ltd. (now APL Ltd.) in January 1994 and due in January 2024;
- “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;
- “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;
- “CFIUS” means the Committee on Foreign Investment in the United States;
- “charter,” with respect to ships, means the lease of a ship for a specified period of time at a fixed price, with the ship owner typically also providing the ship’s crew, insurance and maintenance;
- “Cheng Lie Navigation” or “CNC” means Cheng Lie Navigation Co. Ltd;
- “CMA Terminals” means CMA Terminals Holding S.A.S.;
- “CMA CGM standalone” means the relevant figure excluding the contribution of NOL from the NOL Acquisition Date to December 31, 2016 or March 31, 2017, as applicable, as set forth in the 2016 CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements;
- “CMHI” means China Merchants Holdings (International) Company Limited;
- “cold ironing” means the practice of ships turning off their auxiliary engines and instead sourcing electric power from shore while at berth;
- “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;
- “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,” “dollars,” “U.S.\$” and “\$” means the lawful currency of the United States of America;

- each of the “Company,” “we,” “us” and “our” means CMA CGM S.A. and all of its subsidiaries as of the date discussed, unless otherwise specified or the context suggests otherwise;
- “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,” “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;
- “EQT Infrastructure” means EQT Infrastructure III;
- “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;
- “FRS” means Singapore Financial Reporting Standards;
- “GGS” means Global Gateway South, a container terminal located in the Port of Los Angeles in the San Pedro Bay, United States;
- “GGS Disposal” means the expected sale by NOL Liner of a 90% interest in APL Ltd. (which indirectly holds the GGS terminal) to a consortium composed of the infrastructure fund EQT Infrastructure and the port operator P5 Infrastructure, pursuant to a stock purchase agreement dated as of June 30, 2017 (see “Recent Developments” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—Sale of the GGS Terminal”);
- “IFRS” means International Financial Reporting Standards, as adopted for use in the European Union by the European Commission;
- “Initial Purchasers” means BNP Paribas, HSBC Bank plc, Crédit Agricole Corporate and Investment Bank, Société Générale, UniCredit Bank AG, Crédit Industriel et Commercial S.A. and ODDO BHF SCA;
- “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;
- “Kingston Container Terminal” or “KCT” means the container terminal in Kingston, Jamaica, with respect to which our wholly-owned subsidiary Kingston Freeport Terminal Limited took a 30-year concession pursuant to a concession agreement with the Port Authority of Jamaica signed April 7, 2015;

- “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.;
- “Member States” means states which are members of the European Union;
- “Mercosul Line” means Mercosul Line Navegação e Logística 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;
- “NOL 2017 Senior Notes” means NOL’s SG\$400.0 million notes issued in April 2012, which were fully repaid upon their maturity on April 26, 2017;
- “NOL Acquisition” means our acquisition of Neptune Orient Lines on June 14, 2016;
- “NOL Acquisition Date” means June 14, 2016;
- “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 has since been terminated;
- “Ocean Alliance” means our global alliance with Cosco Container Lines Co., Ltd, 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;
- “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;
- “Paying Agent” means Elavon Financial Services DAC, UK branch;
- “per-carried-TEU” means the relevant financial or operating measure divided by the number of TEUs we transported during the relevant period;
- “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 arrangement with CMHI that holds investments in 14 ports worldwide;
- “trades” means regular routes assigned to ships;
- “Transfer Agent” means Elavon Financial Services DAC, UK branch;
- “Trustee” means U.S. Bank Trustees Limited;
- “UASC” means the United Arab Shipping Company S.A.G.;
- “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; and
- “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.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

The historical consolidated financial information as of and for the years ended December 31, 2014, 2015 and 2016, and as of and for the three-month periods ended March 31, 2017 and 2016 is derived from the free English language translations of (i) our audited consolidated financial statements as of and for the years ended December 31, 2016 and 2015 (respectively the “2016 CMA CGM Audited Consolidated Financial Statements” and the “2015 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 three-month period ended March 31, 2017 (the “CMA CGM Unaudited Interim Condensed Consolidated Financial Statements”), as well as the audited consolidated financial statements of NOL as of and for the year ended December 30, 2016 (the “2016 NOL Audited Financial Statements”), and, in each case, the related notes thereto, each of which are included elsewhere in this offering memorandum. We have also included unaudited pro forma condensed consolidated income statements for the year ended December 31, 2016 and the three-month period ended March 31, 2016, in each case along with the related notes thereto, as well as the unaudited pro forma condensed consolidated income statement for the twelve-month period ended March 31, 2017 mathematically derived using the unaudited pro forma condensed consolidated income statements for the year ended December 31, 2016 and the three-month period ended March 31, 2016 and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, and a description of the basis of the calculation thereof, in “*Unaudited Pro Forma Consolidated Financial Information.*” The CMA CGM Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as endorsed 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 2016 NOL Audited Financial Statements were prepared in accordance with Singapore Financial Reporting Standards (“FRS”), which do not differ in any material pertinent respects from IFRS. However, NOL’s classifications of certain line items may differ from similarly-titled line items in CMA CGM’s financial statements. NOL was not controlled by the Company prior to the NOL Acquisition Date and it has been consolidated in the 2016 CMA CGM Audited Consolidated Financial Statements starting from such date.

The CMA CGM Audited Consolidated Financial Statements have been audited by Deloitte & Associés and KPMG Audit, a Department of KPMG S.A., independent auditors, as stated in their reports dated March 10, 2017 and March 7, 2016, free English translations of which are included in this offering memorandum. The CMA CGM Unaudited Interim Condensed Consolidated Financial Statements have been reviewed by Deloitte & Associés and KPMG Audit, a Department of KPMG S.A., independent auditors, as stated in their report dated May 19, 2017 included in this offering memorandum. The 2016 NOL Audited Financial Statements have been audited by PricewaterhouseCoopers LLP, independent auditor, as stated in its report dated June 30, 2017 included in this offering memorandum.

Changes in accounting policies during periods presented are disclosed in Note 2.2 to the CMA CGM Audited Consolidated Financial Statements, a free English translation of which is included elsewhere in this offering memorandum, and in note 2.2 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, included elsewhere in this offering memorandum. None of these changes materially affected our financial performance or positions during the periods presented. As discussed in Note 2.2 to our 2016 Audited Financial Statements, the adoption of IFRS 16 regarding the accounting for leases is expected to have a significant effect on our financial results in the future. For further discussion, see “*Liquidity and Capital Resources—Significant Recently-Issued Accounting Pronouncements—Leases.*”

Given the date and the size of the NOL Acquisition and its substantial impact on a variety of line items in the 2016 CMA CGM Audited Consolidated Financial Statements, our 2016 CMA CGM Audited Consolidated Financial Statements are not directly comparable to our 2015 CMA CGM Audited Consolidated Financial Statements. Accordingly, to facilitate comparison of our results of operations for the years ending December 31, 2015 and 2016, we have presented certain financial information for 2016 on a CMA CGM standalone basis. This CMA CGM standalone information was derived by eliminating the NOL contribution to our 2016 consolidated results from the NOL Acquisition Date to December 31, 2016 as set forth in the 2016 CMA CGM Audited Consolidated Financial Statements (in particular Notes 3.1.1, 4.1, 4.2, 4.3, 4.6 and 4.7 thereof). These NOL contribution figures from the 2016 CMA CGM Audited Consolidated Financial Statements differ in certain respects from the figures provided with respect to the NOL contribution from the NOL Acquisition Date to December 31, 2016 in Note 1 to the Unaudited Pro Forma Condensed Consolidated Income Statement for the year ended December 31, 2016 as set forth in “*Unaudited Pro Forma Consolidated Financial Information.*” These differences reflect the fact that the latter figures (i) do not give effect to the preliminary purchase price adjustment

with respect to the NOL Acquisition, as opposed to the NOL contribution figures derived from the 2016 CMA CGM Audited Consolidated Financial Statements, because this purchase price adjustment is reflected in the other columns in the Unaudited Pro Forma Condensed Consolidated Income Statement for the year ended December 31, 2016 and (ii) were derived with reference to the 2016 NOL Audited Financial Statements, which were finalized subsequent to the date of the 2016 CMA CGM Audited 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 this offering memorandum, as applicable, and not using the numerical data in the narrative description thereof.

Use of Non-IFRS Financial Measures

In this offering memorandum, 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 this offering memorandum: “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 this offering memorandum. 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. We believe this measure enables better comparison against our competitors given our strategy in terms of fleet ownership: the cost of our ships held under operating leases is accounted for under our chartering expenses, and therefore affects EBITDA, whereas our owned fleet costs are capitalized and amortized thus affecting EBIT. We also refer in this offering memorandum 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.

Our gearing covenant under our credit facilities is based on adjusted net debt and adjusted equity. Adjusted equity is calculated as total equity less reserves for currency translation adjustments plus the portion of bonds and preferred shares redeemable in shares that are accounted for as financial debt under IFRS.

Because EBITDA, Adjusted EBITDA, EBIT, Core EBIT, Core EBIT margin, net debt, adjusted net debt and adjusted equity 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 and adjusted equity 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 this offering memorandum.

Month	Period End	Average Rate*	High	Low
U.S. dollar/Euro				
June 2017 (through June 30, 2017).....	1.1411	1.1233	1.1420	1.1124
May 2017.....	1.1236	1.1050	1.1236	1.0869
April 2017.....	1.0895	1.0714	1.0941	1.0606
March 2017.....	1.0698	1.0691	1.0882	1.0514
February 2017.....	1.0564	1.0646	1.0802	1.0551
January 2017.....	1.0794	1.0635	1.0794	1.0416
December 2016.....	1.0552	1.0545	1.0758	1.0375
Year	Period End	Average Rate*	High	Low
U.S. dollar/Euro				
2017 (through June 30, 2017)	1.1411	1.0818	1.1277	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
2013	1.3779	1.3281	1.3816	1.2774
2012	1.3186	1.2859	1.3463	1.2062

- 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.

This offering memorandum contains translations of euro amounts into U.S. dollars at the exchange rate of \$1.0691=€1.00 (the exchange rate as of March 31, 2017 used by the Company for its unaudited consolidated balance sheet as of such day) 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 June 30, 2017, the Noon Buying Rate in New York City for cable transfers in foreign currencies was \$1.1411 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”), a consultant firm specializing in shipping. We commissioned Drewry to provide the text for this section. In compiling the data for this section, Drewry relied on industry sources, published materials, its own private databanks and direct contacts with the industry. All those sources were used to calculate the data and market information shown in this offering memorandum, except where otherwise noted.

Other Information in this Offering Memorandum

Certain information provided in this offering memorandum 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 this offering memorandum 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, this offering memorandum contains 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

This offering memorandum includes “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 this offering memorandum.

Important factors that could cause actual results to differ materially from our expectations (“cautionary statements”) are disclosed under “*Risk Factors*” and elsewhere in this offering memorandum, including, without limitation, in conjunction with the forward-looking statements included in this offering memorandum. All forward-looking information in this offering memorandum 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. Some of the factors that we believe could affect our actual results include:

- highly cyclical and volatile nature of the container shipping industry due to market conditions and imbalances of supply and demand;
- highly competitive nature of the shipping industry, which is subject to ongoing consolidation and intensifying competition;
- fluctuations in charter rates;
- the considerable time lag between the ordering and the delivery of new vessels;
- adverse developments during seasonal peak periods;
- changing trading patterns, trade flows and sharpening trade imbalances;
- increases in crude oil and bunker fuel prices;
- risks in connection with our cooperation agreements with other major carriers;
- our ability to increase freight rates;
- our ability to retain existing customers and attract new customers, the majority of whom we do not have contracts with;
- port overload and congestion, which has increased in recent years;
- 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;
- political, economic, social, natural and other risks in the markets where we have operations;

- protectionist policies and regulatory regimes adopted by countries globally;
- our ability to be fully protected from certain liabilities under our insurance coverage or indemnities covering liabilities, and the potential increase in the cost of premiums;
- acts of piracy against oceangoing vessels, which have increased in frequency;
- risks inherent in the operation of oceangoing vessels, including: marine disaster; environmental accidents, including oil and hazardous substance spills; grounding, fire, accidents resulting from the handling or transport of dangerous or hazardous goods, explosions and collisions; cargo and property losses or damage (including total loss of vessels); business interruptions caused by mechanical failures, IT system outages, cyber-attacks, human error, war, sabotage, terrorism, 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; 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;
- potential governmental claims or operational restrictions related to the possible smuggling of drugs, weapons or other contraband onto our vessels;
- risks in relation to compliance with anti-corruption laws and regulations;
- possibility of fines and constraints on our business practices in the event we fail to comply with competition laws to which we are subject;
- compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions;
- compliance breaches leading to investigations by relevant authorities, fines, damage claims, payment claims, the termination of relationships with customers or suppliers and reputational damage;
- monitoring and inspection procedures aimed at preventing terrorist attacks;
- changes to the liability regime for the international maritime carriage of goods;
- compliance with, and changes in, existing laws and regulations, including in respect of the environment;
- costs associated with compliance with the requirements imposed on our vessels by classification societies;
- risks associated with our IT systems, their ability to continue to generate operational efficiencies and our ability to continue to develop innovative new IT solutions;
- labor disturbances;
- arrest or attachment of our vessels by maritime claimants;
- our ability to continue participating in the French tonnage tax regime and in similar tax regimes in Singapore, Taiwan, the United Kingdom and Germany;
- our ability to abide by our financial covenants;
- our ability to secure future sources of financing in a capital-intensive industry;
- adverse developments resulting in impairment of goodwill or other identifiable intangible assets;
- changes in accounting standards;
- our ability to achieve and manage growth;

- our ability to continue reducing costs sufficiently to support our profitability and achieve the benefits targeted by our Agility cost savings program;
- potential issues with integration of the NOL Acquisition, including potential failure to achieve the targeted synergies;
- fluctuations in exchange rates and interest rates and risks associated with our hedging derivative instruments;
- potential conflicts of interests with shareholders;
- fluctuations in the market value of our vessels;
- loss of the services of key management personnel, as well as difficulties in recruiting and retaining qualified personnel;
- our reliance on third-party contractors to provide various services, and the potentially unsatisfactory or faulty performance of a contractor;
- difficulties in hiring and retaining crews for our vessels;
- litigation risks; and
- any downgrade in our corporate credit rating by a rating agency.

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 this offering memorandum might not occur. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements included in this offering memorandum, including those described in the section entitled “*Risk Factors*.”

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. 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 offering memorandum carefully, especially the risks of investing in the notes. See “Risk Factors.” For definitions of certain capitalized terms used in the offering memorandum, see “Certain Terms and Conventions.”

Overview

We are one of the leading and most profitable, based on Core EBIT, providers of global container shipping services. In terms of capacity, we are the third largest provider of container shipping services in the world. We offer our services through a global network of 273 main lines and 97 short sea and feeder lines, calling at 370 ports in 161 countries as of March 31, 2017, with the support of 208 shipping agencies operating through more than 600 offices worldwide.

As of March 31, 2017, our fleet consisted of 445 container ships, of which we chartered 58% and owned or had under finance lease or equivalent arrangements 42% of them, in each case in terms of capacity. Our entire fleet had a combined capacity of 2.220 million TEU and a weighted average age, based on total TEU, of 7.3 years. As of March 31, 2017, we maintained a 3.54 million TEU fleet of containers, of which we leased approximately 90% and owned the remainder. As of March 31, 2017, the book value of our owned containers was \$473.3 million. The market value of our owned vessels is assessed every six months by calculating the average of four independent ship brokers’ valuation and was \$4,646.8 million as of December 31, 2016.

We transported approximately 17.8 million TEU in the twelve months ended March 31, 2017 (on a pro forma basis giving effect to the NOL Acquisition as if it had occurred on January 1, 2016) on behalf of a globally diversified base of more than 100,000 customers. We generated pro forma revenues of \$18,102.0 million and pro forma Core EBIT of \$250.3 million in the twelve months ended March 31, 2017 (on a pro forma basis giving effect to the NOL Acquisition as if it had occurred on January 1, 2016; see “*Unaudited Pro Forma Consolidated Financial Information*”). Our pro forma EBITDA was \$840.8 million in the twelve months ended March 31, 2017 (on a pro forma basis giving effect to the NOL Acquisition as if it had occurred on January 1, 2016; see “*Unaudited Pro Forma Consolidated Financial Information*”). Our cash and cash equivalents (net of overdrafts) as of March 31, 2017 was \$1,213.9 million. 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 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 effectively manage 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 increases our profitability. We substantially increased our scale and geographic coverage with the acquisition of 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.

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 trade lanes: 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) and intra-regional lines. Our extensive and diversified network allows us to focus both on high-volume markets, such as Asia-Europe and Asia-North America, and niche markets, such as the Caribbean, Black Sea and intra-Asia markets.

Our extensive network is further supported by strategic alliances with other carriers, which allow us to extend the scope and improve the quality of our services while reducing our cost base. Our principal alliance is the Ocean Alliance, along with Cosco Shipping, Evergreen Line and Orient Overseas Container Line. Ocean Alliance, which started operations on April 1, 2017 and has a ten-year term, enables the 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 15% of our annual volumes transported. 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 addition, we have developed niche activities within our container shipping core business. Thanks to our proven expertise and the ownership of the second-largest fleet of reefer containers in the world, we are able to address an enlarged customer base with the transportation of perishable goods, pharmaceuticals, frozen food and wines and spirits. Since the NOL Acquisition, we maintain a contractual relationship with the U.S. government and have the certification to carry U.S. governmental cargo with nine of our vessels sailing under the U.S. flag.

To complement our container shipping services, we offer logistics services and inter-modal container transportation services that allow us to provide door-to-door and tailor-made transportation of cargo. To provide these services, we have established inland transportation systems, including by rail, road and waterway to ensure connection to our shipping lines, and to capture additional profitability in the logistical chain, particularly in France, Africa, Asia and India. We provide these services either ourselves or through third-party contractors.

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 36 terminals around the world, 34 of which are in operation and two in development, through our subsidiaries CMA Terminals (100% owned by the Company as of March 31, 2017), Terminal Link (51% owned by the Company as of March 31, 2017) and entities acquired as part of the NOL Acquisition. CMA Terminals is present in Marseille (France), Lattakia (Syria), Umm Qsar (Iraq), Odessa (Ukraine), Long Beach (United States), Rotterdam (the Netherlands), Cai Mep (Vietnam), Mundra (India), and has historically directly owned and operated terminals in Guadeloupe and Martinique (French Antilles) and French Guyana. Terminal Link currently has terminal investments in the following ports: Antwerp (Belgium), Dunkirk, Le Havre, Fos, Montoir de Bretagne (France), Malta, Casablanca, Tangier (Morocco), Abidjan (Ivory Coast), Pusan (South Korea) and Miami and Houston (United States). We continue to expand our terminal portfolio, as illustrated by the execution of a 30-year concession agreement ending in 2046 with the government of Jamaica to manage the Kingston Container Terminal. Situated in close vicinity of Panama, with 2,400 meters of key length and a 102 hectare yard, this terminal will allow us to manage all of our transshipment operations between Asia, South America, North America and Europe. As part of the NOL Acquisition, we acquired indirect controlling interests in terminal facilities in Los Angeles and Dutch Harbor (USA), Kaohsiung (Taiwan) and Yokohama (Japan), as well as minority interests in the following terminals: Laem Chabang (Thailand), Qingdao (China), Ho Chi Minh (Vietnam) and an additional minority stake in a terminal already partly owned by CMA Terminals, Rotterdam (the Netherlands). Finally, through a 49% held joint venture, we lease and operate four container berths in the port of Singapore.

Over the past 38 years, we have grown from being a regional Mediterranean carrier with a single ship into a leading provider of global container shipping services with a fleet of 445 vessels as of March 31, 2017. We believe that the stability of our efficient, hands-on 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 superior profitability when compared to our peers. From January 1, 2013 to December 31, 2016, we achieved compound annual growth rates on volumes transported of 8.5%.

Industry Overview

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 has increased every year since the 1960s, with the exception of 2009.
- Overall worldwide container trade volumes transported (in millions of TEU) grew steadily from 165 million TEU in 2011 to 197 million TEU in 2016, and have increased at a CAGR of 4.4% over the last decade, albeit with a slowdown in growth rates in more recent years.
- Global container trade traffic represents approximately 16% of seaborne transported cargo by volume but approximately 65% by value, as a consequence of being used for high-value-added finished and semi-finished goods.

Consolidation

Carriers are continually striving to improve operational efficiencies and scale in order to enhance profitability. These efforts contributed to a wave of consolidation in the industry in 2015 and 2016, with CMA CGM acquiring NOL, China Shipping Group (CSCL) merging with COSCO, Hapag Lloyd and UASC announcing their intention to merge in 2017 (the merger process officially launched in the first half of the year) and Maersk announcing its acquisition of Hamburg Süd. As a result of these combinations and the overall trend toward consolidation in recent years, the container shipping industry going forward is expected to be characterized by fewer, but larger, players with greater scale and lower per-unit costs as a result of using larger, more-efficient vessels.

Whereas in the past, the main driver for acquisitions was the need to establish a presence on routes on which the acquirer had lesser or no presence, the latest M&A activity has been focused on the pursuit of scale and global reach by reinforcing the acquirer's network through a combination of capacity and market share. An example is CMA CGM's acquisition of NOL, where the latter's primary strength on its Transpacific and Intra-Asia/Middle East trades reinforced CMA CGM's position in these trades. Another part of the surge in M&A activity came as a consequence of the fact that some highly leveraged smaller companies faced challenges in servicing their debts due to recurrent operating losses, and hence were more inclined to be acquired by larger competitors.

In addition to consolidation due to M&A activity, the landscape has also changed in recent years due to company bankruptcies, in particular that of Hanjin Shipping. Debt in the industry remains high and there are still highly leveraged companies in the sector, which may lead to further consolidation going forward.

Alliances

From a competitive point of view, it is essential for liner companies to deploy large ships, which allow for significant operating economies of scale. Such economies are reached when the ships are highly loaded, so it is also essential for liner companies to adopt measures such as joint operational alliances, which aim to stabilize and control costs with optimized fleets and services, thus boosting ship utilization.

Before April 2017, there were four main operational alliances among the major carriers. These have now been reshaped into three major alliances, namely 2M, Ocean Alliance and The Alliance. The vessel-sharing agreement within 2M remains largely unchanged compared to the prior operational alliance landscape, with the addition of Hyundai Merchant Marine (HMM) for selected services. The Ocean Alliance expanded its cumulative capacity compared to 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 and joined The Alliance.

The market share of each of the major alliances varies depending on the different routes. 2M holds the largest capacity share on Asia-Europe (41%) and Transatlantic (22%) while Ocean Alliance leads capacity share on the Transpacific route (38%) where the market is fragmented. THE Alliance is the third major alliance in terms of total capacity deployed and it holds a meaningful market share (18%) on the Transatlantic route.

Digitalization

Technological advancements have led to rampant digitalization across the globe and this trend is impacting the container shipping industry as well. Liner companies such as CMA CGM, Maersk and ZIM have sought to leverage the digital medium to grow their business at lower costs. Not only do digital platforms provide an opportunity for buyers and sellers to converge online, it also helps in reducing transaction costs, increasing transparency and reducing information asymmetry.

2016 Industry Performance and Outlook

Industry performance in 2016 was affected by overcapacity and low freight rates:

- Freight rates plummeted to record lows, leading to distressed vessel earnings and higher debt levels in the industry, which in turn also contributed to the bankruptcy of Hanjin Shipping, the leading Korean liner company.

- As a consequence, this forced ship owners to scrap an increased number of older vessels and postpone deliveries to avoid exacerbating operating losses.

After these difficult market conditions in 2016, current trends indicate that the liner industry overall is in the early stages of recovery, driven primarily by the trend of consolidation in the industry, aggressive scrapping and active capacity management, with ship owners continuing to defer new vessel deliveries:

- As a result of some consolidation in the industry and the bankruptcy of Hanjin Shipping, the global supply chain has experienced disruptions and scheduling disturbances. This has led to less prompt deliveries, higher scrapping and more idling, which in turn have alleviated the existing excess supply to some extent. The disruptions and losses caused by the Hanjin bankruptcy have also contributed to many customers being more selective in choosing liners with strong reputations and in good financial condition, providing an advantage to stronger industry players.
- The new orderbook (as percentage of total capacity) has continued to decrease and was at a decade low (15.1%) in March 2017. The orderbook comprises mostly larger vessels (exceeding 10,000 TEU capacity), which account for almost 80% of the overall orderbook in TEU terms, as major liner operators seek to reduce their slot costs and/or increase their market share with larger vessels.

Our Competitive Strengths

We believe our competitive strengths include:

Global reach, leading market positions and diversified operations in an industry in which scale is critical. We operate a global container shipping network made up of 273 main lines and 97 short sea and feeder lines, calling at 370 ports in 161 countries as of March 31, 2017. Our operations are supported by an extensive global network of 208 shipping agencies operating through more than 600 offices worldwide. We own or have a majority stake in 136 of these shipping agencies, which accounted for approximately 97% of our carried volumes in 2016. Our agencies act as our local sales, marketing and customer service representatives. We aim to provide our customers with global seamless shipping services through our network of lines and agencies that connects six continents. With this breadth of coverage, we can offer our customers a range of lines, scheduling alternatives and services to fulfill their container shipping requirements. Our large and diversified global network thus provides a key advantage for us in a market where scale both helps to attract customers and has a positive impact on operating costs and profitability. We believe that there is a natural tendency for mainstream shippers to choose large operators who can provide a range and scope of connections, with enough carrying capacity to accommodate their volumes on each connection.

We have leading market positions in the container shipping industry both on high-volume trade routes and higher margin, niche routes. With a total fleet capacity of 2.220 million TEU as of March 31, 2017, we are the third largest provider of container shipping services in the world in terms of capacity and our fleet represented more than 10% of the total capacity of the world fleet of fully cellular containerships (source: Alphaliner Monthly Monitor – April 2017). We have 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, but also other trades, such as Asia-Red Sea, and niche markets, such as the Caribbean, Black Sea, Africa and intra-Asia markets. Our strong position on the Transpacific and Intra-Asia/Middle East trades was reinforced by our acquisition of NOL in June 2016, which substantially increased our scale and reinforced our geographic coverage, allowing us to become the leader on the Transpacific trade in terms of volumes carried. As a result of being a large, globally diversified operator with a culture fostering responsiveness, we have generally tended to outpace industry growth in terms of volume. From 2013 to 2016, 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, June 2017). We transported over 15.6 million TEU in 2016.

We have both leveraged and reinforced our scale and geographic diversification through our new Ocean Alliance with Cosco Shipping, Evergreen Line and Orient Overseas Container Line, which began operations on April 1, 2017 and has a 10 year term. The Ocean Alliance is designed to enable its members to offer comprehensive service networks covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-US East Coast and Trans-Atlantic trades, and it has the most extensive geographical network of the major alliances. Together, the members of the Ocean Alliance operate 41 services on the East-West trades with 97 ports of call and almost 500 port pairs. Supported by a highly-efficient fleet of 311 vessels with approximately 18 million TEUs in total annual capacity, Ocean Alliance is also one of the leading alliances by volume. It represents

the largest market share of any shipping alliance on the Transpacific trade and the second-largest on the Asia-Europe trade (source: Drewry, June 2017). We are the main contributor in terms of deployed capacity to the Ocean Alliance, deploying a fleet of 113 vessels with a 36% capacity share. Our participation in the Ocean Alliance will allow 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. At the same time, the Ocean Alliance will allow us to improve our level of slot utilization on the relevant lines as compared to our standalone operations and to deploy larger ships on certain lines, such as Asia-Europe and Asia-Mediterranean, to take advantage of economies of scale to ensure competitive slot costs. Thus, we anticipate that the Ocean Alliance will support our overall revenue growth and contribute to our efforts to control our operating costs.

Strong integrated asset base to support our operations. We have a comprehensive and diverse asset base, including a large and flexible fleet of vessels, a cost-efficient and diversified container fleet and strategic terminal investments. The NOL Acquisition allowed us to further supplement our asset base to support the expanded scale of our operations. We carefully manage the composition, financing and operational deployment of our assets so we can be responsive to a variety of customer needs and provide efficient and reliable services while retaining financial flexibility. Our asset base is also strongly integrated and complementary, with our terminal and logistics investments providing support services and allowing us to optimize the use of our vessel and container assets, as well as increasing our revenue diversification and thus reducing volatility and our overall reliance on freight rates. We believe this complementarity supports the overall value of our asset base and enhances our operational and financial performance.

As of March 31, 2017, our fleet consisted of 445 container ships with a total capacity of 2.220 million TEU, of which we owned 127, or 42% of our fleet by capacity, and chartered the remaining 318, or 58% of our fleet by capacity, of which 218, or 24% of our fleet by capacity, had a remaining charter duration of less than one year. Our use of vessel charter agreements allows us to align our cost structure with our projected demand more quickly and thus allows us to be flexible across the business cycle. Our vessel fleet is also diversified in terms of size, ranging from 164 TEU to 17,554 TEU. On our main liner trades, the average size is 6,491 TEUs; on our short sea lines, the average size is 1,485 TEUs, and on our feeder services, the average size is 1,140 TEUs. 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. Finally, the increasing overall efficiency of our vessel fleet as a result of increasing size, technological advancements and retrofitting and our operational efficiency efforts have helped us to control our operating costs and improve profitability.

We maintain a large fleet of containers of diverse types totaling 3.54 million TEUs as of March 31, 2017, of which we leased approximately 90% under operating leases and owned the remainder. Our fleet includes 322,696 reefer containers, the second-largest fleet of reefer containers in the world, which permits us to be one of the market leaders in providing this high-value added service to our customers.

We hold strategic investments in a number of port terminal facilities around the world where we have significant operations. Through these investments, we gain preferred access to berths for our vessels and greater control over port activities and workers, including stevedores, allowing us to ensure greater reliability and efficiency of operations and helping us to optimize certain port-related costs. Although we manage our terminals as profit centers, the primary intention of our terminal investments is to support and help us to optimize our liner services. We currently have interests in or agreements related to 36 terminals around the world, 34 of which are in operation and two in development, through our subsidiaries CMA Terminals (100% owned by the Company), Terminal Link (51% owned by the Company) and certain entities in the NOL group. We have continued to strategically expand our terminal investments in recent years, including through our concession agreement signed with the government of Jamaica in 2016 to manage the Kingston Container Terminal through 2046, which provides us with a strategic hub for trades through the widened Panama Canal and permits us to use larger vessels for the lines operated in the area. We also entered into a joint venture with PSA Singapore Terminals in 2016 to lease and operate four container berths in the port of Singapore, which provides us with an additional container terminal hub in the region.

Finally, we hold a portfolio of logistics-related assets to help support our growing logistics operations and to complement, and enhance the efficiency of, our liner services. For example, we hold investments in dry ports in certain jurisdictions where infrastructure is less developed (see “*Business—Logistics Activities and Inter-Modal Container Transportation Services*”). These properties are inland intermodal terminals directly connected by road or rail to a seaport and operating as a center for the transshipment of sea cargo to inland destinations. In addition to their role in cargo transshipment, dry ports may also include facilities for storage and consolidation of goods, maintenance for road or rail cargo carriers and customs clearance services. These facilities are particularly

important to our operational efficiency in jurisdictions where infrastructure is underdeveloped and the timing of delivery of containers from our customers is uncertain, because they allow us the flexibility to receive the containers in advance in order to permit a greater margin of error to address potential delays.

A strong business model allowing for superior profitability. We believe that our size, reinforced by the NOL Acquisition, enables us to take advantage of the significant economies of scale that characterize the liner industry. Being able to efficiently deploy optimized tonnage and achieve a lower cost base, coupled with the ability to react quickly and flexibly, and having in place the proper commercial tools and IT systems means that, across the industry, larger liners are more profitable than smaller players. The scale of our operations, together with the flexibility of our fleet and effective management of our operated tonnage across all trade lanes, enables us to efficiently deploy optimized tonnage on most of our routes. 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 further improve the efficiency and capacity of our services beyond the lines which are the direct beneficiaries of the new replacement ships. Optimizing tonnage is a key advantage as operating costs can differ significantly depending on the size of the vessel deployed along the same route. For example, the bunker fuel cost per TEU for a new 18,000 TEU new-generation containership is estimated to be about 40% lower than the equivalent costs for an older 9,000 TEU ship operating on the same route, so our ability to cascade larger vessels helps us to reduce our operating costs per unit. Our size also strengthens our bargaining power when negotiating the terms of our contracts for operational and capital expenditures, financings, and any negotiations with respect to rebates and discounts with various terminals.

Our profitability and the resilience of our business model is also supported by our diversified revenue base, with no single trade representing more than 15% of our annual volumes transported, and our opportunistic exposure to high value niche businesses. We believe that our geographic diversification and our leading market positions help protect us from regional fluctuations in demand and freight rates because the factors affecting these measures in our various markets may differ, reflecting regional balance-supply dynamics. In addition to geographic diversification, we have also 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. We have also developed into one of the leaders in intra-European short sea lines and intra-Asia short sea lines, which function as standalone services as well as providing support for our main lines. 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. Finally, since our acquisition of NOL in 2016, we maintain 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.

Our diversified and loyal customer base is founded on dedicated commercial services and strong reputation. In the twelve months ended March 31, 2017, we made shipments on behalf of a globally diversified base of over 100,000 customers. Our customer portfolio is highly diversified by both geography and industry sector and includes important customer relationships with both direct shippers (who collectively represent approximately 40% of our customers), such as Samsung, Ikea, GM, BASF, Coca-Cola, Renault and Nestlé, and leading freight forwarders (who collectively represent approximately 60% of our customers), such as DHL, Kühne & Nagel, Schenker, Expeditors and Panalpina. In 2016, the volumes transported for our top 20 customers by volume represented 17% of total volumes carried, and we had no customer that accounted for more than 2.5% of total volume. We believe that this diverse customer base helps reduce the adverse effects of downturns in a particular region or industry. In addition, we have been successful in acquiring and retaining longstanding relationships with many of our customers, including many multinational companies and other key account customers, some of which we acquired through the integration of NOL. Our success in maintaining strong relationships with our customers through exceptional service has been recognized by a number of accolades, including being named “Best Partner 2016” by Sony, “Supply Chain Provider of the Year” by JCPenney, “Transporter of Reference 2016” by Huawei and “Excellent Service Provider” by Nike in 2016. This success is further evidenced by the fact that our top 20 customers in 2006 all remained significant customers in 2016. We have also had success in growing our customer base in recent years, winning business from major customers including Alibaba and, as a result of the NOL Acquisition, Amazon.

The strength of our business model and our ability to support and enhance profitability are evidenced by the positive results we have achieved with respect to NOL since the NOL Acquisition. After consistently

generating operating losses in recent years, NOL has been profitable in the short time since the NOL Acquisition. For example, NOL generated negative Core EBIT margins of (7.4)%, (18.4)% and (3.9)%, respectively, in the first, second and third quarters of 2016, before making a positive contribution to group profitability in the fourth quarter of 2016 (1.4% Core EBIT margin) and the first quarter of 2017 (4.4% Core EBIT margin) (NOL Core EBIT margins for quarterly periods prior to the NOL Acquisition are derived from Alphasider Monthly Monitor, December 2016; subsequent to the NOL Acquisition margins are calculated based on NOL's contribution to our consolidated Core EBIT). This turnaround was a result of a variety of initiatives, including implementation of improved pricing models and billing best practices, as well as cargo selection efforts to focus on more profitable cargos. We also pursued cost reduction efforts through optimization of NOL's asset deployment, as well as operational cost savings initiatives as part of our Agility program that allowed us to achieve approximately \$150 million in cost synergies relating to NOL in 2016.

We believe our reputation for quality and reliability, together with our global reach and leading market position, gives us an advantage over our competitors and allows us to avoid competing solely based on price. In light of recent challenges in the container shipping industry, including the bankruptcy of Hanjin Shipping and the associated delays and losses for shippers, we believe our strong reputation for reliability is particularly important to customers and serves as a competitive advantage going forward.

High management reactivity and entrepreneurial spirit coupled with innovative culture and strong governance practice. We benefit from what we believe to be one of the most highly qualified and experienced management teams in the container shipping industry. Mr. Jacques R. Saadé, the founder of CMA S.A., was instrumental in building the business since its inception in 1978 from a niche French container shipping services provider to the third largest provider of container shipping services in the world in terms of capacity in 2017. He was recently replaced as Chief Executive Officer by his son, Mr. Rodolphe Saadé, who had previously served as Deputy General Manager and a member of the Board of Directors since 2010 and a Vice-Chairman since 2014. Mr. Jacques R. Saadé remains the non-executive Chairman of our Board of Directors. Mr. Jacques R. Saadé and Mr. Rodolphe Saadé are supported by a senior management team, many of whom have long periods of service with the Company and in the industry. Our five most senior operational executives have on average over 20 years of experience within the industry. 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.

Our management team is organized with a focus on broad information-sharing, timely decision-making and rapid responses to arising opportunities. As part of our entrepreneurial corporate culture, led by our senior management, we endeavor to take advantage of opportunities sooner than most of our competitors. We believe that our ability to react quickly represents a significant strategic advantage over our competitors. The NOL Acquisition in 2016 exemplifies our management's ability to make timely strategic decisions and effectively manage volatile market conditions, ensuring we are prepared for a strong performance as the market recovers. Our management also demonstrated the entrepreneurial and flexible decision making process through its implementation of a commercial strategy in 2016 aimed at halting certain underperforming activities in order to focus on higher value cargos and contracts, which contributed to an improving trend in some financial indicators in 2016 and the first quarter of 2017 (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*"). Furthermore, our recently-announced agreement with Maersk to purchase Mercosul Line, one of the leading players in Brazil's domestic container shipping market, demonstrates the ability of our management to strategically pursue attractive opportunities in markets where we see strong potential for development and to implement our strategy to further develop intra-regional sea transportation links and complementary services such as logistics (see "*Recent Developments*"). At the operational level, we rely on our experienced team of line managers to optimize the cargo mix on each ship and on each line and load vessels efficiently, with a view towards maximizing profits while maintaining a high standard of quality.

As part of our efficiency initiatives, we have also set up ship operating centers in Marseille, Singapore and Miami, operating 24 hours a day and staffed by a team of experienced officers that together monitor our entire fleet of 445 vessels and their cargo, both in transit and in port. These centers calculate the most efficient routing for vessels based on weather forecasts, current forecasts and a variety of other factors, monitor speed and route requirements and have direct access to every officer on board of our vessels so that any deviation from schedule may be immediately addressed. The teams at our operating centers are also in charge of improving fuel efficiency and the punctuality of all our lines and ensuring efficient movement and effective storage of our containers throughout our network. These monitoring systems provide a key advantage in transporting sensitive cargos by allowing us to ensure our reefer containers remain at proper temperatures and are efficiently loaded and unloaded from vessels. In recent years, 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.

Combined, these efforts have driven improvements in operating efficiency, particularly by reducing our bunker consumption, and helped us to control our operating costs.

Clear focus on cost reduction. We have implemented a broad range of cost reduction and efficiency measures across our organization aimed at reducing our per-unit costs and hence supporting our profitability and increasing the resilience of our business in cyclical downturns. Our operational efficiency efforts accelerated with the launch of our Agility global efficiency plan in July 2016, which is designed to improve our operating results by leveraging our global presence, scale and resources to generate significant cost savings. The announced targets for the Agility program are to reduce our cost base by delivering a \$1 billion reduction in standalone operating expenses by the end of 2017 (calculated as described “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Agility Cost Efficiency Program*”) and to achieve an additional approximately \$500 million in annual run-rate cost and revenue synergies related to the NOL Acquisition by 2018. The Agility program comprises a variety of initiatives organized under four main pillars: contract renegotiation (securing improved terms, including as a result of our increase in volumes from the NOL Acquisition and aligning on best terms across the group’s contracts), lean operations (initiatives to identify and address operational inefficiencies and redundancies and to optimize our operations), asset optimization (identifying and capturing opportunities to leverage our assets in a more efficient and profitable manner) and efficient general and administrative costs (including savings from rationalization of our agency network and close monitoring of our administrative expenses to identify potential cost savings). See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Agility Cost Efficiency Program*.” Our cost management and operational efficiency efforts have already had a positive impact on our financial results, helping to contribute to an 8.0%, or \$392 per TEU, aggregate reduction in consolidated operating expenses per TEU from 2012 to 2016, with the acceleration from the launch of Agility contributing to an 11.1% decrease in consolidated operating expenses per TEU in 2016 as compared to 2015. Our integration efforts with respect to NOL have also achieved positive results: we achieved approximately \$150 million in cost synergies relating to NOL in 2016, which was consistent with our implementation plan for Agility and with our overall synergies objective. The cost savings calculated under Agility, which comprise both standalone cost savings and cost synergies related to the NOL Acquisition, are targeted to amount to an overall cost reduction of \$1,350 million by the end of 2017. As of March 31, 2017, we have secured aggregate cost reductions under the Agility program (including both standalone cost savings and those related to the NOL Acquisition) of approximately \$920 million, or nearly 70% of our targeted cost reductions by the end of 2017. Moreover and as noted above, after consistently experiencing operating losses in recent years, NOL made a positive contribution to group profitability in the first quarter of 2017 as a result of the implementation of initiatives to increase its per unit revenue to a level closer to CMA CGM’s and various cost control measures. These successes in controlling costs and improving profitability across our organization despite the volatile market conditions in 2016 demonstrate the ability of our management to successfully implement an effective cost control strategy.

Our efficiency initiatives and specific cost cutting programs have helped us consistently outperform industry-average Core EBIT margins by 2.3% to 6.9% on a quarterly basis since the first quarter of 2014, an average of 5.6% per quarter during this time period (source: Alphaliner, May 2017, based on average of reported financial information; note that Core EBIT may be measured differently by different liners, see “*Presentation of Financial Information*”). Our reduced cost base has also contributed significantly to our profitability in the first quarter of 2017, when our operating expenses per TEU on a CMA CGM standalone basis decreased by 1.4% compared to the first quarter of 2016, and helped us to limit our net losses in 2016 by virtue of an 8.3% decline in operating expenses per TEU on a CMA CGM on a standalone basis compared with 2015.

Adequate capital structure with significant cash position and balanced financial strategy. We have access to diversified sources of financings including bond markets, secured and unsecured asset financing and long-term leases provided by a wide range of suppliers including international and regional banks, financial institutions, governmental agencies, shipyards and various lessors. At the same time, we have built strong and confident relationships with a group of core banks that allow us to optimize our financings. All of our debt financing arrangements benefit from a covenant package well-suited to the industry’s volatility, based on minimum available cash and a gearing ratio, rather than leverage or coverage ratios. In addition, we have been successful in seizing financing opportunities and managing our leverage covenants to maintain our strong liquidity position. Our ability to seize and implement attractive financing opportunities also allowed us, notwithstanding difficult industry and market conditions, to quickly repay the acquisition facility we incurred in connection with the NOL Acquisition and refinance the amount using longer-term indebtedness, thus solidifying our long-term capital strategy.

Our financial policy focuses on maintaining a strong liquidity position to provide security and flexibility in an uncertain market. Our liquidity strategy in 2016 enabled us to maintain a strong liquidity position

notwithstanding the extremely difficult operating environment, both as a result of the positive cash we generated through operations and various financing transactions. Our available cash position as of March 31, 2017 was \$1.2 billion (net of overdrafts), and our gearing ratio (as defined in our financing arrangements) was 1.31. Our liquidity position will be further improved by the expected sale of a 90% interest in our GGS terminal to a consortium composed of the infrastructure fund EQT Infrastructure and the port operator P5 Infrastructure, as described in “Recent Developments.” The consideration to be paid at closing (which is subject to anti-trust and regulatory approvals, and is expected to occur in second half of 2017) is estimated to be \$817 million (excluding potential adjustments at closing). Moreover, additional earn-outs estimated at up to approximately \$200 million would be payable from 2020 subject to (i) certain conditions of volumes of usage of the facility by the group, (ii) the purchasers’ ability to refinance the transaction and (iii) the pricing conditions of any future exit by the purchasers. The proceeds of the disposal will be used to reimburse drawings under our and our subsidiaries’ (unsecured) credit facilities, mostly maturing in 2017 and 2018, as well as repayment of other secured debt. The asset sale and the use of proceeds therefrom is expected to result in a \$817 million decrease in our net debt (without taking into account any earn-out).

Our Strategy

Our key strategic objectives are as follows:

Further improve our long-term profitability. One of our main objectives is to increase the profitability of our operations, while continuing to enhance our financial strength. We are currently one of the top tier operators in terms of profitability, and we will continue to work to enhance this position, in particular by realizing the long-term benefits of efficiencies obtained through our Agility operating efficiency program and a continued focus on realizing synergies related to the NOL Acquisition. These efforts include the following initiatives:

- **Network optimization.** We constantly reassess the profitability of our network of lines and react nimbly to either close or open or restructure our network to meet changing requirements. As part of the Agility program, we are working to rationalize our sailings and port call schedules, reduce services overlaps, reduce the cost of our feeder activities (including through selective outsourcing), study and optimize our overall fleet schedule with respect to berthing windows and speed and implement procedures to optimize our delivery network and reduce inefficiencies. In addition, our opportunistic reductions in transshipment activities in 2016 with the aim of improving efficiency contributed to an overall \$24 per carried TEU reduction in handling and stevedoring expenses per TEU on a CMA CGM standalone basis compared to 2015.
- **Review and renegotiation of contracts.** As part of our ongoing cost reduction efforts, we will continue to review our contracts with suppliers and seek to renegotiate more advantageous terms where possible, including for our handling and stevedoring contracts, contracts with terminals and vessel charter contracts. Our increased scale, particularly as a result of the NOL Acquisition, provides us with greater leverage in securing favorable terms such as lower prices, bonuses and discounts, securing preferential status at certain ports and operational concessions to reduce port time.
- **Fuel efficiency initiatives.** We will continue to pursue improved efficiency in our bunker consumption through a variety of methods. First, we will maintain our efforts to improve the overall bunker efficiency of our vessels through increases in vessel size, replacing older vessels with newer, more efficient vessels, continued route optimization that leverages our data analysis capabilities at our three ship operating centers, and pursuing retrofits of our vessels where possible to increase efficiency through improvements like bulbous bows to reduce drag and trim optimization. These initiatives have already contributed to a reduction in our bunker fuel consumption per transported TEU from 491kg per transported TEU in 2014 to 440kg per transported TEU (459kg per transported TEU in 2016 on a standalone basis excluding NOL) in 2016, and to 425kg per transported TEU (439kg per transported TEU on a standalone basis excluding NOL) in the three-month period ended March 31, 2017. These reductions in fuel use allowed us to reduce the carbon emissions of our fleet during the period. In addition, we will continue to pursue further integration and coordination of our bunker fuel supply chain, including in cooperation with bunker fuel suppliers, in view of the evolving mix of fuel sources and developing regulatory requirements with respect thereto in the industry.
- **Additional Cost Reduction Initiatives.** As cost savings are a key part of our strategy, we will continue to pursue a number of other initiatives to improve our operating efficiency. For example,

we are continuing to rationalize our network of agencies and shared service centers by centralizing certain functions, transferring operations from third-party agencies to our agencies, streamlining the network through the creation of clusters to manage agencies in several adjacent jurisdictions and improving the operating performance of SSCs through greater automation and transferring certain functions. We also will continue to closely monitor administrative expenses including travel, real estate, IT and insurance expenses and pursue initiatives to reduce costs such as ports and canals and logistics expenses, in particular by optimizing our operations or renegotiating terms with vendors.

Leverage our digital capabilities to enhance our service offering and be opportunistic in cultivating complementary services. The container shipping industry has been transformed by the ongoing trend towards digitalization, and we are well positioned to leverage our strong existing digital capabilities to compete in this changing environment. 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. We will continue to leverage and improve our technological infrastructure to support our shipping agencies, individual lines and various head office departments. We will seek to leverage the effects of digitalization to identify and exploit opportunities to spread best practices across our operations and streamline our operations to control costs. For example, we developed an analytical tool for our sales force that enables them to better select more profitable cargo by providing information on profitability measures at the time of booking. We rolled out a version of this tool within NOL's sales team following the NOL Acquisition, which contributed to an increase in its per unit revenues and improved profitability. We plan to continue our significant investments in technology systems to ensure they remain cutting edge and to provide convenient service and new digital capabilities for our customers. Our e-commerce platform accounted for 32% of our total bookings in the first quarter of 2017, and approximately 80% of all of our bookings were made electronically in the period. We expect that this will continue to increase as our customers seek out a convenient and integrated booking system online, and we will continue to develop these systems to facilitate digital transactions and ensure ease, efficiency and reliability for our customers. In addition, by leveraging our business intelligence and data analysis tools we will seek 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 are also looking to invest in new technologies that will improve our operations and set new standards for the industry. For example, we spearheaded an investment in Traxens, a French startup company that is developing an innovative container monitoring and coordination system, which could help provide more granular monitoring of our containers as they move around the world.

In addition to our continued efforts to improve and diversify our core container shipping services through digitalization, we also plan to cultivate our complementary support services and move towards providing a more integrated and comprehensive offering of logistics solutions to our customers. We currently provide logistics services such as stock management, disassembling, packaging, packing, shipping, customs formalities, reassembling and distribution through our subsidiary CMA CGM Logistics. We believe that expanding these complementary services will enhance our position as a full-service provider, further diversify our sources of revenue and help us gain access to new customers searching for a simple and comprehensive transportation solution. As part of our continued investment to develop these capabilities further, in 2015 we acquired a 60% stake in LCL Logistix, one of India's independent third-party logistics leaders, in part to leverage LCL Logistix's networks in India, Canada, the United States and in East Africa and accelerate the development of our logistics services. We may also pursue strategic partnerships to provide more comprehensive logistics services for leading e-commerce companies, such as the memorandum of understanding we signed with Alibaba in the first quarter of 2017, which will allow Chinese exporters to use Alibaba's OneTouch system to book shipping services directly with us and bypass freight forwarders. Finally, we will seek to further cultivate sources of revenue that complement our core maritime transport business such as inland transport services. We believe that expanding our inland transport services, including transport via rail, road and waterway as well as local transfers by sea, will enable us to continue to transport containers door-to-door and better manage our fleet of containers.

We believe that our substantial digital expertise, our entrepreneurial and innovative culture and our track record of quickly identifying and seizing upon new growth opportunities under the direction of our experienced and adaptable management team leaves us well positioned in this changing market environment. By broadening and enhancing our service offerings, we will seek to move further towards being a one-stop shop for our customers global logistics needs.

Cultivate operations in higher growth areas and higher-value niche markets. Over the years, we have built substantial expertise and a track record of quickly identifying and seizing upon opportunities in high growth and niche markets. We believe that the liner industry is in the early stages of a recovery, in part as a result of the consolidation in the industry and the enhanced dynamic as a result of the new alliance structure with the launch

of our Ocean Alliance (see “*Industry—Global Alliances*”). In this dynamic environment, we intend to actively pursue opportunities on trades or in regions where we see an opportunity for significant growth, such as intra-regional trades and trades in the Americas, in particular in Latin America. For example, we recently announced that Maersk had accepted our irrevocable binding offer to purchase Mercosul Line, one of the leading players in Brazil’s domestic container shipping market (see “*Recent Developments*”). The acquisition would help us to strengthen 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. It would further support our core strategy to develop intra-regional sea transportation links and complementary services such as logistics.

We will also continue to focus on our higher-value activities to improve profitability and provide differentiated services. For example, we will continue to focus on reefer markets, which still benefit from the conversion of conventional reefer transport to containerized transport and provide better profitability than dry markets because they require specialized containers, additional oversight throughout the journey (including timely management of the logistic chain) and expertise. As of March 31, 2017, we operated the second-largest reefer container fleet in the world, with 322,696 TEU of reefer containers.

We will continue to carefully evaluate the profitability of our operations in order to strategically align our resources towards the most valuable and profitable services. For example, in 2016 we decided to reduce certain of our feeder line activities, which were at the time less profitable than our main lines, including the redelivery of 50 ships under 1,700 TEUs used in such activities. These reductions allowed us to reallocate our efforts towards more profitable lines and avoid holding underperforming assets. We also pursued aggressive cargo selection efforts across our lines in 2016, focusing on the most profitable transported volumes to improve overall profitability. We will continue these efforts to identify the most profitable portions of our business in order to cultivate and grow those segments.

Maintain a balanced financial policy and a strong liquidity position. Bearing in mind the volatility of market freight rates and industry demand, as well as bunker fuel prices, we will continue to seek to improve our balance sheet profile and maintain a strong liquidity position, while also ensuring we have flexibility to invest in strategic assets to improve our long-term profitability and growth perspectives. Our policy will generally be 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. We will also typically 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 recent challenging market conditions. For example, our recently-announced sale of the GGS terminal facility that we acquired as part of the NOL Acquisition will bolster our liquidity position, reduce our debt and improve our financial ratios going forward, as we will use the proceeds of such sale to reimburse drawings under our and our subsidiaries’ (unsecured) credit facilities, mostly maturing in 2017 and 2018, as well as repayment of other secured debt (see discussion above in “*—Adequate capital structure with significant cash position and balanced financial strategy*”). Another example of our prudent approach to our financial policy is our use of charter agreements to obtain new ships. In these arrangements, the ships are financed on the balance sheet of the shipyards to which we pay a long term bareboat charter rate. In such schemes our cash output is generally minimal (approximately 5% of the vessel’s price). We used such arrangements to purchase six 9,400 TEU (upgraded to 10,926 TEU) ships from China Shipping Industry (Jiangsu) yard, to be delivered during 2017. In 2016 we also undertook significant sale and leaseback operations, including an operation whereby we sold almost the entire NOL container fleet for a sale price of \$542.9 million and then leased back the containers for a period of 2 to 8 years. This arrangement enabled us to quickly repay the acquisition facility we incurred in connection with the NOL Acquisition in a difficult market environment and to rent the containers back at attractive rates. We will also continue to explore a variety of funding sources to support our liquidity position. For example, we recently received indicative commitment papers from certain lenders (subject to final documentation) with respect to the entry by the Issuer into a new (unsecured) revolving credit facility for a minimum initial amount of \$205 million. This proposed facility would mature in three years and would support our overall group liquidity. For more information, see “*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—Unsecured Revolving Credit Facilities (CMA CGM)*.”

Given our current balance sheet profile and liquidity position, we believe it is appropriate to consider a more balanced approach to our financial policy and to strategically take advantage of opportunities like those described above to shore up and enhance our financial condition, which will allow us to make future focused investments in strategic assets to further improve our growth perspectives.

Consolidate our position through internal growth and selective acquisitions. As part of our long-term strategy, we plan to continue to grow 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 intend to continue to invest in selected strategic assets in the chain of logistics, such as vessels, dry ports, terminals and logistics assets to support revenue diversification. For example, we have continued to strategically expand our terminal investments in recent years, including our concession agreement to manage the Kingston Container Terminal, our joint venture with PSA Singapore Terminals in 2016 to lease and operate four container berths in the port of Singapore, and our joint ventures to develop new terminals in Kribi, Cameroon and Mundra, India. We believe that continuing to invest in strategic assets in the logistical chain, which may take 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 new shipbuilding orders, our focus will continue to be on strategic assets such as larger vessels to take advantage of economies of scale and maintain competitive unit costs in the context of industry trends towards increasing volumes and scale. We will invest selectively in new ships and continue to take advantage of chartering arrangements to secure new vessels while limiting invested capital. We also intend to continue to grow through selective acquisitions, as demonstrated by our recently-announced agreement to acquire Mercosul Line, discussed above. More generally, we will also remain attentive to opportunities to participate in the ongoing consolidation of the industry. Our key evaluation criteria for any acquisition proposal will include strategic fit, financial attractiveness and manageable execution risks, while maintaining a balanced financial policy.

Recent Developments

During the second quarter of 2017, CMA CGM benefitted from strong volumes and higher freight rates thanks to the combination of a supportive market environment on all trade lanes and the deployment of additional capacity within Ocean Alliance. In addition to this supportive market environment, CMA CGM benefitted from the confirmation of NOL's turnaround, the delivery of expected synergies and ongoing cost cutting program efforts. As a result, CMA CGM targets a Q2 2017 Core EBIT well above Q1 2017 levels. The recent market developments point to globally similar conditions in Q3 2017. Assuming the continuation of this current market environment, CMA CGM targets a strong Core EBIT for Q3 2017 (see *"Risk Factors—Risks Relating to Our Business and Industry—Our results of operations and financial condition are highly sensitive to the highly cyclical and volatile nature of the container shipping industry, market conditions and imbalances of supply and demand"*).

As of June 30, 2017, NOL Liner signed a stock purchase agreement with a consortium composed of the infrastructure fund EQT Infrastructure and the port operator P5 Infrastructure, pursuant to which the consortium will acquire a 90% interest in APL Ltd. (which indirectly holds the Global Gateway South ("GGs") terminal), with CMA CGM remaining a minority shareholder holding (directly or indirectly) 10% of the share capital. The consideration to be paid at closing to NOL Liner amounts to \$817 million (excluding potential adjustments at closing). Moreover, additional earn-outs estimated at up to approximately \$200 million would be payable from 2020 subject to (i) certain conditions of volumes of usage of the facility by the group, (ii) the purchasers' ability to refinance the transaction and (iii) the pricing conditions of any future exit by the purchasers. The enterprise value of APL Ltd. is estimated to be approximately \$875 million. Concurrently, CMA CGM and its subsidiaries entered into a long term volume and call commitment agreement to remain a major user of the facility. Closing of the transaction is subject to anti-trust and regulatory (including CFIUS) approvals, and is expected to occur in the second half of 2017. Prior to the closing of the transaction, a series of reorganization transactions will have occurred, resulting in APL Ltd. being the sole direct owner of Eagle Marine Services Ltd., which currently fully owns GGs. The reorganization transactions will in particular include the transfer of all the shares of APL Ltd. and the APL 2024 Senior Notes (which will benefit from a corporate guarantee from CMA CGM) to APL Investments America LLC. The proceeds of the disposal will be allocated to reimburse drawings under our and our subsidiaries' (unsecured) credit facilities, mostly maturing in 2017 and 2018, as well as repayment of other secured debt. The GGs terminal was accounted for as a held-for-sale asset in the 2016 CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

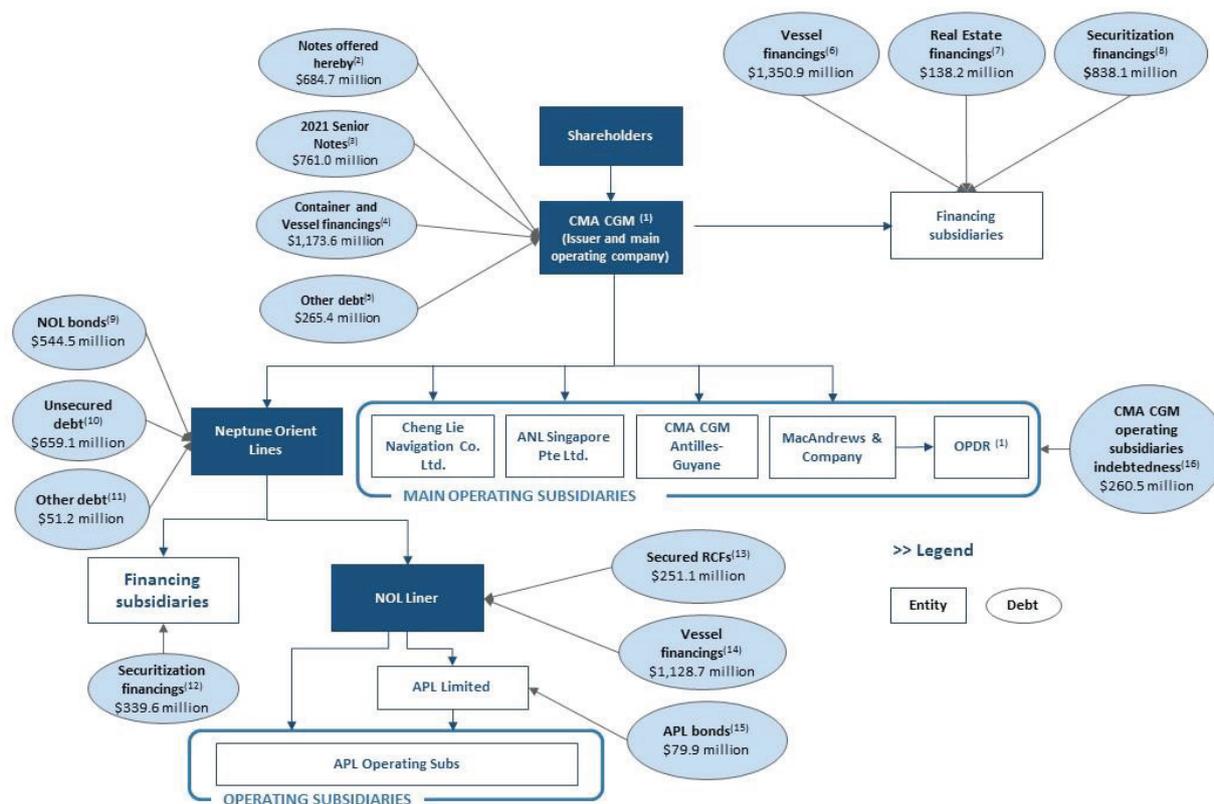
On June 12, 2017 we announced that our irrevocable binding offer to purchase 100% of the share capital of Mercosul Line was accepted by Maersk. Mercosul Line is one of the leading players in Brazil's domestic container shipping market, operating four vessels in Brazil and South America. The proposed acquisition would help us to strengthen 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. It would further support our core strategy to develop intra-regional sea transportation links and complementary services such as logistics. The acquisition is subject to Brazilian regulatory approval and to the closing of Maersk's acquisition of Hamburg Süd. Closing of the transaction is not expected to occur before late 2017.

We recently received indicative commitment papers from certain lenders (subject to final documentation) with respect to the entry by the Issuer into a new (unsecured) revolving credit facility for a minimum initial amount of \$205 million. This proposed facility would mature in three years and would support our overall group liquidity. For more information, see “*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—Unsecured Revolving Credit Facilities (CMA CGM)*.”

CORPORATE AND FINANCING STRUCTURE

The following chart shows a simplified summary of our corporate and financing structure on an adjusted basis as of March 31, 2017, after giving effect to (i) the repayment of the NOL 2017 Senior Notes upon their maturity on April 26, 2017 and (ii) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the redemption of the 2018 Senior Notes and the reimbursement of the drawings under credit facilities made to repay the NOL 2017 Senior Notes, as well as the reimbursement of certain of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby. 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 \$1.0691 = €1.00 and \$1.00 = SG\$1.3974, respectively, as of March 31, 2017. The indebtedness figures set forth below are based on the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements (as adjusted to give effect to the issuance of the notes offered hereby). 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. For more information, see "Principal Shareholders," "Description of Certain Financing Arrangements," "Description of Notes," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations and Commercial Commitments," Note 3.1.1 to the 2016 CMA CGM Audited Consolidated Financial Statements and Notes 3.1 and 6.4 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

As of the Issue Date, all of our subsidiaries will be subject to the restrictive covenants of the indenture governing the notes offered hereby. See "Description of Notes—Certain Covenants—Definition of Restricted and Unrestricted Subsidiaries" and "Certain Definitions."



- (1) We estimate that the net proceeds from this offering will be approximately \$684.7 million (using the Company's consolidated balance sheet exchange rate of \$1.0691=€1.00 as of March 31, 2017), after deducting the Initial Purchasers' fees and the estimated offering expenses payable by us. We expect to use the net proceeds from the offering of the notes to redeem the 2018 Senior Notes and to reimburse the drawings under credit facilities made to repay the NOL 2017 Senior Notes upon their maturity on April 26, 2017, as well as to reimburse certain of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby. See "Use of Proceeds." The 2018 Senior Notes were issued in an aggregate principal amount of €300 million on December 16, 2013, accrue interest at a rate of 8.75% per annum and mature on December 15, 2018. The redemption of the 2018 Senior Notes is expected to be effected on or about August 7, 2017, pursuant to a redemption notice to be mailed to holders of the 2018 Senior Notes on or about the closing date of the notes offered hereby.

- (2) The notes offered hereby will rank *pari passu* in right of payment with any of the Issuer'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 Issuer'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 Issuer's subsidiaries for so long as they do not guarantee the notes. See "*Risk Factors—Risks related to the Notes.*"
- (3) In June 2015, we issued €725.0 million of 7.750% senior notes due in January 2021. For more information, see "*Description of Certain Financing Arrangements—Senior Notes—CMA CGM 2021 Senior Notes*" and "*Description of Notes.*"
- (4) Represents the aggregate outstanding amount of container and vessel financings incurred by the Company, of which (i) \$214.0 million is outstanding under the dual-tranche facilities granted to us in 2007 (as amended from time to time) for the financing of containers and under capital lease agreements with respect to containers, and (ii) \$959.6 million is outstanding under vessel finance leases signed by the Issuer with respect to 43 vessels. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Container Bank Debt Financing—CMA CGM*", "*Description of Certain Financing Arrangements—Finance Leases—Container Capital Lease.*", and "*Description of Certain Financing Arrangements—Finance Leases—Vessel Capital Lease.*"
- (5) Mainly represents the aggregate outstanding amount of (i) the portion of the Yildirim Preferred Shares and BPI ORA accounted for as financial debt and (ii) accrued interest thereunder. For more information, see "*Description of Certain Financing Arrangements—Bonds and Preferred Shares Redeemable in Shares.*"
- (6) 31 vessels are financed through mortgage loan facilities granted by financial institutions to wholly-owned special-purpose vehicles incorporated to acquire these vessels. The Issuer acts as guarantor of the special-purpose vehicles' obligations under these facilities. 8 vessels are financed through financing lease arrangements. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Vessel Bank Debt Financing—CMA CGM*" and "*Description of Certain Financing Arrangements—Finance Leases—Vessel Capital Lease.*"
- (7) Real estate financing subsidiaries include SCI Tour d'Arenc, which acts as borrower under a €200.0 million mortgage term loan facility 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—CMA CGM.*"
- (8) We are party to a securitization program, by 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 the notes issued by NOL under its EMTN Program (as defined herein), after taking into account the repayment on April 26, 2017 of the NOL 2017 Senior Notes. The notes issued by NOL under its EMTN Program that remain outstanding include (i) SG\$300.0 million of 4.40% fixed-rate notes issued in November 2012 and due in November 2019, (ii) SG\$280.0 million of 4.65% fixed-rate notes issued in September 2010 and due in September 2020 and (iii) SG\$300.0 million of 4.40% fixed rate notes issued in June 2011 and due in June 2021. For more information, see "*Description of Certain Financing Arrangements—Senior Notes.*"
- (10) Represents the aggregate outstanding amount under (i) the unsecured revolving credit facilities granted to NOL for general corporate purposes (after taking into account drawings thereunder to effect the repayment on April 26, 2017 of the NOL 2017 Senior Notes and giving effect to the use of net proceeds from the issuance of the notes, including the reimbursement of the drawings under credit facilities made to repay the NOL 2017 Senior Notes, as well as the repayment of \$32.5 million in outstanding indebtedness under the NOL sub-group's bank borrowings (we may instead choose to allocate these \$32.5 million in proceeds to reimburse certain of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby; see "*Use of Proceeds.*")), (ii) the uncommitted facility of September 2014, and (iii) NOL's Murabahah facility agreement of April 2013. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing.*"
- (11) Mainly represents accrued interest.
- (12) American President Lines, Ltd. and APL Co. (Pte) Ltd. entered into a securitization program to finance NOL's freight receivables. Under such program, American President Lines, Ltd. and APL Co. (Pte) Ltd., as originators, have agreed to sell, and APL Securities S.à r.l., an ad-hoc SPV owned by Neptune Orient Lines Ltd. and acting as securitization issuer, has agreed to purchase eligible receivables. For more information, see "*Description of Certain Financing Arrangements—Securitization programs—NOL Securitization Program.*"
- (13) 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).*"
- (14) Represents the aggregate outstanding amount under (i) mortgage facility agreements entered into by NOL Liner for 17 vessels and (ii) financing lease arrangements entered into by NOL Liner with respect to four Post Panamax vessels. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Vessel Bank Debt Financing.*" and "*Description of Certain Financing Arrangements—Finance Leases—Vessel Capital Lease—Other Financing Leases.*"
- (15) In January 1994, American President Companies, Ltd. (now APL Ltd.) issued U.S.\$150.0 million of 8% senior notes due in January 2024. The principal amount outstanding under these notes as of March 31, 2017 was equal to U.S.\$116.5 million. Due to certain accounting adjustments (relating to deduction of a bond premium and purchase price adjustments in connection with the NOL acquisition), it was recorded in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements in the amount of \$79.9 million. On or prior to closing of the agreed sale of 90% of our equity interest in APL Ltd., the liabilities under the APL 2024 Senior Notes will be assumed by APL Investments America LLC (a subsidiary of NOL Liner) and will be guaranteed by the Issuer. For more information, see "*Recent Developments.*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—Sale of the GGS Terminal*" and "*Description of Certain Financing Arrangements—Senior Notes—APL 2024 Senior Notes.*"
- (16) Represents the aggregate outstanding amount of CMA CGM main operating subsidiaries' indebtedness, including, among others, (i) unsecured revolving credit facilities granted to Cheng Lie Navigation, (ii) one term loan facility granted to Cheng Lie Navigation to finance one handysize vessel, and (iii) financing lease agreement for one intermediate vessel. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—Unsecured Revolving Credit Facilities (CNC).*", "*Description of Certain Financing Arrangements—Bank Borrowings—Vessel Bank Debt Financing—Vessel Bank Debt Financing—CMA CGM*" and "*Description of Certain Financing Arrangements—Finance Leases—Vessel Capital Lease—Other Financing Leases.*"
- (17) Oldenburg-Portugiesische Dampfschiffs-Rhederei GmbH & Co. KG.
- (18) As of March 31, 2017, the Issuer, together with its dedicated vessel financing SPVs, held 50.7% of the group's total assets, excluding investments in the stock of subsidiaries, and for the twelve months ended March 31, 2017 and the three months ended March 31, 2017, the Issuer, together with such SPVs, generated 56.6% and 55.0%, respectively, of the group's revenues and 24.3% and 47.2%, respectively, of the group's Adjusted EBITDA.

Vessel financing SPVs are separate legal entities from, and are wholly owned by, the Issuer. We believe it is helpful to consider the figures presented above for the Issuer 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 Issuer 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 Issuer. The Issuer

recognizes any payments it makes on behalf of such SPVs under such charter agreements as an expense, which decreases the Issuer'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 Issuer. As of March 31, 2017, the Issuer's dedicated vessel financing SPVs held 18.8% of the group's total assets, excluding investments in the stock of subsidiaries, and for the twelve months ended March 31, 2017 and the three months ended March 31, 2017, such SPVs generated 0.7% and 0.6%, respectively, of the group's revenues and 34.0% and 21.5%, respectively, of the group's Adjusted EBITDA.

As of March 31, 2017, the Issuer, together with its vessel financing SPVs, its main operating subsidiaries other than NOL and its subsidiaries (*i.e.*, Cheng Lie Navigation Co. Ltd., ANL Singapore Pte Ltd, CMA CGM Antilles-Guyane, MacAndrews & Company and OPDR) and the shipping agencies in which it holds at least a majority stake (see "*Business—Operations—Shipping Agencies*") held 62.0% of the group's total assets, excluding investments in the stock of subsidiaries, and for the twelve months ended March 31, 2017 and the three months ended March 31, 2017, the Issuer, together with such SPVs, main operating subsidiaries and shipping agencies generated 73.4% and 68.5%, respectively, of the group's revenues and 69.7% and 71.1%, respectively, of the group's Adjusted EBITDA.

Such main operating subsidiaries and shipping agencies are separate legal entities from the Issuer. Such main operating subsidiaries are, and such shipping agencies are generally, wholly owned by the Issuer. Such main operating subsidiaries and shipping agencies have only a limited amount of assets, consistent with our policy to centralize assets in dedicated vessel financing SPVs or at the Issuer level. Such main operating subsidiaries and shipping agencies also have a limited amount of indebtedness with such main operating subsidiaries holding €59.5 million of indebtedness and the shipping agencies holding €70.0 million of indebtedness, which in the aggregate represented 0.7% and 0.8% of the group's consolidated indebtedness at March 31, 2017, respectively.

Under the Indenture, the maximum amount of unsecured debt that our subsidiaries, including our vessel financing SPVs, our main operating subsidiaries (excluding NOL and its subsidiaries) and our shipping agencies, are entitled to incur is limited to \$250 million, subject to certain exceptions (see "*Description of Notes—Certain Covenants—Limitation on Debt*"). We will be further required under the Indenture to cause certain vessel financing SPVs, our Material Operating Subsidiaries (as defined therein, namely CMA CGM Antilles-Guyane, ANL Singapore Pte Ltd, Cheng Lie Navigation Co. Ltd, NOL, NOL Liner (Pte.) Ltd., APL Co. Ptd. Ltd. and American President Lines, Ltd. and their respective successors) and certain of our wholly-owned shipping agencies to dividend or distribute their distributable reserves to the Issuer on an annual basis. This requirement is subject to certain exceptions, including where such distribution would be prohibited by law, would not be permitted under existing or future agreements of the group or could reasonably be expected to result in any significant cost, expense, liability or obligation (including withholding or other taxes). See "*Description of Notes—Certain Covenants—Distribution Requirements*" and "*Risk Factors—Risks Relating to the Notes, the Offering and Other Financings—Your right to receive payments under the notes will be structurally subordinated to claims of existing and future creditors of our subsidiaries.*"

We expect to use the net proceeds from the agreed sale of 90% of our equity interest in APL Ltd. (estimated to be \$817 million, excluding potential adjustments at closing) for reimbursement of amounts drawn under our and our subsidiaries' (unsecured) revolving credit facilities, mostly maturing in 2017 and 2018, as well as repayment of other secured debt. For more information, see "*Recent Developments,*" "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—Sale of the GGS Terminal.*"

THE OFFERING

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

Issuer	CMA CGM S.A., a French <i>société anonyme</i> .
Notes Offered	€650,000,000 aggregate principal amount of 6.500% Senior Notes due 2022 (the “notes”).
Issue Price	100.000%, plus accrued interest if any from the Issue Date.
Issue Date	July 13, 2017.
Maturity	The notes will mature on July 15, 2022.
Interest Rate	The notes will bear interest at a rate of 6.500% per year.
Interest Payment Dates	January 15 and July 15, beginning on January 15, 2018.
Ranking	<p>The notes will be our unsecured senior obligations and will:</p> <ul style="list-style-type: none">• 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;• 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 any remaining outstanding 2021 Senior Notes;• 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• be structurally subordinated to all existing and future debt and obligations of our subsidiaries.

As of March 31, 2017, on an adjusted basis after giving effect to the issuance of the notes offered hereby and the use of the net proceeds thereof, we would have had \$8,526.4 million of indebtedness (on a consolidated basis), of which \$2,884.7 was our indebtedness (on a standalone basis) and \$5,641.7 million was debt of our operating subsidiaries (based on the obligations of the principal obligor only and not reflecting the impact of any guarantees). \$1,173.6 million of our indebtedness (on a standalone basis) is secured indebtedness.

As of March 31, 2017, the Issuer, together with its dedicated vessel financing SPVs, held 50.7% of the group’s total assets, excluding investments in the stock of subsidiaries, and for the twelve months ended March 31, 2017 and the three months ended March 31, 2017, the Issuer, together with such SPVs, generated 56.6% and 55.0%, respectively, of the group’s revenues and 24.3% and 47.2%, respectively, of the group’s Adjusted EBITDA.

As of March 31, 2017, the Issuer’s dedicated vessel financing SPVs held 18.8% of the group’s total assets, excluding investments in the stock of subsidiaries, and for the twelve months ended March 31, 2017 and the three months ended March 31, 2017, such SPVs generated 0.7% and 0.6%, respectively, of the group’s revenues and 34.0% and 21.5%, respectively, of the group’s Adjusted EBITDA.

As of March 31, 2017, the Issuer, together with its vessel financing SPVs, its main operating subsidiaries other than NOL and its subsidiaries (i.e., Cheng Lie Navigation Co. Ltd., ANL Singapore Pte Ltd, CMA CGM Antilles-Guyane, MacAndrews & Company and OPDR) and the shipping agencies in which it holds at least a majority stake (see “*Business—Operations—Shipping Agencies*”) held 62.0% of the group’s total assets,

excluding investments in the stock of subsidiaries, and for the twelve months ended March 31, 2017 and the three months ended March 31, 2017, the Issuer, together with such SPVs, main operating subsidiaries and shipping agencies generated 73.4% and 68.5%, respectively, of the group's revenues and 69.7% and 71.1%, respectively, of the group's Adjusted EBITDA.

For more information, see "*Corporate and Financing Structure.*"

Optional Redemption

At any time prior to July 15, 2019, 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 this offering memorandum and accrued and unpaid interest to the date of redemption. For more information, see "*Description of Notes— Optional Redemption of Notes.*"

In addition, at any time prior to July 15, 2019, 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 106.500% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the redemption date provided that at least 60% 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.*"

We may redeem the notes on or after July 15, 2019, 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.*"

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— 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 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.*"

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.*"

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 will contain 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:

- incur additional debt;

- create liens on assets to secure debt;
- make payments, including dividends or other distributions, with respect to shares of the Issuer or the Restricted Subsidiaries;
- prepay or redeem subordinated debt or equity;
- make investments;
- create restrictions on the payment of dividends or other distributions to and on the transfer of assets to the Issuer or any other Restricted Subsidiary;
- sell, lease or transfer certain assets, including shares of Restricted Subsidiaries;
- engage in transactions with affiliates;
- in the case of a Restricted Subsidiary, guarantee our debt;
- designate our subsidiaries as unrestricted subsidiaries;
- engage in a business not related to our business or that of the Restricted Subsidiaries; and
- consolidate or merge with or into, or sell or otherwise dispose of all or substantially all our assets to, another person.

The indenture will further contain an obligation to cause certain vessel financing SPVs, our Material Operating Subsidiaries (as defined therein, namely CMA CGM Antilles-Guyane, ANL Singapore Pte Ltd, Cheng Lie Navigation Co. Ltd, NOL, NOL Liner (Pte.) Ltd., APL Co. Ptd. Ltd. and American President Lines, Ltd. and their respective successors) and certain of our wholly-owned shipping agencies to dividend or distribute their distributable reserves to the Issuer on an annual basis. This requirement is subject to certain exceptions, including where such distribution would be prohibited by law, would not be permitted under existing or future agreements of the group or could reasonably be expected to result in any significant cost, expense, liability or obligation (including withholding or other taxes). See “*Description of Notes—Certain Covenants—Distribution Requirements*” and “*Risk Factors—Risks Relating to the Notes, the Offering and Other Financings—Your right to receive payments under the notes will be structurally subordinated to claims of existing and future creditors of our subsidiaries.*”

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”).

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 \$684.7 million (using the Company’s consolidated balance sheet exchange rate of \$1.0691=€1.00 as of March 31, 2017), after deducting the Initial Purchasers’ discounts and the estimated offering expenses payable by us. We expect to use the net proceeds from the offering of the notes to redeem the 2018 Senior Notes and to reimburse the drawings under credit facilities made to repay the NOL 2017 Senior Notes upon their maturity on

April 26, 2017, as well as to reimburse certain of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby. See "*Use of Proceeds.*" The 2018 Senior Notes were issued in an aggregate principal amount of €300 million on December 16, 2013, accrue interest at a rate of 8.75% per annum and mature on December 15, 2018. The redemption of the 2018 Senior Notes is expected to be effected on or about August 7, 2017, pursuant to a redemption notice to be mailed to holders of the 2018 Senior Notes on or about the closing date of the notes offered hereby.

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 and Transfer Agent

Elavon Financial Services DAC, UK Branch.

Registrar

Elavon Financial Services DAC.

Luxembourg Listing Agent

Lucid Issuer Services Limited.

Listing

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF market of the Luxembourg Stock Exchange.

Governing Law

New York law.

RISK FACTORS

Investing in the notes involves risks. You should consider carefully the information set forth in the section of this offering memorandum entitled “*Risk Factors*,” and all the other information provided to you in this offering memorandum before deciding whether to invest in the notes.

ADDITIONAL INFORMATION

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

SUMMARY FINANCIAL AND OPERATING INFORMATION

Summary Historical Consolidated Financial Information for CMA CGM

The following tables present the 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, 2014, 2015 and 2016 is derived from the CMA CGM Audited Consolidated Financial Statements. The summary historical consolidated financial information as of and for the three-month periods ended March 31, 2016 and 2017 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 this offering memorandum.

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*” and “*Unaudited Pro Forma Consolidated Financial Information*,” 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 three-month period ended March 31,	
	2014	2015	2016	2016	2017
	(\$ in millions)				
Consolidated Income Statement Data					
Revenue	16,739.1	15,674.1	15,977.2	3,399.3	4,620.2
Operating expenses ⁽¹⁾	(15,449.3)	(14,420.6)	(15,442.4)	(3,304.0)	(4,237.4)
EBITDA before gains on disposal of property and equipment and subsidiaries	1,289.7	1,253.5	534.9	95.3	382.8
Gains/(losses) on disposal of property and equipment and subsidiaries	27.9	9.8	(6.1)	(0.1)	7.8
Depreciation and amortization of non-current assets	(401.1)	(407.5)	(571.0)	(109.8)	(146.5)
Other income and expenses.....	(83.5)	(5.1)	(81.6)	(3.9)	(0.1)
Net present value (NPV) benefits related to assets financed by tax lease.....	78.9	50.4	46.2	13.9	11.9
Share of profit/(loss) of associates and joint ventures	5.7	(5.8)	(22.3)	4.0	3.8
EBIT ⁽²⁾	917.6	895.3	(99.9)	(0.5)	259.6
Core EBIT ⁽³⁾	973.2	910.6	28.9	3.5	251.9
Interest expense on borrowings net of interest income on cash and cash equivalents	(278.2)	(252.1)	(389.7)	(59.3)	(104.5)
Other net financial items ⁽⁴⁾	56.3	28.9	127.6	(17.4)	(53.6)
Income taxes	(84.1)	(85.4)	(65.4)	(17.6)	(8.4)
Profit/(loss) for the period	611.6	586.7	(427.4)	(94.8)	93.1
Profit/(loss) for the period for the owners of the parent	583.6	566.7	(452.2)	(99.8)	86.4
Profit/(loss) for the period for the non- controlling interests	28.0	19.9	24.8	5.1	6.8

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

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

(3) Core EBIT represents EBIT less gains/ (losses) on disposals 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. See the table below for a reconciliation of Core EBIT to EBIT.

(4) “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 gains or losses. See note 4.6 to the CMA CGM Audited Consolidated Financial Statements included elsewhere in this offering memorandum.

	As of December 31,			As of
	2014	2015	2016	March 31,
	2017			
	(\$ in millions)			
Consolidated Balance Sheet Data				
Goodwill and other intangible assets ⁽¹⁾	512.1	559.9	2,091.1	2,106.0
Vessels	5,974.4	6,496.3	8,087.3	8,001.7
Containers	544.9	499.4	470.4	473.3
Lands and buildings	540.2	482.6	479.7	480.4
Other properties and equipment	110.8	149.3	311.8	310.8
Other non-current assets ⁽²⁾	1,380.6	1,215.0	1,509.7	1,499.6
of which LTV deposits ⁽³⁾	143.9	22.3	14.9	39.9
Inventories	384.4	250.9	347.6	368.7
Trade and other receivables	2,382.7	2,059.2	2,619.5	2,721.6
Income tax assets	15.6	18.5	16.2	15.0
Securities and other current financial assets	77.1	938.7	304.8	319.9
Cash and cash equivalents	2,186.5	1,224.0	1,211.6	1,268.6
Other current assets ⁽⁴⁾	253.3	381.5	369.0	394.6
Assets classified as held-for-sale	0.5	-	837.8	851.5
Total assets	14,363.1	14,275.3	18,656.4	18,811.8
Total equity	4,995.3	5,405.5	4,927.6	5,028.7
Non-current borrowings	4,409.4	4,414.0	6,650.8	6,779.0
Other non-current liabilities ⁽⁵⁾	442.9	434.2	1,069.0	998.4
Current borrowings	1,070.7	733.6	1,627.4	1,694.4
Other current liabilities ⁽⁶⁾	3,444.8	3,288.0	4,335.0	4,267.4
Liabilities associated with assets classified as held-for-sale .	-	-	46.6	43.9
Total liabilities & equity	14,363.1	14,275.3	18,656.4	18,811.8

(1) The 2016 amount includes the following items resulting from the preliminary purchase price allocation made in relation to the NOL Acquisition: \$695.8 million of goodwill (after taking into account the effect of a reclassification of \$44.0 million of intangible assets related to terminal activities as assets held for sale as of December 31, 2016), \$391.7 million of customer relationships, \$202.0 million relating to the APL trademark, and \$116.2 million related to terminal concession rights (after taking into account the reclassification of \$633.0 million of intangible assets relating to terminal concession rights as assets held for sale as of December 31, 2016). See Notes 3.1, 5.1 and 5.5 to the 2016 CMA CGM Audited Consolidated Financial Statements.

(2) "Other non-current assets" represents deferred tax assets, investments in associates and joint ventures and derivative financial instruments.

(3) 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.

(4) "Other current assets" represents derivative financial instruments and prepaid expenses.

(5) "Other non-current liabilities" represents derivative financial instruments, deferred tax liabilities, provisions and retirement benefits obligations and non-current deferred income.

(6) "Other current liabilities" represents derivative financial instruments, current portions of provisions, trade and other payables, current income tax liability and current deferred income.

	For the year ended December 31,			For the three-month period ended March 31,	
	2014	2015	2016	2016	2017
	(\$ in millions)				
Consolidated Cash Flow Statement Data					
Cash inflow / (outflow) from:					
Operating activities	1,100.6	1,381.8	323.9	74.3	94.9
Investing activities	155.6	(1,437.2)	(236.0)	(38.6)	44.2
Financing activities and effect of exchange rate changes on cash and cash equivalents and bank overdrafts	(844.0)	(635.4)	(4.9)	(126.6)	(59.2)
Net increase (decrease) in cash, cash equivalents and bank overdrafts	412.2	(690.8)	83.0	(90.9)	80.0
Cash, cash equivalents and bank overdrafts at the end of the period	1,741.7	1,050.9	1,133.9	960.0	1,213.9

Summary Unaudited Pro Forma Consolidated Financial Information

The following unaudited condensed consolidated income statements for the year ended December 31, 2016 and for the twelve-month period ended March 31, 2017 are extracted from the Unaudited Pro Forma Consolidated Financial Information set forth in “Unaudited Pro Forma Consolidated Financial Information.” They should be read together with the notes thereto and descriptions of the basis of preparation thereof set forth in that section.

Unaudited Pro Forma Condensed Consolidated Income Statement for the year ended December 31, 2016

	For the year ended December 31, 2016			
	CMA CGM Consolidated Statement of Profit and Loss	NOL contribution from January 1, 2016 to NOL Acquisition Date	Pro Forma adjustments from January 1, 2016 to NOL Acquisition Date	Unaudited Consolidated Pro Forma
Revenue.....	15,977.2	2,042.0	-	18,019.2
Operating expenses	(15,442.4)	(1,987.5)	20.0	(17,409.9)
EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries.....	534.9	54.5	20.0	609.3
Gains / (losses) on disposal of property and equipment and subsidiaries	(6.1)	(14.5)	-	(20.6)
Depreciation and amortization of non- current assets.....	(571.0)	(154.6)	8.2	(717.4)
Other income and (expenses).....	(81.6)	(75.0)	-	(156.6)
Net present value (NPV) benefits related to assets financed by tax leases	46.2	0.1	-	46.3
Share of income / (loss) of associates and joint ventures.....	(22.3)	(5.8)	-	(28.1)
EBIT.....	(99.9)	(195.4)	28.2	(267.1)
Core EBIT	28.9	(105.8)	28.2	(48.7)
Interest expense on borrowings net of interest income on cash and cash equivalents.....	(389.7)	(47.0)	(15.7)	(452.4)
Other net financial items	127.6	(56.7)	(5.9)	64.9
Income taxes	(65.4)	(6.6)	1.6	(70.4)
Profit / (loss) for the period	(427.4)	(305.7)	8.2	(725.0)
Profit / (loss) for the period for the owners of the parent	(452.2)	(306.5)	8.2	(750.6)
Profit / (loss) for the period for the non- controlling interests.....	24.8	0.8	-	25.6

Unaudited Pro Forma Condensed Consolidated Income Statement for the twelve-month period ended March 31, 2017

	For the year ended December 31, 2016	For the three- month period ended March 31, 2017	For the three- month period ended March 31, 2016	For the twelve- month period ended March 31, 2017
	Pro Forma (A)	CMA CGM unaudited interim condensed consolidated statement of profit and loss (B)	Pro Forma (C)	Unaudited Consolidated Pro Forma (A)+(B)-(C)
Revenue	18,019.2	4,620.2	4,537.3	18,102.0
Operating expenses	(17,409.9)	(4,237.4)	(4,401.2)	(17,246.0)
EBITDA before gains on disposal of property and equipment and subsidiaries	609.3	382.8	136.1	856.0
Gains/(losses) on disposal of property and equipment and subsidiaries.....	(20.6)	7.8	2.3	(15.2)
Depreciation and amortization of non-current assets	(717.4)	(146.5)	(197.6)	(666.2)
Other income and expenses	(156.6)	(0.1)	(3.9)	(152.9)
Net present value (NPV) benefits related to assets financed by tax lease	46.3	11.9	14.0	44.2
Share of profit/(loss) of associates and joint ventures	(28.1)	3.8	0.4	(24.7)
EBIT	(267.1)	259.6	(48.7)	41.2
CORE EBIT	(48.8)	251.9	(47.2)	250.3
Interest expense of net borrowings	(452.4)	(104.5)	(96.1)	(460.8)
Other net financial items	64.9	(53.6)	(26.4)	37.7
Income taxes.....	(70.4)	(8.4)	(8.4)	(70.4)
Profit/(loss) for the period	(725.0)	93.1	(179.6)	(452.3)
Profit/(loss) for the period for the owners of the parent	(750.6)	86.4	(185.0)	(479.2)
Profit/(loss) for the period for the non- controlling interests	25.6	6.8	5.5	26.9

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 three- month period ended March 31,		Pro forma as of and for the twelve- month period ended March 31,
	2014	2015	2016	2016	2017	2017
	(\$ in millions)					
EBITDA ⁽¹⁾	1,317.7	1,263.2	528.8	95.2	390.6	840.8
EBITDA margin ⁽²⁾	7.9%	8.1%	3.3%	2.8%	8.5%	4.6%
Adjusted EBITDA ⁽¹⁾	1,289.7	1,253.5	534.9	95.3	382.8	856.0
Core EBIT ⁽³⁾	973.2	910.6	28.9	3.5	251.9	250.3
Core EBIT margin ⁽³⁾	5.8%	5.8%	0.2%	0.1%	5.5%	1.4%
Interest expense on borrowings net of interest income on cash and cash equivalents	278.2	252.1	389.7	59.3	104.5	460.8
Net debt ⁽⁴⁾	3,136.3	3,898.6	7,038.3	4,046.1	7,151.6	n.a.
Adjusted net debt ⁽⁴⁾	2,888.8	3,711.1	6,861.9	3,856.6	6,981.7	n.a.
Adjusted equity	5,262.0	5,668.9	5,271.1	5,579.5	5,349.8	n.a.
Post-issuance pro forma cash and cash equivalents, securities and LTV deposits ⁽⁵⁾						1,321.7
Post-issuance pro forma adjusted net debt ⁽⁶⁾						6,217.7
Post-issuance pro forma net interest expense ⁽⁷⁾						448.8
Post-disposal pro forma Adjusted EBITDA ⁽⁸⁾						834.6
Ratio of post-issuance pro forma adjusted net debt to post-disposal pro forma Adjusted EBITDA ⁽⁹⁾						7.4
Ratio of post-disposal pro forma Adjusted EBITDA to post-issuance pro forma net interest expense ⁽¹⁰⁾						1.9
Gearing ratio ⁽¹¹⁾	0.55	0.65	1.30	0.69	1.31	1.17 ⁽¹²⁾

(1) EBITDA, as described in the CMA CGM Audited Consolidated Financial Statements included elsewhere in this offering memorandum, 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, however, 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.

(2) EBITDA margin represents EBITDA divided by revenue.

(3) Core EBIT represents EBIT less gains/ (losses) on disposals 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. See the tables 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, less the amount of borrowings 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 below for the calculation of net debt and adjusted net debt.

(5) The issuance of the notes, taking into account the application of the net proceeds therefrom, is not expected to have an impact on our cash and cash equivalents, securities and LTV deposits. U.S. dollar equivalents of euro-denominated amounts are translated at an exchange rate of \$1.0691

= €1.00 (the exchange rate as of March 31, 2017 used by the Company for its consolidated balance sheet as of such date). See “*Use of Proceeds*” and “*Capitalization*.”

- (6) Post-issuance pro forma adjusted net debt represents adjusted net debt, as further adjusted to give effect to (i) the issuance of the notes and the application of the net proceeds therefrom, including the redemption of the 2018 Senior Notes and the reimbursement of the drawings under credit facilities made to repay the NOL 2017 Senior Notes upon their maturity on April 26, 2017, as well as the reimbursement of certain of our or our subsidiaries’ other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby, and (ii) the net proceeds from the GGS Disposal (estimated at \$817.0 million, excluding potential adjustments at closing) and the use thereof to reimburse amounts drawn under our and our subsidiaries’ (unsecured) revolving credit facilities, mostly maturing in 2017 and 2018, as well as repayment of other secured debt (see “*Recent Developments*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—Sale of the GGS Terminal*”), in each case as if such event had occurred on March 31, 2017. U.S. dollar equivalents of euro-denominated amounts are translated at an exchange rate of \$1.0691 = €1.00 (the exchange rate as of March 31, 2017 used by the Company for its consolidated balance sheet as of such date). See “*Use of Proceeds*” and “*Capitalization*.”
- (7) 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 and the application of the net proceeds therefrom including the redemption of the 2018 Senior Notes and the reimbursement of the drawings under credit facilities made to repay the NOL 2017 Senior Notes upon their maturity on April 26, 2017, as well as the reimbursement of certain of our or our subsidiaries’ other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby, and (ii) the net proceeds from the GGS Disposal (estimated at \$817.0 million, excluding potential adjustments at closing) and the use thereof to reimburse amounts drawn under our and our subsidiaries’ (unsecured) revolving credit facilities, mostly maturing in 2017 and 2018, as well as repayment of other secured debt (see “*Recent Developments*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—Sale of the GGS Terminal*”), in each case as if such event had occurred on March 31, 2017. U.S. dollar equivalents of euro-denominated amounts are translated at an exchange rate of \$1.0691 = €1.00 (the exchange rate as of March 31, 2017 used by the Company for its consolidated balance sheet as of such date). See “*Use of Proceeds*” and “*Capitalization*.”
- (8) Post-disposal pro forma Adjusted EBITDA represents Adjusted EBITDA, as further adjusted to exclude the \$21.4 million contribution to our consolidated Adjusted EBITDA generated in the twelve months ended March 31, 2017 by the underlying assets being sold in connection with the GGS Disposal (see “*Recent Developments*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—Sale of the GGS Terminal*”). U.S. dollar equivalents of euro-denominated amounts are translated at an exchange rate of \$1.0691 = €1.00 (the exchange rate as of March 31, 2017 used by the Company for its consolidated balance sheet as of such date). See “*Use of Proceeds*” and “*Capitalization*.”
- (9) We define the ratio of post-issuance pro forma adjusted net debt to post-disposal pro forma Adjusted EBITDA as post-issuance pro forma adjusted net debt divided by post-disposal pro forma Adjusted EBITDA.
- (10) We define the ratio of post-disposal pro forma Adjusted EBITDA to post-issuance pro forma net interest expense as post-disposal pro forma Adjusted EBITDA divided by post-issuance pro forma interest expense on borrowings net of interest income on cash and cash equivalents.
- (11) We define the gearing ratio as adjusted net debt divided by adjusted equity. Adjusted equity represents total equity plus the portion of bonds and preferred shares redeemable in shares accounted for as borrowings (see “*Description of Certain Financing Arrangements—Bonds and Preferred Shares Redeemable in Shares*”). See the tables below for the calculation of adjusted equity.
- (12) Post-issuance gearing ratio calculated as post-issuance pro forma adjusted net debt to adjusted equity.

	For the year ended December 31,			For the three-month period ended March 31,		Pro Forma for the twelve-month period ended March 31,
	2014	2015	2016	2016	2017	2017
	(\$ in millions)					
Bunkers and consumables.....	3,493.9	2,119.1	1,702.7	324.7	597.4	2,065.6
Chartering and slot purchase.....	1,805.0	2,073.8	1,986.6	506.7	472.2	2,009.8
Handling and stevedoring	3,879.4	3,959.7	4,457.4	933.0	1,194.1	5,022.5
Inland and feeder transportation	1,802.7	1,895.1	2,191.6	446.0	635.1	2,522.0
Port and canal	1,183.5	1,171.1	1,193.0	277.1	289.1	1,253.3
Container rentals and other logistic expenses.....	1,296.4	1,295.3	1,521.8	322.0	418.5	1,712.5
Employee benefits	1,201.9	1,159.1	1,495.4	303.4	404.2	1,683.2
General and administrative other than employee benefits	602.0	571.5	595.8	124.3	155.7	636.8
Additions to provisions, net of reversals and impairment of inventories and trade receivables	11.1	17.1	(14.3)	3.5	(0.0)	25.0
Operating exchange losses/(gains), net.....	(53.4)	(66.8)	(37.9)	16.4	(24.0)	(114.7)
Other operating expenses, net.....	226.8	225.6	350.3	47.0	95.1	430.1
Operating expenses	15,449.3	14,420.6	15,442.4	3,304.0	4,237.4	17,246.0

	For the year ended December 31,			For the three-month period ended March 31,		Pro Forma for the twelve-month period ended March 31,
	2014	2015	2016	2016	2017	2017
	(\$ in millions)					
EBIT	917.6	895.3	(99.9)	(0.5)	259.6	41.2
Plus: Depreciation and amortization of non-current assets.....	401.1	407.5	571.0	109.8	146.5	666.2
Plus: Other income and expenses.....	83.5	5.1	81.6	3.9	0.1	152.9
Less: Net present value (NPV) benefits related to assets financed by tax leases.....	(78.9)	(50.4)	(46.2)	(13.9)	(11.9)	(44.2)
Less: Share of profit/(loss) of the associates and joint ventures	(5.7)	5.8	22.3	(4.0)	(3.8)	24.7
EBITDA.....	1,317.7	1,263.2	528.8	95.2	390.6	840.8
Less: Gains on disposal of property and equipment and subsidiaries	27.9	9.8	(6.1)	(0.1)	7.8	(15.2)
Adjusted EBITDA	1,289.7	1,253.5	534.9	95.3	382.8	856.0

	For the year ended			For the three-		Pro Forma
	December 31,			month period		for the twelve-
	2014	2015	2016	ended	ended	month period
				March 31,	March 31,	ended
	2014	2015	2016	2016	2017	2017
	(\$ in millions)					
EBIT	917.6	895.3	(99.9)	(0.5)	259.6	41.2
Less: Gains on disposal of property and equipment and subsidiaries	(27.9)	(9.8)	6.1	0.1	(7.8)	15.2
Less: Other income and expenses	83.5	5.1	81.6	3.9	0.1	152.9
Less: Impairment reported in share of profit/(loss) of the associates and joint ventures	-	20.0	41.1	-	-	41.1
Core EBIT	973.2	910.6	28.9	3.5	251.9	250.3

	For the year ended December 31,			For the three-	
				month period	
	2014	2015	2016	ended	ended
	2014	2015	2016	March 31,	March 31,
	(\$ in millions)				
Capital Expenditures					
Ships	141.8	813.6	3,033.9	21.4	83.8
Containers	147.8	75.3	639.4	52.7	15.4
Software	77.3	62.9	173.2	22.5	19.1
Other ⁽¹⁾	33.8	92.7	1,749.6	12.4	24.2
Total	400.7	1,044.6	5,596.1	108.9	142.6

(1) Other includes acquisitions, land, buildings, terminals, cranes, other property and equipment, and other intangible assets (excluding software). In 2016, this line item included \$1,374.6 million in intangible assets relating to the NOL Acquisition, primarily including \$406.0 million of customer relationships, \$202.0 million relating to the APL trademark and \$761.2 million related to terminal concession rights. See Notes 3.1, 5.1 and 5.5 to the 2016 CMA CGM Audited Consolidated Financial Statements.

	As of December 31,			As of	
				March 31,	
	2014	2015	2016	2016	2017
	(\$ in millions)				
Total borrowings (current and non-current portion)	5,480.1	5,147.6	8,278.2	5,316.1	8,473.3
Plus: Liabilities associated with assets classified as held for sale	-	-	-	-	-
Less: Cash and cash equivalents	(2,186.5)	(1,224.0)	(1,211.6)	(1,236.2)	(1,268.6)
Less: Securities	(13.4)	(2.8)	(13.4)	(10.6)	(13.3)
Less: LTV deposits(1)	(143.9)	(22.3)	(14.9)	(23.3)	(39.9)
Net debt	3,136.3	3,898.6	7,038.3	4,046.1	7,151.6
Less: Portion of bonds and preferred shares redeemable in shares (ORA) accounted for as borrowings	(259.3)	(193.8)	(180.8)	(193.8)	(175.0)
Less: Liabilities associated with assets classified as held-for-sale	-	-	-	-	-
Plus: Restricted cash	11.8	6.3	4.4	4.3	5.1
Adjusted net debt	2,888.8	3,711.1	6,861.9	3,856.6	6,981.7

(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 2016 CMA CGM Audited Consolidated Financial Statements.

	As of December 31,			As of March 31,	
	2014	2015	2016	2016	2017
	(\$ in millions)				
Total equity	4,995.3	5,405.5	4,927.6	5,319.0	5,028.7
Plus: Portion of bonds and preferred shares redeemable in shares (ORA) accounted for as borrowings	259.3	193.8	180.8	193.8	175.0
Less: Currency translation reserve	7.4	69.6	162.8	66.7	146.0
Adjusted equity	5,262.0	5,668.9	5,271.1	5,579.5	5,349.8

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 three- month period ended March 31,		Pro Forma ⁽¹⁾ as of and for the twelve- month period ended March 31,
	2014	2015	2016	2016	2017	2017
	(TEU thousands, except number of ships and average revenue per TEU)					
Operational Data						
Volumes transported .	12,224	12,995	15,641	3,183	4,304	17,791
Total fleet capacity ⁽²⁾	1,649.3	1,818.8	2,208.3	1,812.0	2,221.0	2,221.0
Container fleet	2,488.8	2,525.7	3,501.7	2,534.2	3,538.2	3,538.2
Number of owned container ships.....	79	88	127	88	127	127
Capacity of owned container ships.....	525.8	603.8	919.8	603.8	924.4	924.4
Number of chartered container ships.....	367	374	326	360	318	318
Capacity of chartered container ships.....	1,123.5	1,215.0	1,288.5	1,208.1	1,296.6	1,296.6
Average revenue per TEU ⁽³⁾	1,369.4	1,206.2	1,021.6	1,067.9	1,074.0	1,017.5

(1) Volumes transported and average revenue per TEU on a pro forma basis as if the NOL Acquisition had occurred on January 1, 2016. The other figures in this column are as of March 31, 2017, including the contribution of NOL.

(2) Controlled capacity, including vessels chartered out to third parties, as of the end of the period indicated.

(3) Average revenue per TEU represents total revenue 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 this offering memorandum, 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.

This offering memorandum also contains “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 this offering memorandum. Please see “Forward-Looking Statements.”

Risks Relating to Our Business and Industry

Our results of operations and financial condition are highly sensitive to the highly cyclical and volatile nature of the container shipping industry, market conditions and imbalances of supply and demand.

Container shipping is heavily dependent on prevailing conditions in the world’s economies. Fluctuations in the economic climate have an above-average effect on the container shipping industry. The container shipping industry has, therefore, historically been highly cyclical, with high volatility in freight rates, primarily due to fluctuations in the demand for container shipping services and the global supply of capacity.

Changes in the demand for container shipping are difficult to predict and are generally beyond our control. Demand is influenced by, among other factors, global and regional economic growth, the shift in manufacturing away from the Western hemisphere to 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, political conditions, trade policies, armed conflicts, canal and port closures, changes in fuel and lubricant prices and changes in the regulatory regimes affecting shipping. In recent years, global demand for containerized transports has been below expectations as global trade has grown less than expected (see “*Industry*”). For example, the International Monetary Fund (“IMF”) revised its growth forecast for world trade in 2016 from 3.1% forecasted in January 2016 to 2.3% forecasted in October 2016 to an estimate of 1.8% in January 2017 and finally to an estimate of 2.2% in its April 2017 World Economic Outlook. The IMF’s April 2017 World Economic Outlook forecasted world trade growth of 3.8% in 2017, consistent with its forecast in its January 2017 World Economic Outlook, but it revised its forecast for world trade in 2018 downwards from 4.1% in its January 2017 World Economic Outlook to 3.9% in its April 2017 World Economic Outlook. These forecasts are subject to significant uncertainty and actual growth may be lower than forecasted or even negative. These low levels of global economic growth have typically been reflected to some extent in demand for containerized shipping in recent years. From 2000 to 2012, the container shipping industry recorded annual growth in transported volumes of between 3.9% and 14.4% with the exception of 2009, when transport volume declined by 8.2% (source: Drewry, June 2017). The pace of growth in demand for container transport slowed somewhat in 2013, with volumes growing by 3.4%, before rebounding to grow 5.7% in 2014. In 2015 the growth rate declined to only 1.7% amid difficult market conditions. The growth rate rebounded somewhat to 3.0% in 2016, although this remained below average growth rates for the last decade. Overall, container volumes transported increased at a compound annual growth rate (CAGR) of 4.4% in the last decade (source: Drewry, June 2017). In addition, because 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. There can be no assurance that further setbacks in economic activity will not occur or that transport volume of the container shipping industry will remain at or above levels recorded in previous years.

Matching capacity with demand has been a challenge for the industry and the market is currently oversupplied as a result of high levels of new ordering which occurred in recent years, combined with lower-than-expected growth in many markets, especially in 2016. The global supply of capacity is determined by the number and size of container ships in the world, including in the charter market, the assignment of these ships to trades, 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 and the regulation of maritime transportation practices by governmental or international authorities, including changes in

environmental and other regulations that could limit the useful lives of vessels. The global supply of capacity has also been affected by slow steaming and super-slow steaming initiatives, as reduced average speed requires more ships on a given trade to maintain the same schedule. If individual competitors, or the industry as a whole, were to end slow steaming, the global supply of dynamic capacity would increase significantly. 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. We cannot predict when or even if global or regional supply and demand for container shipping capacity will balance.

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, over the last several years, the pursuit of economies of scale (including lower average slot costs), as well as increased bunker fuel efficiency, has driven a trend towards increasingly large vessels which has caused an additional increase of capacity and put freight rates under significant pressure. As of March 31, 2017, the segment of container vessels with a capacity of 14,000 TEU or higher (referred to as super large or ultra-large container vessels), which predominantly serve the major East-West trade lanes, comprised 135 vessels with a transport capacity of 2.21 million TEU. The industry order book as of March 31, 2017 included 103 of these vessels with a capacity of 1.78 million TEU, of which 81 vessels are expected to be delivered before the end of 2018, with the remainder delivered by 2020. In the subsegment of vessels with a capacity of more than 18,000 TEU, 51 vessels with a capacity of 1.13 million TEU have been or are expected to be delivered between 2017 and 2020. Overall, the orderbook as of March 31, 2017 is heavily weighted towards larger vessels, with ships with a capacity of over 10,000 TEU making up 80% of the orderbook by capacity (source: Drewry, June 2017). The increasing capacity of ULCVs is expected to exacerbate the existing pricing constraints and complicate carriers' ability to manage an effective cascade across all their trade lanes. 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 a market imbalance. In the past, the 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 container shipping industry in general and certain of our competitors in particular. For example, the bankruptcy of Hanjin Shipping Co. in August 2016 was caused in part by the losses it incurred due to oversupply in the world market and the resulting low freight rates, combined with weaker-than-expected growth in world trade. Likewise, increases in capacity or decreases, or lower than anticipated increases, in the demand for container shipping can lead to significantly lower freight rates, reduced shipping transport volume or a combination of the two which 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 container shipping industry is 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. Both of our two main global competitors, Maersk and MSC, 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—Inter-carrier Cooperation*" and "*Business—Services—Alliances 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 customers and many of our customers maintain close relations with other container carriers. Customers could, depending on overall supply available 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. This consolidation intensified in 2016 (see “*Business—Competition*”). 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 to compete against each other as well as against freight forwarders.

In sum, the competitive environment potentially threatens the generation of revenues and could prevent us from charging freight rates at a level that is necessary for us to be profitable. These factors could have a material adverse effect on our business, results of operations and financial condition.

Fluctuations in charter rates could adversely affect us and our financial performance.

As of March 31, 2017, our fleet consisted of 445 container ships, of which we owned or had under finance lease or equivalent arrangements 127 vessels, or 42% of our fleet by capacity, chartered 59 vessels, or 25% of our fleet by capacity, with a remaining charter duration of more than five years, chartered 41 vessels, or 10% of our fleet by capacity, with a remaining charter duration ranging between one and five years and chartered 218 vessels, or 24% of our fleet by capacity, with 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 ship owner typically also providing the ship’s crew, insurance and maintenance. We generally utilize chartered ships as a greater proportion of our total capacity than most of our competitors, which we believe provides us with greater flexibility in the management of our capacity, but also increases the risk to us of rising charter rates in the future. 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. Moreover, we cannot be certain that vessel charter rates, which are currently at relatively low levels, will not rise materially in the near to medium term. If charter rates increase materially, we could face higher operating costs than most of our competitors, many of whom own a greater percentage of their fleets than we do. 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 orderbook 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, short-term charter rates have historically tracked freight rates (which are affected by changes in the supply of, and demand for, container shipping and container vessels), 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, after a decrease in freight rates, 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 to compensate for declining freight rates for a period of up to several months. We have experienced this effect in past periods of rapidly falling freight rates, such as the 2008 to 2009 period, the early-mid 2010 to early 2012 period and the end of 2015 to the second half of 2016 period. If we are again unable to reduce our charter costs as freight rates fall, our business, results of operations and financial condition could be materially and adversely affected.

There is a considerable time lag between the ordering and the delivery of new vessels, leading to a heightened sensitivity to intermittent changes in shipping market conditions.

Orders for new vessels, whether they will be owned, leased or chartered, must currently be placed two to three years in advance. Because part of the orders are based on current expectations of future demand, a container shipping company is subject to the inherent risk that it will order either too much or too little vessel capacity for future demand, as well as to the related risk of misallocating capital expenditure. If we do not invest sufficiently in additional shipping capacity, we could be faced with the choice of either not being able to satisfy our customers' demand for our services (leading to lost revenues and market share and, potentially, strained customer relations or a loss of customers) or chartering additional vessels via the charter market at higher charter rates during phases of strong demand. If, on the other hand, we over-invest in additional container shipping capacity that we are not able to fully utilize during weaker market conditions, this would increase our costs relative to the development of our revenues. In the past, the shipping industry has been affected by repeated ordering of excess capacity during periods of strong demand. Either scenario could have a material adverse effect on our business, results of operations and financial condition.

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 buildup 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 the calendar year are generally the strongest periods in terms of overall demand for the container shipping industry. 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 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.

Changing trading patterns, trade flows and sharpening trade imbalances could adversely impact our cost structure.

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). Considerable 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. This could have a material adverse effect on our business, results of operations and financial condition.

Increases in crude oil and bunker fuel prices could significantly increase our costs of operations.

The cost of marine or bunker fuel is one of our major operating costs, representing 12.2% of our revenue (13.3% of our total operating expenses) in the three month period ended March 31, 2017 and 10.0% of our revenue (10.3% of our total operating expenses) in the year ended December 31, 2016. The price of bunker fuel is driven by crude oil prices. Crude oil prices have historically exhibited significant volatility over short periods of time, although prices have recently significantly decreased compared to the prevailing levels between 2010 and 2014. Furthermore, 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, a long-term increase in global demand for oil and the economic development of emerging markets, China and India in particular. Lastly, specific regulations require that we use low-sulfur bunker in certain designated areas. Such low-sulfur bunker is more costly than regular bunker. We only hedge ourselves against a small percentage of changes in crude oil prices, and we could be unable to pass increases in crude oil prices on to our customers. As a result, an increase 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 \$50 per ton average

increase in the spot purchase price of bunker fuel would have reduced our EBIT on a CMA CGM standalone basis in 2016 by approximately \$295 million (exclusive of the impact of any hedges), assuming we would have not been able to pass any of the increase on to our customers.

There are risks in connection with our 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 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 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 cooperation 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 the cooperation agreements and thus would face a material adverse effect on the flexibility, scope and depth of our service offering and our ability to optimize freight schedules and capacities. 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 the Ocean Alliance 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 the Ocean Alliance or if the dissolution or a material change to the governing structures of the Ocean Alliance were to be decreed under antitrust laws or other laws and regulations, we may lose our access to the 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.

For a summary of industry trends in this respect, existing competing alliances and our own cooperation agreements and principal alliance (Ocean Alliance, which became operational on April 1, 2017), see "*Industry*" and "*Business—Services—Alliances with other shipping companies.*"

Attempts to increase freight rates may not succeed.

We have periodically announced freight rate increases in recent periods. Some of these have been successful in that they have been accepted by customers and have led to temporary increases in market freight rates while others have failed in this respect. No assurance can be given that future attempts to increase freight rates will succeed, particularly in a context of generally prevailing overcapacity. Failure to effect freight rate increases could have a material adverse effect on 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 customers. Therefore, we cannot be certain that our customers will continue to use our services in the future. Many of our customers maintain close relations with other container carriers. Thus our customers could, depending on overall supply available on the market and their perception of the level of service provided, opt for the services of our competitors on all or some trades without facing discernible constraints. This increases the risk to our volumes and business from customer churn and may limit our ability to adjust our rates or service to levels necessary to ensure the profitability of certain shipments. In addition, 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. Once our existing customer contracts expire, there is no assurance that our customers will renew the contracts on similar terms or that suitable replacements will be found. Any negative impact would be magnified if we lost any of our top 20 customers, which together accounted for approximately 17% of our volumes in 2016. Furthermore, if we lose a major customer, we may not be able to reduce swiftly our fixed costs accordingly. Such developments could have a material adverse effect on our business, results of operations and financial condition.

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. These factors have 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. 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. In addition, as industry capacity and demand for container shipping continue to grow, we could encounter difficulties in securing sufficient terminal slots to expand our operations according to our growth strategy, due to the limited availability of port facilities. While we seek to continue to secure 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 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.

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 new-built vessels, as well as any new-built vessels we may contract to acquire or order in the future, could be delayed, not completed or canceled, which would 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 our inability to finance the purchase of the vessel. Our receipt of new-built vessels could be delayed, canceled 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.

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 has led to losses in respect of prior payments and to ongoing disputes with shipyards and ship-owners.

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.

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 can result in 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.

Furthermore, political, economic or other developments could affect importers or exporters or lead to reductions in, or in the growth rate of, global trade, which could reduce demand for our vessels and services. A weakening of the economy, protracted political instability or other events affecting important importers or exporters, such as China, Europe, the United States or other countries, could have a material adverse effect on demand for container shipping and our business, results of operations and financial condition. Moreover, 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). Any of these factors could have a material adverse effect on our business, results of operations and financial condition.

Our business could be adversely affected by protectionist policies and regulatory regimes adopted by countries globally.

One or more countries could, in the wake of an economic crisis, in response to real or perceived currency manipulations or trade imbalances or as a result of populist or nationalist policies, resort to protectionist measures or make changes to the regulatory regimes in which we operate in order to protect and preserve domestic industries. Such measures could include raising import tariffs, providing subsidies to domestic industries, restricting currency repatriation, abandoning or renegotiating the terms of national or international free trade zones (*e.g.*, NAFTA), withdrawal from, or blocking of, international trade agreements or creating other trade barriers. A global trend towards protectionism could also be harmful to the global economy in general, as protectionist measures could cause world trade to shrink and counter measures taken by protectionist policies' target countries would increase the chance of trade wars. This risk is particularly acute in the current geopolitical climate, with the rise in various countries and regions of political parties and politicians decrying free trade and "globalization" and advocating protectionist policies. Implementation of protectionist measures could by themselves have a chilling effect on world trade and, if they lead to retaliation and "trade wars," cause a substantial reduction in world trade volumes. As our business success hinges, among other things, on global trade volumes, protectionist policies and regulatory regimes would have a material adverse effect on our business, 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 premiums could increase in the event of war or terrorist attacks.

The operation of large oceangoing 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, 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. Insurance policies we carry 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 NOL Acquisition, there was no such indemnity because it was a listed entity.

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.

Acts of piracy against oceangoing vessels could adversely affect our business and results of operations.

Acts of piracy have historically affected oceangoing 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. 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 (“JWC”) “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 4000 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. Acts of piracy could thus have a material adverse effect on our business, results of operations and financial condition.

Risks inherent in the operation of oceangoing vessels could affect our business and reputation.

The operation of oceangoing 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, IT system outages, cyber-attacks, human error, war, sabotage, terrorism, 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

finances, 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 owner and operator. Any of these circumstances or events could have a material adverse effect on our business, results of operations and financial condition.

The smuggling of drugs, weapons or other contraband 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 (including, but not limited to, the Middle East, West Indies and Latin America) where smugglers 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. 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. 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.

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, 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. Although we have a policy prohibiting our employees from offering or promising directly or indirectly anything of value to any party, including a government official or private party with the intention or appearance of improperly influencing its business decision, we cannot guarantee that such payments may not be made despite our policy. Any such payments may be deemed to have violated anti-corruption laws potentially applicable to us, exposing us to potential civil and criminal penalties as well as reputational damage that 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.

Shipping companies could face fines, ordered remedies and damages claims if they fail to comply with applicable regulatory regimes. In the event that we are found not to be in compliance with the regulatory regime and sanctions 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 behavior are made against us.

In May 2011, the European Commission’s Directorate General for Competition (“DG COMP”) carried out unannounced inspections at the premises of various carriers, including us, in order to investigate a possible collusion among carriers on prices and capacities in the Asia-EU trade. In a decision dated November 21, 2013, the European Commission initiated antitrust proceedings against a large number of carriers, including us. The proceedings aimed to determine whether carriers’ publicized price increase announcements (through press releases on their websites and in the specialized trade press) constituted an anticompetitive practice. The proceedings were resolved via an European Commission Commitment Decision, announced on July 7, 2016, making legally binding for a period of three years starting December 7, 2016 a set of behavioral commitments proffered by various carriers (including us) in respect of price announcements for EEA trades. We are also a party, along with other carriers, to settlements including behavioral commitments with the Russian and Chinese

competition authorities, and under investigation by the South African competition authorities. See “*Business—Legal Proceedings and Government Investigations.*”

In addition, on March 17, 2010, the U.S. Federal Maritime Commission (“FMC”) initiated an investigation (No. 26) on the “Vessel Space and Equipment Availability Situation on U.S. Trades,” triggered by general complaints of shippers about the shortage of vessel space and equipment and the underlying allegation of collusion between carriers. There have been public hearings and confidential interviews with the industry. Following its investigation, the FMC did not impose fines. Instead, on December 8, 2010, the FMC issued a report and adopted certain measures designed to engage ocean carriers and their customers in a dialogue in order to improve the U.S. international ocean shipping system. These measures comprise dispute resolution bodies called “Rapid Response Teams”, two working groups, an educational outreach project and the development of recommendations to enhance oversight of the global container shipping industry. While the adopted measures do not currently appear to lead to legal restrictions being imposed on our business, it cannot be ruled out that these initiatives could lead to future revised laws or other administrative burdens which may impact our flexibility or force us to incur additional costs.

On March 15, 2017, we received a subpoena from the Antitrust Division of the U.S. Department of Justice (the “DOJ”) relating to an antitrust investigation of ocean container shipping services to and from the U.S. The subpoena includes wide-ranging requests for information and documents in relation to such services, including as to the International Council of Containership Operators (known as the “Box Club”), of which we are a member, and the Transpacific Stabilization Agreement, to which we are a party. We understand that a similar subpoena was received by other container shipping companies that are members of the Box Club. We are responding to the subpoena. The investigation is currently ongoing, and at this stage there can be no assurance as to the direction the DOJ’s investigation will take in the future or its outcome. Further, no assurance as to the timing of the investigation can be given. If we ultimately become subject to sanctions for possible anti-competitive activities, we may be required to pay fines (which could be substantial) and/or to change our business practices. Additionally, the Company and/or individual executives may become subject to criminal prosecution. Any of the foregoing outcomes could have a material adverse effect on our business, results of operations and financial condition.

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 the United Nations, the European Union and their Member States. In particular, the U.S. Office of Foreign Assets Control, or “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. For example, in 2011, we paid a fine to settle allegations by OFAC that we facilitated the export of goods to Sudan and accepted payments for shipping services rendered in connection with shipments to Cuba, Iran and Sudan. 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, we may not be able to effectively prevent future violations of such sanctions and restrictions.

We actively monitor developments in the United States, the European Union and other jurisdictions that maintain sanctions programs, including developments in the implementation and enforcement of such sanctions programs. 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. For example, in response to developments in eastern Ukraine in 2014, the United States and the EU expanded their restrictive measures against Russia by implementing a third phase of sanctions, which targets specific sectors of the Russian economy, as well as named individuals and entities. Russia’s capital markets, energy and defense sectors were targeted by the sanctions which came into force. The United States and the EU have published further sanctions against Russia, including sanctions relating to cyber security in 2016. While these sanctions do not specifically target the shipping industry, they have had knock-on repercussions for EU and U.S. shipping and export businesses that do business with Russia and/or Ukraine as the sanctions prohibit the sale, supply, transfer or export of certain oil and gas equipment and technology and dual-use items. This has had an impact on cargo volumes on trades between Russia, and Europe and the United States. Conversely, EU and certain US sanctions

against Iran were eased to some extent in January 2016. This has created business prospects, including with local entities, which we may consider in compliance with applicable laws and regulations and remaining sanctions. Any future reimposition of economic sanctions against Iran could prevent us from taking advantage of such business prospects or expose us to the risk of a sanctions violation.

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.

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 industry is subject to various security and customs monitoring and inspection procedures in countries of origin and destination, as well as at transshipment 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. 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.

In response to the perceived risks to ships from terrorism, the International Maritime Organization (“IMO”) developed the International Ship and Port Facility Security Code (“ISPS Code”), which came into force on July 1, 2004. Compliance with the ISPS Code entailed ship modifications, staff training, auditing of vessels and preparation of ship security plans followed by approval of the documentation by the relevant flag state. In the United States, the U.S. Coast Guard has published similar regulations requiring shipping companies to adopt vessel security plans and to establish port security plans. The EU implemented similar obligations for shipping companies (essentially in Regulation 725/2004/EC (amended by Commission Decision 2009/83/EC and Regulation 219/2009/EC)). 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 influence, we could be exposed to increased costs and business disruptions under the ISPS Code or U.S. Coast Guard regulations if another container shipping company, or port operator, or any other entity covered by the regulations with which we conduct business, fails to comply with the ISPS Code or U.S. Coast Guard regulations. The vessels of other container lines on which we use capacity could not comply, or could not remain in compliance with, the ISPS Code or U.S. Coast Guard regulations. If these, or any similar risks, materialize, our costs could increase, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, since 2002, we have participated in the “C-TPAT” (U.S. Customs-Trade Partnership against Terrorism) initiative, a voluntary agreement between U.S. Customs and the industry. 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 U.S. Customs and Border Protection (“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. Should we fail to maintain the certificate, 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.

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. On the basis of Article 39 of the Union Customs Code, EU 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. Should we fail to maintain the certificate, it could mean higher administrative burden through increased security screenings and the loss of customers who are increasingly requesting such certificate from their carriers.

Changes to the liability regime for the international maritime carriage of goods could adversely affect our business.

In addition to the respective national laws, there are various international treaties in place that deal with maritime liability issues, such as the Hague Rules of 1924 (the “Hague Rules”), the Hague-Visby Rules of 1968 (the “Hague-Visby Rules”) and the Hamburg Rules of 1980. In particular, the Hague Rules and the Hague-Visby Rules are of great importance to the maritime liability regime, and either one or both have been ratified by most countries that have a relevant shipping industry. Some countries have implemented the Hague Rules and the Hague-Visby Rules into national law and in other countries the treaties are applicable directly without transition into national laws.

In December 2008, the United Nations Commission on International Trade Law (UNCITRAL) adopted a new convention on cargo liability, the Convention on Contracts for the International Carriage of Goods Wholly or Partly by Sea (the “Rotterdam Rules”). The Rotterdam Rules establish a new legal regime for the international maritime carriage of goods. The goal of the Rotterdam Rules is to bring increased clarity regarding who is responsible and liable for what, when, where and to what extent when it comes to transport by sea and land and to make national codes, such as the U.S. and Australian Carriage of Goods Acts, redundant. The Rotterdam Rules will not come into force until one year after ratification by 20 countries. As of the date of the Offering Memorandum, there are 25 signatories, with three states having ratified the Rotterdam Rules. When, or if, the Rotterdam Rules come into effect, we could face increased liability under the new regime, including the increase of liability limits, liability for delay and liability in the case of errors in navigation, which could have a material adverse effect on our insurance program and, in turn, on our business, results of operations and financial condition.

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 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 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, carbon tax and emission trading schemes are various examples of increasingly stringent regulations 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 regulations at the local, regional and international levels. Furthermore, any of these regulations or those discussed in “Regulatory Matters,” or any new regulatory developments, could 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 IMO is evaluating mandatory measures to reduce greenhouse gas emissions from international shipping, 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 (the "Emissions Trading Scheme"). In April 2015, the EU-Commission adopted Regulation (EU) 2015/757 on the monitoring, reporting and verification ("MRV") of carbon dioxide emissions from maritime transporter 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. The next step in the EU strategy would be to set greenhouse gas reduction targets for the maritime transport sector, although currently no measures have been adopted to implement reduction targets. 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, entered into force and is to take full effect by 2020. 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 restricts emissions of greenhouse gases from the maritime sector could require us to make significant financial expenditures, such as to install new emission controls, acquire allowances or pay taxes related to its greenhouse gas emissions, or administer and manage a greenhouse gas emission program, that we cannot predict with certainty at this time.

In addition, certain U.S. states have requirements for ships to source electric power while at berth. This practice is known as "cold ironing." As of January 1, 2014, 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 50% of vessel calls for any ocean going vessel fleet. These requirements increased to 70% in January 2017, and are expected to increase to 80% by January 2020. 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.

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, in October 2016, the International Maritime Organization announced that it will implement a global sulfur cap of 0.5% on marine fuels as from January 1, 2020, as compared to 3.5% currently. 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). Gasoil and other low sulfur products accounted for approximately 9.1% of our total bunker oil consumption in the year ended December 31, 2016. The expanding regulatory requirements that will impose 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. 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 would require us to make significant up-front investments and there can be no guarantee that investing in such improvements would be cost effective or that the solutions we invest in would be sufficient to meet the requirements of any future regulations. Because these regulatory schemes are relatively new and continue to develop, there can be no certainty at this time as to the solution or mix of solutions that we will implement to comply with these regulations, or that such solutions will be fully effective and cost efficient.

Under environmental laws and regulations, we could also face substantial liability for penalties, fines, damages and remediation costs associated with oil and other hazardous substance spills or other discharges involving our shipping operations. 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, 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 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.

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 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.

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. 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. 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. As a result, our operational efficiency and cost structure relative to our competitors could deteriorate (see "*—The container shipping industry is highly competitive and will likely remain so despite ongoing consolidation*").

We have to date contracted with one or more providers of IT services to maintain our IT systems. In October 2013, we entered into a strategic partnership with SAP for the development of a new IT system that would

entirely replace our existing systems. Deployment of this new system is currently expected to be implemented in phases from 2018 through 2020. Implementation of the new system has entailed to date and will continue to entail substantial capital expenditure and may not be completed on schedule, on budget and with the anticipated efficiency gains and cost reductions. No assurance can be given as to the absence of disruptions in our IT systems as we transition toward this new system or more generally, nor as to the actual timetable for transition to these new systems. Any disruption to our IT systems could materially impact our relationships with customers, our reputation and our operating costs and margins.

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, fraudulent activities by employees, failure of security and terrorism measures or backup systems, or other events beyond our control.

While, to date, we have not experienced a material breach of cyber security, 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.

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. In some cases, such unauthorized access may not be immediately detected. This may impede or interrupt our business operations. 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.

Any such failure in or shortcoming of or in connection with our IT systems could have a material adverse effect on our business, results of operations and financial condition.

Labor disturbances could disrupt our business.

As of December 31, 2016, we employed 26,529 employees globally through our controlled subsidiaries (including 5,345 from NOL), including 4,390 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.

Maritime claimants could arrest our vessels, which could lead to an interruption of our business or require us to pay large sums of funds to have the arrest lifted.

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.

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, Taiwan, the United Kingdom, 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—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.

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 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. See “*Description of Certain Financing Arrangements—Key Financial Ratios.*” There has been no breach of any financial covenant since 2012. However, there can be no assurance that we will not breach the current covenants. If we were to breach our covenants and all or some of our lenders were unwilling or unable to renegotiate the terms of our financing, this could result in an acceleration of some or all of our financing arrangements, which could have a material adverse effect on our business, results of operations and financial condition.

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 \$142.6 million in the three-month period ended March 31, 2017. We have financed these capital expenditures through a combination of cash flow and debt 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 future ship purchases at attractive rates, or at all. 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 and other financing arrangements. 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.

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

As of March 31, 2017, the amounts of goodwill and other identifiable intangible assets recorded in our consolidated statement of financial position were \$1,013.0 million and \$1,093.0 million, respectively, a significant portion of which relates to the NOL Acquisition. 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. 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 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 2016 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 although 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.

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 the loss of our investment, requirements for additional investments or calls on guarantees. Our investments in joint ventures and associates may also result in impairments. For example, in 2016, Global Ship Lease, a company in which we hold a minority stake and from which we charter vessels, recorded impairment charges in connection with the amendment of a vessel charter and a reassessment of its value in use, of which the aggregate share attributable to our minority stake was \$41.1 million. In 2015, Global Ship Lease recorded an impairment charge in connection with the sale of two vessels, of which the share attributable to our minority stake was \$20.0 million. 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.

Changes in accounting standards will increase the amount of debt on our balance sheet and hence affect our gearing ratio, and will have a significant impact on the manner in which lease expenses are reported in our income statement.

IFRS 16, a new accounting standard regarding the accounting for leases, will have a significant impact on our statement of financial position and statement of profit and loss. Once endorsed by the European Union (which is expected during 2017), IFRS 16 will be applicable to us for reporting periods as from January 1, 2019, with earlier application being permitted. IFRS 16 will lead to the recognition as a liability of certain lease commitments currently disclosed as off-balance sheet commitments in the notes to our financial statements. Certain operating lease expenses currently recorded within operating expenses would be split into a depreciation expense of an intangible asset and a financial expense, except for the running costs which would 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.*” While the precise impact of the new standard will depend on the nature and number of leases in place at the time the standard becomes effective, we expect the adoption of IFRS 16 to result in a material increase in the liabilities recorded on our statement of financial position and to increase depreciation and financial expense while decreasing operating expenses. The increase in financial liabilities will mechanically affect the gearing ratio under our principal credit facilities. While provisions of these facilities require good faith negotiation of amendments to account for accounting changes such as this one, no assurance can be given that such negotiation will result in an amendment that leaves us in the same or better position with respect to our gearing ratio as we were before the introduction of this new standard. See “*Description of Certain Financing Arrangements —Introduction —Key Financial Ratios.*”

Our future success depends on our ability to achieve and manage growth.

We plan to continue to grow 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 plan to achieve this growth internally, as well as through selective strategic acquisitions, which may vary in size and may be significant in scope in relation to our current operations. We may not, however, be able to manage our growth successfully.

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.

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 CMA CGM Logistics businesses, which expand the range of services we provide for our customers in the ports where we unload cargo, 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, as we have limited experience in these areas. 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 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 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.

We could be unable to continue reducing costs sufficiently to support our profitability or achieve the benefits targeted by our Agility cost savings program.

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, in particular to reduce bunker fuel consumption. We could, however, be unable to further reduce costs. Moreover, should volumes or freight rates decline, leading to lower revenues, we could be unable to further reduce costs to offset such a decline. Our inability to reduce costs further could therefore have a material adverse effect on our business, results of operations and financial condition.

On July 1, 2016, we began the roll-out of "Agility," a global plan designed to improve our operating results by improving our efficiency and leveraging our global presence, scale and resources to generate significant cost savings. The Agility program includes a target to reduce our cost base by delivering a \$1 billion reduction in standalone operating expenses between July 2016 and the end of 2017 (excluding the effects of bunker price variations since Q3 2015, exchange rate variations and the purchase price allocation in connection with the NOL Acquisition), calculated and implemented as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Agility Cost Efficiency Program." Our targeted standalone cost savings are based on a number of assumptions about the macroeconomic environment in which we operate, the development

of our industry in general, our ability to reorganize our lines, to integrate and coordinate our bunker fuel supply chain, to successfully coordinate with terminals to reduce port stay time, to renegotiate our contracts with handling and stevedoring providers, to achieve cost savings through rationalization of our agency network and to implement various other initiatives. They are also based on assumptions about the timing, execution and costs associated with these initiatives. Despite our experience with previous cost cutting programs, our ability to successfully implement our strategy 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 succeed in smoothly and timely integrating NOL into our existing business and we may fail to achieve the synergies targeted from the acquisition of NOL.

We are targeting significant synergies from the NOL Acquisition under our Agility program, with an aim of achieving approximately \$500 million in annual run-rate cost and revenue synergies related to the NOL Acquisition by 2018, in addition to the \$1 billion in standalone operating cost reductions targeted under the rest of our Agility program. No assurance can be given that the anticipated synergies will be realized in that amounts or on the schedule we are targeting. Our ability to achieve the synergies will depend on our success in achieving savings from shipping line optimization and expanding NOL's service offerings, as well as rationalizing head office functions, consolidating agencies and networks, and other factors.

Our targeted synergies are based on a number of assumptions about the timing, cost and execution of our integration plans for NOL, many of which are subject to significant uncertainty and business, economic and competitive developments that are beyond our control. The process of integrating NOL's operations into our own is ongoing and involves certain risks and uncertainties, and there can be no assurance that we will be able to complete the integration of the two businesses in precisely the manner or within the time frame currently anticipated. The necessity of combining and consolidating the networks, IT systems, customer service platforms and other operational or administrative units while achieving the anticipated synergies makes us susceptible to failure and disruptions in these areas during the integration phase, including because of technical or human error. Any inability or delay in completing the various processes to fully integrate NOL into our business could affect our ability to achieve the targeted synergies. Moreover, the realization of the targeted amount of synergies may be substantially impacted by future market developments such as bunker prices and exchange rates, as well as the on-going industry consolidation and developments in alliance partnerships throughout the industry (see "*—There are risks in connection with our cooperation agreements*" and "*—The container shipping industry is highly competitive and will likely remain so despite ongoing consolidation*"). The total synergies realized and/or the timing of any such realization could differ significantly from those we are targeting. In addition, the assumptions used as a basis for the estimated synergies may turn out to be incorrect or may not develop as anticipated. Even if we realize the expected synergies, they may not be realized within the anticipated time frame. As a result, there can be no assurance that such synergies will be realized. Failure to achieve the targeted synergies may result in a lower return on investment for the acquisition and could have a material adverse effect on our business, results of operation 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. 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 March 31, 2017, taking into account the interest rate hedges, indebtedness bearing interest at variable rates represented 56% of our total indebtedness. We hedge this risk through interest rate swaps agreements, and expect to continue to do so. As of March 31, 2017 we had hedged 12.5% 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 March 31, 2017 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 March 31, 2017, these physical forward purchases amounted to 16.3% of our expected full year 2017 bunker fuel consumption. Thus, adverse changes in bunker prices could adversely affect our business, results of operations and financial condition (see “—Increases in crude oil and bunker fuel prices could significantly increase our costs of operations”). If we were to enter into derivative instruments in the future with respect to bunker 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.

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.

We are controlled by Jacques R. Saadé and the members of his immediate family, and their interests or the interests of our Board of Directors could conflict with yours.

Jacques R. Saadé and the members of his 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. Further to full conversion of the ORA on December 31, 2015, Yildirim holds approximately 24% (on a fully-diluted basis) of our shares. Assuming full conversion of the 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, Yildirim and BPI are each 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 Jacques R. Saadé and 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, Jacques R. Saadé, Chairman, Rodolphe Saadé, Chief Executive Officer and Director, Farid T. Salem, Executive Officer and Director, Tanya Saadé-Zeenny, Executive Officer and representative of Merit on the Board of Directors and Michel Sirat, Group Chief Financial and Performance Officer, as well as other key 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 note in this respect the recent appointment of Rodolphe Saadé as Chief Executive Officer, replacing our historical Chief Executive Officer Jacques R. Saadé, who was appointed

as non-executive Chairman of our Board of Directors. 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.

We rely on third-party contractors to provide various services and unsatisfactory or faulty performance of a contractor could have a material adverse effect on our business.

We engage third-party contractors to provide various services in connection with our container shipping business. An important example is our chartering of vessels from ship owners, whereby the relevant ship owner is obligated to provide the vessel's crew, insurance and maintenance along with the vessel. In addition, we engage third-party contractors in providing our value-added services to customers. There can be no assurance that the services rendered by such third-party contractors will be satisfactory and match the required quality levels. Furthermore, there is a risk that major contractors could experience financial or other difficulties that could affect their ability to carry out their contractual obligations, thus delaying or preventing the completion of projects or the rendering of services. Such problems with third-party contractors could have a material adverse effect on our business, results of operations and financial condition.

If we were to experience difficulties in hiring and retaining crews for our vessels, our business, results of operations and financial condition could be adversely affected.

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. Although our supply of labor is currently sufficient, in the future our ability to expand our business or take on new contracts could be limited by a lack of suitable crew. This could have a material adverse effect on our business, results of operations and financial condition.

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 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. We could also incur costs relating to existing and possibly additional claims for exposure to asbestos from former seastaff, as vessels built in the 1970s and 1980s used this material in the construction process. 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.

A downgrade in our corporate credit rating by a rating agency could damage our reputation and lead to an increase in our refinancing costs and preclude our access to certain financing markets and products, thereby impairing our liquidity and profitability.

A corporate credit rating is not a recommendation to buy, sell or hold securities and is subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a corporate credit rating will remain constant for any given period of time or that a corporate credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. Future downgrades in or a loss of our corporate credit rating could lead to an increase in the interests payable under some of our existing credit facilities, 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 or loss 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.

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 March 31, 2017, on an adjusted basis to give effect to the issuance of the notes offered hereby and the use of the net proceeds therefrom:

- our total consolidated indebtedness would have been \$8,526.4 million, of which approximately \$684.7 million would have been indebtedness incurred in this offering and \$5,641.7 million would have been indebtedness of our subsidiaries;
- our total shareholders’ equity as calculated for the purpose of determination of our total capitalization would have been \$5,009.4 million; and
- our total consolidated indebtedness would have represented 63.0% of our total capitalization.

We expect to be able to refinance or repay the principal amount outstanding under the notes offered hereby 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 exploiting certain business opportunities; 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 and bunker fuel 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.

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. The terms of existing or future debt instruments and the indenture governing the notes could restrict us from adopting some of these alternatives. 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 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, we could still be able to incur substantially more debt 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 offered hereby, will and/or do 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 will be 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 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 this Offering Memorandum.

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;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliates;
- create unrestricted subsidiaries;
- enter into arrangements that restrict payments of dividends 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 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.

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 March 31, 2017, we had \$5,468.6 million of secured indebtedness outstanding (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 will 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 March 31, 2017, our subsidiaries held a significant portion of the group’s assets and had \$5,959.1 million of indebtedness outstanding, including \$4,295.0 million of secured indebtedness and \$1,664.1 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 first quarter of 2017 and the twelve months ended March 31, 2017. Although we will be required under the Indenture to cause certain vessel financing SPVs, our Main Operating Subsidiaries (as defined therein, namely CMA CGM Antilles-Guyane, ANL Singapore Pte Ltd, Cheng Lie Navigation Co. Ltd, NOL, NOL Liner (Pte.) Ltd., APL Co. Ptd. Ltd. and American President Lines, Ltd. and their respective successors) and certain of our wholly-owned shipping agencies to dividend or distribute their distributable reserves to the Issuer on an annual basis, this requirement is subject to certain exceptions. Such exceptions include where such distribution would be prohibited by law, would not be permitted under existing or future agreements of the Group or could reasonably be expected to result in any significant cost, expense, liability or obligation (including withholding or other taxes). Distributions of distributable benefits are subject to withholding or other taxes in certain jurisdictions in which the Group currently operates and Restricted Subsidiaries operating in such jurisdictions may not be required to distribute their respective distributable benefits to the Issuer. See "*Description of Notes—Certain Covenants—Distribution Requirements.*" 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 2021 Senior Notes and the notes offered hereby and, if this occurs, we would be in default under these indentures.

Under the terms of the indenture governing the notes and the indenture governing the 2021 Senior Notes, we will be required to offer to repurchase all outstanding notes and all outstanding 2021 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 offered hereby and the 2021 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, or the 2021 Senior Notes, as applicable, would be an event of default under the indentures governing the notes and the 2021 Senior Notes, respectively, and would cause a cross default under our financing arrangements.

Except as described under "*Description of the Notes,*" the indenture governing the notes will 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 insolvency proceedings (safeguard proceedings (*procédure de sauvegarde*), (iii) accelerated safeguard proceedings (*procédure de sauvegarde accélérée*), (iv) accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*) (“SFA proceedings”) and (v) 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.

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 Article 1343-5 of the French Civil Code 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.

Pursuant to article L. 611-16 of the French Commercial Code (*Code de commerce*), any contractual provisions that would (i) accelerate the payment of the debtor's obligations as a direct result of the opening of amicable proceedings (*mandat ad hoc* or *conciliation*), or (ii) provide that the debtor is obliged to pay creditor's counsel's fee in such proceedings in excess of a proportion fixed by order of the Minister of Justice as a direct result of such amicable proceedings, are deemed to be null and void.

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. (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 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 (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 recognized) 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 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 insolvency proceedings

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

- (a) 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;
 - (b) accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) (applicable to large companies), if such company: (i) while not being cash flow insolvent, is facing difficulties which it cannot overcome; and (ii) 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;
 - (c) 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

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

Court-administered proceedings—safeguard

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*"), 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 judicial 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 judicial 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).

Court-administered proceedings—accelerated safeguard and accelerated financial safeguard

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 are 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, 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) 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 within the European Union, 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 5 of Council Regulation (EC) no. 1346/2000 dated May 29, 2000 on insolvency proceedings or of article 8 of European Parliament and Council (EU) n°2015/848 Regulation on insolvency proceedings (recast) dated May 20, 2015, which became effective as of June 26, 2015, and which will apply to insolvency proceedings commenced after June 26, 2017.

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, 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 or the grant of the security interests in the Senior Secured Security,

involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the notes or the granting of the security interests in the Senior Secured Security 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 or the security interests in the Senior Secured Security and the value of any consideration that holders of the notes received with respect to the notes or the security interests in the Senior Secured Security 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 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 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 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 offered hereby 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 Standard & Poor'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 Standard & Poor'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 depository for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depository.

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 depository 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 depository or its nominee for Euroclear and Clearstream. The common depository or its nominee will in turn distribute such payments to participants in accordance with its procedures. After payment to the common depository 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 this offering memorandum but should ask for their own tax adviser’s advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the notes. Only such adviser 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 this Prospectus.

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 EU 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.

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”). Following the ECOFIN Council meeting of December 8, 2015, Estonia officially announced its withdrawal from the negotiations and, on March 16, 2016, completed the formalities required to leave the enhanced cooperation on FTT.

The Commission’s Proposal has a very broad scope and could, if introduced in its current form, apply to certain dealings in notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt. It would call for the Participating Member States to impose a tax of generally at least 0.1% on all such transactions, generally determined by reference to the amount of consideration paid. 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.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains

unclear. Additional EU Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw.

On October 10, 2016, the European Commission was tasked with drafting legislation that will be submitted to the Participating Member States in view of reaching a political agreement on the FTT by the end of 2016. However, no agreement has been reached between the Participating Member States to date. The Council of the European Union on Economic and Financial Affairs indicated on December 6, 2016 that the ten Participating Member States (excluding Estonia) agreed to pursue the on-going work and discussions on the main features of the FTT during the first half of 2017. 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. state 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 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

CMA CGM Antilles-Guyane

CMA CGM Antilles-Guyane is a joint stock company (*société par actions simplifiée*) organized under the laws of France with a share capital of €10.5 million and its principal executive registered offices at 4, Quai d'Arenc, 13002 Marseille, France. CMA CGM Antilles-Guyane provides container shipping services on France-Caribbean and France-West Indies trade lanes. CMA CGM Antilles-Guyane is a wholly-owned subsidiary of the Issuer. For the year ended December 31, 2016, CMA CGM Antilles-Guyane recorded profits of €71.7 million and remitted dividends of €71.4 million to the Issuer. As of March 31, 2017, the reserves of CMA CGM Antilles-Guyane amounted to €3.3 million. As of March 31, 2017 the outstanding amount owed to CMA CGM Antilles-Guyane by the Issuer was U.S.\$174.7 million.

ANL Singapore Pte Ltd

ANL Singapore is a limited private company organized under the laws of Singapore with a share capital of SG\$0.2 million and its principal executive registered offices at 9, North Buona Vista Drive, #03-02, The Metropolis (Tower 1), Singapore 138588, Singapore. ANL Singapore provides container shipping services on certain trade lanes in Oceania. ANL Singapore is a wholly-owned subsidiary of ANL Container Lines Pty Ltd, a proprietary limited private company organized under the laws of Australia with a share capital of AU\$15 million that is itself wholly-owned by the Issuer. For the year ended December 31, 2016, ANL Singapore recorded profits of U.S.\$52 million. As of March 31, 2017, the reserves of ANL Singapore amounted to U.S.\$216 million. As of March 31, 2017, the outstanding amount owed to ANL Singapore by the Issuer was U.S.\$410.5 million.

Cheng Lie Navigation Co. Ltd

Cheng Lie Navigation is a company limited by shares incorporated in Taiwan and organized under the laws of Taiwan with a share capital of \$21.1 million and its principal executive registered offices at 13.14F, No 10 Minsheng E Road, Sec 3, Taipei 10480, Taiwan. Cheng Lie Navigation provides intra-Asia container shipping services. Cheng Lie Navigation is indirectly 99% owned by the Issuer. For the year ended December 31, 2016, U.S.\$33 million of profit out of ordinary activities was recorded by Cheng Lie Navigation. As of March 31, 2017, the reserves of Cheng Lie Navigation amounted to U.S.\$80.0 million. As of March 31, 2017, the outstanding amount owed to Cheng Lie Navigation by the Issuer was U.S.\$85.1 million.

Neptune Orient Lines Limited

NOL is a public company limited by shares organized under the laws of Singapore with a share capital of SG\$3.1 billion and its principal executive registered offices at 9, North Buona Vista Drive, #14-01, The Metropolis (Tower 1), Singapore 138588, Singapore. NOL's principal activities are those of investment holding and the ownership and charter of vessels, as well as participation in ventures related to such activities and the principal activities of its subsidiaries. For the year ended December 31, 2016, NOL recorded U.S.\$57.4 million of loss arising out of ordinary activities. As of March 31, 2017, the reserves of NOL amounted to U.S.\$1,884.1 million. As of 31 March, 2017, the outstanding amount owed to NOL by the Issuer was U.S.\$1,095.0 million.

NOL Liner (Pte.) Ltd.

NOL Liner is a private company limited by shares organized under the laws of Singapore with a share capital of U.S.\$50,000 and its principal executive registered offices 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, 2016, NOL Liner recorded U.S.\$288.6 million of loss arising out of ordinary activities. As of March 31, 2017, the reserves of NOL Liner amounted to U.S.\$131.7 million.

APL Co. Pte Ltd

APL Co is a private company limited by shares organized under the laws of Singapore with a share capital of U.S.\$250 million and its principal executive registered offices at 9, North Buona Vista Drive, #14-01, The Metropolis (Tower 1), Singapore 138588, Singapore. APL Co. provides container shipping services. APL Co. is a wholly-owned subsidiary of NOL Liner. For the year ended December 31, 2016, U.S.\$741.1 million of loss arising out of ordinary activities was recorded by APL Co. As of March 31, 2017, the negative reserves of APL Co amounted to U.S.\$4,586.5 million. As of March 31, 2017, the outstanding amount owed by APL Co. to the Issuer was US\$33.9 million.

American President Lines, Ltd.

American President Lines is a corporation organized under the laws of the State of Delaware, United States of America with a share capital of U.S.\$0.2 million and its principal executive registered offices at 3501 Jamboree Road, Suite 300, Newport Beach, California, 92660, United States of America. American President Lines provides container shipping services. American President Lines is a wholly-owned subsidiary of APL Limited, a corporation organized under the laws of the State of Delaware, United States of America with a share capital of U.S.\$0.4 million that is itself wholly-owned by NOL Liner. For the year ended December 31, 2016, American President Lines recorded U.S.\$100.8 million of profit arising out of ordinary activities. As of March 31, 2017, the reserves of American President Lines amounted to U.S.\$787.9 million. As of 31 March, 2017, the outstanding amount owed to American President Lines by the Issuer was U.S.\$874.9 million.

USE OF PROCEEDS

The aggregate gross proceeds from the offering of the notes will be \$694.9 million (using the Company's consolidated balance sheet exchange rate of \$1.0691=€1.00 as of March 31, 2017). We expect the net proceeds from the offering of the notes to be approximately \$684.7 million, after deducting the initial purchasers' fees and the estimated offering expenses payable by us. We expect to use the net proceeds from the offering to redeem all of our 2018 Senior Notes and to reimburse the drawings under credit facilities made to repay the NOL 2017 Senior Notes upon their maturity on April 26, 2017, as well as to reimburse certain of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby.

The following table assumes that (i) all outstanding 2018 Senior Notes are redeemed at a price of \$1,021.9 per \$1,000 principal amount of the 2018 Senior Notes, plus accrued interest and (ii) \$320.4 million in net proceeds are applied to the reimbursement of drawings under credit facilities made to repay the NOL 2017 Senior Notes. These amounts may change depending on the amount of accrued interest payable with respect to such 2018 Senior Notes and with respect to such drawings on credit facilities, as well as any changes in the actual amount of related expenses.

Sources of Funds		Uses of Funds	
<i>(\$ millions)</i>		<i>(\$ millions)</i>	
Notes offered hereby ⁽¹⁾	694.9	Redemption of the 2018 Senior Notes ⁽²⁾ ..	327.7
		Reimbursement of drawings on credit facilities ⁽³⁾	320.4
		Reimbursement of other secured or unsecured debt ⁽⁴⁾	32.5
		Accrued interest ⁽⁵⁾	4.1
		Estimated fees and expenses ⁽⁶⁾	10.2
Total sources	694.9	Total uses	694.9

(1) U.S. dollar equivalents of euro-denominated amounts are translated at an exchange rate of \$1.0691=€1.00 (the exchange rate as of March 31, 2017 used by the Company for its consolidated balance sheet as of such date).

(2) Based on total consideration of \$1,021.9 per \$1,000 principal amount of the 2018 Senior Notes, including \$7.0 million of early redemption premium.

(3) Reimbursement of drawings under credit facilities made to repay the NOL 2017 Senior Notes including \$33.8 million in connection with the unwinding of the currency hedging transaction set up with respect to the issuance of the NOL 2017 Senior Notes. This table assumes reimbursement of drawings on credit facilities made to repay the NOL 2017 Senior Notes will occur promptly following the issuance.

(4) We expect to use these proceeds to reimburse one or more categories of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby.

(5) Accrued interest with respect to the 2018 Senior Notes. This table assumes a redemption date of August 7, 2017 for the redemption of the 2018 Senior Notes. The 2018 Senior Notes were issued in an aggregate principal amount of €300 million on December 16, 2013, accrue interest at a rate of 8.75% per annum and mature on December 15, 2018. The redemption of the 2018 Senior Notes is expected to be effected on or about August 7, 2017, pursuant to a redemption notice to be mailed to holders of the 2018 Senior Notes on or about the closing date of the notes offered hereby.

(6) Represents our estimate of fees and expenses in connection with or otherwise related to the offering of the notes, including underwriting fees, professional and legal fees, financial advisory and other transaction costs. Actual fees and expenses may differ.

CAPITALIZATION

The following table sets forth our cash, cash equivalents, securities and LTV deposits and consolidated capitalization as of March 31, 2017 on an actual basis and on an adjusted basis giving effect to (i) the repayment of the NOL 2017 Senior Notes upon their maturity on April 26, 2017 and (ii) the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the redemption of the 2018 Senior Notes and the reimbursement of the drawings under credit facilities made in connection with the repayment of the NOL 2017 Senior Notes, as well as the reimbursement of certain of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby, in each case as if such events took place on March 31, 2017. The indebtedness figures set forth below are based on the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements (as adjusted to give effect to the issuance of the notes offered hereby). 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 and the 2016 CMA CGM Audited Consolidated Financial Statements, together with the related notes thereto, included elsewhere in this offering memorandum, 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 \$1.0691 = €1.00 and \$1.00 = SG\$1.3974, respectively, as of March 31, 2017.

	As of March 31, 2017	
	Actual	As adjusted
	(in \$ millions)	
Cash, cash equivalents, securities and LTV deposits	1,321.7⁽¹⁾	1,321.7
Senior Notes		
CMA CGM Senior Notes		
CMA CGM 2018 Senior Notes.....	314.2	—
CMA CGM 2021 Senior Notes.....	761.0	761.0
Notes offered hereby.....	—	684.7 ⁽²⁾
NOL Senior Notes		
NOL 2017 Senior Notes.....	284.9	—
NOL 2019 Senior Notes.....	198.3	198.3
NOL 2020 Senior Notes.....	170.4	170.4
NOL 2021 Senior Notes.....	175.8	175.8
APL 2024 Senior Notes.....	79.9	79.9
Bank debt		
CMA sub-group (excluding NOL)	1,646.5 ⁽³⁾	1,646.5
NOL sub-group	1,861.0 ⁽⁴⁾	1,828.4 ⁽⁵⁾
Obligations under finance leases		
CMA sub-group (excluding NOL)	1,213.5 ⁽⁶⁾	1,213.5
NOL sub-group	219.4 ⁽⁷⁾	219.4
Bank overdrafts.....	54.7	54.7
Securitization program.....		
CMA CGM Securitization Program	838.1 ⁽⁸⁾	838.1
NOL Securitization Program.....	339.6 ⁽⁹⁾	339.6
Other financial debts.....	141.1	141.1
Bonds and preferred shares redeemable in shares	175.0 ⁽¹⁰⁾	175.0
Total financial debt	8,473.3	8,526.4
Equity attributable to owners of the parent company.....	4,958.1 ⁽¹¹⁾	4,938.8
Non-controlling interests	70.6	70.6
Total equity	5,028.7⁽¹¹⁾	5,009.4
Total capitalization	13,502.0	13,535.8

(1) Composed of \$1,268.6 million of cash and cash equivalents (of which \$5.1 million was restricted cash and \$652.5 million was cash equivalents), \$13.3 million of securities and \$39.9 million of LTV deposits.

(2) Reflects the net proceeds of the issuance of the notes offered hereby, taking into account estimated fees and expenses of \$10.2 million.

- (3) Represents the aggregate amount outstanding under the CMA sub-group's bank borrowings. This includes mainly (i) \$1,255.4 million outstanding in respect of 31 vessels under 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), (ii) \$83.7 million outstanding in respect of the dual-tranche facilities granted to the Company in 2007 (as amended from time to time) for the financing of containers, (iii) \$130.3 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, (iv) \$23.2 million outstanding in respect of unsecured revolving credit facilities granted to Cheng Lie Navigation, (v) \$19.7 million outstanding in respect of a term loan facility granted to Cheng Lie Navigation to finance one handysize vessel, and (vi) \$85.3 million outstanding in respect of the financing of the development of the Kingston container terminal.
- (4) Represents the aggregate amount outstanding under the NOL sub-group's bank borrowings. This includes mainly (i) \$918.2 million outstanding in respect of 17 vessels under mortgage facility agreements entered into by NOL Liner as acceding borrower (obligations under these facilities, including repayment obligations, are guaranteed by NOL), (ii) \$251.1 million outstanding in respect of secured revolving credit facilities granted to NOL Liner by financial institutions for general corporate purposes (repayment obligations under these facilities are guaranteed by NOL), (iii) \$524.2 million outstanding in respect of unsecured revolving credit facilities granted to NOL for general corporate purposes; (iv) \$100.0 million outstanding in respect of an uncommitted facility agreement entered into by NOL in September 2014, and (v) \$67.4 million outstanding in respect of the Murabahah facility agreement entered into by NOL in April 2013 (see "*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—Islamic Financing (NOL)*").
- (5) As adjusted to give effect to the repayment of \$32.5 million in outstanding indebtedness under the NOL sub-group's bank borrowings. We may instead choose to allocate these proceeds to reimburse certain of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby; see "*Use of Proceeds*."
- (6) Represents the aggregate amount outstanding under CMA sub-group's finance leases with respect to vessels, containers and IT. This includes mainly (i) an aggregate of \$1,063.3 million (net of \$1.9 million of issuance costs not allocated to individual vessels) outstanding in respect of the 52 vessels that we have financed through financing lease agreements, and (ii) an aggregate of \$130.5 million outstanding in respect of financing lease agreements with respect to containers.
- (7) Represents the aggregate amount outstanding under NOL sub-group's finance leases with respect to vessels and equipment. This includes mainly (i) an aggregate of \$210.4 million outstanding in respect of the 4 vessels that NOL Liner has financed through financing lease agreements, and (ii) an aggregate of \$9.0 million outstanding in respect of financing lease agreements with respect to equipment.
- (8) Represents 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.
- (9) Represents outstanding amount under NOL securitization program, pursuant to which American President Lines, Ltd. and APL Co. (Pte) Ltd., 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.
- (10) Represents the aggregate of \$116.8 million outstanding in respect of the Yildirim Preferred Shares that is accounted for as financial debt in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements and \$58.2 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.
- (11) 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.

From March 31, 2017 to May 31, 2017, (i) we drew an additional \$19.7 million under credit facilities in connection with the delivery of one Handysize vessel (from 1,000 to 1,999 TEU) to our subsidiary CNC Line Limited; (ii) we drew an additional \$14.7 million under a credit facility in connection with the keel-laying for one of the Super / Ultra Large vessels (14,000 TEU and above) in our orderbook; (iii) we incurred an additional \$323.4 million of debt under finance leases in connection with the delivery of three Super / Ultra Large vessels (14,000 TEU and above); (iv) through our wholly-owned subsidiary Kingston Freeport Terminal Limited, we drew \$38.7 million on the long term limited recourse project financing facility granted in connection with the Kingston Container Terminal (see "*Business—Operations—Terminal Facilities—Kingston Container Terminal ("KCT")*") and "*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financings—Kingston Container Terminal ("KCT")*"); (v) NOL drew \$270.4 million on its unsecured credit facilities to repay the NOL 2017 Senior Notes at maturity and (vi) NOL drew an additional \$11.0 million from its securitization program. At the same time, excluding recurrent ordinary-course reimbursements of our outstanding indebtedness, NOL reimbursed \$320.4 million in bonds outstanding, corresponding to the repayment of the NOL 2017 Senior Notes at maturity (including \$33.8 million in connection with the unwinding of the currency hedging transaction set up with respect to the issuance of the NOL 2017 Senior Notes), and a combined \$98.0 million outstanding under its secured (for \$30.0 million) and unsecured (for \$68.0 million) revolving credit facilities.

We recently received indicative commitment papers from certain lenders (subject to final documentation) with respect to the entry by the Issuer into a new (unsecured) revolving credit facility for a minimum initial amount of \$205 million. This proposed facility would mature in three years and would support our overall group liquidity. For more information, see "*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—Unsecured Revolving Credit Facilities (CMA CGM)*."

We expect to use the net proceeds from the GGS Disposal (estimated at \$817 million, excluding potential adjustments at closing) for reimbursement of amounts drawn under our and our subsidiaries' (unsecured) revolving credit facilities, mostly maturing in 2017 and 2018, as well as repayment of other secured debt (see Notes 5 and 6 above and "*Recent Developments*").

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Presentation of Unaudited Pro Forma Consolidated Financial Information

On June 14, 2016, which management determined was the date of the Company's acquisition of NOL (the "NOL Acquisition Date"), the Company had received valid tenders representing 83.06% of NOL's share capital. Subsequently, the Company acquired the remainder of NOL's share capital to reach 100% ownership as of September 2, 2016. The total consideration the Company paid for all of NOL's share capital amounted to \$2,461 million.

The following tables set forth Unaudited Pro Forma Consolidated Financial Information, prepared as if the NOL Acquisition had occurred on January 1, 2016. This Unaudited Pro Forma Consolidated Financial Information has been prepared for illustrative purposes only and does not purport to represent what our actual results of operations would have been if the NOL Acquisition had occurred as of this date, nor does it purport to be indicative of our future results of operations or financial condition. The Unaudited Pro Forma Consolidated Financial Information is based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from what our actual results of operation would have been if the NOL Acquisition had occurred on such date. In particular, the purchase price allocation (the "Preliminary PPA") reflected in the Unaudited Pro Forma Consolidated Financial Information may be subject to further modifications. Accordingly, provisional amounts related to the Preliminary PPA may be subsequently adjusted to reflect any new information obtained about facts and circumstances that existed as of the NOL Acquisition Date and, if known at that time, would have affected the measurement of the amounts recognized as of such date.

This Unaudited Pro Forma Consolidated Financial Information includes (i) the unaudited pro forma condensed consolidated income statement for the year ended December 31, 2016 and the related notes thereto, (ii) the unaudited pro forma condensed consolidated income statement for the three-month period ended March 31, 2016 and related notes thereto and (iii) the unaudited pro forma condensed consolidated income statement for the twelve-month period ended March 31, 2017 mathematically derived as described in the accompanying description of the basis of the calculation thereof using the unaudited pro forma condensed consolidated income statements for the year ended December 31, 2016 and the three-month period ended March 31, 2016 and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

The Unaudited Pro Forma Consolidated Financial Information was not prepared and shall not be construed as prepared in accordance with Article 11 of Regulation S-X under the Securities Act.

Unaudited Pro Forma Condensed Consolidated Income Statement for the year ended December 31, 2016

Basis of preparation

The unaudited pro forma condensed consolidated income statement for the year ended December 31, 2016 (the “Unaudited Pro Forma Condensed Consolidated Income Statement for the year ended December 31, 2016”) was prepared to reflect the NOL Acquisition as if it had occurred on January 1, 2016.

The Company’s consolidated statement of profit and loss for the year ended December 31, 2016 was derived from the 2016 CMA CGM Audited Consolidated Financial Statements, a free English language translation of which is included elsewhere in this Offering Memorandum.

The NOL contribution from January 1, 2016 to the NOL Acquisition Date is the difference between the NOL consolidated statement of profit and loss for the year ended December 31, 2016 derived from the 2016 NOL Audited Consolidated Financial Statements, which are included, together with the audit report thereon, elsewhere in this offering memorandum, and the NOL contribution from the NOL Acquisition Date to December 31, 2016, excluding any impact of the purchase price allocation. The NOL contribution to our consolidated results from the NOL Acquisition Date to December 31, 2016 was derived from the accounting records that were in the preparation of the 2016 CMA CGM Audited Consolidated Financial Statements.

	For the year ended December 31, 2016			
	CMA CGM Consolidated Statement of Profit and Loss	NOL contribution from January 1, 2016 to NOL Acquisition Date⁽¹⁾	Pro Forma adjustments from January 1, 2016 to NOL Acquisition Date	Unaudited Consolidated Pro Forma
Revenue	15,977.2	2,042.0	-	18,019.2
Operating expenses⁽²⁾	(15,442.4)	(1,987.5)	20.0⁽³⁾	(17,409.9)
EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries	534.9	54.5	20.0	609.3
Gains / (losses) on disposal of property and equipment and subsidiaries	(6.1)	(14.5)	-	(20.6)
Depreciation and amortization of non-current assets	(571.0)	(154.6)	8.2 ⁽⁴⁾	(717.4)
Other income and (expenses)	(81.6)	(75.0)	-	(156.6)
Net present value (NPV) benefits related to assets financed by tax leases	46.2	0.1	-	46.3
Share of income / (loss) of associates and joint ventures.....	(22.3)	(5.8)	-	(28.1)
EBIT	(99.9)	(195.4)	28.2	(267.1)
Core EBIT	28.9	(105.8)	28.2	(48.7)
Interest expense on borrowings net of interest income on cash and cash equivalents.....	(389.7)	(47.0)	(15.7) ⁽⁵⁾	(452.4)
Other net financial items	127.6	(56.7)	(5.9) ⁽⁶⁾	64.9
Income taxes.....	(65.4)	(6.6)	1.6 ⁽⁷⁾	(70.4)
Profit / (loss) for the period	(427.4)	(305.7)	8.2	(725.0)
Profit / (loss) for the period for the owners of the parent	(452.2)	(306.5)	8.2	(750.6)
Profit / (loss) for the period for the non-controlling interests	24.8	0.8	-	25.6

(1) Figures included in this column were determined as follows:

	NOL Consolidated Statement of Profit and Loss for the year ended December 31, 2016 ^(a)	NOL contribution from NOL Acquisition Date to December 31, 2016 ^(b)	NOL contribution from January 1, 2016 to NOL Acquisition Date
	A	B	A - B
Revenue	4,663.0	2,621.0	2,042.0
Operating expenses	(4,608.0)	(2,620.5)	(1,987.5)
EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries	55.0	0.5	54.5
Gains / (losses) on disposal of property and equipment and subsidiaries.....	(570.6)	(556.1)	(14.5)
Depreciation and amortization of non-current assets.....	(318.8)	(164.2)	(154.6)
Other income and (expenses)	(217.7)	(142.7)	(75.0)
Net present value (NPV) benefits related to assets financed by tax leases.....	1.1	1.0	0.1
Share of profit/(loss) of associates and joint ventures	(1.5)	4.3	(5.8)
EBIT	(1,052.5)	(857.1)	(195.4)
Core EBIT	(264.2)	(158.3)	(105.8)
Interest expense on borrowings net of interest income on cash and cash equivalents	(103.4)	(56.4)	(47.0)
Other net financial items	(47.3)	9.5	(56.7)
Income taxes.....	10.6	17.2	(6.6)
Profit / (loss) for the period	(1,192.5)	(886.8)	(305.7)
Profit / (loss) for the period for the owners of the parent	(1,196.2)	(889.7)	(306.5)
Profit / (loss) for the period for the non-controlling interests	3.7	2.9	0.9

(a) The NOL consolidated statement of profit and loss for the year ended December 31, 2016 was derived from the 2016 NOL Audited Consolidated Financial Statements, which are included, together with the audit report thereon, elsewhere in this offering memorandum. Although the 2016 NOL Audited Consolidated Financial Statements were prepared based on FRS and the 2016 CMA CGM Audited Consolidated Financial Statements were prepared based on IFRS, there has been no normative restatement applied to the 2016 NOL Audited Consolidated Financial Statements because FRS and IFRS are comparable. The NOL consolidated statement of profit and loss for the year ended December 31, 2016 presented above, as well as the breakdown of operating expenses presented in Note 2 below, were reclassified to conform to the presentation in the 2016 CMA CGM Audited Consolidated Financial Statements. The reclassifications were made on the same basis as that applied in the preparation of the 2016 CMA CGM Audited Consolidated Financial Statements.

(b) The NOL contribution to our consolidated results from the NOL Acquisition Date to December 31, 2016 was derived from the accounting records that were used in the preparation of the 2016 CMA CGM Audited Consolidated Financial Statements, without giving effect to the Preliminary PPA.

(2) Our operating expenses for the period are broken down as follows:

	For the year ended December 31, 2016			Unaudited Consolidated Pro Forma
	CMA CGM Consolidated statement of Profit and Loss	NOL contribution from January 1, 2016 to NOL Acquisition Date	Pro Forma adjustments from January 1, 2016 to NOL Acquisition Date	
Bunkers and consumables	(1,702.7)	(194.1)	-	(1,896.8)
Chartering and slot purchase	(1,986.6)	(149.4)	20.0	(2,116.0)
Handling and stevedoring	(4,457.4)	(690.9)	-	(5,148.3)
Inland and feeder transportation.....	(2,191.6)	(312.1)	-	(2,503.7)
Port and canal.....	(1,193.0)	(108.2)	-	(1,301.3)
Container rentals and other logistic expenses	(1,521.8)	(210.0)	-	(1,731.8)
Employee benefits.....	(1,495.4)	(176.6)	-	(1,671.9)
General and administrative other than employee benefits.....	(595.8)	(45.9)	-	(641.7)
Additions to provisions, net of reversals and impairment of inventories and trade receivables.	14.3	(50.1)	-	(35.8)
Operating exchange losses / (gains), net	37.9	35.0	-	72.9
Other operating expenses, net	(350.3)	(85.2)	-	(435.6)
Total operating expenses	(15,442.4)	(1,987.5)	20.0	(17,409.9)

As part of the Preliminary PPA, the value of NOL's assets and liabilities were adjusted to fair value and new intangible assets were recognized. The pro forma adjustments described in the notes below reflect the effects of these adjustments on the statement of profit and loss for the period from January 1, 2016 to the NOL Acquisition Date as if the Preliminary PPA occurred on January 1, 2016.

- (3) This adjustment pertains to the reassessment of the deferred liability relating to the NOL vessel charter contracts as part of the Preliminary PPA, in cases where market prices of charters were below contractual prices. This liability is amortized to lease expense on a straight-line basis over the remaining term of the operating lease. The adjustment corresponds to the amortization for the period from January 1, 2016 to the NOL Acquisition Date.
- (4) This adjustment pertains to (i) the fair value adjustments to the NOL vessel fleet as part of the Preliminary PPA and (ii) and the recognition of new intangible assets as part of the Preliminary PPA in relation to certain customer relationships and terminal concession rights. Hence, this adjustment is the net effect of a (i) a \$32.9 million decrease of the historical depreciation expense to reflect depreciation expense based on the vessels' fair values and (ii) a \$(24.7) million new depreciation expense related to the newly-recognized intangible assets for the period from January 1, 2016 to the NOL Acquisition Date.
- (5) This adjustment pertains to the fair value adjustments to the NOL borrowings recognized as part of the Preliminary PPA. This adjustment results in additional non-cash interest expenses, reflecting the lower fair value of the borrowings compared to NOL historical data, for the period from January 1, 2016 to the NOL Acquisition Date. There is no pro forma effect related to the financing of the NOL Acquisition because the acquisition facility was repaid within a short period of time (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—NOL Acquisition*" and "*Description of Certain Financing Arrangements—Overview of Financing Arrangements*"), so the aggregate cost of such financing would not have been materially different if the NOL Acquisition Date had been on January 1, 2016.
- (6) This adjustment pertains to the discounting effect related to the NOL vessel charter contracts concluded for a period longer than one year, as the liability recognized as part of the Preliminary PPA was determined based on the discounted value of future charter payments in excess of market prices. This adjustment results in the unwinding of the discount effect related to NOL charter contracts for the period from January 1, 2016 to the NOL Acquisition Date.

- (7) This adjustment pertains to the deferred tax effect related to the fair value adjustments to the NOL borrowings recognized as part of the Preliminary PPA. This adjustment results in a decrease in deferred tax liabilities as a consequence of the additional interest expense described in Note 5 above. There are no deferred tax impacts related to the other Preliminary PPA adjustments due to the existence of the tonnage tax regime.

Unaudited Pro Forma Condensed Consolidated Income Statement for the three-month period ended March 31, 2016

Basis of preparation

The unaudited pro forma condensed consolidated income statement for the three-month period ended March 31, 2016 (the “Unaudited Pro Forma Condensed Consolidated Income Statement for the three-month period ended March 31, 2016”) was prepared to reflect the NOL Acquisition as if it had occurred on January 1, 2016.

The Unaudited Pro Forma Condensed Consolidated Income Statement for the three-month period ended March 31, 2016 was prepared based on the following historical information:

- The Company’s unaudited interim condensed consolidated statement of profit and loss as presented in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, which are included elsewhere in this offering memorandum, and in particular the comparative information for the three-month period ended March 31, 2016 presented therein; the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements were subject to a review report by Deloitte & Associés and KPMG Audit, a Department of KPMG S.A., the Company’s statutory auditors; and
- NOL’s unaudited interim condensed consolidated statement of profit and loss for the three-month period ended March 31, 2016 was derived from the NOL unaudited interim condensed consolidated financial statements as of and for the three-month period ended March 31, 2016 prepared in accordance with FRS (the “NOL Unaudited Interim Condensed Consolidated Financial Statements”), which were subject to a review report by PricewaterhouseCoopers LLP, NOL’s statutory auditor. Although the NOL Unaudited Interim Condensed Consolidated Financial Statements were prepared based on FRS, whereas the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements were prepared based on IFRS, there has been no normative restatement applied to the NOL Unaudited Interim Condensed Consolidated Financial Statements because the two sets of accounting standards are comparable. The NOL unaudited interim condensed consolidated income statement presented above, as well as the breakdown of operating expenses presented in Note 2 below, were reclassified to conform to the presentation in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements. The reclassifications were made on the same basis as that applied in the preparation of the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

For the three-month period ended March 31, 2016

	CMA CGM unaudited interim condensed consolidated statement of profit and loss	NOL unaudited interim condensed consolidated statement of profit and loss ^(a)	Pro Forma adjustments	Unaudited Consolidated Pro Forma
Revenue	3,399.3	1,138.0	-	4,537.3
Operating expenses^(b)	(3,304.0)	(1,116.1)	18.8^(c)	(4,401.2)
EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries	95.3	21.9	18.8	136.1
Gains / (losses) on disposal of property and equipment and subsidiaries	(0.1)	2.4	-	2.3
Depreciation and amortization of non- current assets	(109.8)	(102.1)	14.2 ^(d)	(197.6)
Other income and (expenses)	(3.9)	-	-	(3.9)
Net present value (NPV) benefits related to assets financed by tax leases.....	13.9	0.1	-	14.0
Share of profit/(loss) of associates and joint ventures	4.0	(3.6)	-	0.4
EBIT	(0.5)	(81.3)	33.1	(48.7)
CORE EBIT	3.5	(83.7)	33.1	(47.2)
Interest expense on borrowings net of interest income on cash and cash equivalents.....	(59.3)	(26.7)	(10.1) ^(e)	(96.1)
Other net financial items	(17.4)	(4.8)	(4.1) ^(f)	(26.4)
Income taxes.....	(17.6)	8.1	1.0 ^(g)	(8.4)
Profit / (loss) for the period	(94.8)	(104.7)	19.9	(179.6)
Profit / (loss) for the period for the owners of the parent	(99.8)	(105.1)	19.9	(185.0)
Profit / (loss) for the period for the non- controlling interests	5.1	0.4	-	5.5

(a) As described below, the NOL unaudited interim condensed consolidated statement of profit and loss presented in the tables above and below is taken from the NOL Unaudited Interim Condensed Consolidated Financial Statements, but the presentation of the unaudited interim condensed consolidated income statement was reclassified to conform with the presentation in the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

- (b) Our operating expenses for the three-month period ended March 31, 2016 are broken down as follows:

	For the three-month period ended March 31, 2016			
	CMA CGM unaudited interim condensed consolidated statement of profit and loss	NOL unaudited interim condensed consolidated statement of profit and loss	Pro Forma adjustments	Unaudited Consolidated Pro Forma
Bunkers and consumables	(324.7)	(103.9)	-	(428.6)
Chartering and slot purchase	(506.7)	(90.6)	18.8 ^(c)	(578.4)
Handling and stevedoring.....	(933.0)	(387.0)	-	(1,319.9)
Inland and feeder transportation...	(446.0)	(170.7)	-	(616.7)
Port and canal	(277.1)	(60.0)	-	(337.1)
Container rentals and other logistic expenses	(322.0)	(115.9)	-	(437.9)
Employee benefits	(303.4)	(89.5)	-	(393.0)
General and administrative other than employee benefits	(124.3)	(36.3)	-	(160.6)
Additions to provisions, net of reversals and impairment of inventories and trade receivables	(3.5)	(7.3)	-	(10.7)
Operating exchange losses / (gains), net	(16.4)	(1.4)	-	(17.8)
Other operating expenses, net.....	(47.0)	(53.6)	-	(100.6)
Operating expenses.....	(3,304.0)	(1,116.1)	18.8^(c)	(4,401.2)

As part of the Preliminary PPA, the value of NOL's assets and liabilities were adjusted to fair value and new intangible assets were recognized. The pro forma adjustments described in the notes below reflect the effects of these adjustments on the statement of profit and loss for the period from January 1, 2016 to March 31, 2016 as if the Preliminary PPA occurred on January 1, 2016.

- (a) This adjustment pertains to the recognition of the deferred liability relating to the NOL vessel charter contracts as part the Preliminary PPA in cases where market prices of charters were below contractual prices. The adjustment results in the decrease of the vessel charter liability recognized in the Preliminary PPA with an opposite positive non-cash effect in chartering expenses, excluding the effect of the discount recorded in "Other net financial items" (see Note (f) below).
- (b) This adjustment pertains to (i) the fair value adjustments to the NOL vessel fleet recognized as part of the Preliminary PPA and (ii) and the recognition of new intangible assets as part of the Preliminary PPA in relation to certain customer relationships and terminal concession rights. Hence, this adjustment is the net effect of a (i) \$28.0 million decrease of the historical depreciation expense to reflect depreciation expense based on the vessels' fair values and (ii) \$(13.8) million new depreciation expense related to the newly-recognized intangible assets for the period from January 1, 2016 to March 31, 2016.
- (c) This adjustment pertains to the fair value adjustments to the NOL borrowings recognized as part of the Preliminary PPA. This adjustment results in additional non-cash interest expenses, reflecting the lower fair value of borrowings compared to that reflected in NOL's historical data, for the period from January 1, 2016 to March 31, 2016. There is no pro forma effect related to the financing of the NOL Acquisition because the acquisition credit facility was repaid within a short period of time (see section "Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—NOL Acquisition" and "Description of Certain Financing

Arrangements—Overview of Financing Arrangements”), so the aggregate cost of such financing would not have been materially different if the NOL Acquisition Date had been on January 1, 2016.

- (d) This adjustment pertains to the discounting effect related to the NOL vessel charter contracts for a period longer than one year, as the liability recognized as part of the Preliminary PPA was determined based on the discounted value of future charter payments in excess of market prices. This adjustment results in the unwinding of the discount effect related to NOL charter contracts for the period from January 1, 2016 to March 31, 2016.
- (e) This adjustment pertains to the deferred tax effect related to the fair value adjustments to the NOL borrowings recognized as part of the Preliminary PPA. This adjustment results in a decrease in deferred tax liabilities as a consequence of the additional interest expense disclosed in Note (e) above for the period from January 1, 2016 to March 31, 2016.

Unaudited Pro Forma Condensed Consolidated Income Statement for the twelve-month period ended March 31, 2017 determined based on the above unaudited pro forma condensed consolidated income statements

The unaudited pro forma condensed consolidated income statement for the twelve-month period ended March 31, 2017 (the “Unaudited Pro Forma Condensed Consolidated Income Statement for the twelve-month period ended March 31, 2017”) included in the table below was mathematically derived by adding the figures from the Unaudited Pro Forma Condensed Consolidated Income Statement for the year ended December 31, 2016, as set forth above, to the Company’s unaudited interim condensed consolidated statement of profit and loss for the three-month period ended March 31, 2017 derived from the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, and then subtracting the figures from the Unaudited Pro Forma Condensed Consolidated Income Statement for the three-month period ended March 31, 2016, as set forth above.

	For the year ended December 31, 2016	For the three- month period ended March 31, 2017	For the three- month period ended March 31, 2016	For the twelve-month period ended March 31, 2017
	Pro Forma (A)	CMA CGM unaudited interim condensed consolidated statement of profit and loss (B)	Pro Forma (C)	Unaudited Consolidated Pro Forma (A)+(B)-(C)
Revenue	18,019.2	4,620.2	4,537.3	18,102.0
Operating expenses ⁽¹⁾	(17,409.9)	(4,237.4)	(4,401.2)	(17,246.0)
EBITDA before gains on disposal of property and equipment and subsidiaries	609.3	382.8	136.1	856.0
Gains/(losses) on disposal of property and equipment and subsidiaries	(20.6)	7.8	2.3	(15.2)
Depreciation and amortization of non- current assets	(717.4)	(146.5)	(197.6)	(666.2)
Other income and expenses	(156.6)	(0.1)	(3.9)	(152.9)
Net present value (NPV) benefits related to assets financed by tax lease	46.3	11.9	14.0	44.2
Share of profit/(loss) of associates and joint ventures	(28.1)	3.8	0.4	(24.7)
EBIT	(267.1)	259.6	(48.7)	41.2
CORE EBIT	(48.8)	251.9	(47.2)	250.3
Interest expense of net borrowings	(452.4)	(104.5)	(96.1)	(460.8)
Other net financial items	64.9	(53.6)	(26.4)	37.7
Income taxes	(70.4)	(8.4)	(8.4)	(70.4)
Profit/(loss) for the period	(725.0)	93.1	(179.6)	(452.3)
Profit/(loss) for the period for the owners of the parent	(750.6)	86.4	(185.0)	(479.2)
Profit/(loss) for the period for the non- controlling interests	25.6	6.8	5.5	26.9

(1) Our operating expenses for the period are broken down as follows:

	For the year ended December 31, 2016	For the three-month period ended March 31, 2017	For the three-month period ended March 31, 2016	For the twelve-month period ended March 31, 2017
	Pro Forma (A)	CMA CGM unaudited interim condensed statement of profit and loss (B)	Pro Forma (C)	Unaudited Consolidated Pro Forma (A)+ (B)- (C)
Bunkers and consumables	(1,896.8)	(597.4)	(428.6)	(2,065.6)
Chartering and slot purchase	(2,116.0)	(472.2)	(578.4)	(2,009.8)
Handling and stevedoring.....	(5,148.3)	(1,194.1)	(1,319.9)	(5,022.5)
Inland and feeder transportation.....	(2,503.7)	(635.1)	(616.7)	(2,522.0)
Port and canal.....	(1,301.3)	(289.1)	(337.1)	(1,253.3)
Container rentals and other logistic expenses	(1,731.8)	(418.5)	(437.9)	(1,712.5)
Employee benefits.....	(1,671.9)	(404.2)	(393.0)	(1,683.2)
General and administrative other than employee benefits.....	(641.7)	(155.7)	(160.6)	(636.8)
Additions to provisions, net of reversals and impairment of inventories and trade receivables.....	(35.8)	0.0	(10.7)	(25.0)
Operating exchange losses/(gains), net ..	72.9	24.0	(17.8)	114.7
Other operating expenses, net	(435.6)	(95.1)	(100.6)	(430.1)
Operating expenses	(17,409.9)	(4,237.4)	(4,401.2)	(17,246.0)

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, 2014, 2015 and 2016 is derived from the CMA CGM Audited Consolidated Financial Statements. The selected consolidated financial information as of or for the three-month period ended March 31, 2016 and 2017 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 this offering memorandum.

You should read the selected consolidated financial information along with “*Management’s Discussion and Analysis of Financial Condition and Results of Operation*,” 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 three-month period ended March 31,	
	2014	2015	2016	2016	2017
	(\$ in millions)				
Consolidated Income Statement Data					
Revenue	16,739.1	15,674.1	15,977.2	3,399.3	4,620.2
	(15,449.3	(14,420.6	(15,442.4		
Operating expenses)))	(3,304.0)	(4,237.4)
EBITDA before gains on disposal of property and equipment and subsidiaries	1,289.7	1,253.5	534.9	95.3	382.8
Gains/(losses) on disposal of property and equipment and subsidiaries	27.9	9.8	(6.1)	(0.1)	7.8
Depreciation and amortization of non-current assets	(401.1)	(407.5)	(571.0)	(109.8)	(146.5)
Other income and expenses	(83.5)	(5.1)	(81.6)	(3.9)	(0.1)
Net present value (NPV) benefits related to assets financed by tax lease	78.9	50.4	46.2	13.9	11.9
Share of profit/(loss) of associates and joint ventures	5.7	(5.8)	(22.3)	4.0	3.8
EBIT	917.6	895.3	(99.9)	(0.5)	259.6
Interest expense on borrowings net of interest income on cash and cash equivalents	(278.2)	(252.1)	(389.7)	(59.3)	(104.5)
Other net financial items ⁽¹⁾	56.3	28.9	127.6	(17.4)	(53.6)
Income taxes	(84.1)	(85.4)	(65.4)	(17.6)	(8.4)
Profit/(loss) for the period	611.6	586.7	(427.4)	(94.8)	93.1

(1) “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 gains or losses. See Note 4.6 to the CMA CGM Audited Consolidated Financial Statements included elsewhere in this offering memorandum.

	As of December 31,			As of March 31,	
	2014	2015	2016	2016	2017
	(\$ in millions)				
Consolidated Balance Sheet Data					
Goodwill and other intangible assets ⁽¹⁾	512.1	559.9	2,091.1	574.1	2,106.0
Vessels.....	5,974.4	6,496.3	8,087.3	6,442.5	8,001.7
Containers.....	544.9	499.4	470.4	536.6	473.3
Land and buildings	540.2	482.6	479.7	492.1	480.4
Other properties and equipment.....	110.8	149.3	311.8	155.5	310.8
Other non-current assets ⁽²⁾	1,380.6	1,215.0	1,509.7	1,232.6	1,499.6
Inventories	384.4	250.9	347.6	209.4	368.7
Trade and other receivables	2,382.7	2,059.2	2,619.5	2,043.8	2,721.6
Income tax assets	15.6	18.5	16.2	18.5	15.0
Securities and other current financial assets	77.1	938.7	304.8	932.1	319.9
Cash and cash equivalents	2,186.5	1,224.0	1,211.6	1,236.2	1,268.6
Other current assets ⁽³⁾	253.3	381.5	369.0	414.0	394.6
Assets classified as held-for-sale	0.5	-	837.8	-	851.5
Total assets	14,363.1	14,275.3	18,656.4	14,287.4	18,811.8
Total equity.....	4,995.3	5,405.5	4,927.6	5,319.0	5,028.7
Non-current borrowings.....	4,409.4	4,414.0	6,650.8	4,475.5	6,779.0
Other non-current liabilities ⁽⁴⁾	442.9	434.2	1,069.0	431.7	998.4
Current borrowings.....	1,070.7	733.6	1,627.4	840.6	1,694.4
Other current liabilities ⁽⁵⁾	3,444.8	3,288.0	4,335.0	3,220.6	4,267.4
Liabilities associated with assets classified as held-for sale.....	-	-	46.6	-	43.9
Total liabilities & equity.....	14,363.1	14,275.3	18,656.4	14,287.4	18,811.8

- (1) The 2016 amount includes the following items resulting from the preliminary purchase price allocation made in relation to the NOL Acquisition: \$695.8 million of goodwill (after taking into account the effect of a reclassification of \$44.0 million of intangible assets related to terminal activities as assets held for sale as of December 31, 2016), \$391.7 million of customer relationships, \$202.0 million relating to the APL trademark, and \$116.2 million related to terminal concession rights (after taking into account the reclassification of \$633.0 million of goodwill relating to terminal concession rights as assets held for sale as of December 31, 2016). See Notes 3.1, 5.1 and 5.5 to the 2016 CMA CGM Audited Consolidated Financial Statements.
- (2) "Other non-current assets" represents deferred tax assets, investments in associates and joint ventures and derivative financial instruments.
- (3) "Other current assets" represents derivative financial instruments and prepaid expenses.
- (4) "Other non-current liabilities" represents derivative financial instruments, deferred tax liabilities, provisions and retirement benefits obligations and non-current deferred income.
- (5) "Other current liabilities" represents derivative financial instruments, current portions of provisions, trade and other payables, current income tax liability and current deferred income.

	For the year ended December 31,			For the three-month period ended March 31,	
	2014	2015	2016	2016	2017
	(\$ in millions)				
Consolidated Cash Flow Statement Data					
Cash inflow (outflow) from:					
Operating activities.....	1,100.6	1,381.8	323.9	74.3	94.9
Investing activities.....	155.6	(1,437.2)	(236.0)	(38.6)	44.2
Financing activities and effect of exchange rate changes on cash and cash equivalents and bank overdrafts	(844.0)	(635.4)	(4.9)	(126.6)	(59.2)
Net increase (decrease) in cash, cash equivalents and bank overdrafts.....	412.2	(690.8)	83.0	(90.9)	80.0
Cash, cash equivalents and bank overdrafts at the end of the period	1,741.7	1,050.9	1,133.9	960.0	1,213.9

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, as well as the NOL Audited Financial Statements, and in each case the related notes thereto, each of which are included elsewhere in this offering memorandum.

Certain information contained in the following discussion and analysis and elsewhere in this offering memorandum 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 this offering memorandum.

Overview

We are one of the leading and most profitable, based on Core EBIT, providers of global container shipping services. In terms of capacity, we are the largest provider of container shipping services in France and the third largest in the world. We offer our services through a global network of 273 main lines and 97 short sea and feeder lines, calling at more than 370 ports in 161 countries as of March 31, 2017, with the support of 208 shipping agencies operating through more than 600 offices worldwide.

We operate our container shipping services globally but primarily in the principal Transpacific, Asia-Europe, Australasia, Transatlantic, Latin America & Caribbean and Africa markets. We operate our container shipping services through a variety of different lines encompassing East-West and North-South transcontinental trades such as Asia-Europe, Asia-Middle East, Transatlantic (Europe-North America) and Transpacific (Asia-Americas) as well as intra-zone trades.

As of March 31, 2017, our fleet consisted of 445 container ships, of which we chartered 58% and owned or had under finance lease or equivalent arrangements 42% of them, in each case in terms of capacity. Our entire fleet had a combined capacity of with a total capacity of 2.220 million TEU and a weighted average age, based on total TEU, of 7.3 years. As of March 31, 2017, we maintained a 3.54 million TEU fleet of containers, of which we leased approximately 90% and owned the remainder. As of March 31, 2017, the book value of our owned containers was \$473.3 million. The market value of our owned vessels is assessed every six months by calculating the average of four independent ship brokers' valuation, and was \$4,646.8 million as of December 31, 2016.

To complement our container shipping services, we offer logistics services and inter-modal container transportation services that allow us to provide door-to-door transportation of cargo. To provide these services, we have established inland transportation systems, including by rail, road and waterway, to ensure reliable connection to our shipping lines, particularly in France, Africa, Asia and India. We provide these services either ourselves or through third-party contractors. We also invest in port terminal facilities through a broad portfolio of 36 terminals (either currently operated or under development) where we have significant operations. Through these investments, we gain preferred access to berths and greater control over port activities.

We transported approximately 17.8 million TEU in the twelve months ended March 31, 2017 (on a pro forma basis giving effect to the NOL Acquisition as if it had occurred January 1, 2016) on behalf of a globally diversified base of more than 100,000 customers. We generated pro forma revenue of \$18,102.0 million, pro forma EBITDA of \$840.8 million and pro forma Core EBIT of \$250.3 million for the twelve months ended March 31, 2017 (on a pro forma basis giving effect to the NOL Acquisition as if it had occurred January 1, 2016; see "Unaudited Pro Forma Consolidated Financial Information"). Our Group cash and cash equivalents (net of bank overdrafts) as of March 31, 2017 was \$1,213.9 million.

Presentation of Financial Information; Comparability of Information

The CMA CGM Audited Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union 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.

Changes in accounting policies during the periods presented are disclosed in Note 2.2 to the 2016 CMA CGM Audited Consolidated Financial Statements, the 2015 CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements. None of these changes materially affected our financial performance or positions during the period presented.

In January 2016, the IASB published IFRS 16 regarding the accounting for leases, which will have a significant impact on the Company's Statement of Financial Position and Statement of Profit & Loss in the future. This new standard will be applicable for annual periods beginning on or after January 1, 2019, with earlier application being permitted, if it is endorsed by the European Union, which we currently expect to occur during the course of 2017. See "*Liquidity and Capital Resources—Significant Recently-Issued Accounting Pronouncements*" for further discussion.

On June 14, 2016, we acquired NOL, which was Southeast Asia's largest container shipping company and the twelfth-largest liner globally in terms of transport capacity at the time and was listed on Singapore SGX. NOL has been consolidated in the 2016 CMA CGM Audited Consolidated Financial Statements starting from June 14, 2016, the NOL Acquisition Date. Given the date and the size of the NOL Acquisition and its substantial impact on a variety of line items in the 2016 CMA CGM Audited Consolidated Financial Statements, our financial results from 2016 are not directly comparable to our financial results in 2015.

- To facilitate comparison of our results of operations for the years ending December 31, 2015 and 2016, for key line items in "*Year ended December 31, 2016 compared with year ended December 31, 2015*" we have included a discussion of CMA CGM's results in 2016 on a standalone basis excluding the contribution of NOL compared with CMA CGM's results in 2015. This CMA CGM standalone information was derived by eliminating the contribution of NOL to our 2016 consolidated results from the NOL Acquisition Date to December 31, 2016 as set forth in the 2016 CMA CGM Audited Consolidated Financial Statements (in particular Notes 3.1.1, 4.1, 4.2, 4.3, 4.6 and 4.7 thereof).
- We have also separately provided a comparison of NOL's results on a standalone basis for the years ending December 31, 2015 and 2016 based on figures derived from the 2016 NOL Audited Financial Statements in "*Year ended December 31, 2016 compared with year ended December 31, 2015—NOL Standalone*."
- Finally, in "*Unaudited Pro Forma Consolidated Financial Information*" we have provided (i) the unaudited pro forma condensed consolidated income statement for the year ended December 31, 2016 and the related notes thereto, (ii) the unaudited pro forma condensed consolidated income statement for the three-month period ended March 31, 2016 and related notes thereto and (iii) the unaudited pro forma condensed consolidated income statement for the twelve-month period ended March 31, 2017, which was mathematically derived, in the manner described in the accompanying notes setting forth the basis of the calculation thereof, using the unaudited pro forma condensed consolidated income statements for the year ended December 31, 2016 and the three-month period ended March 31, 2016 and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements, in each case as if the NOL Acquisition had occurred on January 1, 2016. For further discussion of the impact of the NOL Acquisition on our results of operations, see "*Acquisitions and Disposals*," Note 3.1.1 to the 2016 CMA CGM Audited Consolidated Financial Statements and Note 3.1 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

Transport Volumes and Freight Rates; Cyclical Nature of Supply and Demand

Freight rates are cyclical in nature as the container shipping industry is highly dependent on the balance between demand for container shipping services and the supply of vessel and container capacity.

To the extent that the supply-demand balance shifts, freight rates are subject to volatility. The demand for container shipping services is primarily driven by global and regional economic growth, geopolitical events, the shift in manufacturing from higher-cost developed countries in North America, Europe and Japan to lower-cost countries predominantly in Asia, including China and India, and changes in the regulatory regimes affecting shipping. Changes in the demand for container shipping services (including in our main markets in the Americas, Asia, Africa and Europe) are difficult to predict and generally beyond our control. Changes affecting regional trades may also be unpredictable and may not correlate with the overall economic situation. The global supply of vessel and container capacity is determined by the number and size of container ships in the world (including the charter market), their deployment into trades and the level of idling, the way they are operated, the delivery of new ships, which typically involves considerable lead time, the conversion of containerships to other uses and the scrapping of older ships as well as the availability of containers.

In recent years, global container shipping demand (measured in volumes transported) has increased each year compared to the previous year, growing by 5.7% in 2014 compared to 2013, 1.7% in 2015 compared to 2014 and 3.0% in 2016 compared to 2015 (source: Drewry, June 2017). During the same periods, global container

shipping transport supply also increased each year compared to the prior year, growing by 6.3% in 2014 compared to 2013, 8.4% in 2015 compared to 2014 and 1.2% in 2016 compared to 2015 (source: Drewry, June 2017). The strong growth in global container shipping transport demand observed in 2014 led many container shipping companies to place new vessel orders and/or accelerate the delivery of their vessel order book in early 2015 in an effort to anticipate and meet potential growth consistent with the trend observed in 2014, which resulted in a sharp rise in supply during 2015. However, global demand growth was not as high as expected in 2015 and container shipping companies adjusted their capacity, including by cancelling or delaying orders, increasing scrapping, idling vessels and other initiatives, which drove a decline in the supply growth rate in 2016 such that growth in demand outpaced the growth in supply during in 2016 (3.0% demand growth compared to 1.2% supply growth) (source: Drewry, June 2017). In particular, scrapping in 2016 was at a much higher level than in 2014 or 2015, with 659,403 TEU total capacity scrapped, compared to 195,075 TEU in 2015 and 383,371 TEU in 2014. The vessels scrapped in 2016 also tended to be larger and younger than historically. The average size of ship being sent for demolition increased from 1,200 TEU in 2006 to 3,380 TEU in 2016, and overall average age of scrapped vessels in 2016 was close to 19 years (as opposed to an overall average of 29 to 30 years over the last decade) (source: Drewry, June 2017).

In parallel, there has also been a trend towards consolidation in the container shipping industry. Small and mid-scale players have been less profitable in the current depressed market conditions than larger scale players due to cost control, enhanced diversification and scale effects, which has led to a number of completed and ongoing acquisitions by large players in the industry, including, among others, our acquisition of NOL, Hapag Lloyd's announced business combination with UASC, Maersk's announced acquisition of Hamburg Süd and an announced implementation of a joint venture in Japan among K Line, MOL and NYK.

Container shipping freight rates on different services and directions of transport are subject to varying levels of volatility, primarily driven by the perception of market participants as to the balance between the demand for container shipping services and the global and regional supply of vessel and container capacity as well as shipping companies' marketing strategies combined with their breakeven levels. Historically, freight rates on the Transatlantic trade tended to be more stable compared to those on other trades, with freight rates on the Transpacific and the Asia-Europe trades showing the highest levels of volatility. Structural constraints, such as vessel draught and berth length, limit the ability of carriers, including us, to quickly redeploy vessels from one trade to another in response to fluctuations in freight rates.

Freight rates may also be impacted by the evolution in fuel oil prices through the mechanism of a Bunker Adjustment Factor ("BAF") included in certain contracts and because freight rate negotiations, even when they do not include any BAF mechanism, will not be immune to the impact of a strong change in fuel oil prices. See "*Fluctuation in Bunker Fuel Rates and Efficiency in Bunker Fuel Consumption.*" The average price of fuel oil we consumed for the three-month period ended March 31, 2017 was \$309 per ton, compared to \$203 per ton for the three-month period ended March 31, 2016. On a per TEU basis, our bunkers and consumables cost increased by \$38 per TEU from \$102 for the three-month period ended March 31, 2016 to \$140 (\$139 on a standalone basis excluding NOL) for the three-month period ended March 31, 2017. In comparison, our consolidated average shipping revenue per TEU (calculated as shipping revenue divided by total carried TEU volumes) increased by \$16.6 per TEU, or 1.6%, from \$1,033.9 per TEU for the three-month period ended March 31, 2016 to \$1,050.5 per TEU (\$1,063.1 on a standalone basis excluding NOL) for the three-month period ended March 31, 2017.

Since the beginning of 2015, freight rates have remained volatile. For the three-month period ended March 31, 2017, our average container shipping revenue per TEU transported was \$1,050.5 (\$1,063.1 on a standalone basis excluding NOL), while our volumes transported increased by 35.2% (and declined 2.2% on a standalone basis excluding NOL) compared to the three-month period ended March 31, 2016. See "*Industry—Overview*," "*Industry—Containership Demand*," and "*Industry—Supply-Demand Balance*" for a more detailed discussion of the trends in transport volumes and freight rates.

During the period from 2008 to 2011, the cyclical nature of our industry was particularly pronounced, in large part due to the effect of the global economic and financial crisis that began at the end of 2008, compounded by the fact that carriers then had a significant orderbook for vessels. The crisis exacerbated volatility in the container shipping market, leading to severe supply-demand imbalances, increased volatility, downward pressure on freight rates and significant overcapacity throughout the period under review. More recently carriers have sought to order larger more efficient vessels in order to reduce unit costs, hence maintaining their profitability even under low freight rates. 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. However, this has been mitigated by the trend towards slow steaming, which demands greater supply to provide the same service levels, and cascading of larger vessels onto trades to replace smaller vessels. 2016 represented a turning point in supply demand balances compared to the previous year, as the 3.0% growth in demand for shipping container

services outpaced the 1.2% growth in supply during the year, which should help bring the industry closer to supply-demand balance (source: Drewry, June 2017).

Whereas global container shipping volume growth rates had reached double digits in the years 2000 until 2009, when global container shipping transport volumes decreased by approximately 9%, annual volume growth rates have varied widely over the period 2010 to 2016, with a high of 14.4% in 2010 and a low of 1.7% in 2015. On average, global container shipping transport volumes grew at a CAGR of 4.7% from 2010 to 2016 (source: Drewry, June 2017).

In the first quarter of 2017, our volumes transported increased by 35.2% from 3,183 thousand TEU in the first quarter of 2016 to 4,304 thousand TEU in the first quarter of 2017. The growth in our volumes was a result of the NOL Acquisition; excluding the contribution of NOL, our volumes transported on a CMA CGM standalone basis declined by 2.2% reflecting the transfer of some volumes to NOL as well as the transfer to third parties of some of our feeder activities. Our average revenue per TEU transported increased by 0.5% from \$1,067.9 in the first quarter of 2016 to \$1,073.5 in the first quarter of 2017, a freight rate rebound in the Asia–Mediterranean and Asia–Europe trade lanes combined with weakness in Latin American and African trade lines.

In 2016, our volumes transported increased by 2,646 thousand TEU, or 20.4%, to 15,641 thousand TEU in 2016, compared to global industry demand growth of 3.0%. The growth in our volumes was a result of the NOL Acquisition; excluding the contribution of NOL, our volumes transported on a CMA CGM standalone basis decreased by 171 thousand TEU or 1.3% to 12,824 thousand TEU in 2016. Freight rates reached record low levels in 2016 but began to rebound somewhat later in the year. Our consolidated average revenue per TEU transported in 2016 decreased by 15.3% to \$1,021.5 per TEU, as compared to average revenue per TEU of \$1,206.2 in 2015, while on a CMA CGM standalone basis, it declined by 13.6% to \$1,042.3 per TEU.

In 2015, our volumes transported increased by approximately 6.3% as compared to 2014, while global container shipping transport demand grew by approximately 0.8%. Our average revenue per TEU transported in 2015 decreased by 11.9% to \$1,206.2 as compared to average revenue per TEU of \$1,369.4 in 2014.

Charter rates are also impacted by freight rates and, therefore, to the extent there is volatility or significant shifts in freight rates, our costs may be affected. In 2016, for example, the record-low freight rates helped contribute to a \$16.0 per TEU decline in our charter rates on a CMA CGM standalone basis as compared to 2015, which drove a 12.3% decrease in CMA CGM standalone charter expenses.

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 of our ocean revenue is priced in U.S. dollars. We estimate that 10.8% of our revenue for the three-month period ended March 31, 2017 was invoiced in euros. As the average exchange rate from euros to U.S. dollars declined from \$1.1035 in the three-month period ended March 31, 2016 to \$1.0661 during the three-month period ended March 31, 2017, a 3.4% reduction, we can estimate that the weakening of the euro negatively impacted average revenue per TEU by approximately \$2.9 per TEU. 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 particularly 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

The cost of marine or bunker fuel is one of our most significant operating costs, representing 10.0% and 12.2% of our revenue and 10.3% and 13.3% of our total operating costs in the year ended December 31, 2016 and the three-month period ended March 31, 2017, 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.

The strong increase in shale oil production in recent years, along with the slow-down of the Chinese economy and the desire of certain oil exporting countries not to lose market share have led to a strong reduction in oil prices in recent years. Oil prices declined significantly during the course of 2015, reaching an extreme low point at the end of 2015 and the beginning of 2016, with lows below \$28 per barrel in January 2016. After this, oil prices partially recovered over the course of 2016, including after the OPEC agreement to limit output in November 2016, and were at \$56.61 as of December 31, 2016. Prices continued to climb over the course of January 2017 before declining in February and March, to close at \$52.61 as of March 31, 2017. Our bunker fuel prices are strongly correlated to the barrel price. In the Rotterdam barge market, the value of \$52.61 per barrel as of March 31, 2017 translates into a value of \$280.0 per Fuel Oil Ton (IFO 380 CST). It is generally considered by the industry that the changes in 2016 and 2017 reflect not only various geopolitical risks but also the conflicting dynamics between the recovery of U.S. oil production and the continuation of OPEC's drive to reduce global inventories by limiting oil production.

In order to mitigate the risk of fluctuation in bunker fuel prices, we seek to hedge our exposure to bunker prices through physical forward purchases on a rolling twelve month basis. As of March 31, 2017, 16.3% of our expected full year 2017 bunker fuel consumption was hedged through physical forward purchases.

On a CMA CGM standalone basis, we estimate that in 2016, a \$50 per ton increase in the spot purchase price of bunker fuel would have negatively impacted our EBIT by approximately \$295 million (exclusive of the impact of any hedges), assuming we would have not been able to pass any of the increase on to our customers.

We have sought to improve our efficiency in terms of bunker fuel consumption. This has been achieved through a number of measures, 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 491kg per transported TEU in 2014 to 479kg per transported TEU in 2015, 440kg per transported TEU (459kg per transported TEU in 2016 on a standalone basis excluding NOL) in 2016 and to 425kg per transported TEU (439kg per transported TEU on a standalone basis excluding NOL) in the three-month period ended March 31, 2017. We will continue our efforts to further reduce bunker fuel consumption and costs through these techniques.

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 profitability depends largely on our ability to identify profitable business and services, 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 445 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. As of March 31, 2017 our fleet consisted of 445 container ships. The capacity of these 445 ships ranged from 164 TEU to 17,554 TEU. Of these 445 vessels, we owned or had under finance lease or equivalent arrangements 127 vessels, or 42% of our fleet by capacity, chartered 59 vessels, or 25% of our fleet by capacity, with a remaining charter duration of more than five years, chartered 41 vessels, or 10% of our fleet by capacity, with a remaining charter duration ranging between one and

five years, and chartered 218 vessels, or 24% of our fleet by capacity, with 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. 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 a fixed rates for specified periods of time.

As of March 31, 2017, we owned and leased a container fleet of 3.54 million TEU (of which 322,696 TEU were reefer containers). We own 9.8% of such containers, which are recorded on our balance sheet, and lease or rent the remaining part. In 2016, we undertook significant sale and leaseback operations, including an operation whereby we sold almost the entire NOL container fleet for a sale price of \$542.9 million (including a gain on disposal of \$12.8 million). The NOL containers were then leased back to us for a period of 2 to 8 years. These arrangements enabled us to enhance the flexibility of our container fleet and allow NOL to integrate the CMA CGM container fleet into its operations to take advantage of cost savings, as well as providing a portion of the funds to repay the acquisition facility we incurred in connection with the NOL Acquisition (see “*Description of Certain Financing Arrangements—Overview of Financing Arrangements*”).

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—Operations—Terminal Facilities*.” We will continue to strategically evaluate opportunities to make investments in terminals and logistics to support the growth and efficient operation of our global delivery network.

Agility Efficiency Program

On July 1, 2016, we began the roll-out of “Agility,” a global efficiency plan designed to improve our operating results by improving our operations efficiency and leveraging our global presence, scale and resources to generate significant cost savings.

Our announced targets for the Agility program are (i) to reduce our cost base by delivering a \$1 billion reduction in standalone operating expenses between July 2016 and the end of 2017 (excluding the effects of bunker price variations since Q3 2015, exchange rate variations and the purchase price allocation in connection with the NOL Acquisition) and (ii) to achieve an additional approximately \$500 million in annual run-rate cost and revenue synergies related to the NOL Acquisition by 2018.

We measure the achievement of these objectives by accumulating the quarterly savings based on a year-over-year comparison of our operating expenses per TEU for each quarter from the third quarter of 2016 through the fourth quarter of 2017 (using as the basis for comparison the arithmetically combined CMA CGM standalone operating expenses and volumes and NOL standalone operating expenses and volumes for each comparative quarterly period prior to the NOL Acquisition). The cost savings calculated under this comparison, which comprise both standalone cost savings and cost synergies related to the NOL Acquisition, are targeted to amount to an overall cumulative cost reduction of \$1,350 million by the end of 2017. This includes a targeted \$350 million in annual run rate cost synergies related to the NOL Acquisition between July 2016 and the end of 2017, out of the total cost and revenue synergy target related to the NOL Acquisition of \$500 million by the end of 2018.

We are pursuing the targets of our Agility program through four main pillars:

- *Contract renegotiation*: renegotiating more favorable contract terms by leveraging the additional volumes we gained as a result of the NOL Acquisition, aligning our contract terms across the group based on the most favorable terms between CMA CGM’s and NOL’s contracts, and negotiating new contract terms irrespective of the increase in volumes resulting from the NOL Acquisition. We have already secured substantial savings on stevedoring, inland transportation and logistics expenses through these contract renegotiations.
- *Lean operations*: carefully challenging our current network on a daily basis to identify inefficiencies and redundancies (e.g., unprofitable port calls, overlap of services), benchmarking the comparative costs of third party operators against our in-house services and seeking to optimize

our overall system costs (including by reducing bunker, port and canal and chartering expenses), as well as reducing stevedoring expenses through minimizing transshipments. In addition to this network optimization discipline, we are also closely monitoring our daily operations to identify opportunities for greater operational efficiency, including: ensuring strict observance of our sailing and port call schedules, partnering with terminals to reduce stevedoring expenses (by avoiding extra costs, including as a result of delays or off-schedule port calls) and bunker expenses (including by ensuring that our vessels make assigned port call windows on schedule without the need to adjust speed or alter routes, thus reducing bunker consumption and overtime), and also leveraging our state-of-the-art fleet center to optimize routes, sailing speed and power to enable us to optimize our bunker consumption.

- *Asset optimization*: identifying and capturing opportunities to leverage our assets in a more efficient and profitable manner. For example, by completing an early merger of logistic operations with NOL (which were fully integrated in Q3 2016), we were able to get the most out of our combined container fleet, leading to reduced costs associated with container stock imbalances at different ports and an ability to reduce the relative size of our container fleet through more efficient container distribution and the overall impact of increased scale, which had a direct impact on our logistics expenses. In addition to this, our vessel fleet optimization program (including vessel retrofits, hull cleaning and trim optimization) allows us to benefit from increasing efficiency in terms of bunker consumption, which directly impacts operating costs.
- *Efficient G&A*: we achieved overhead savings through the rationalization of our agency network by implementing core model alignment and eliminating redundant agencies within the network, as well as improving the operating performance of SSCs through greater automation and transferring certain functions. In addition, we continue to closely monitor our administrative expenses (including travel, real estate, IT and insurance expenses) to identify and capture potential cost savings.

Through our implementation of various initiatives under the four pillars noted above, we have already secured a significant portion of our targeted savings. As of March 31, 2017, we have secured aggregate cost reductions (including both standalone cost savings and those related to the NOL Acquisition) of approximately \$920 million under our Agility program, or almost 70% of our target for cost reduction by the end of 2017. These secured savings were composed of approximately \$703 million in reductions in standalone operating expenses and approximately \$217 million in annual run-rate cost synergies related to the NOL Acquisition, including approximately \$150 million in cost synergies generated by integration efforts with respect to NOL in 2016, which was consistent with our implementation plan and consistent with our objective of achieving the approximately \$500 million in annual run-rate cost and revenue synergies by 2018. The cost reductions as of March 31, 2017, including both standalone operating expense reductions and cost synergies related to the NOL Acquisition, were generated across a number of different cost categories, including approximately \$387 million in chartering and slot purchase expenses, approximately \$375 million in handling and stevedoring expenses, approximately \$133 million in inland and feeder transportation expenses, approximately \$117 million in port and canal expenses and approximately \$88 million in bunkers and consumables expenses. These savings were partially offset by cost increases of approximately \$77 million in logistics expenses and approximately \$103 million in general and administrative expenses. The combined effects of our efforts to reduce operating expenses in 2016 contributed to an overall 11.1% decrease in consolidated operating expenses per TEU in 2016. As a complement to the overall calculation of our cost savings and synergies based on operating expenses per TEU, as described above, we also closely monitor the success of our cost reduction and synergies efforts on an initiative-by-initiative basis.

A portion of the targeted \$500 million in synergies related to the NOL Acquisition noted above also reflects revenue synergies, which we are pursuing through a variety of initiatives. The revenue synergies are primarily driven by sharing best practices in the group with respect to invoicing clients for detention and demurrage, tiered pricing models and increasing share of reefer volumes, as well as the implementation of our profitability analysis methodology, which has allowed a substantial reduction in unprofitable cargoes. In addition, freight levels on comparable trades between CMA CGM and NOL are benchmarked on a weekly basis to ensure that the pricing strategies are in line.

Our ability to achieve our targets under the Agility program is subject to uncertainty; see “*Risk Factors—We could be unable to continue reducing costs sufficiently to support our profitability or achieve the benefits targeted by our Agility cost savings program*” and “*Risk Factors—We may not succeed in smoothly and timely integrating NOL into our existing business and we may fail to achieve the synergies targeted from the acquisition of NOL.*”

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 CSG, Maersk, UASC, MSC, Hapag-Lloyd and Hamburg Süd, 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 the 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. See "*Business—Alliances 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 the 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.

Because the Ocean Alliance is operated on a slot purchase basis rather than as a vessel sharing alliance, we will record significantly higher slot purchase revenue and expense than we did under the Ocean 3 alliance for an equivalent number of slots. Theoretically, if each Ocean Alliance member uses all the slots we have agreed to make available for purchase, and we purchase the total number of slots we are entitled to purchase from alliance members each week, we would generate approximately \$1 billion in additional slot purchase revenue each year, and generate approximately \$1 billion in additional slot purchase expense each year. However final revenues and costs will depend on the actual number of slots used by each member compared to its initial entitlement. The actual number of slots purchased from, or sold to, alliance members may be higher or lower than these amounts. Although the change in approach will result in higher revenue and expense, if the amount received from sales of slots to Ocean Alliance members is roughly equivalent to the amount paid to Ocean Alliance members for slots, the revenue and expense will roughly offset each other and the impact on EBIT will be minimal.

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 capturing market opportunities in a volatile environment. With the current trend in the industry towards consolidation and operating alliances (see “—*Transport Volumes and Freight Rates; Cyclical Nature of Supply and Demand; Impact of the Global Financial and Economic Crisis*” 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, both regional “bolt-on” ones and larger “transformational” ones while maintaining financial discipline and a strong liquidity position.

NOL Acquisition

On December 7, 2015, we announced a conditional voluntary general cash tender offer for NOL, which was Southeast Asia’s largest container shipping company in terms of capacity at the time and was listed on Singapore SGX. Prior to announcement of the offer, Temasek Holdings and its affiliates, NOL’s majority shareholders (the “Majority Shareholders”), had agreed to tender all of their shares (approximately 67% of NOL share capital) in the offer subject to it obtaining the necessary regulatory approvals.

Following receipt of regulatory approvals from the European Commission on April 29, 2016 and from the Anti-monopoly Bureau of the Chinese Ministry of Commerce (MOFCOM) on May 25, 2016, we announced on May 30, 2016 the launch of a voluntary general cash tender offer at a price of SG\$ 1.30 per share, representing a total consideration of approximately \$2.5 billion. The offer opened on June 6, 2016 and the Majority Shareholders tendered their shares on June 9, 2016, at which point the offer became unconditional. We determined

the official acquisition date to be June 14, 2016 (the “NOL Acquisition Date”). At such date, we had received valid acceptances representing 83.06% of NOL share capital, and our ownership including valid acceptances reached 97.83% at the time the offer closed on July 18, 2016. We subsequently launched a process for the compulsory acquisition of all remaining NOL shares at a price equal to the original offer price per share, and we obtained 100% of the share capital as of September 2, 2016. NOL was delisted from the Singapore SGX on September 6, 2016.

The transaction was financed using a combination of (i) a \$1,652 million dedicated acquisition facility previously committed by a syndicate of international banks on December 5, 2015 (see Note 6.6.7 to the 2016 CMA CGM Audited Consolidated Financial Statements) and (ii) our own cash on hand, including approximately \$772 million that had been deposited in escrow accounts since December 2015. As of December 31, 2016, the dedicated acquisition facility had been fully refinanced through various financing operations, in particular sale and lease back operations involving our and NOL’s containers and vessels (see Note 6.6.7 to the 2016 CMA CGM Audited Consolidated Financial Statements). The total consideration paid for NOL was \$2,461 million, and the transaction had a negative effect of \$2,329.9 million on our cash flow from investing activities including transaction fees and net of cash and cash equivalents acquired from NOL. As of December 31, 2016, we recognized provisional goodwill of \$739.8 million on the acquisition (the goodwill may be subsequently adjusted in our future financial statements to reflect any new information obtained about facts and circumstances that existed as of the NOL Acquisition Date).

NOL and its subsidiaries have been consolidated in the CMA CGM Audited Consolidated Financial Statements since the NOL Acquisition Date. The table below provides a summary of the impact of the NOL Acquisition on certain key line items in the statement of profit and loss in the CMA CGM Audited Consolidated Financial Statements.

(\$ millions)	Year ended December 31,				
	2014	2015	2016		Consolidated ⁽²⁾
	Consolidated ⁽¹⁾	Consolidated ⁽¹⁾	CMA CGM Standalone	NOL Contribution	
Revenue	16,739.1	15,674.1	13,365.9	2,611.4	15,977.3
<i>o/w container shipping segment</i>	16,370.0	15,241.7	12,893.3	2,479.8	15,373.1
<i>o/w other revenue</i>	778.4	804.5	900.8	145.2	1,046.0
Operating expenses.....	(15,449.3)	(14,420.6)	(13,056.2)	(2,386.2)	(15,442.4)
CMA CGM – NOL					
Intercompany operations	-	-	135.6	(135.6)	-
EBITDA before gains / (losses) on disposal of property and equipment and subsidiaries	1,289.7	1,253.5	445.3	89.6	534.9
<i>Margin</i> ⁽³⁾	7.7%	8.0%	3.3%	3.4%	3.3%
EBIT	917.6	895.3	(33.8)	(66.1)	(99.9)
<i>Margin</i> ⁽³⁾	5.5%	5.7%	(0.3)%	(2.5)%	(0.6)%
Core EBIT	973.2	910.6	70.0	41.1	28.9
<i>Margin</i> ⁽³⁾	5.8%	5.8%	0.5%	n.m.	0.2%
Financial result	(221.9)	(223.3)	(184.7)	(77.5)	(262.2)
Income Tax.....	(84.1)	(85.4)	(84.8)	19.4	(65.4)
Profit / (loss) for the year	611.6	586.7	(303.3)	(124.2)	(427.4)

(1) These figures represent our consolidated results for the years in question, and as such do not take into account the NOL Acquisition in 2016.

(2) These figures are taken from the 2016 CMA Audited Consolidated Financial Statements and do not represent the pro forma impact of the NOL Acquisition as if it had occurred on January 1, 2016. See “Unaudited Pro Forma Financial Information” for a consolidated income statement taking into account the NOL Acquisition as if it occurred on January 1, 2016.

(3) Margin is calculated as a percentage of relevant revenue (i.e., CMA CGM standalone margins are expressed as a percentage of CMA CGM standalone revenue, etc.).

As described above, we believe the acquisition of NOL provides an opportunity to realize significant synergies in the context of our Agility cost efficiency program. See “—Agility Cost Efficiency Program.” For further discussion of the impact of the NOL Acquisition on our results of operations and a presentation of unaudited pro forma condensed consolidated income statements for the year ended December 31, 2016, the three-month period ended December 31, 2016 and the twelve-month period ended March 31, 2017, respectively, in each

case prepared as if the NOL Acquisition had occurred on January 1, 2016, see Note 3.1.1 to the 2016 CMA CGM Audited Consolidated Financial Statements and “*Unaudited Pro Forma Consolidated Financial Information.*”

Other acquisitions during previous periods

LCL Logistix. On April 29, 2015, we finalized the acquisition through our wholly-owned subsidiary CMA CGM Logistics France of a 60% stake in LCL Logistix, one of India’s independent third-party logistics leaders. The acquisition’s aims were to help us reinforce our position in India and to leverage LCL Logistix’s networks in India, Canada, the United States and in East Africa to accelerate our development. We recorded \$8.4 million in goodwill related to this acquisition. As part of the transaction, we entered into certain option agreements with non-controlling interests allowing us to acquire their shares, and granted a put option to the non-controlling interests. These options may be exercised in 3 to 5 years from the acquisition date. The put option resulted in the recognition of a liability at its fair value, which is not material at our Group level.

OPDR. On July 1, 2015, we finalized the acquisition of 100% of OPDR GmbH (“OPDR”), a sea carrier specialized in short sea maritime services and door to door logistics solutions between Northern Europe, the Canary Islands, the Iberian Peninsula and Morocco. We recognized \$15.4 million in goodwill related to this acquisition.

Sale of the GGS Terminal

The GGS terminal is located in the twin ports of Los Angeles/Long Beach, California, which are respectively the first- and second-largest ports in the United States in terms of volumes and the tenth-largest worldwide on an aggregated basis. The twin ports are the main gateway for imports entering into the U.S. West Coast and are a central part of all key Transpacific routes. GGS is the third-largest terminal in Los Angeles/Long Beach, with a capacity of 2.4 million TEU in a total area of 291 acres. It features a 1,219 meter berth length with a 15.2 meter depth, allowing it to handle the largest vessels (up to 18,000 TEU) through the use of 12 post-Panamax and 4 super post-Panamax cranes. The terminal benefits from a unique and proprietary rail facility offering a direct link to the U.S. freight network and premium connectivity options countrywide.

The GGS terminal facility is currently fully owned by Eagle Marine Services, Ltd. (historically a wholly-owned subsidiary of American President Lines, Ltd.), which is the tenant of a 26-year lease granted by the City of Los Angeles to operate the concession.

As of June 30, 2017, NOL Liner signed a stock purchase agreement with a consortium composed of the infrastructure fund EQT Infrastructure and the port operator P5 Infrastructure, pursuant to which the consortium will acquire a 90% interest in APL Ltd. (which indirectly holds the GGS terminal), with CMA CGM remaining a minority shareholder holding (directly or indirectly) 10% of the share capital. The consideration to be paid at closing to NOL Liner amounts to \$817 million (excluding potential adjustments at closing). Moreover, additional earn-outs estimated at up to approximately \$200 million would be payable from 2020 subject to (i) certain conditions of volumes of usage of the facility by the group, (ii) the purchasers’ ability to refinance the transaction and (iii) the pricing conditions of any future exit by the purchasers. The enterprise value of APL Ltd. is estimated to be approximately \$875 million. Concurrently, CMA CGM and its subsidiaries entered into a long term volume and call commitment agreement to remain a major user of the facility. Closing of the transaction is subject to anti-trust and regulatory (including CFIUS) approvals, and is expected to occur in the second half of 2017. Prior to the closing of the transaction, a series of reorganization transactions will have occurred, resulting in APL Ltd. being the sole direct owner of Eagle Marine Services Ltd., which currently fully owns GGS. The reorganization transactions will in particular include the transfer of all the shares of APL Ltd. and the APL 2024 Senior Notes (which will benefit from a corporate guarantee from CMA CGM) to APL Investments America LLC. The proceeds of the disposal will be allocated to reimburse drawings under our and our subsidiaries’ (unsecured) credit facilities, mostly maturing in 2017 and 2018, as well as repayment of other secured debt. The GGS terminal was accounted for as a held-for-sale asset in the 2016 CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

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 and revenue from other activities.

Container Shipping Revenue. Container shipping revenue includes all revenue related to maritime transportation of containers, and 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 95.5%, 97.2%, 96.2% and 97.8% of total revenue excluding reconciling items and eliminations (as set forth in Note 4.1 to the CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements) in 2014, 2015, 2016 and three-month period ended March 31, 2017, respectively (based on the methodology then prevailing). See “—Year ended December 31, 2016 compared with the year ended December 31, 2015.”

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 2016, our average freight rate on our Asia-Europe eastbound voyages was \$254 per TEU, while our average freight rate on our Asia-Europe westbound voyages was \$368 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.

Revenue from Other Activities. Revenue from other activities primarily consists of revenue from land and river transportation and port terminal operations. A typical container delivery includes both ocean shipment and inland transport legs. Beyond our primary activity of port-to-port container shipping services, we also provide door-to-door transportation services to our customers. In these cases, we either provide for the inland transportation of the container via our own rail and barge operations, or, as is more common, we sub-contract for

rail, barge or trucking services from other companies. Revenue from other activities also includes logistics revenue, which is primarily derived from the transfer of containers from ships to other transport or storage facilities in port at our owned or jointly-owned terminal operations.

Revenue from other activities represented 4.5%, 5.1%, 6.5% and 6.2% of total revenue excluding reconciling items and eliminations (as set forth in Note 4.1 to the CMA CGM Audited Consolidated Financial Statements and the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements) in 2014, 2015, 2016 and the three-month period ended March 31, 2017, respectively (based on the methodology then prevailing). See “—Year ended December 31, 2016 compared with year ended December 31, 2015.”

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 20.9%, 13.5%, 10.7% and 12.9% of our revenue in 2014, 2015, 2016 and the three-month period ended March 31, 2017, respectively. The primary component of bunkers and consumables during the period under review was the purchase of bunker fuel, which amounted to \$1,597.1 million, or 93.8% of our bunkers and consumables expenses, in 2016, \$2,052.1 million, or 96.8% of our bunkers and consumables expenses, in 2015 and \$3,424.2 million, or 98% of our bunkers and consumables expenses in 2014. 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 2016, we purchased 6,883 kilotons of bunker fuel at an average price of \$232 per ton. The price we pay for bunker fuel has historically been volatile (see “—Increases in crude oil and bunker fuel prices could significantly increase our costs of operations”). Because bunker fuel accounts for a significant portion of our operating expenses, the bunker fuel expense reductions that we have been able to realize have significantly contributed to the overall reduction of our operating expenses during the periods in question.

Chartering and slot purchases. Chartering and slot purchases expenses represented 10.8%, 13.2%, 12.4% and 10.2% of our revenue in 2014, 2015, 2016 and the three-month period ended March 31, 2017, 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. As of March 31, 2017, we chartered 318 vessels, or 59% of our fleet by capacity, of which we chartered 59 vessels with a remaining charter duration of more than five years, or 25% of our fleet by capacity, 41 vessels with charter duration of less than five years and more than one year, or 10% of our fleet by capacity, and 218 vessels with a remaining charter duration of less than one year, or 24% of our fleet by capacity, and owned or had under finance lease or equivalent arrangements 127 vessels, or 42% 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 23.2%, 25.3%, 27.9% and 25.8% of our revenue in 2014, 2015, 2016 and the three-month period ended March 31, 2017, 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.

Inland and feeder 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 10.8%, 12.1%, 13.7% and 13.7% of our revenue in 2014, 2015, 2016 and the three-month period ended March 31, 2017, 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 7.1%, 7.5%, 7.5% and 6.3% of our revenue in 2014, 2015, 2016 and the three-month period ended March 31, 2017, respectively.

Container rentals and other logistic expenses. 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. Container rentals and other logistic expenses represented 7.7%, 8.3%, 9.5% and 9.1% of our revenue in 2014, 2015, 2016 and the three-month period ended March 31, 2017, 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 7.2%, 7.4%, 9.4% and 8.7% of our revenue in 2014, 2015, 2016 and the three-month period ended March 31, 2017, 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. General and administrative expenses other than employee benefits represented 3.6%, 3.6%, 3.7% and 3.4% of our revenue in 2014, 2015, 2016 and the three-month period ended March 31, 2017, 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 5 to 8 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.

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 Commission closed this investigation on February 4, 2015 after the Second Amending Finance Law for 2014 introduced a threshold to ensure that French tonnage tax payers 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.

Three-month period ended March 31, 2017 compared with three-month period ended March 31, 2016

Revenue

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

	Three-month period ended March 31,							
	2016		2017					
	Consolidated		CMA CGM Standalone		NOL Contribution		Consolidated	
	(\$ millions)	Percentage ⁽¹⁾	(\$ millions)	Percentage ⁽¹⁾	(\$ millions)	Percentage ⁽¹⁾	(\$ millions)	Percentage ⁽¹⁾
Container shipping.....	3,291.2	94.5%	3,309.6	68.8%	1,211.2	25.2%	4,520.8	94.0%
Other activities ...	192.1	5.5%	181.2	3.8%	106.7	2.2%	287.9	6.0%
Reconciling items & eliminations.....	(84.0)	n/a	(147.9)	n/a	(40.6)	n/a	(188.5)	n/a
Total revenue	3,399.3	100%	3,342.9	69.5%	1,277.4	26.6%	4,620.2	100%

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

Consolidated revenue increased by \$1,220.9 million, or 35.9%, from \$3,399.3 million for the three-month period ended March 31, 2016 to \$4,620.2 million for the three-month period ended March 31, 2017, primarily reflecting the impact of the NOL Acquisition, which contributed \$1,277.4 million to consolidated revenue in the first quarter of 2017. Excluding the contribution from NOL, CMA CGM standalone revenue declined by \$56.4 million, or 1.7%, driven primarily by a \$63.9 million increase in reconciling items and eliminations of intersegment revenues due to the integration of NOL's activities into the Group with some of our vessels calling at the GGS terminal, which is a consolidated subsidiary of NOL, among others, and a \$10.9 million decrease in CMA CGM standalone revenues from other activities. These declines were partially offset by a \$18.4 million increase in CMA CGM standalone container shipping revenues.

Container shipping revenue

Consolidated. Consolidated container shipping revenue increased by \$1,229.6 million, or 37.4%, from \$3,291.2 million in the first quarter of 2016 (94.5% of revenues excluding reconciling items and eliminations) to \$4,520.8 million in the first quarter of 2017 (94.0% of revenues excluding reconciling items and eliminations). The increase primarily reflected a 35.2% increase in consolidated container shipping volumes (primarily on the Transpacific and Intra-Asia lines) due to the NOL Acquisition, the impact of which more than offset a 2.2% volume decline on a CMA CGM standalone basis during the period. The increase in volumes at the consolidated level was driven primarily by a 876 thousand TEU, or 50.4%, increase in volumes loaded on our East-West lines and a 118 thousand TEU, or 13.7%, increase in volumes loaded on our North-South lines, in each case principally due to the NOL Acquisition, as well as a 126 thousand TEU, or 21.6%, increase in volumes loaded on our subsidiaries and regional lines. The increase in volumes from subsidiaries and regional lines primarily reflected the contribution from NOL on Intra-Asia trades (see “—Acquisitions and Disposals”).

The positive effect of the increase in consolidated volumes was reinforced by a \$16.6 per TEU, or 1.6%, increase in average container shipping revenue per TEU, from \$1,033.9 per TEU in the first quarter of 2016 to \$1,050.5 per TEU in the first quarter of 2017. The increase in average container shipping revenue per TEU on a consolidated basis primarily reflected a 2.8% increase in average container shipping revenue per TEU for CMA CGM on a standalone basis, which was offset somewhat by the effect of consolidating NOL, which had lower average revenue per TEU than CMA CGM on a standalone basis (\$1,063.1 million per TEU for CMA CGM on a standalone basis compared to \$1,017.5 million per TEU for NOL). The lower average revenue per TEU for NOL reflects its lower level of diversification in terms of the geographical mix of its lines and services (including its higher proportion of volumes from the Inter-Asia Trades, which typically have relatively lower average freight rates per TEU).

CMA CGM Standalone. On a standalone basis excluding the \$1,211.2 million of container shipping revenue contributed by NOL in the first quarter of 2017, CMA CGM container shipping revenue increased by \$18.4 million, or 0.6%, from \$3,291.2 million in the first quarter of 2016 to \$3,309.6 million in the first quarter

of 2017. The increase in CMA CGM standalone container shipping revenue reflects the impact of higher standalone average container shipping revenue per TEU, which more than offset a reduction in transported volumes. Standalone average container shipping revenue per TEU increased by \$29.2, or 2.8%, from \$1,034.0 in the first quarter of 2016 to \$1,063.1 in the first quarter of 2017, primarily as a result of higher average industry freight rates compared to the low levels experienced in 2016 as well as our continued cargo selection efforts. This increase in standalone average container shipping revenue per TEU was offset by a 2.2% decline in standalone transported volumes, driven in particular by reduced standalone volumes on the Asia-Middle East lines due to cargo selection efforts focusing on the most profitable transported volumes, as well as by a decline in our feeder activities as a result of the strategic decision to outsource certain feeder activities to third parties. These declines were partially offset by the strong growth on our North-South lines, in particular the Latin America, Africa and Intra-Asia lines.

Other activities revenue

Other activities revenue increased by 49.9%, or \$95.8 million, from \$192.1 million in the first quarter of 2016 to \$287.9 million in the first quarter of 2017. Of this amount, NOL accounted for \$106.7 million, primarily corresponding to handling and stevedoring revenues from the NOL terminals (see “*Business—Operations—Terminals*”). Excluding the contribution from NOL, CMA CGM’s standalone revenue from other activities decreased by \$10.9 million, or 5.7%, to \$181.2 million in the first quarter of 2017. This decrease on a CMA CGM standalone basis was primarily due to a decrease in intermodal activities as well as adverse foreign exchange movements affecting euro-denominated revenue generated by our subsidiaries.

Operating Expenses

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

	Three-month period ended March 31,							
	2016		2017					
	Consolidated		CMA CGM Standalone		NOL Contribution		Consolidated	
	<i>(\$ millions)</i>	<i>Percentage⁽¹⁾</i>	<i>(\$ millions)</i>	<i>Percentage of Standalone revenue⁽¹⁾</i>	<i>(\$ millions)</i>	<i>Percentage of NOL contribution to revenue⁽¹⁾</i>	<i>(\$ millions)</i>	<i>Percentage of consolidated revenue⁽¹⁾</i>
Bunkers and consumables	324.7	10.7%	434.1	13.0%	163.3	12.8%	597.4	12.9%
Chartering and slot purchases	506.7	14.9%	406.9	12.2%	65.3	5.1%	472.2	10.2%
Handling and stevedoring	933.0	27.4%	818.5	24.5%	375.6	29.4%	1,194.1	25.8%
Inland and feeder transportation.....	446.0	13.1%	447.8	13.4%	187.3	14.7%	635.1	13.7%
Port and Canal	277.1	8.2%	239.5	7.2%	49.6	3.9%	289.1	6.3%
Container rentals and other logistic expenses.	322.0	9.5%	397.4	11.9%	21.1	1.7%	418.5	9.1%
Employee benefits	303.4	8.9%	301.7	9.0%	102.5	8.0%	404.2	8.7%
General and administrative other than employee benefits	124.3	3.7%	121.3	3.6%	34.3	2.7%	155.7	3.4%
Additions to provisions, net of reversals and impairment of inventories and trade receivables.....	3.5	0.1%	1.0	(0.0)%	(1.1)	(0.1)%	0.0	(0.0)%
Other exchange losses/(gains), net	16.4	0.5%	(18.6)	(0.6)%	(5.5)	(0.4)%	(24.0)	(0.5)%
Other operating expenses/(income), net	47.0	1.4%	35.0	1.0%	60.1	4.7%	95.1	2.1%
Operating expenses....	3,304.0	97.2%	3,184.8	95.3%	1,052.6	82.4%	4,237.4	91.7%

	Three-month period ended March 31,							
	2016		2017					
	Consolidated		CMA CGM Standalone		NOL Contribution		Consolidated	
CMA CGM-NOL intercompany operations	--	--	(133.4)	4.0%	133.4	10.4%	--	--
Total consolidated operating expenses.....	<u>3,304.0</u>	97.2%	<u>3,051.4</u>	91.3%	<u>1,186.0</u>	92.8%	<u>4,237.4</u>	91.7%

(1) As a percentage of consolidated revenue.

General

Total consolidated operating expenses excluding depreciation increased by \$933.4 million, or 28.3%, from \$3,304.0 million in the first quarter of 2016 (97.2% of consolidated revenue) to \$4,237.4 million in the first quarter of 2017 (91.7% of consolidated revenue). The increase was driven primarily by the NOL Acquisition, which contributed total consolidated operating expenses of \$1,186.0 million in the first quarter of 2017.

On a CMA CGM standalone basis, operating expenses declined by \$119.2 million, or 3.6%, from \$3,304.0 million in the first quarter of 2016 to \$3,184.8 million in the first quarter of 2017. The decline in operating expenses for CMA CGM on a standalone basis was driven primarily by a \$99.8 million, or 19.7%, decrease in chartering expenses and slot purchases and a \$114.5 million, or 12.3%, decrease in handling and stevedoring, and to a lesser extent by a \$37.6 million, or 13.6%, decrease in port and canal expenses, and lower general and administrative expenses. These decreases were partially offset by a \$109.4 million, or 33.7%, increase in bunkers and consumables expenses and a \$75.4 million, or 23.4%, increase in container rentals and other logistic expenses. These effects combined to produce an 1.4% decline in operating expenses per TEU carried for CMA CGM on a standalone basis.

Bunkers and consumables

Consolidated bunkers and consumables expenses increased by 84.0%, or \$272.7 million, from \$324.7 million in the first quarter of 2016 (9.6% of consolidated revenue) to \$597.4 million in the first quarter of 2017 (12.9% of consolidated revenue). The increase was driven primarily by NOL's contribution of \$163.3 million in bunkers and consumables expenses, as well as an increase in CMA CGM standalone bunkers and consumables expenses relating primarily to increased bunkering costs. CMA CGM standalone bunkers and consumables expense increased by 33.7%, or \$109.4 million, from \$324.7 million in the first quarter of 2016 (9.6% of revenue) to \$434.1 million in the first quarter of 2017 (13.0% of standalone revenue).

Bunkering costs. On a consolidated basis, bunkering costs increased by \$263.5 million, or 87.7%, from \$300.3 million in the first quarter of 2016 (8.8% of consolidated revenue) to \$563.8 million (12.2% of consolidated revenue) in the first quarter of 2017. NOL contributed \$147.6 million in bunkering costs in the first quarter of 2017. Excluding the contribution of NOL, CMA CGM standalone bunkering costs increased by \$115.9 million, or 38.6%, from \$300.3 million in the first quarter of 2016 (8.8% of revenue) to \$416.2 million in the first quarter of 2017 (12.5% of standalone revenue). This increase was primarily driven by an increase in the average bunker rate for CMA CGM on a standalone basis of \$101 per ton, or 49.6%, from \$203 per ton in the first quarter of 2016 to \$304 per ton in the first quarter of 2017. This reflected the effect of the recovery of market prices for oil from the depressed prices at the beginning of 2016. This increase was partially offset by a 109 thousand ton, or 7.4%, decrease in our standalone consumption of bunker fuel from 1,476 thousand tons in the first quarter of 2016 to 1,367 thousand tons in the first quarter of 2017. On a per-carried TEU basis, bunkering CMA CGM standalone bunker consumption decreased by 5.3% from 464kg per TEU in the first quarter of 2016 to 439kg per TEU in the first quarter of 2017, reflecting our deployment of an increasingly fuel-efficient fleet and continuing initiatives to reduce bunker consumption.

NOL's contribution of \$147.6 million in bunkering costs during the first quarter of 2017 reflected NOL bunker consumption of 460 thousand tons at an average bunker rate of \$321 per ton. This generated a consumption per carried TEU of 386kg per TEU.

Consumables. On a consolidated basis, consumables expenses increased by \$9.2 million, or 37.7%, from \$24.4 million in the first quarter of 2016 (0.7% of revenue) to \$33.6 million in the first quarter of 2017 (0.7% of revenue). The increase in absolute terms was driven primarily by the NOL contribution of \$15.7 million in consumables expenses in the first quarter of 2017, which was partially offset by a \$6.5 million, or 26.8%, decrease

in CMA CGM standalone consumables expenses to \$17.9 million in the first quarter of 2017. The decrease in CMA CGM standalone consumables expenses primarily reflected the lower volumes shipped on a standalone basis compared to the first quarter of 2016, as well as our continued focus on fuel efficiency measures and investments during the period.

Chartering and slot purchases

Consolidated chartering and slot purchases decreased by \$34.5 million, or 6.8%, from \$506.7 million in the first quarter of 2016 (14.9% of consolidated revenue) to \$472.2 million in the first quarter of 2017 (10.2% of consolidated revenue). The reduction was driven by a 19.7% decrease in chartering and slot purchases for CMA CGM on a standalone basis, which was partially offset by NOL's contribution of \$65.3 million in chartering and slot purchases in the first quarter of 2017.

Chartering. On a consolidated basis, chartering expenses declined by \$56.1 million, or 12.9%, from \$434.2 million in the first quarter of 2016 (12.8% of consolidated revenue) to \$378.1 million in the first quarter of 2017 (8.2% of consolidated revenue). NOL contributed \$52.0 million in chartering expenses in the first quarter of 2017. On a standalone basis excluding the impact of NOL, CMA CGM's chartering expenses decreased by \$108.1 million, or 24.9%, from \$434.2 million in the first quarter of 2016 to \$326.1 million in the first quarter of 2017. The decline on a CMA CGM standalone basis was primarily driven by:

- a 14.5% decrease in the size of the standalone chartered fleet from 1,254 thousand TEU in the first quarter of 2016 to 1,072 thousand TEU in the first quarter of 2017, primarily as a result of the strategic reduction in our feeder activities, including the redelivery of 50 chartered vessels under 1,700 TEUs that were used in such activities prior to their redelivery; and
- a \$13 per TEU decrease in standalone charter rates in first quarter of 2017 as compared to the first quarter of 2016; this decrease in charter rates on a standalone basis was partially offset by an increase of \$10 per TEU in the allocation effect corresponding to the suboptimal allocation of the static capacity of our chartered fleet, mainly driven by changes in rotation durations or void sailings due to line reorganization.

Slot purchase. On a consolidated basis, slot purchase expenses increased by \$21.7 million, or 30.0%, from \$72.4 million in the first quarter of 2016 (2.1% of consolidated revenue) to \$94.1 million in the first quarter of 2017 (2.0% of consolidated revenue). This increase was driven primarily by the \$13.3 million contribution from NOL in the first quarter of 2017. Excluding the impact of NOL, slot purchase expenses for CMA CGM on a standalone basis increased by \$8.3 million, or 11.5%, from \$72.4 million in the first quarter of 2016 (2.1% of revenue) to \$80.8 million in the first quarter of 2017 (2.4% of standalone revenue).

Handling and stevedoring

On a consolidated basis, handling and stevedoring increased by \$261.1 million, or 28.0%, from \$933.0 million in the first quarter of 2016 (27.4% of consolidated revenue) to \$1,194.1 million in the first quarter of 2017 (25.8% of consolidated revenue). The increase reflects the contribution of \$375.6 million in handling and stevedoring expenses from NOL in the first quarter of 2017, which more than offset a \$114.5 million, or 12.3%, decrease in CMA CGM handling and stevedoring expenses on a standalone basis, from \$933.0 million in the first quarter of 2016 (27.4% of revenue) to \$818.5 million in the first quarter of 2017 (24.5% of standalone revenue).

The total \$13.7 per TEU decline in handling and stevedoring expenses for CMA CGM on a standalone basis was primarily due to:

- a shift in the terminals used for certain of our Transpacific lines, in particular the Pearl River Express line between China and the west coast of the United States that formerly made berth at third-party terminals in Los Angeles and switched to making berth at the GGS terminal that we acquired in connection with the NOL Acquisition; this resulted in a \$8 per TEU decrease in handling and stevedoring expenses in the first quarter of 2017 as compared to the first quarter of 2016;
- a decrease in extra costs (accounting for a \$4 per TEU decrease in handling and stevedoring expenses in the first quarter of 2017 as compared to the first quarter of 2016), which was driven in part by one-off expenses related to strikes and delay on U.S. ports during the first quarter of 2016;
- the effect of beneficial changes in exchange rates, in particular the exchange rate between the U.S. dollar and the euro and Chinese Yuan (accounting for a \$3 per TEU decrease in handling and stevedoring expenses between the first quarter of 2016 and the first quarter of 2017); and

- a decrease in average handling and stevedoring prices (accounting for a \$2 per TEU decrease between the first quarter of 2016 and the first quarter of 2017), primarily as a result of our transfer of certain stevedoring costs to feeder companies in connection with our outsourcing of certain feeder activities, as well as the increase in our volumes in certain lower-cost jurisdictions in Asia and India and the decrease in our volumes in higher-cost areas such as North America.

On a CMA CGM standalone basis, stevedoring of full containers decreased by 12.4%, or \$96.5 million, from \$777.5 million in the first quarter of 2016 to \$680.9 million in the first quarter of 2017, while stevedoring of empty containers decreased by 11.5%, or \$17.9 million, from \$155.5 million in the first quarter of 2016 to \$137.6 million in the first quarter of 2017.

Inland and feeder transportation

Inland and feeder transportation expenses increased by \$189.1 million, or 42.4%, from \$446.0 million in the first quarter of 2016 (13.1% of consolidated revenue) to \$635.1 million in the first quarter of 2017 (13.7% of consolidated revenue) as a result of the NOL Acquisition. The operations of NOL generated \$187.3 million in inland and feeder transportation expenses in the first quarter of 2017. On a standalone basis excluding the contribution of NOL, inland and feeder transportation expenses were relatively flat, increasing by \$1.8 million, or 0.4%, to \$447.8 million in the first quarter of 2017 (13.4% of standalone revenue). This slight increase is primarily due to an increase in costs for third party feeders in connection with the strategic decision to outsource certain feeder activities partly offset by a reduction in tariffs following contract renegotiations with vendors.

Port and canal

Port and canal expenses increased by \$12.0 million, or 4.3%, from \$277.1 million in the first quarter of 2016 (8.2% of consolidated revenue) to \$289.1 million in the first quarter of 2017 (6.3% of consolidated revenue). NOL accounted for \$49.6 million in port and canal expenses in the first quarter of 2017. On a standalone basis excluding the contribution of NOL, port and canal expenses decreased by \$37.5 million, or 13.5%, from \$277.1 million in the first quarter of 2016 (8.2% of revenue) to \$239.5 million in the first quarter of 2017 (7.2% of standalone revenue). The decline on a standalone basis primarily reflects:

- a \$19.1 million, or 11.6%, decrease in standalone port costs from \$164.7 million in the first quarter of 2016 to \$145.6 million in the first quarter of 2017, which was mainly attributable to (i) a decrease in total port calls due to the reduction in our feeder activities and (ii) a positive vessel mix effect driven by the increase in our average vessel size thus reducing our number of separate port calls; and
- a \$18.4 million, or 16.4%, decrease in standalone canal expenses from \$112.4 million in the first quarter of 2016 to \$94.0 million in the first quarter of 2017, which was primarily attributable to a decrease in our feeder activities (including, *e.g.*, limiting our use of the Kiel canal in Germany) and the optimization of our lines, which helped us to reduce our use of the Panama Canal.

Container rentals and other logistic expenses

Our consolidated container rentals and other logistic expenses increased by \$96.5 million, or 30.0%, from \$322.0 million in the first quarter of 2016 (9.5% of consolidated revenue) to \$418.5 million in first quarter of 2017 (9.1% of consolidated revenue). NOL generated container rentals and other logistic expenses of \$21.1 million in the first quarter of 2017. On a standalone basis excluding the contribution of NOL, container rentals and other logistic expenses increased by \$75.5 million, or 23.4%, from \$322.0 million in the first quarter of 2016 (9.5% of revenue) to \$397.4 million in the first quarter of 2017 (11.9% of standalone revenue). The increase on a standalone basis primarily reflected the transfer of most of NOL's logistics contracts to CMA CGM, which drove:

- a \$38.6 million, or 22.5%, increase in standalone expenses for rental of containers and chassis, from \$171.4 million in the first quarter of 2016 to \$210.0 million in the first quarter of 2017; this increase resulted mainly from the new expenses related to the rental of NOL containers following the sale & lease back operations realized during the third quarter of 2016 (see "*Liquidity and Capital Resources—Net cash (used for/ provided by investing activities)*");
- a \$13.0 million, or 52.2%, increase in standalone expenses for container maintenance and repairs from \$25.0 million in the first quarter of 2016 to \$38.1 million in the first quarter of 2017; and

- a \$23.8 million, or 18.9%, increase in handling in standalone expenses for depots, empty container transportation and storage, from \$125.6 million in the first quarter of 2016 to \$149.4 million in the first quarter of 2017.

Employee benefits

Employee benefits expenses on a consolidated basis increased by \$100.8 million, or 33.2%, from \$303.4 million in the first quarter of 2016 (8.9% of consolidated revenue) to \$404.2 million in the first quarter of 2017 (8.7% of consolidated revenue). NOL generated \$102.5 million in employee benefits expenses in the first quarter of 2017. On a standalone basis excluding the contribution of NOL, employee benefits expenses decreased by \$1.7 million, or 0.6%, from \$303.4 million in the first quarter of 2016 (8.7% of revenue) to \$301.7 million in the first quarter of 2017 (9.0% of standalone revenue). This small standalone decrease was primarily due to certain expenses with respect to vessel crews that were previously recorded in employee benefits being recorded under general and administrative expenses in the first quarter of 2017.

General and administrative expenses

Consolidated general and administrative expenses other than employee benefits increased by \$31.4 million, or 25.3%, from \$124.3 million in the first quarter of 2016 (3.7% of consolidated revenue) to \$155.7 million in the first quarter of 2017 (3.4% of consolidated revenue). This increase was primarily due to the \$34.3 million in general and administrative expenses generated by NOL in the first quarter of 2017. On a standalone basis excluding the contribution of NOL, general and administrative expenses decreased by \$3.0 million, or 2.4%, from \$124.3 million in the first quarter of 2016 (3.7% of revenue) to \$121.3 million in the first quarter of 2017 (3.6% of standalone revenue).

The decrease in general and administrative expenses of CMA CGM on a standalone basis was primarily driven by lower commissions, which decreased by \$16.2 million from \$46.2 million in the first quarter of 2016 to \$29.9 million in the first quarter of 2017, reflecting the increased proportion of our agency network under our control and a corresponding decrease in our use of third party agents.

The effect of the lower commissions was partially offset by

- higher fees, which increased by \$6.1 million from \$28.1 million in the first quarter of 2016 to \$34.2 million in the first quarter of 2017, primarily as a result of an increase in IT expenses;
- higher insurance, which increased by \$0.3 million from \$14.4 million in the first quarter of 2016 to \$14.7 million in the first quarter of 2017; and
- higher other expenses, which increased by \$6.8 million from \$35.6 million in the first quarter of 2016 to \$42.5 million in the first quarter of 2017; other expenses mainly consisted of communication expenses, real estate rentals, bank expenses, taxes not related to income and fines and penalties, and the increase was primarily due to certain expenses with respect to vessel crews that were previously recorded in employee benefits being recorded under general and administrative expenses in the first quarter of 2017.

Additions to provisions, net of reversals and impairment of inventories and trade receivables

Additions to provisions, net of reversals and impairment of inventories and trade receivables represented a net charge of \$3.5 million in the first quarter of 2016 and was nil in the first quarter of 2017. In the first quarter of 2017, NOL had net reversals of \$1.1 million in the first quarter of 2017. These were offset by CMA CGM standalone net charge of \$1.0 million from additions to provisions, net of reversals and impairment of inventories and trade receivables in the first quarter of 2017.

Operating exchange gains/losses, net

Operating exchange gains/losses amounted to a gain of \$24.0 million in the first quarter of 2017, compared to a net loss of \$16.4 million in the first quarter of 2016. NOL generated a gain of \$5.5 million in the first quarter of 2017. Excluding the gain from NOL, operating exchange gains/losses of CMA CGM on a standalone basis amounted to a net gain of \$18.6 million in the first quarter of 2017 (0.6% of standalone revenue) compared to a net loss of \$16.4 million in the first quarter of 2016 (0.5% of revenue). The improvement was primarily due to the positive impact of currency fluctuations on our working capital, in particular the appreciation of the euro against the U.S. dollar.

Other operating expenses

Other operating expenses increased by \$48.1 million, or 102.3%, from a loss of \$47.0 million in the first quarter of 2016 to a loss of \$95.1 million in the first quarter of 2017, primarily due to the \$60.1 million in other operating expenses generated by NOL. On a standalone basis excluding the contribution of NOL, other operating expenses decreased by \$12.0 million, or 25.5%, from \$47.0 million in the first quarter of 2016 (1.4% of revenue) to \$35.0 million in the first quarter of 2017 (1.0% of standalone revenue).

EBITDA before gains on disposal of property and equipment and subsidiaries

Reflecting the above-mentioned items, EBITDA before gains on disposal of property and equipment and subsidiaries increased by \$287.4 million from \$95.3 million in the first quarter of 2016 (2.8% of consolidated revenue) to \$382.8 million in the first quarter of 2017 (8.3% of consolidated revenue), of which \$91.3 million was attributable to NOL. On a standalone basis excluding the contribution from NOL, this line item increased by \$196.1 million, or 205.8%, from \$95.3 million in the first quarter of 2016 (2.8% of revenue) to \$291.4 million in the first quarter of 2017 (8.7% of standalone revenue).

Gains on disposal of property and equipment and subsidiaries

Gains and losses on disposal of property and equipment and subsidiaries generated a net gain of \$7.8 million in the first quarter of 2017, as compared to a net loss of \$0.1 million in the first quarter of 2016. This improvement was primarily due to the \$6.8 million contribution from NOL, primarily resulting from vessel scrapping transactions. On a standalone basis excluding the contribution of NOL, this line item increased by \$1.2 million from a net loss of \$0.1 million in the first quarter of 2016 to a net gain of \$1.1 million in the first quarter of 2017.

Depreciation and amortization of non-current assets

Depreciation and amortization of non-current assets increased by \$36.7 million, or 33.4%, from \$109.8 million in the first quarter of 2016 to \$146.5 million in the first quarter of 2017. The increase mainly reflects \$38.5 million in depreciation and amortization charges attributable to NOL in the first quarter of 2017. On a standalone basis excluding the contribution of NOL, depreciation and amortization of non-current assets decreased slightly by \$1.8 million, or 1.6%, from \$109.8 million in the first quarter of 2016 (3.2% of standalone revenue) to \$108.0 million in the first quarter of 2017 (3.2% of standalone revenue). The slight decrease in CMA CGM standalone depreciation and amortization of non-current assets was primarily driven by:

- lower depreciation of software, handling equipment and real estate, which decreased by \$3.9 million from \$25.2 million in the first quarter of 2016 to \$21.3 million in the first quarter of 2017 primarily due to certain historical IT equipment reaching full depreciation; and
- lower depreciation of containers, which decreased by \$1.1 million from \$9.8 million in the first quarter of 2016 to \$8.7 million in the first quarter of 2017.

These effects were partially offset by higher depreciation of vessels, which increased by \$3.2 million from \$74.8 million in the first quarter of 2016 to \$78.0 million in the first quarter of 2017, primarily as a result of the increase in the number of vessels we owned in the first quarter of 2017.

Other income and expenses

Other income or expense generated a net loss of \$3.9 million in the first quarter of 2016 compared to a net loss of \$0.1 million in the first quarter of 2017. NOL did not contribute any other income or expenses during the period.

Net Present Value (NPV) benefit related to assets financed by tax lease

The NPV benefit related to assets financed by tax lease decreased by \$2.0 million from \$13.9 million in the first quarter of 2016 to \$11.9 million in the first quarter of 2017. This amount primarily reflected a \$3.2 million NPV benefit attributable to NOL. Excluding the contribution of NOL, NPV benefit related to assets financed by tax lease decreased by \$5.2 million, or 37.4%, from \$13.9 million in the first quarter of 2016 to \$8.7 million in the first quarter of 2017. The lower NPV benefit in the first quarter of 2017 reflects the smaller number of vessels financed under this arrangement in the first quarter of 2017.

Share of profit/(loss) of associates and joint ventures

Share of profit/(loss) of associates and joint ventures decreased by \$0.2 million from a net gain of \$4.0 million in the first quarter of 2016 to a net gain of \$3.8 million in the first quarter of 2017. Excluding a \$0.1 million net gain attributable to NOL, share of profit/(loss) of associates and joint ventures amounted to a net gain of \$3.6 million in 2016, essentially stable compared to the first quarter of 2016.

EBIT

As a result of the factors described above, our EBIT increased by \$260.1 million from a negative EBIT of \$0.5 million in the first quarter of 2016 to a positive EBIT of \$259.6 million in the first quarter of 2017 (5.6% of consolidated revenues), which included a \$62.8 million positive EBIT attributable to NOL. Excluding the effect of NOL, EBIT for CMA CGM on a standalone basis increased by \$197.3 million to an positive EBIT of \$196.8 million in the first quarter of 2017 (5.9% of standalone revenues) from negative EBIT of \$0.6 million in the first quarter of 2016.

Container shipping segment. Consolidated container shipping segment EBIT increased by \$236.0 million from a negative EBIT of \$1.8 million in the first quarter of 2016 to a positive EBIT of \$234.2 million in the first quarter of 2017 (5.2% of segment revenue), which included a positive EBIT attributable to NOL of \$51.5 million. The improvement on a consolidated basis was driven primarily by a 1.6% increase in average container shipping revenue per TEU, reflecting a 35.2% increase in transported volume and a 3.7% decrease in unit cost per TEU. On a standalone basis excluding NOL, container shipping segment EBIT increased by \$184.5 million to \$182.7 million for the first quarter of 2017 (5.5% of standalone segment revenues). The improvement in container shipping segment EBIT on a standalone basis was driven primarily by our significant cost reductions on a standalone basis, in particular the 19.7% decrease in chartering expenses and slot purchases, the 12.3% decrease in handling and stevedoring, the 13.6% decrease in port and canal expenses and the positive impact from exchange rate changes, which drove a decline of 1.7% in operating expenses per TEU and a decrease in overall operating expenses as a percentage of revenue. These cost savings more than offset the 1.7% decline in standalone revenues for the period. The improvement was further supported by the 0.6% increase in standalone segment revenues during the period.

Other activities. Consolidated other activities segment EBIT increased by \$12.4 million from \$5.3 million in the first quarter of 2016 (2.8% of segment revenue) to \$17.7 million in the first quarter of 2017 (6.1% of segment revenue). The consolidated figure in the first quarter of 2017 includes a positive EBIT contribution of \$4.6 million attributable to NOL. On a standalone basis excluding the contribution of NOL, EBIT increased by \$7.8 million from \$5.3 million in the first quarter of 2016 (2.8% of segment revenue) to \$13.1 million in the first quarter of 2017 (7.2% of standalone segment revenue).

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 increased by \$45.2 million, or 76.2%, from \$59.3 million in the first quarter of 2016 to \$104.5 million in the first quarter of 2017. Interest expenses on borrowings increased by \$47.0 million, or 71.9%, from \$65.4 million in the first quarter of 2016 to \$112.4 million in the first quarter of 2017, primarily reflecting the integration of NOL's cost of borrowings since its acquisition. The higher borrowing costs were partially offset by a \$1.8 million, or 29.5%, increase in interest income on cash and cash equivalents from \$6.1 million in the first quarter of 2016 to \$7.9 million in the first quarter of 2017, primarily as a result of the higher cash and cash equivalent balances during the first quarter of 2017.

Other net financial items.

The loss attributable to other net financial items increased by \$36.2 million from a loss of \$17.4 million in the first quarter of 2016 to a loss of \$53.6 million in the first quarter of 2017. The increased net loss in the first quarter of 2017 primarily reflected:

- a \$21.3 million increase in net foreign currency expenses from an expense of \$24.6 million in the first quarter of 2016 to an expense of \$45.9 million in the first quarter of 2017; in both quarters, this resulted mainly from the negative impact of the appreciation of the euro on the euro-denominated portion of our debts; in the first quarter of 2017, the loss was also partly explained by the revaluation of certain debts of NOL denominated in Singapore dollars;
- a \$12.9 million negative change in the settlement and change in fair value of derivative instruments that do not qualify to hedge accounting from a gain of \$8.1 million in the first quarter of 2016 to a

loss of \$4.8 million in the first quarter of 2017, mainly reflecting the impact of exchange rate and interest rate volatility during the period on the valuation of our portfolio of derivatives; and

- a \$2.0 million increase in net other financial expenses net from an expense of \$0.9 million in the first quarter of 2016 to an expense of \$2.9 million in the first quarter of 2017.

Financial Result

As a result of the factors described above, the net financial charge increased by \$81.4 million, or 106.1%, from a net charge of \$76.7 million in the first quarter of 2016 to a net charge of \$158.1 million in the first quarter of 2017. This included a \$45.2 million net charge generated by NOL in the first quarter of 2017. On a standalone basis excluding the contribution of NOL, the net financial charge increased by \$36.2 million from a charge of \$76.7 million in the first quarter of 2016 to a charge of \$112.9 million in the first quarter of 2017.

Income tax

Income tax expense decreased by \$9.2 million, or 52.3%, from \$17.6 million in the first quarter of 2016 to \$8.4 million in the first quarter of 2017. The consolidated decrease resulted from a \$19.2 million increase in deferred tax income, from nil in the first quarter of 2016 to \$19.2 million in the first quarter of 2017, which was partially offset by a \$10.0 million increase in current income tax, from \$17.6 million in the first quarter of 2016 to \$27.6 million in the first quarter of 2017. These changes primarily reflected the recognition of certain U.S. foreign tax credits claimed February 2017. These tax credits had historically been deducted from the taxable basis by one of our U.S. subsidiaries, but in the first quarter of 2017 they were fully recognized as deferred tax assets based on managements' expectations for the subsidiary's future financial performance. Excluding the contribution of NOL, income tax for CMA CGM on a standalone basis decreased by \$0.2 million, or 1.7%, to \$17.3 million in the first quarter of 2017 (0.5% of segment revenues).

Profit / loss for the period

As a consequence of the above items, profit / (loss) for the period increased by \$187.9 million from a net loss of \$94.8 million in the first quarter of 2016 to a net profit of \$93.1 million in the first quarter of 2017. Of the net profit in 2017, \$26.6 million was attributable to NOL. Excluding the contribution of NOL, the net profit of CMA CGM on a standalone basis increased by \$161.3 million from a net loss of \$94.8 million in the first quarter of 2016 to a net profit of \$66.6 million in the first quarter of 2017.

Non-controlling interests

Non-controlling interests increased by \$1.7 million from \$5.1 million in the first quarter of 2016 to \$6.8 million in the first quarter of 2017, including \$0.4 million attributable to NOL. Excluding the contribution of NOL, non-controlling interests on a CMA CGM standalone basis increased by \$1.3 million to \$6.4 million in the first quarter of 2017.

Profit / loss for the period attributable to the owners of the parent company

Profit / (loss) for the period attributable to the owners of the parent company amounted to a net profit of \$86.4 million in the first quarter of 2017, an increase of \$186.2 million from a net loss of \$99.8 million in the first quarter of 2016. Of the net profit in the first quarter of 2017, \$26.2 million was attributable to NOL. Excluding the contribution of NOL, CMA CGM standalone profit for the period attributable to owners of the parent company amounted to \$60.2 million (1.8% of standalone revenues) in the first quarter of 2017 compared to a net loss of \$99.8 million (2.9% of standalone revenues) in the first quarter of 2016.

Year ended December 31, 2016 compared with year ended December 31, 2015

Revenue

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

	Year ended December 31,							
	2015			2016				
	Consolidated		CMA CGM Standalone		NOL Contribution		Consolidated	
	(\$ millions)	Percentage ⁽¹⁾	(\$ millions)	Percentage ⁽¹⁾	(\$ millions)	Percentage ⁽¹⁾	(\$ millions)	Percentage ⁽¹⁾
Container shipping	15,241.7	95.0%	12,893.3	78.5%	2,479.8	15.1%	15,373.1	93.6%
Other activities	804.5	5.0%	900.8	5.5%	145.2	0.9%	1,046.0	6.4%
Reconciling items & eliminations	(372.1)	n/a	(428.2)	n/a	(13.6)	n/a	(441.8)	n/a
Total revenue	15,674.1	100%	13,365.9	84.0%	2,611.4	16.0%	15,977.3	100%

(1) Expressed as a percentage of total consolidated revenue excluding reconciling items and eliminations (as set forth in Note 4.1 to the 2016 CMA CGM Audited Consolidated Financial Statements).

Consolidated revenue increased by \$303.1 million, or 1.9%, from \$15,674.1 million in 2015 to \$15,977.3 million in 2016, primarily reflecting the impact of the NOL Acquisition, which contributed \$2,611.4 million to consolidated revenue in 2016. Excluding the contribution from NOL, consolidated revenue for CMA CGM on a standalone basis declined by \$2,308.2 million, driven primarily by a \$2,348.4 million, or 15.4%, decline in container shipping revenue. The decline in standalone container shipping revenue was slightly offset by a \$96.3 million, or 12.0%, increase in standalone revenue from other activities.

Container shipping revenue

Consolidated. Consolidated container shipping revenue increased by \$131.4 million, or 0.9%, from \$15,241.7 million in 2015 to \$15,373.1 million in 2016. The increase primarily reflects a 20.4% increase in consolidated container shipping volumes due to the NOL Acquisition, the impact of which was more than offset by a slight volume decline on a CMA CGM standalone basis. The increase in volumes at the consolidated level was driven principally by a 25.3% increase in volumes loaded on our East-West lines and a 12.6% increase in volumes loaded on our North-South lines in each case principally due to the NOL Acquisition and a 16.9% increase in volumes loaded on our subsidiaries and regional lines. The increase in volumes from subsidiaries and regional lines primarily reflects the contribution from NOL on Intra-Asia trades and the acquisition of OPDR.

The higher volumes more than offset the impact of a 16.2% decline in consolidated average container shipping revenue per TEU. On a consolidated basis, the lower average container shipping revenue per TEU reflected both the impact of a decline in the average revenue per TEU of CMA CGM on a standalone basis compared to the prior year and the effect of consolidating NOL, which had lower average revenue per TEU than CMA CGM on a standalone basis (\$1,005 per TEU for CMA CGM on a standalone basis compared to \$880 per TEU for NOL). The lower average revenue per TEU for NOL reflects its lower diversification in terms of the geographical mix of its lines and services (including its higher proportion of volumes from the Inter-Asia Trades, which typically have relatively lower average freight rates per TEU).

CMA CGM Standalone. On a standalone basis excluding the \$2,479.8 million of container shipping revenue contributed by NOL in 2016, CMA CGM container shipping revenue declined by \$2,348.4 million, or 15.4%, to \$12,893.3 million in 2016 compared to \$15,241.7 million in 2015. The decline of CMA CGM container shipping revenue on a standalone basis was primarily due to:

- a decline in standalone volumes, which decreased by 171,000 TEU, or 1.3%, from 12,995,000 TEU in 2015 to 12,824,000 TEU in 2016. This decline was primarily driven by reduced volumes on the Asia-Europe and African lines, as well as a decline in our feeder activities as a result of our capacity management and cargo selection policies targeting the most profitable trades, particularly in the second half of the year; and
- lower average container shipping revenue per TEU, which decreased by \$201 per TEU, or 16.6%, for CMA CGM on a standalone basis, from \$1,206.2 per TEU in 2015 to \$1,005.5 per TEU in 2016. The decline in revenue per TEU primarily reflects the effect of lower average industry spot freight

rates, offset in part by cargo selection efforts in the second half of the year. The decrease during the period was primarily driven by a strong decrease in the freight rates for our U.S. trades at the end of 2015, when many of our long term contracts were renegotiated and reflected these lower rates. The second largest contributor to the decrease was our Asia-Europe trade routes due to a continuous decline in freight rates on that trade during the year.

Other activities revenue

Other activities revenue increased by \$241.5 million, or 30.0%, from \$804.5 million in 2015 to \$1,046.0 million in 2016. Of this amount, NOL accounted for \$145.2 million in 2016, corresponding mostly to handling and stevedoring revenue. Excluding the contribution from NOL, CMA CGM's standalone revenue from other activities increased by \$96.3 million, or 12.0%, to \$900.8 million. This increase on a CMA CGM standalone basis was primarily due to the increase in terminal and intermodal revenues.

Operating Expenses

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

	Year ended December 31,							
	2015		2016					
	Consolidated		CMA CGM Standalone		NOL Contribution		Consolidated	
(\$ millions)	Percentage ⁽¹⁾	(\$ millions)	Percentage of Standalone revenue ⁽¹⁾	(\$ millions)	Percentage of NOL contribution to revenue ⁽¹⁾	(\$ millions)	Percentage of consolidated revenue ⁽¹⁾	
Bunkers and consumables	2,119.1	13.5%	1,411.9	10.6%	290.8	11.1%	1,702.7	10.7%
Chartering and slot purchases	2,073.8	13.2%	1,875.0	14.0%	111.6	4.3%	1,986.6	12.4%
Handling and stevedoring	3,959.7	25.3%	3,594.6	26.9%	862.8	33.0%	4,457.4	27.9%
Inland and feeder transportation.....	1,895.1	12.1%	1,794.5	13.4%	397.1	15.2%	2,191.6	13.7%
Port and canal.....	1,171.1	7.5%	1,069.8	8.0%	123.2	4.7%	1,193.0	7.5%
Container rentals and other logistic expenses.	1,295.3	8.3%	1,359.9	10.2%	161.9	6.2%	1,521.8	9.5%
Employee benefits	1,159.1	7.4%	1,242.8	9.3%	252.6	9.7%	1,495.4	9.4%
General and administrative other than employee benefits	571.5	3.6%	530.4	4.0%	65.4	2.5%	595.8	3.7%
Additions to provisions, net of reversals and impairment of inventories and trade receivables.....	17.1	0.1%	0.7	0.0%	(13.6)	(0.5)%	(14.3)	(0.1)%
Other exchange losses/(gains), net	(66.8)	(0.4)%	(36.9)	0.3%	(1.0)	(0.0)%	(37.9)	(0.2)%
Other operating expenses/(income), net	225.6	1.4%	215.0	1.6%	135.3	5.2%	350.3	2.2%
Operating expenses....	14,420.6	92.0%	13,056.2	97.7%	2,386.2	91.4%	15,442.4	96.7%
CMA CGM-NOL intercompany operations	--	--	(135.6)	1.0%	135.6	5.2%	--	--
Total consolidated operating expenses.....	14,420.6	92.0%	12,920.6	96.7%	2,521.8	96.6%	15,442.4	96.7%

(1) As a percentage of consolidated revenue.

General

Consolidated operating expenses excluding depreciation increased by \$1,021.7 million, or 7.1%, from \$14,420.7 million in 2015 (92.0% of revenue) to \$15,442.4 million in 2016 (96.7% of revenue). The increase was driven primarily by the NOL Acquisition, which contributed total operating expenses of \$2,386.2 million, partially offset by the elimination of CMA CGM – NOL intercompany transactions of \$135.6 million.

On a standalone basis, CMA CGM's operating expenses declined by \$1,500.1 million, or 10.4%, from \$14,420.6 million in 2015 (13.5% of standalone revenue) to \$12,920.6 million in 2016 (10.6% of standalone operating revenue). The decline in operating expenses for CMA CGM on a standalone basis was driven primarily by a 33.4% decrease in bunkers and consumables, a 9.6% decrease in chartering expenses and slot purchases and a 9.2% decrease in handling and stevedoring, and to a lesser extent by a 5.3% decrease in inland and feeder transportation, a 8.6% decrease in port and canal expenses, a 7.2% decrease in general and administrative expenses and a decrease in additions to provisions and allowances, exchange rate impact and other operating expenses. These decreases were offset to a small extent by a 5.0% increase in logistic expenses and a 7.2% increase in employee benefits. A significant portion of the reduction in costs for bunkers and consumables, chartering, handling and stevedoring and logistics was attributable to our Agility cost savings program. These effects combined to produce an 8.3% decline in operating expenses per TEU carried for CMA CGM on a standalone basis.

Bunkers and consumables

Consolidated bunkers and consumables decreased by 19.6%, or \$416.4 million, from \$2,119.1 million in 2015 (13.5% of revenue) to \$1,702.7 million in 2016 (10.7% of revenue). The reduction was driven by a 33.4% decrease in bunkers and consumables for CMA CGM on a standalone basis, which was partially offset by NOL's contribution of \$290.8 million in bunkers and consumables expenses.

Bunkering costs. On a consolidated basis, bunkering costs decreased by \$455 million, or 22.2%, from \$2,052.1 million in 2015 (13.1% of consolidated revenue) to \$1,597.1 million (9.9% of consolidated revenue) in 2016. NOL contributed \$251.5 million in bunkering costs in 2016. Excluding the contribution of NOL, bunkering costs on a standalone basis decreased from \$2,052.1 million in 2015 (13.1% of revenue) to \$1,345.6 million in 2016 (10.1% of standalone revenue), a decrease of \$706.5 million, or 34.4%. The CMA CGM standalone decrease was primarily driven by:

- A 335,000 ton, or 5.4%, decrease in standalone consumption of bunker fuel from 6,218,000 tons in 2015 to 5,883,000 tons in 2016. On a per-carried-TEU basis, standalone bunker consumption decreased by 4.1% from 478kg per TEU in 2015 to 459kg per TEU in 2016, reflecting our improvements in fleet efficiency and continuing initiatives to reduce bunker consumption; and
- The decrease in average bunker rate for CMA CGM on a standalone basis of \$101 per ton, or 30.7%, from \$330 per ton in 2015 to \$229 per ton in 2016.

NOL's contribution of \$251.5 million in bunkering costs reflected consumption of 1,000,000 tons of bunker, corresponding to an average consumption per carried TEU of 355 kg/TEU, at an average bunker rate of \$252 per ton.

Consumables. On a consolidated basis, consumables expenses increased by \$38.6 million, or 57.6%, from \$67.0 million in 2015 (0.4% of consolidated revenue) to \$105.6 million in 2016 (0.7% of consolidated revenue), driven primarily by a \$39.3 million contribution from NOL. Excluding the impact of NOL, consumables expenses for CMA CGM on a standalone basis declined by \$0.8 million, or 1.2%, from \$67.0 million in 2015 (0.4% of revenue) to \$66.2 million (0.5% of standalone revenue) in 2016, which reflected the corresponding decrease in volume carried for CMA CGM on a standalone basis as well as our cost control measures implemented during the year.

Chartering and slot purchases

Consolidated chartering and slot purchases decreased by \$87.2 million, or 4.2%, from \$2,073.8 million in 2015 (13.2% of revenue) to \$1,986.6 million in 2016 (12.4% of revenue). The reduction was driven by a 9.6% decrease in chartering and slot purchases for CMA CGM on a standalone basis, which was partially offset by NOL's contribution of \$111.6 million in chartering and slot purchases.

Chartering. On a consolidated basis, chartering expenses declined by \$146.4 million, or 8.2%, from \$1,791.7 million in 2015 (11.5% of consolidated revenue) to \$1,645.3 million in 2016 (10.3% of consolidated revenue). NOL contributed \$74.0 million in chartering expenses in 2016. On a standalone basis excluding the impact of NOL, CMA CGM's chartering expenses decreased by \$220.4 million, or 12.3%, from \$1,791.7 million in 2015 (11.5% of standalone revenue) to \$1,571.3 million in 2016 (11.8% of standalone revenue). The decline on a CMA CGM standalone basis was primarily driven by:

- a 15.2% decrease in the size of our standalone chartered fleet from 1,232,000 TEU in 2015 to 1,045,000 TEU in 2016, primarily as a result of a strategic reduction in our feeder line activities,

which are typically less profitable than our main lines, including the redelivery of 50 ships under 1,700 TEUs used in such activities; and

- a \$16.0 per TEU decrease in standalone charter rates in 2016 as compared to 2015. This decrease in charter rates on a standalone basis was partially offset by an increase of \$8 per TEU in the allocation effect corresponding to the suboptimal allocation of the static capacity of our chartered fleet mainly driven by changes in rotation durations or void sailings due to line reorganization from 2015 to 2016.

Slot purchase. On a consolidated basis, slot purchase expenses increased by \$59.4 million, or 21.1%, from \$282.0 million in 2015 (1.8% of consolidated revenue) to \$341.4 million in 2016, driven primarily by the contribution from NOL of \$37.7 million in 2016. Excluding the impact of NOL, slot purchase expenses for CMA CGM on a standalone basis increased by \$21.7 million, or 7.7%, from \$282.0 million in 2015 (1.8% of standalone revenue) to \$303.7 million in 2016.

Handling and stevedoring

Handling and stevedoring increased by \$497.7 million, or 12.6%, from \$3,959.7 million in 2015 (25.3% of consolidated revenue) to \$4,457.4 million in 2016 (27.9% of consolidated revenue). The increase reflects the contribution of \$862.8 million in handling and stevedoring expenses from NOL in 2016, which more than offset a \$365.1 million, or 9.2%, decrease in CMA CGM handling and stevedoring expenses on a standalone basis, from \$3,959.7 million in 2015 (25.3% of standalone revenue) to \$3,594.6 million in 2016 (26.9% of standalone revenue).

The decline in handling and stevedoring expenses for CMA CGM on a standalone basis amounted to \$24 per carried TEU and was primarily due to:

- a decrease in extra costs from 2015 to 2016, which primarily related to one-off expenses that we incurred in 2015 in connection with strikes, delays and congestion in U.S. ports; and
- a decrease in the ratio of container moves to gross carried volume, which resulted from a 10% decline in transshipments (containers being shipped through an intermediate port and transferred to another vessel).

On a CMA CGM standalone basis, stevedoring of full containers decreased by \$274.5 million, or 8.4%, from \$3,278.0 million in 2015 to \$3,003.5 million in 2016, while stevedoring of empty containers decreased by \$90.5 million, or 13.3%, from \$681.7 million in 2015 to \$591.2 million in 2016. This primarily reflected renegotiation of certain stevedoring tariffs in 2016 as a result of our increased scale following the NOL Acquisition.

Inland and feeder transportation

Inland and feeder transportation increased by \$296.5 million, or 15.6%, from \$1,895.1 million in 2015 (12.1% of consolidated revenue) to \$2,191.6 million in 2016 (13.7% of consolidated revenue). The operations of NOL generated \$397.1 million in inland and feeder transportation expenses in 2016. On a standalone basis excluding the contribution of NOL, inland and feeder transportation expenses decreased by \$100.7 million, or 5.3%, from \$1,895.1 million in 2015 (12.1% of standalone revenue) to \$1,794.4 million in 2016 (13.4% of standalone revenue). This decline is primarily due to a decrease in per-unit transportation cost of \$6 per TEU from 2015 to 2016, in particular in Europe and North America where fuel surcharges declined significantly, which was partially offset by a \$9.7 million, or 3.9%, increase in costs for third party feeders from \$249.6 million in 2015 to \$259.3 million in 2016.

Port and canal

Port and canal expenses increased by \$21.9 million, or 1.9%, from \$1,171.1 million in 2015 (7.5% of consolidated revenue) to \$1,193.0 million in 2016 (7.5% of consolidated revenue). NOL accounted for \$123.2 million in port and canal expenses in 2016. On a standalone basis excluding the contribution of NOL, port and canal expenses decreased by \$101.3 million, or 8.6%, from \$1,171.1 million in 2015 (7.5% of standalone revenue) to \$1,069.8 million in 2016 (8.0% of standalone revenue). The decline on a standalone basis reflects a \$72.0 million, or 10.0%, decrease in standalone port costs from \$719.6 million in 2015 to \$647.6 million in 2016 and a \$29.3 million, or 6.5%, decrease in standalone canal expenses from \$451.5 million in 2015 to \$422.2 million in 2016. The decrease in port costs primarily resulted from a reduction in the number of port calls due to the decline in feeder activities as well as a positive port mix effect from making an increasing proportion of our port calls in locations where rates are low such as North America and Oceania. The decrease in canal expenses primarily

reflected the decrease in our feeder activities (including, e.g., limiting our use of the Kiel canal in Germany) and the optimization of our lines, which helped us to reduce our use of both Panama and Suez canals.

Container rentals and other logistic expenses

Container rentals and other logistic expenses increased by \$226.5 million, or 17.5%, from \$1,295.3 million in 2015 (8.3% of consolidated revenue) to \$1,521.8 million in 2016 (9.5% of consolidated revenue). NOL generated container rentals and other logistic expenses of \$161.9 million in 2016. On a standalone basis excluding the contribution of NOL, container rentals and other logistic expenses increased by \$64.6 million, or 5.0%, from \$1,295.3 million in 2015 (8.3% of revenue) to \$1,359.9 million in 2016 (10.2% of standalone revenue). The increase on a standalone basis primarily reflected an increase of \$56.9 million, or 8.4%, in expenses related to the rental of containers and chassis from \$676.0 million in 2015 to \$732.9 million in 2016. This increase was driven by the new rental cost related to NOL containers following the sale & lease back operations realized during the third quarter of 2016 (see “*Liquidity and Capital Resources—Net cash (used for/ provided by investing activities)*”), and the increased proportion of our total rented container fleet made up of rented reefer containers, which incur greater expenses than typical containers. Expenses related to maintenance and repairs of containers also increased in the period by \$6.5 million, or 5.7%, from \$113.8 million in 2015 to \$120.3 million in 2016. Finally, we recognized a slight increase in expenses related to handling in depots, empty container transportation and storage, which increased by \$1.0 million or 0.2%, from \$505.6 million in 2015 to \$506.6 million in 2016.

Employee benefits

Employee benefits increased by \$336.3 million, or 29.0%, from \$1,159.1 million in 2015 (7.4% of consolidated revenue) to \$1,495.4 million in 2016 (9.4% of consolidated revenue). NOL generated \$252.6 million in employee benefits expenses in 2016. On a standalone basis excluding the contribution of NOL, employee benefits expenses increased by \$83.7 million, or 7.2%, from \$1,159.1 million in 2015 (7.4% of revenue) to \$1,242.8 million in 2016 (9.3% of standalone revenue). This standalone increase was primarily due to (i) a reclassification of expenses relating to CMA Systems’ personnel from general and administrative expenses to employee benefits expenses as a result of CMA Systems (of which we had previously held 50% of the share capital) being fully integrated into the group following our acquisition of the remaining 50% stake and (ii) other scope effects including integration of our terminals in Kingston and La Réunion.

General and administrative expenses

General and administrative expenses increased by \$24.3 million, or 4.3%, from \$571.5 million in 2015 (3.6% of consolidated revenue) to \$595.8 million in 2016 (3.5% of consolidated revenue). This included general and administrative expenses generated by NOL in the amount of \$65.4 million in 2016. On a standalone basis excluding the contribution of NOL, general and administrative expenses decreased by \$41.1 million, or 7.2%, from \$571.5 million in 2015 (3.6% of revenue) to \$530.4 million in 2016 (4.0% of standalone revenue).

The decrease in general and administrative expenses of CMA CGM on a standalone basis reflects:

- Lower fees, which decreased by \$45.2 million from \$180.6 million in 2015 to \$135.4 million in 2016, primarily as a result of the integration of CMA System into the group and the resulting transfer of expenses relating to CMA System’s personnel from general and administrative expenses to employee benefits expenses;
- Lower commissions, which decreased by \$7.1 million from \$179.7 million in 2015 to \$172.6 million in 2016;
- Lower insurance costs, which decreased by \$0.6 million from \$68.2 million in 2015 to \$67.6 million in 2016; and
- Higher other expenses, which increased by \$11.8 million from \$143.0 million in 2015 to \$154.8 million in 2016. Other expenses mainly consisted of communication expenses, real estate rentals, bank expenses, taxes not related to income and fines and penalties.

Additions to provisions, net of reversals and impairment of inventories and trade receivables

Additions to provisions, net of reversals and impairment of inventories and trade receivables represented a loss of \$17.1 million in 2015, as compared to a gain of \$14.3 million in 2016. NOL contributed \$13.6 million of this gain in 2016. On a standalone basis, additions to provisions, net of reversals and impairment of inventories and trade receivables amounted to a net gain of \$0.7 million in 2016.

Operating exchange gains/losses, net

Operating exchange gains/losses amounted to a gain of \$37.9 million in 2016, a decrease of \$28.9 million, or 43.3%, from a gain of \$66.8 million in 2015. NOL generated a gain of \$1.0 million in 2016. Excluding the gain from NOL, operating exchange gains/losses of CMA CGM on a standalone basis amounted to a net gain of \$36.9 million in 2016 (0.2% of standalone revenue), a decrease of 44.8% compared to 2015, primarily as a result of the appreciation of the euro against the U.S. dollar.

Other operating expenses

Other operating expenses increased by \$124.7 million, or 55.3%, from \$225.6 million in 2015 (1.4% of consolidated revenue) to \$350.3 million in 2016 (2.2% of consolidated revenue), driven by the \$135.3 million in other operating expenses contributed by NOL. On a standalone basis excluding the contribution of NOL, other operating expenses decreased by \$10.6 million, or 4.7%, from \$225.6 million in 2015 (1.4% of revenue) to \$215.0 million in 2016 (1.6% of standalone revenue).

EBITDA before gains on disposal of property and equipment and subsidiaries

Reflecting the above, EBITDA before gains on disposal of property and equipment and subsidiaries decreased by \$718.6 million, or 57.3%, from \$1,253.5 million in 2015 (8.0% of consolidated revenue) to \$534.9 million in 2016 (3.4% of consolidated revenue), of which \$89.6 million was attributable to NOL. On a standalone basis excluding the contribution from NOL, this line item decreased by \$808.2 million, or 64.5%, from \$1,253.5 million in 2015 (8.0% of revenue) to \$445.3 million in 2016 (3.3% of standalone revenue).

Gains on disposal of property and equipment and subsidiaries

Gains and losses on disposal of property and equipment and subsidiaries generated a net loss of \$6.1 million in 2016 (which included a net loss attributable to NOL of \$8.4 million), compared to a net gain of \$9.8 million in 2015. On a standalone basis excluding the contribution of NOL, this line item decreased by \$7.4 million from a net gain of \$9.8 million in 2015 to a net gain of \$2.4 million in 2016. The lower gain in 2016 primarily reflected a loss recognized in connection with sale and operating leaseback transactions involving 13 ships and the scrapping of 8 ships in 2016, which partially offset gains recognized in connection with sale and operating leaseback transactions involving our containers.

Depreciation and amortization of non-current assets

Depreciation and amortization of non-current assets increased by \$163.5 million, or 40.1%, from \$407.5 million in 2015 to \$571.0 million in 2016. The increase mainly reflects \$136.0 million in depreciation and amortization charges attributable to NOL in 2016. On a standalone basis excluding the contribution of NOL, depreciation and amortization of non-current assets increased by \$27.5 million, or 6.7%, from \$407.5 million in 2015 (2.6% of revenue) to \$435.0 million in 2016 (3.3% of standalone revenue). The increase in standalone depreciation and amortization of non-current assets reflects:

- Higher depreciation charges for vessels, which increased by \$17.5 million, or 6.1%, from \$285.2 million in 2015 to \$302.7 million in 2016, primarily as a result of an increase in the number of vessels we own;
- Lower depreciation charges for containers, which decreased by \$1.0 million, or 2.7%, from \$38.3 million in 2015 to \$37.3 million in 2016, primarily reflecting the higher proportion of our container fleet that was under operating leases in 2016; and
- Higher depreciation and amortization charges for other assets including software, handling equipment and real estate, which increased by \$11.0 million, or 13.1%, from \$83.9 million in 2015 to \$95.0 million in 2016, primarily as a result of new depreciation expenses related to Kingston Freeport Terminal Limited and to the new corporate business jet purchased by the company in 2015.

Other income and expense

Other income or expense generated a net loss of \$81.6 million in 2016 compared to a net loss of \$5.1 million in 2015. The net loss in 2016 reflects in part a net loss attributable to NOL of \$16.6 million. Excluding the contribution from NOL, other income or expenses amounted to a net loss of \$65.0 million in 2016 (0.4% of standalone revenue). The higher net loss in 2016 primarily reflected the losses related to the sale of two vessels for scrapping in 2016 and one vessel to be sold in early 2017, as well as advisory and consultancy fees incurred

as part of the NOL Acquisition and a reassessment of the value of the dividend guarantee we incurred in connection with the sale of a 49% interest in Terminal Link to CMHI in June 2013.

Net Present Value (NPV) benefit related to assets financed by tax lease

The NPV benefit related to assets financed by tax lease decreased by \$4.2 million from \$50.4 million in 2015 to \$46.2 million in 2016, which included a \$1.0 million NPV benefit attributable to NOL. Excluding the contribution of NOL, NPV benefit related to assets financed by tax lease decreased by \$5.2 million, or 10.3%, from \$50.4 million in 2015 to \$45.2 million in 2016. The lower NPV benefit in 2016 reflected a smaller number of vessels financed under this arrangement in 2016.

Share of profit/(loss) of associates and joint ventures

Share of profit/(loss) of associates and joint ventures amounted to a net loss of \$22.3 million in 2016 compared to a net loss of \$5.8 million in 2015. Excluding a \$4.3 million net gain attributable to NOL, share of profit/(loss) of associates and joint ventures amounted to a net loss of \$26.6 million in 2016. The higher net loss in 2016 relates primarily to impairment charges booked by Global Ship Lease, a related party in which we hold a minority stake, with respect to (i) two vessels it holds under a charter agreement for which the charter agreements were amended, and (ii) a reassessment of the value-in-use of Global Ship Lease's vessel fleet, which was below its carrying value.

EBIT

As a result of the factors described above, our EBIT decreased by \$995.2 million from a positive EBIT of \$895.3 million in 2015 to a negative EBIT of \$99.9 million in 2016, which included a \$66.1 million operating loss attributable to NOL. Excluding the effect of NOL, EBIT for CMA CGM on a standalone basis decreased by \$929.1 million to an operating loss of \$33.8 million in 2016.

Container shipping segment. Consolidated container shipping segment EBIT decreased from \$874.2 million in 2015 (5.7% of segment revenue) to \$6.4 million in 2016 (0.04% of segment revenue), driven principally by lower segment revenue on a standalone basis excluding NOL, and the impact of a negative \$28.5 million contribution from NOL. On a standalone basis excluding NOL, container shipping segment EBIT declined by \$839.3 million from \$874.2 million in 2015 to \$34.9 million in 2016 (0.2% of segment revenue). The decline in container shipping segment EBIT on a standalone basis was driven by the 15.4% decrease in standalone container segment revenue discussed above under “—Revenue” as well as an increase in overall operating expenses as a percentage of revenue due to a smaller revenue base over which to spread costs, despite significant declines in bunkering expenses and the effects of the Agility cost savings program.

Other activities. Consolidated other activities segment EBIT declined by \$13.9 million from \$36.4 million in 2015 (4.5% of segment revenue) to \$22.5 million in 2016 (2.2% of segment revenue). The consolidated figure for 2016 includes a negative EBIT of \$12.6 million from NOL. On a standalone basis excluding the contribution of NOL, EBIT declined from \$36.4 million in 2015 (4.5% of segment revenue) to \$35.1 million in 2016 (3.9% of standalone segment revenue), a reduction of \$1.3 million.

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 increased by \$137.6 million, or 54.6%, from \$252.1 million in 2015 to \$389.7 million in 2016. Interest expenses on borrowings increased by \$142.8 million, or 51.4%, from \$277.7 million in 2015 to \$420.5 million in 2016, primarily reflecting the integration of NOL's cost of borrowings and the cost of our NOL acquisition facility. The higher borrowing costs were partially offset by a \$5.2 million increase in interest income from cash and cash equivalents, from \$25.6 million in 2015 to \$30.8 million in 2016.

Our consolidated interest expense on borrowings net of interest income included \$78.4 million in net expenses attributable to NOL in 2016, composed of \$80.3 million in interest expense on borrowings and \$1.9 million in interest income on cash and cash equivalents. On a standalone basis excluding the contribution of NOL, interest expense on borrowings net of interest income increased by \$59.2 million, or 23.5%, to \$311.3 million in 2016, reflecting a \$62.5 million increase in cost of borrowings, slightly offset by a \$3.3 million increase in interest income on cash and cash equivalents. The higher interest expense on borrowings mainly reflects the costs associated with the NOL acquisition facility. The increase in income on cash and cash equivalents primarily reflected improved interest rates.

Other net financial items.

Other net financial items increased by \$98.7 million from a gain of \$28.9 million in 2015 to a gain of \$127.6 million in 2016. Excluding the \$0.9 million net gain attributable to NOL in 2016, other net financial items for CMA CGM on a standalone basis amounted to a net gain of \$126.7 million in 2016.

The higher net gain in 2016 on a standalone basis primarily reflected:

- A \$22.2 million decrease in standalone net losses from settlement and change in fair value of derivative instruments that do not qualify for hedge accounting from a standalone loss of \$28.6 million in 2015 to a standalone loss of \$6.4 million in 2016;
- a \$15.6 million decrease in standalone net gains from foreign currency income and expenses, net, from a standalone gain of \$86.1 million in 2015 to a standalone gain of \$70.5 million in 2016. This resulted primarily from the impact of the revaluation of the euro-denominated portion of our indebtedness, which had a positive impact on this line item in 2015, partially offset by the impact of the depreciation of the pound sterling, which had a smaller positive effect on this line item in 2016; and
- A \$91.2 million net increase in standalone other financial income and expenses, net, from a standalone loss of \$28.7 million in 2015 (resulting mainly from the early repayment of senior notes issued in 2011), to a gain of \$62.5 million in 2016 (mainly due to a financial income resulting from the exercise of a purchase option on two vessels).

Financial Result

As a result of the factors described above, the financial result decreased by \$38.9 million, or 17.4% from a loss of \$223.3 million in 2015 to a loss of \$262.2 million in 2016. This included a \$77.5 million loss generated by NOL in 2016. On a standalone basis excluding the contribution of NOL, the financial result improved by \$38.6 million from a loss of \$223.3 million in 2015 to a loss of \$184.7 million in 2016.

Income tax

Income tax decreased by \$20.0 million from \$85.4 million in 2015 to \$65.4 million in 2016, which included a positive contribution from NOL of \$19.4 million related to the settlement of certain tax litigation following an exchange with tax authorities after the NOL Acquisition Date. Excluding the contribution of NOL, income tax for CMA CGM on a standalone basis increased by \$0.6 million, or 0.7%, to \$84.8 million in 2016.

On a standalone basis excluding a \$29.2 million positive impact attributable to NOL, current tax decreased by \$15.3 million, or 17.2%, from \$89.2 million in 2015 to \$73.9 million in 2016. The standalone decrease primarily reflected reductions in income tax expenses at our shipping agencies, as well as the effect of a non-recurring tax expense we incurred in 2015 related to the early redemption of senior notes due 2017 that were issued by CMA CGM UK Shipping, our subsidiary in the United Kingdom.

On a standalone basis excluding \$9.8 million in deferred tax expense attributable to NOL, standalone deferred tax expense was \$10.9 million in 2016 compared to a standalone gain of \$3.9 million in 2015. The variation can be explained primarily by deferred tax liabilities that we recognized in 2016 in relation to undistributed profits of our subsidiaries to cover tax leakages that would be triggered in the case of future dividend distributions from such subsidiaries.

Profit / loss for the year

As a consequence of the above items, we recorded a net loss of \$427.4 million in 2016, compared to a net profit of \$586.7 million in 2015. Of the net loss, \$124.2 million was attributable to NOL in 2016. Excluding the contribution of NOL, the net loss for the year would have been \$303.3 million in 2016.

Non-controlling interests

Non-controlling interests increased by \$4.9 million from \$19.9 million in 2015 to \$24.8 million in 2016, including \$2.9 million attributable to NOL. Excluding the contribution of NOL, non-controlling interests

increased by \$1.9 million to \$21.9 million in 2016, primarily due to changes in ownership structure and variations in scope of consolidation.

Profit / loss for the year attributable to the owners of the parent company

Profit / loss for the year attributable to the owners of the parent company amounted to a net loss of \$452.2 million in 2016, compared to net profit of \$566.7 million in 2015. Of the net loss in 2016, \$127.1 million was attributable to NOL. Excluding NOL, the profit / loss for the year attributable to the owners of the parent company in 2016 was \$325.1 million.

Year ended December 31, 2015 compared with year ended December 31, 2014

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

	Year ended December 31,			
	2014		2015	
	<i>(\$ millions)</i>	<i>Percentage⁽¹⁾</i>	<i>(\$ millions)</i>	<i>Percentage⁽¹⁾</i>
Container shipping	16,370.0	95.5%	15,241.7	95.0%
Other activities	778.4	4.5%	804.5	5.0%
Reconciling items & Eliminations.....	(409.3)	n.a.	(372.1)	n.a.
Total revenue	16,739.1	100%	15,674.1	100%

(1) Expressed as a percentage of consolidated revenue excluding reconciling items and eliminations (as set forth in Note 4.1 to the 2015 CMA CGM Audited Consolidated Financial Statements).

Revenue

Consolidated revenue decreased by \$1,065.0 million, or 6.4%, from \$16,739.1 million in 2014 to \$15,674.1 million in 2015 primarily due to a 6.9% decrease in container shipping revenue, which was partially offset by a 3.4% increase in other activities revenue.

Container shipping revenue

Container shipping revenue decreased by \$1,128.3 million, or 6.9% from \$16,370.0 million in 2014 to \$15,241.7 million in 2015. This decrease was primarily due to sharply lower freight rates in 2015 than in 2014, as we continued to experience freight rate volatility. Our average freight rates decreased by \$163 per TEU, or 11.9% or from \$1,369.4 per TEU in 2014 to \$1,206.2 per TEU in 2015. The effect of the decline in freight rates was partially offset by a 6.3% increase in transported volumes, from 12,223.7 thousand TEU in 2014 to 12,995.0 thousand TEU in 2015. This 771.3 thousand TEU increase in volumes was mainly attributable to:

- a 355.3 thousand TEU, or 5.3%, increase in volumes loaded on our main East-West lines, of which (i) 146.8 thousand TEU related to volume decreases on our Asia / Europe (Northern Europe and Mediterranean) lines, driven in part by the effects of our Ocean 3 Alliance with CSG and UASC, which was launched in January 2015 and (ii) 534.6 thousand related to volume increases on our lines calling the United States, primarily due to our robust expansion of operations in the United States, which anticipated the market’s growth there;
- a 150.5 thousand, or 4.6%, increase in volumes loaded on our main North-South lines (including our Delmas lines), of which 101.9 thousand TEU related to our Latin America lines; and
- a 265.5 thousand TEU increase in volumes loaded on our subsidiaries, with most of this increase being attributable to the acquisition of OPDR, which experienced an increase in volumes following its acquisition (see “—Acquisitions and Disposals”).

Other activities revenue

Other activities’ revenue increased by \$26.1 million, or 3.4%, from \$778.4 million in 2014 to \$804.5 million in 2015. This increase was driven by the changes in our scope of consolidation for the year (primarily the integration of LCL Logistix), which generated an increase of \$93.5 million, which were partially offset by lower revenue generated by our subsidiaries operating in logistics and intermodal activities in 2015.

Operating Expenses

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

	Year ended December 31,			
	2014		2015	
	(\$ millions)	Percentage ⁽¹⁾	(\$ millions)	Percentage ⁽¹⁾
Bunkers and consumables	3,493.9	20.9%	2,119.1	13.5%
Chartering and slot purchases	1,805.0	10.8%	2,073.8	13.2%
Handling and stevedoring	3,879.4	23.2%	3,959.7	25.3%
Inland and feeder transportation	1,802.7	10.8%	1,895.1	12.1%
Port and Canal	1,183.5	7.1%	1,171.1	7.5%
Container rentals and other logistic expenses	1,296.4	7.7%	1,295.3	8.3%
Employee benefits	1,201.9	7.2%	1,159.1	7.4%
General and administrative other than employee benefits	602.0	3.6%	571.5	3.6%
Additions to provisions, net of reversals and impairment of inventories and trade receivables	11.1	0.1%	17.1	0.1%
Other exchange losses/(gains), net	(53.4)	(0.3)%	(66.8)	(0.4)%
Other operating expenses/(income), net ..	226.8	1.4%	225.6	1.4%
Total consolidated operating expenses.	15,449.3	92.3%	14,420.6	92.0%

(1) As a percentage of consolidated revenue.

General

Consolidated operating expenses excluding depreciation decreased by \$1,028.7 million, or 6.7%, from \$15,449.3 million in 2014 (92.3% of revenue) to \$14,420.6 million in 2015 (92.0% of revenue), primarily due to a \$1,374.8 million, or 39.3%, decrease in bunkers and consumables expenses, and to a lesser extent by a 1.1% decrease in port and canal expenses, a 0.1% decrease in logistic expenses, a 3.6% decrease in employee benefits expenses, a 5.1% decrease in general and administrative expenses, and a 4.6% decrease in addition to provision and allowances, exchange rate impact and other operating expenses. The effect of these declines was partially offset by a 14.9% increase in chartering expenses and slot purchases, a 2.1% increase in handling and stevedoring expenses, a 5.1% increase in inland and feeder transportation expenses. The depreciation of the euro during the period favorably impacted the change in certain expenses in which we recognize significant amounts denominated in euros, in particular handling and stevedoring, inland and feeder transportation, employee benefits expenses and general and administrative expenses.

Bunkers and consumables

Bunkers and consumables expenses decreased by \$1,374.8 million, or 39.3%, from \$3,493.9 million in 2014 (20.9% of revenue) to \$2,119.1 million in 2015 (13.5% of revenue). This was primarily driven by the significant decline in our bunkering costs, which decreased by \$1,372.2 million, or 40.1%, from \$3,424.2 million in 2014 to \$2,052.1 million in 2015. The decrease in bunkering costs was primarily the result of a 42.1% decrease in our average bunker rate from \$570.1 per ton in 2014 to \$330.0 per ton in 2015, due to declines in global oil prices in 2015. The effect of this price decrease was partially offset by an increase of 3.5%, or 211.8 thousand tons, in our consumption of bunker fuel from 6,006.3 thousand tons in 2014 to 6,218.1 thousand tons in 2015 due to our increase in carried volumes. The 6.3% increase in carried volumes combined with our greater bunker consumption led to a decrease in average bunker consumption per carried TEU, which declined by 2.6% from 491.4 kg per TEU in 2014 to 478.5 kg per TEU in 2015.

Despite an increase in carried volumes during 2015, our consumables expenses (stores and lubricating oil) decreased by \$2.7 million, or 3.9%, from \$69.7 million in 2014 to \$67.0 million in 2015.

Chartering and slot purchases

Chartering and slot purchases expenses increased by \$268.8 million, or 14.9%, from \$1,805.0 million in 2014 (10.8% of revenue) to \$2,073.8 million in 2015 (13.2% of revenue). This was driven by increases in both chartering and slot purchases during the year. Chartering increased by \$222.9 million in 2015, from \$1,568.9 million in 2014 to \$1,791.7 million in 2015. This increase was primarily due to the increase of the size of our chartered fleet, which grew from 1,123 thousand slots in December 2014 to 1,289 thousand slots in December

2015 (a 16.3% increase). In addition to this, the average cost per chartered slot increased by 2% between 2014 and 2015 due to increases in market rates for charters. Slot purchase and other fixed expenses increased by \$45.9 million, or 19.5%, from \$236.1 million in 2014 to \$282.0 million in 2015.

Handling and stevedoring

Handling and stevedoring expenses increased by \$80.3 million, or 2.1%, from \$3,879.4 million in 2014 (23.2% of revenue) to \$3,959.7 million in 2015 (25.3% of revenue), primarily reflecting the 6.3% increase in carried volumes and increased expenses incurred in connection with strikes, delays and congestion in U.S. ports, offset by the effects of a positive foreign exchange impact on the portion of handling and stevedoring expenses incurred in euros due to the depreciation of the euro. Stevedoring of full containers increased by \$44.9 million, or 1.4%, from \$3,233.1 million in 2014 to \$3,278.0 million in 2015. At the same time, stevedoring of empty containers increased by 5.5% or \$35.4 million from \$646.3 million in 2014 to \$681.7 million in 2015.

Inland and feeder transportation

Inland and feeder transportation expenses increased by \$92.4 million, or 5.1%, from \$1,802.7 million in 2014 (10.8% of revenue) to \$1,895.1 million in 2015 (12.1% of revenue). Transportation expenses accounted for 12.1% of the revenue in 2015, up from 10.8% in 2014. This increase was mainly due to a \$81.1 million, or 5.5%, increase in land transportation costs from \$1,468.2 million in 2014 to \$1,549.3 million in 2015, primarily as a result of:

- a 10.1% increase in volumes transported inland, driven by an increase in our shipped volumes and an increasing proportion of customers utilizing our on-shipping services; and
- an \$11.4 million, or 3.4%, increase in third party feeder expenses from \$334.5 million in 2014 to \$345.8 million in 2015, in line with the increase in our shipping volumes for the year (+6.3% compared to 2014).

Port and canal

Port and canal expenses decreased slightly by 1.1% from \$1,183.5 million in 2014 (7.1% of revenue) to \$1,171.1 million in 2015 (7.5% of revenue). The overall decrease in port and canal expenses was driven by a \$9.6 million, or 1.3%, decrease in port expenses from \$729.2 million in 2014 to \$719.6 million in 2015. Canal costs also decreased during the period by 0.6% from \$454.3 million in 2014 to \$451.5 million in 2015, as the effect of an increase in the number of passages was more than offset by lower canal prices during the period.

Container rentals and other logistic expenses

Container rentals and other logistic expenses remained relatively steady during the period, decreasing by \$1.1 million, or 0.1%, from \$1,296.4 million in 2014 (7.7% of revenue) to \$1,295.3 million in 2015 (8.3% of revenue). The decrease was primarily due to:

- a \$13.5 million, or 10.6%, decrease in containers maintenance and repairs from \$127.3 million in 2014 to \$113.8 million in 2015, primarily resulting from the impact of changes in the rate of exchange between the euro and the U.S. dollar; and
- a \$18.8 million, or 3.6%, decrease in handling in depots, empty container transportation and storage, from \$524.4 million in 2014 to \$505.6 million in 2015. The decrease was driven primarily by lower storage expenses in Malta (where our storage expenses decreased by \$2.1 million compared with the prior year), in Africa (where our storage expenses decreased by \$6 million compared with the prior year) and in Central America (where our storage expenses decreased by \$2 million compared with the prior year).

These decreases were almost entirely offset by a \$31.3 million, or 4.9%, increase in expenses related to the rental of containers and chassis, from \$644.7 million in 2014 to \$676.0 million in 2015, driven by a 48.2 thousand TEU (2.3%) increase in the fleet of rented containers from 2,057.0 thousand TEU in December 2014 to 2,105.2 thousand TEU in December 2015.

Employee benefits

Employee benefits expenses decreased by \$42.8 million, or 3.6%, from \$1,201.9 million in 2014 (7.2% of revenue) to \$1,159.1 million in 2015 (7.4% of revenue). The variation during 2015 resulted from:

- an 11.8% increase in the number of employees from 18,249 in 2014 to 20,411 in 2015, which primarily reflected an increase of our Asia-Oceania-based staff as we developed our shared service centers in the region and completed the majority acquisition of LCL Logistix in India, as well as due to the integration the operations of OPDR (see “—*Acquisitions and Disposals*”); and
- the benefit from a positive foreign exchange impact of approximately \$120 million because a portion of our employee benefits expenses were incurred in euros and the euro depreciated against the U.S. dollar during the period.

General and administrative expenses

General and administrative expenses decreased by \$30.5 million, or 5.1%, from \$602.0 million in 2014 (3.6% of revenue) to \$571.5 million in 2015 (3.6% of revenue). Our general and administrative expenses during the periods were composed of:

- Lower fees, which decreased by \$12.9 million from \$193.5 million in 2014 to \$180.6 million in 2015;
- Lower commissions, which decreased by \$10.5 million from \$190.2 million in 2014 to \$179.7 million in 2015;
- Higher insurance costs, which increased by \$3.1 million from \$65.1 million in 2014 to \$68.2 million in 2015; and
- Lower other expenses, which decreased by \$10.2 million from \$153.2 million in 2014 to \$143.0 million in 2015 and mainly consisted of communication expenses, real estate rentals, bank expenses, taxes not related to income and fines and penalties.

Additions to provisions, net of reversals and impairment of inventories and trade receivables

Addition to provisions and allowance, net of reversals increased by \$6.0 million from \$11.1 million in 2014 to \$17.1 million in 2015, primarily due to provisions for risk and bad debt impairment.

Operating exchange gain/losses

Operating exchange gains / losses increased from a gain of \$53.4 million in 2014 to a gain of \$66.8 million in 2015 as a result of the higher exchange rate of the U.S. dollar against the euro, which positively impacted the exchange rate relating to our working capital positions.

Other income or expenses, net

Other operating expenses decreased by \$1.2 million, or 0.5%, from \$226.8 million in 2014 to \$225.6 million in 2015.

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 \$36.2 million, or 2.8%, from \$1,289.7 million in 2014 to \$1,253.5 million in 2015.

Gains/losses on disposal of property and equipment and subsidiaries.

Gains and losses on property and equipment and subsidiaries decreased by \$18.1 million from a \$27.9 million gain in 2014 to a \$9.8 million gain in 2015. The decline mainly reflected a decrease in the disposal of containers between 2014 and 2015, which resulted in a \$26.0 million gain in 2014 as compared to a \$10.0 million gain in 2015.

Depreciation and amortization of non-current assets

Depreciation and amortization of non-current assets increased by \$6.4 million from \$401.1 million in 2014 to \$407.5 million in 2015. This was composed of:

- depreciation of vessels, which increased by 6.2% from \$268.5 million in 2014 to \$285.3 million in 2015, mainly due to the increase of the average vessel size of our owned fleet and the resulting higher book values for depreciation;
- depreciation of containers, which decreased by 15.3% from \$45.2 million in 2014 to \$38.3 million in 2015 as a result of an decrease in the portion of our container fleet that we own; and
- depreciation of other assets including intangibles, handling equipment and real estate, which decreased by 4.1% from \$87.5 million in 2014 to \$83.9 million in 2015, primarily as a result of the favorable foreign exchange impact on the portion of our assets held in euros, including in particular our headquarters building. See “*Business—Properties.*”

Other income or expenses, net

Other income or expenses decreased by \$78.4 million from an expense of \$83.5 million in 2014 to a expense of \$5.1 million in 2015. In 2015, this line item did not include any individually significant items. In 2014, the other expenses included \$35.1 million in impairments of individual specific intangible and tangible assets as well as a \$42.2 million increase in the provision related to the dividend guarantee granted to CMHI in connection with our disposal of 49% of Terminal Link in June 2013.

Net Present Value (NPV) benefit related to assets financed by tax lease

The Net Present Value (NPV) benefit related to assets financed by tax lease decreased by \$28.5 million from \$78.9 million in 2014 to \$50.4 million in 2015. The decrease is mainly due to the termination of certain tax leases between 2014 and 2015 and a negative foreign exchange impact, as these NPV benefits are denominated in euros.

Share of profit/(loss) of associates and joint ventures

Share of profit (or loss) of the associates and joint ventures decreased by \$11.5 million from a gain of \$5.7 million in 2014 to a loss of \$5.8 million in 2015. This line item primarily relates to the stakes we hold in terminals (Terminal Link, CMA Terminals), Global Ship Lease and certain agencies. The decrease in 2015 mainly resulted from a \$15.9 million decline in the performance of the Global Ship Lease as compared to 2014, which was impacted in 2015 by an impairment charge related to 2 vessels of which the amount corresponding to CMA CGM’s percentage holding in Global Ship Lease was \$20.0 million.

EBIT

As a result of the factors described above, our EBIT decreased by 2.4% from \$917.6 million in 2014 to \$895.3 million in 2015.

Container shipping segment. Consolidated container shipping segment EBIT decreased by \$61.3 million, or 6.4%, from \$955.5 million in 2014 (5.8% of segment revenue) to \$894.2 million in 2015 (5.9% of segment revenue), driven principally by lower segment revenues, which decreased by \$1,128.3 million to \$15,241.7 million in 2015. The decline was primarily due to the 12.4% decrease in average revenue per TEU, offset by a 6.3% increase in transported volume and a 12.2% decrease in unit cost per TEU.

Other Activities. Consolidated other activities EBIT decreased by \$1.2 million from \$17.6 million in 2014 (2.3% of segment revenues) to \$16.4 million in 2015 (2.0% of segment revenues), mainly due to the negative effect of the impairment charge at Global Ship Lease discussed above, which was partially offset by the improved performance of our subsidiaries operating in logistics and intermodal business, which contributed to the \$26.1 million increase in segment revenues in 2015 as compared to 2014.

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 \$26.1 million, or 9.4%, from \$278.2 million in 2014 to \$252.1 million in 2015, primarily as a result of:

- a 10.5% decrease in interest expenses on borrowings from \$310.2 million in 2014 to \$277.7 million in 2015, which was driven by (i) an overall reduction in interest expense of our senior notes following the redemption of the senior notes issued in 2011 using the proceeds of the issuance of the 2021 Senior Notes (see “*Description of Certain Financing Arrangements—Senior Notes*”) and (ii) the decrease in the interest portion of bonds redeemable in shares. Interest expenses were also positively affected by a positive foreign exchange impact on the portion of the interest expenses incurred in euros; and
- a \$6.4 million decrease in interest income on cash and cash equivalents from \$32.0 million in 2014 to \$25.6 million in 2015.

Other net financial items

Other net financial items decreased by \$27.4 million from a gain of \$56.3 million in 2014 to a gain of \$28.9 million in 2015, primarily as a result of:

- a \$43.5 million decrease in other financial income and expense, net from a gain of \$14.8 million in 2014 to a loss of \$28.7 million in 2015, mainly as a result of non-recurring financial expenses, including tender and call premiums and non-cash amortization of past issuance costs, incurred in connection with the early repayment of 2011 Senior Notes and the early redemption of certain vessel financings;
- a \$15.8 million increase in foreign currency income and expense, net from a gain of \$70.3 million in 2014 to a gain of \$86.1 million in 2015, mainly reflecting in both periods the foreign currency exchange gain resulting from the weakening of the euro against U.S. dollar throughout 2014 and 2015; and
- a \$0.2 million decrease in the settlements and change in fair value of derivative instruments from a cost of \$28.8 million in 2014 to a cost of \$28.6 million in 2015;

Financial Result

As a result of the factors described above, the financial result decreased slightly by \$1.4 million, or 0.6% from a loss of \$221.9 million in 2014 to a loss of \$223.3 million in 2015.

Income tax

Income taxes increased by 1.5% from \$84.1 million in 2014 to \$85.4 million in 2015. This was primarily due to the offsetting effects of a \$14.0 million increase in current tax expense from \$75.2 million in 2014 to \$89.2 million in 2015 and the \$12.7 million decrease in deferred tax expense from an expense of \$8.9 million in 2014 to a gain of \$3.9 million in 2015. The increase in current tax mainly resulted from the increased withholding taxes incurred as a consequence of dividend distributions within our group. The decrease in deferred tax resulted primarily from the depreciation of deferred tax assets in an amount of \$11.1 million in 2014 due to a reassessment of our business plan for activities that are not eligible for the tonnage tax regime (see “—*Explanation of Key IFRS Income Statement Line Items—Income tax*”).

Profit for the year

As a consequence of the factors described above, profit for the year decreased by \$24.9 million, or 4.1%, from \$611.6 million in 2014 to \$586.7 million in 2015. The profit for the year remained steady at 3.7% of revenue in both 2014 and 2015.

Non-controlling interests

Our income related to non-controlling interests decreased by \$8.1 million from \$28.0 million in 2014 to \$19.9 million in 2015, mainly due to weaker results of certain shipping agencies and terminals joint ventures in which we do not own the entire capital of the entity.

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 \$16.9 million from \$583.6 million in 2014 to \$566.7 million in 2015.

Liquidity and Capital Resources

Historically, our principal sources of liquidity have been our operating cash flow, secured vessel and container financing activities, securitizations of vessels, other borrowings such as under our revolving credit facilities and bond issuances. During the period under review, we also generated cash from borrowings under the acquisition facility for the NOL Acquisition and from the sale of assets. In the ordinary course of business, our primary needs for liquidity are to fund purchases of vessels and containers. In 2016, our liquidity needs also included the financing of the NOL Acquisition, which we financed primarily through borrowings under our acquisition facility.

Cash Flows

Cash flow from operating activities (net of tax)

Cash flow from operating activities (net of tax) amounted to \$1,100.6 million, \$1,381.8 million, \$323.9 million and \$94.9 million in 2014, 2015 and 2016 and in the three-month period ended March 31, 2017, respectively.

	Year ended December 31,			Three-month period ended March 31,
	2014	2015	2016	2017
	(\$ millions)			
Profit / (loss) for the period	611.6	586.7	(427.4)	93.1
Depreciation and amortization ..	401.1	407.5	571.0	146.5
Net present value (NPV) benefits related to assets financed by tax leases	(78.9)	(50.4)	(46.2)	(11.9)
Other income and expense	83.5	5.1	81.6	0.1
Increase/(Decrease) in provisions	9.9	13.9	(7.3)	6.4
Loss/(Gains) on disposals of property and equipment and subsidiaries	(27.9)	(9.8)	6.1	(7.8)
Share of (Income) / loss from associates and joint ventures..	(5.7)	5.8	22.3	(3.8)
Interest expenses on net borrowings	292.7	278.0	416.0	114.6
Income tax	84.1	85.4	65.4	8.4
Other non-cash items	(42.0)	32.9	(130.1)	(6.0)
Change in working capital	(159.0)	122.7	(151.7)	(222.8)
Cash flow from operating activities before tax	1,169.4	1,477.8	399.6	116.9
Income tax paid	(68.8)	(96.0)	(75.7)	(22.0)
Cash flow from operating activities net of tax	1,100.6	1,381.8	323.9	94.9

In the first quarter of 2017, we generated cash flow from operating activities (net of tax) of \$94.9 million. The level of cash flow generated primarily reflects our net profit of \$93.1 million in the first quarter of 2017, plus depreciation and amortization of \$146.5 million, less NPV benefits related to assets financed by tax leases of \$11.9 million, plus other income and expenses of \$0.1 million, plus an increase in provisions of \$6.4 million, less losses on disposals of property and equipment and subsidiaries of \$7.8 million, less share of loss of income from associates and joint ventures for \$3.8 million, plus interest expenses on net borrowings of \$114.6 million, plus income tax of \$8.4 million, less other non-cash items of \$6.0 million, less a negative change in working capital of \$222.8 million and less income tax paid of \$22.0 million. The negative change in working capital of \$222.8 million primarily reflects the increase of trade and account receivables that resulted from increased freight rates during

the period, an increase in the value of our inventories primarily due to higher bunker fuel prices and a decrease in trade and account payables resulting from a slight decrease in our payment delays to suppliers during the period.

In 2016, we generated net cash from operating activities of \$323.9 million. The level of net cash generated primarily reflects our net loss of \$427.4 million in 2016, plus depreciation and amortization of \$571.0 million, less NPV benefits related to assets financed by tax leases of \$46.2 million, plus other income and expenses of \$81.6 million, less a decrease in provisions of \$7.3 million, plus gains on disposals of property and equipment and subsidiaries of \$6.1 million, plus share of loss of income from associates and joint ventures for \$22.3 million, plus interest expenses on net borrowings of \$416 million, plus income tax of \$65.4 million, less other non-cash items of \$130.1 million, less a negative change in working capital of \$151.7 million and less income tax paid of \$75.7 million. The negative change in working capital of \$151.7 million primarily reflects the increase of trade and account receivables that resulted when freight rates began to recover in late 2016. The negative \$130.1 million from other non-cash items primarily relates to non-cash income resulting from unrealized exchange rate gains and other non-cash income.

In 2015, we generated net cash from operating activities of \$1,381.8 million. The level of net cash generated, primarily reflects our net profit of \$586.7 million for the year, plus depreciation and amortization of \$407.5 million, less NPV benefits related to assets financed by tax leases of \$50.4 million, plus other income and expenses of \$5.1 million, plus increase in provisions of \$13.9 million, less gains on disposals of property and equipment and subsidiaries of \$9.8 million, plus share of loss from associates and joint ventures for \$5.8 million, plus interest expenses on net borrowings of \$278.0 million, plus income tax of \$85.4 million, plus other non-cash items of \$32.9 million, plus a positive change in working capital of \$122.7 million and less income tax paid of \$96.0 million. The positive change in working capital of \$122.7 million primarily reflects the decrease in value of our inventories of bunker fuel caused by the decrease in bunker prices.

In 2014, we generated net cash from operating activities of \$1,100.6 million. The level of net cash generated primarily reflects our net profit of \$611.6 million for the year, plus depreciation and amortization of \$401.1 million, less NPV benefits related to assets financed by tax leases of \$78.9 million, plus other income and expenses of \$83.5 million, plus increase in provisions of \$9.9 million, less gains on disposals of property and equipment and subsidiaries of \$27.9 million, less share of income from associates and joint ventures for \$5.7 million, plus interest expenses on net borrowings of \$292.7 million, plus income tax of \$84.1 million, less other non-cash items of \$42.0 million, plus a negative change in working capital of \$159.0 million and less income tax paid of \$68.8 million. The negative change in working capital of \$159.0 million primarily reflects increasing account receivables in line with rising volume and decreasing accounts payables in line with the evolution of unit costs.

Net cash (used for) / provided by investing activities

Net cash (used for) / provided by investing activities was \$155.6 million, \$(1,437.2) million, \$(236.0) million and \$44.2 million in 2014, 2015, 2016 and in the three-month period ended March 31, 2017, respectively.

	<u>Year ended December 31,</u>			<u>Three-month</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>period</u> <u>ended March 31,</u>
	<u>2017</u>			
	(\$ millions)			
Purchases of intangible assets.....	(53.2)	(55.6)	(56.0)	(11.6)
Purchase of NOL, net of cash acquired and including transaction costs.....	--	--	(2,323.9)	-
Purchase/ disposals of subsidiaries, net of cash acquired/divested	5.4	(48.7)	(63.2)	(0.8)
Purchases of property and equipment	(314.5)	(507.6)	(257.8)	(90.4)
Proceeds from disposal of property and equipment	193.9	92.5	1,769.3	78.3
Proceeds from disposal of assets classified as held-for-sale.....	50.0	--	--	-
Dividends received from associates and joint-ventures.....	13.5	24.4	19.7	3.1
Cash flow resulting from other financial assets.....	50.9	(952.0)	687.8	65.6
Variation in securities	209.6	9.8	(12.0)	(0.0)
Net cash (used for) / provided by investing activities	155.6	(1,437.2)	(236.0)	44.2

In the first quarter of 2017, net cash provided by investing activities was \$44.2 million. This reflected the \$78.3 million in cash generated from disposals of property and equipment, primarily related to the refund to us of certain prepayments to shipyards following the novation of the related shipbuilding contracts. We also generated \$65.6 million in cash from other financial assets, which was primarily related to the \$115.0 million cash inflow generated by our exercise of a purchase option on shares of special purposes entities with respect to five vessels that were previously recognized under finance leases, which was partially offset by certain financial deposits of \$24.7 million made in accordance with loan to value provisions mainly related to two vessels and by the injection of \$23.6 million in relation to the second phase of our joint venture with PSA Singapore Terminals. We received \$3.1 million of dividends from associates and joint-ventures. These cash inflows were partially offset by purchases of property and equipment of \$122.4 million, relating mainly to purchases of vessels for \$83.8 million (mostly prepayments to shipyards for vessels under construction), purchases of containers for \$15.4 million, land and buildings for \$0.5 million and other properties and equipment for \$22.7 million, primarily consisting of equipment for the Kingston Container Terminal. Of the total purchases of property and equipment of \$122.4 million, \$32.0 million of the purchases did not result in a cash outflow (because the relevant capital expenditures were directly financed by the lessors to the shipyards with no impact on the Group cash flows), resulting in a net cash used for purchases of property and equipment of \$90.4 million. We made purchases of intangible assets for \$11.6 million, relating mainly to SAPHIR project. We used \$0.8 million in cash for purchases of subsidiaries net of cash acquired, primarily related to transactions with non-controlling interests.

In 2016, net cash used for investing activities was \$236.0 million, primarily reflecting the purchase of NOL, net of cash acquired and including transaction costs, for \$2,323.9 million. We also made purchases of property and equipment of \$332.2 million relating mainly to purchases of vessels for \$137.8 million, purchases of containers for \$56.7 million, land and buildings for \$0.9 million and other properties and equipment for \$136.8 million, primarily consisting of \$103.4 million of terminal equipment for the Kingston Container Terminal. Of the total purchases of property and equipment of \$332.2 million, \$74.4 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 \$257.8 million. We also made acquisitions of intangible assets for \$56.0 million relating mainly to the implementation of the SAPHIR project (see “*Business—Information Systems and Logistical Processes*”). We generated \$1,769 million in cash from the disposal of property and equipment, out of which \$1,113.7 million related to the sale and lease-back of 13 vessels and the scrapping of 8 vessels and \$608.5 million related to the sale and lease back of containers. The cash generated from the sale and lease-back of containers includes \$542.9 million from a sale and lease-back transaction involving substantially all of the NOL container fleet, which was sold and leased back for a period of between 2 and 8 years. We also received \$19.7 million of dividends from associates and joint-ventures. Cash flow resulting from other financial assets provided a net amount of \$687.8 million, primarily relating to the release from escrow accounts of approximately \$750 million that had been deposited in December 2015 in connection with the NOL Acquisition, as well as the release of approximately \$22 million that had been deposited in escrow accounts in connection with the PSA Terminal (see “*Business—Operations—Terminal Facilities*”), which were partially offset by cash deposited in financial assets that could not be classified as cash equivalents.

In 2015, net cash used for investing activities was \$1,437.2 million, primarily reflecting purchases of property and equipment of \$941.8 million relating mainly to purchases of vessels for a total of \$813.6 million (in particular work-in-progress vessels for \$637.2 million) and containers for a total of \$64.6 million, as well as \$1.6 million in land and buildings and \$62.0 million in other properties and equipment. Of the total amount of \$941.8 million in purchases of property and equipment, \$434.2 million did not result in a cash outflow, resulting in net cash used for purchases of property and equipment of \$507.6 million. In addition, we made and acquisitions of intangible assets for \$55.6 million relating mainly to the implementation of the SAPHIR project. Disposal of property and equipment provided \$92.5 million in cash, out of which \$91.1 million related to the sale of containers. We also received \$24.4 million of dividends from associates and joint-ventures. Cash flow resulting from other financial assets used \$952 million, primarily relating to the deposit of approximately \$750 million in escrow accounts in connection with the NOL Acquisition, as well as to cash deposited in financial assets that could not be classified as cash and cash equivalents.

In 2014, net cash provided by investing activities was \$155.6 million, predominantly reflecting acquisitions of tangible assets for \$314.5 million relating mainly to acquisitions of vessels (\$141.7 million of which related to vessels to be delivered in upcoming years and various fixtures), as well as containers (\$147.8 million), real estate, stevedoring equipment and terminals, and acquisitions of intangible assets for \$53.2 million relating mainly to IT developments. Disposal of fixed assets provided \$193.9 million in cash, out of which \$187.9 million related to the sale of containers, and \$209.6 million was provided by the sales of marketable securities. We also received \$13.5 million of dividends from associates and joint-ventures. Net cash used by investing activities was finally impacted by a positive variation of \$50.9 million in other financial assets, mainly as a result of the early repayment of Compagnie du Ponant loan and Global Ship Lease redeemable shares in amounts of \$48.2 million and \$36.4 million, respectively.

Net cash used for financing activities

Net cash used for financing activities taking into account the effect of exchange rate changes on cash and cash equivalents was \$815.9 million, \$588.8 million, \$31.1 million and \$63.9 million in 2014, 2015 and 2016 and in the three-month period ended March 31, 2017, respectively.

	Year ended December 31,			Three-month period ended March 31
	2014	2015	2016	2017
	(\$ millions)			
Dividends paid to the owners of the parent company and non-controlling interest	(64.9)	(99.1)	(18.9)	(2.6)
Proceeds from borrowings, net of issuance costs	309.4	938.5	2,367.3	581.6
Repayments of borrowings	(577.0)	(1,212.2)	(2,170.6)	(549.4)
Principal repayment on finance leases	(135.5)	(121.7)	(217.0)	(33.8)
Decrease in liabilities associated with assets held-for-sale	(29.5)	--	--	-
Interest expense on net borrowings	(302.0)	(258.6)	(313.7)	(94.8)
Refinancing of assets	--	132.2	384.0	76.4
Other cash flow from financing activities	(16.4)	32.1	--	(41.5)
Net cash used for financing activities ...	(815.9)	(588.8)	(31.1)	(63.9)

In the first quarter of 2017, we used \$63.9 million of cash for financing activities. This primarily reflected:

- Net cash outflows from borrowings net of repayments of borrowings of \$1.6 million (\$549.4 million in repayment of borrowings and \$33.8 million in principal repayment on finance leases, net of \$581.6 million of new borrowings); the new borrowings and repayment of borrowings in the first quarter of 2017 primarily consisted of drawdowns and repayments on our committed credit facilities;
- Payment of interest expenses on net borrowings of \$94.8 million, reflecting the integration of the cost relating to the debt of NOL, acquired in connection with the NOL Acquisition; and
- Other cash outflows used for financing activities of \$41.5 million related to the payment of outstanding dividends to Merit that had been declared by the Company in 2007 and 2008 but not paid.

These cash outflows were partially offset by a \$76.4 million cash inflow related to the refinancing of the vessel CMA CGM Corte Real.

In 2016, we used \$31.1 million of net cash for financing activities. This figure primarily reflects:

- Net cash flows from borrowings net of repayments of borrowings of \$20.3 million (\$2,170.6 million in repayment of borrowings and \$217 million of principal repayments on finance leases, net of \$2,367.3 million of new borrowings);
- Payment of interest and other financial expense of \$313.7 million; and
- The payment of \$18.9 million of dividends.

The borrowings and repayments of borrowings during 2016 primarily consisted of drawings and repayments under the NOL acquisition facility.

In 2015, we used \$588.8 million of net cash for financing activities. The main uses of cash in 2015 were:

- The net repayment of financial debt for \$395.4 million (\$1,212.2 million of repayments of borrowings (including Senior Notes) and \$121.7 million of principal repayments on financing leases, net of \$938.5 million of new borrowings mainly under Senior Notes);
- The payment of financial interest and other financial expenses for \$258.6 million; and
- The payment of \$99.1 million of dividends, including \$80.0 million of dividends to the Company's shareholders and \$19.1 million paid to minority shareholders of our agency network.

The net \$395.4 million repayment of financial debt primarily reflects the early redemption of our USD-denominated Senior Notes due 2017 and our Euro-denominated Senior Notes due 2019 in June 2015 using the net cash proceeds of a new issuance of €725 million of euro-denominated Senior Notes due 2021, and the completion of a consent solicitation and tender offer and early redemption of our corporate asset-backed notes due 2021 for an aggregate of \$82.6 million.

In 2014, net cash used for financing activities of \$815.9 million was partly related to a \$309.4 million increase in financial debt (of which mainly \$209.6 million related to the drawdown on our program of securitization of receivables and \$90.1 million related to the drawdown on a refinancing term loan) while an amount of \$24.9 million of dividends was paid to minority shareholders of our agency network and \$40.0 million was paid to our shareholders. The decrease in bank borrowings accounted for \$577.0 million, of which \$55.5 million of interest payments on ORA (for the portion accounted for as repayment of debt), \$25.5 million of repayment on senior notes, \$119.6 million of repayment of certain term loans, \$171.9 million of repayment on bank borrowings related to vessels, \$52.0 million of repayment on bank borrowings related to containers, \$21.9 million of repayment on bank borrowings related to buildings, \$102.0 million of repayment of vessel vendor loans and \$28.6 million of repayment related to various bank borrowings. The decrease in finance leases accounted for \$135.5 million, of which \$95.2 million related to vessels, \$27.2 million related to containers and \$13.1 million related to other finance leases. Decrease in liabilities associated with assets held-for-sale for \$29.5 million corresponded to the repayment of a debt following the disposal of a vessel. Interest paid on net borrowings accounted for \$302.0 million and other financing fees and interests for \$16.4 million.

Capital Expenditures

We have made significant investments, 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:

	Year ended December 31,			Three-month period ended March 31,	
	2014	2015	2016	2016	2017
	(\$ millions)				
Ships.....	141.8	813.6	3,033.9	21.4	83.8
Containers	147.8	75.3	639.4	52.7	15.4
Software	77.3	62.9	173.2	22.5	19.1
Other ⁽¹⁾	33.8	92.7	1,749.6	12.4	24.2
Total	400.7	1,044.6	5,596.1	108.9	142.6

(1) Other includes acquisitions, land, buildings, terminals, cranes, other property and equipment, and other intangible assets (excluding software). In 2016, this line item included \$1,374.6 million in intangible assets relating to the NOL Acquisition, primarily including \$406.0 million of customer relationships, \$202.0 million relating to the APL trademark and \$761.2 million related to terminal concession rights. See Notes 3.1, 5.1 and 5.5 to the 2016 CMA CGM Audited Consolidated Financial Statements.

We expect net cash paid out for capital expenditures in 2017 to be approximately \$380 million. The following is a summary of our expected capital expenditures in 2017:

- Gross capital expenditures of approximately \$1,150 million in the full year 2017 (of which approximately \$1,050 is committed), which is expected to be composed of:

- Approximately \$654 million in expenditures relating to newly-built vessels that are in our order book or other vessels acquired, including \$458 million relating to the acquisition of six 14,000 TEU ships that have been, or will be delivered in 2017 and 2018, \$75 million relating to the acquisition of three 2,500 TEU ships to be delivered in 2017, \$35 million relating to the acquisition of two Bangkokmax vessels that have been, or will be delivered in 2017, \$42 million relating to the acquisition of three 20,600 TEU ships to be delivered in 2018 and \$15 million relating to the acquisition of four 3,000 TEU Neo-PCRF vessels that will be delivered in 2018;
 - Approximately \$171 million in expenditures relating to terminal construction and improvements, of which \$136 million relates to projects in connection with the Kingston Container Terminal;
 - Approximately \$63 million relating to information systems, including investments in the SAPHIR project (see “*Business—Information Systems and Logistical Processes*”);
 - Approximately \$57 million relating to the maintenance of our existing fleet, as well as changes to the retrofitting of some of our vessels;
 - Approximately \$40 million relating to containers including reefers; and
 - Approximately \$67 million relating to other items such as investment in our logistics platform or real estate.
- Financings in relation to the above capital expenditures in a total amount of approximately \$770 million in 2017. We have already secured most of these financings related to such capital expenditures (with respect to vessels and terminals) under mortgage financings (see “*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing*”), hence resulting in an expected net cash outlay for capital expenditures of approximately \$380 million in 2017.

We expect net cash paid out for capital expenditures in 2018 to be approximately \$470 million. The following is a summary of our expected capital expenditures in 2018:

- Gross capital expenditures of approximately \$1,075 million in the full year 2017 (of which approximately \$810 is committed), which is expected to be composed of:
 - Payments with respect to newly-built vessels that are already in our order book, including three 20,600 TEU ships to be delivered in 2018, one 14,000 TEU ship that will be delivered in 2018 and four 3,000 TEU Neo-PCRF vessels that will be delivered in 2018, as well as expenditures relating to relating to the maintenance of our existing fleet such as drydocking and retrofits. We have already secured financing with respect to most of our expected vessel-related capital expenditures (see “*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing*”), so our net cash paid out for such expenditures in 2018 is expected to be approximately \$140 million; and
 - Capital expenditures with respect to our terminal assets, primarily in connection with the Kingston Container Terminal, for which we have already secured financing (see “*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing*”). We also expect to have net cash outlays of approximately \$330 million in connection with other capital investments during the period, including with respect to containers, IT investments and our acquisition of Mercosul Line (see “*Recent Developments*”).

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 Industry*.”

In addition to the capital expenditures discussed above, we intend to invest approximately \$150 million in cash in certain terminal investments over the course of 2017 and 2018, including with respect to the CT-4 Terminal in Mundra, India, the PSA Singapore Terminal and the Kribi Container Terminal. These expenditures are not expected to be accounted for as capital expenditures but are part of our overall long-term investment plan for the periods. See “*Business—Operations—Terminal Facilities*.”

Contractual Obligations and Commercial Commitments

The following table shows our contractual obligations and commercial commitments as of March 31, 2017, on an adjusted basis after giving effect to the issuance of the notes offered hereby and the use of the net proceeds therefrom, including the early redemption of the 2018 Senior Notes and the reimbursement of the drawings under credit facilities made to repay the NOL 2017 Senior Notes upon their maturity on April 26, 2017, as well as the reimbursement of certain of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby, as described in "Use of Proceeds."

	Due December 31,						Total
	2017	2018	2019	2020	2021	After 2021	
	(\$ in millions)						
Senior notes	(15.0)	(22.3)	184.1	176.5	972.7	89.4	1,385.4
Bank borrowings ⁽¹⁾	461.8	683.6	421.0	478.3	294.8	1,135.4	3,475.0
Obligations under finance leases	171.9	209.8	207.1	238.0	127.1	479.1	1,432.9
Bank overdrafts	54.7	-	-	-	-	-	54.7
Securitization program	(0.6)	338.8	839.6	-	-	-	1,177.7
Notes offered hereby	-	-	-	-	-	684.7	684.7
Other borrowings	112.5	1.3	23.0	0.8	0.8	2.6	141.1
Out of which accrued interests	102.8	-	-	-	-	-	102.8
Debt related to assets classified as held for sale	-	-	-	-	-	-	-
Total debt obligations excluding bank overdraft, securitization and accrued interests	628.4	872.4	835.2	893.6	1,395.3	2,391.3	7,016.3
Total debt obligations⁽²⁾	785.3	1,211.1	1,674.8	893.6	1,395.3	2,391.3	8,351.5
Vessel purchase commitments-financed ⁽³⁾	577.3	263.7	-	-	-	-	841.0
Vessel purchase commitments-non-financed	9.0	102.6	-	-	-	-	111.6
Time charter payments	724.3	939.0	912.7	825.1	699.1	2,194.0	6,294.2
—Vessels in fleet	709.0	888.7	862.5	774.8	648.8	1,807.5	5,691.2
—Vessels to be delivered	15.4	50.2	50.2	50.4	50.2	386.5	603.0
Container rentals commitment	654.9	561.2	400.0	306.1	218.6	148.7	2,289.5
Total commitments	1,965.5	1,866.5	1,312.7	1,131.3	917.7	2,342.7	9,536.4
Total debt obligations and commitments	2,750.8	3,077.6	2,987.4	2,024.9	2,313.1	4,734.0	17,887.8

(1) As adjusted to give effect to the repayment of \$32.5 million in outstanding indebtedness under the NOL sub-group's bank borrowings from the use of the net proceeds of the notes offered hereby. We may instead choose to allocate these proceeds to reimburse certain of our or our subsidiaries' other secured or unsecured indebtedness with a maturity equal to or shorter than the notes offered hereby; see "Use of Proceeds."

(2) Does not include any ORA or the Yildirim Preferred Shares.

(3) In comparison with the gross capital expenditures mentioned in the capital expenditures section in relation to vessels, this table does not include (i) the three 10,926 TEU owned vessels to be delivered in 2017, as the current status of the financing of these vessels is under operating leases whereas the three vessels were considered in the orderbook in the capital expenditures plan (ii) U.S.-flagged second-hand vessels that we intend to purchase but for which there is no commitment to do so as of March 31, 2017.

Off Balance Sheet Arrangements

Our off balance sheet arrangements consist of the commitments disclosed in Note 8.2 of the CMA CGM Audited Consolidated Financial Statements and Note 8.2 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements. These off balance sheet arrangements primarily relate to:

- *Operating Lease Commitments.* Our operating lease commitments for vessels and containers, under which we made operating lease payments of \$558.1 million in the three-month period ended March 31, 2017, \$2,292.5 million in 2016, and \$2,377.5 million in 2015, include:
 - *Commitments with respect to time charters on vessels which are classified as operating leases.* We operated 313 vessels under time charters as of March 31, 2017, 327 as of December 31, 2016 and 383 as of December 31, 2015. The undiscounted amounts due under the operating leases were \$6,294.2 million, \$6,539.9 million and \$5,351.9 million as of March 31, 2017, December 31, 2016 and December 31, 2015, respectively; and
 - *Commitments relating to shipping containers subject to operating leases.* The undiscounted amounts due under operating leases for containers were \$2,289.5 million, \$2,186.1 million

and \$1,750.8 million of containers as of March 31, 2017, December 31, 2016 and December 31, 2015, respectively;

- *Commitments relating to ordered vessels*, which represented a total of \$952.6 million as of March 31, 2017 (for which we had committed financings at that date totaling \$841.0 million), \$1,052.1 million as of December 31, 2016 (for which we had committed financings at that date totaling \$895.8 million) and \$1,001.8 million as of December 31, 2015 (for which we had committed financings at that date totaling \$49.1 million);
- *Commitments relating to minimum fees that we guarantee under long-term stevedoring concession contracts*, totaling \$1,130.8 million as of December 31, 2016 and \$27.9 million as of December 31, 2015; and
- *Other financial commitments relating to guaranteed pledges and recognized liabilities*, including with respect to bank guarantees, guarantees on terminal financing, office rental guarantees and other guarantees granted for current assets. These commitments amounted to \$707.4 million as of December 31, 2016 and \$703.6 million as of December 31, 2015

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. For each of the years ended December 31, 2016 and 2015, our consolidated income statement reflected \$1,597.1 million and \$2,052.1 million, respectively, of costs associated with bunker fuel.

Our risk management policy with respect to bunker fuel costs is to 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 March 31, 2017, we have no open derivatives position with respect to bunker fuel.

For illustrative purposes and assuming no hedges and no passing on to customers, a \$50 per ton average increase in the spot purchase price of bunker fuel would have reduced our operating profit in 2016 by approximately \$295 million (on a CMA CGM standalone basis).

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 and marginally in sterling, depending upon which lines 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. 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 December 31, 2016 and 2015, taking into account the interest rate hedges, indebtedness bearing interest at variable rates represented 58% and 52% 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 2016 CMA CGM Audited Consolidated Financial Statements presented elsewhere in this offering memorandum.

Leases

In January 2016, the IASB published IFRS 16 regarding the accounting for leases, which 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 annual periods beginning on or after January 1, 2019 (with earlier application being permitted) if it is endorsed by the European Union, which is currently expected to occur during the course of 2017.

This new lease standard would cause certain lease commitments that are currently classified as off-balance sheet commitments (these lease commitments are currently defined as operating leases under IAS 17) in the Notes to our consolidated financial statements to instead be recognized as on-balance sheet liabilities in the Statement of Financial Position (in addition to all of the finance leases which are currently recognized on our balance sheet). Generally speaking, most of our existing operating leases will be recognized as on-balance sheet liabilities because the only exclusions from this classification under IFRS 16 would be for low-value assets and short term leases (less than one year). Under IFRS 16, the lease liability will initially be measured at the present value of the lease payments payable over the lease term, discounted at the 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. Current operating lease expenses that would fall within the scope of the new standard and that are currently recorded within the line item operating expenses would be divided into a depreciation expense relating to an intangible asset (the right to use the asset) and a financial expense (based on the liability noted above), except for the running costs, which would remain classified as an operating expense. The mechanical effect of this change would be to increase significantly our reported EBITDA and EBIT (due to the lower operating expenses) and our depreciation and financial expenses.

Information related to the Company's outstanding commitments under operating leases, mainly related to vessels and containers, is presented in Note 8.2.1 of the 2016 CMA CGM Audited Consolidated Financial Statements presented elsewhere in this offering memorandum and is summarized above under "*Off Balance Sheet Arrangements—Operating Lease Commitments.*" At March 31, 2017 and December 31, 2016, the undiscounted amount of total commitments for payments due under operating leases was \$6,294.2 million (\$4,375.7 million on a discounted basis) and \$6,539.9 million (\$4,693.5 million on a discounted basis), respectively, for operating leases of vessels, and \$2,289.5 million and \$2,186.1 million, respectively, for operating leases of containers. Total operating lease payments for vessels and containers were \$558.1 million in the first quarter of 2017 and \$2,292.5 million in 2016. These figures illustrate the material impact that the new IFRS 16 standard, when implemented, will have on our financial statements as described above. However, the actual impact of the new standard cannot quantitatively be estimated in detail at this time, because the number and complexity of lease contracts to which the Group will be committed at the application date of IFRS 16 is uncertain, and the expected impact of the new standard cannot yet be accurately estimated. Management also has not yet determined which of the possible transition options it will apply at such application date.

IFRS 9: Financial instruments

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's assessment is that this new standard will not have material impacts on our consolidated financial statements in respect of the following main aspects of the standard:

- Classification and measurement of financial assets and liabilities: the implementation of IFRS 9 will not materially affect the current classification and measurement of the Group's financial instruments;
- Depreciation of financial assets: the effect of the change from the "incurred loss" model under IAS 39 to the "expected credit loss" model under IFRS 9 is not expected to materially affect the valuation of the our financial instruments due to the low credit risk in the Group;
- Hedge accounting: the new standard will not materially change the accounting for our hedging relationships.

Management will pursue the detailed assessment of the disclosure requirement of this new standard, which will be applied starting from January 1, 2018.

Revenue from contracts with customers

IFRS 15, which relates to the recognition of revenue from contracts with customers, was initially issued in May 2014 by the IASB.

The core principle of this new standard is to require companies to recognize revenues under contracts for goods and services with 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, taking into account the nature, amount, timing and certainty of the revenues and cash flows. The new standard will also result 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.

Our current practice for revenue recognition, based on the percentage of completion, will still be an appropriate method under the new standard. Hence, the new standard is not expected to have a material impact on the Group's financial position and performance. We will pursue an in-depth analysis of the requirements of the new standard, in particular (but not exclusively) in relation to additional disclosures.

Critical Accounting Policies and Significant Accounting Estimates

The 2016 CMA CGM Audited Consolidated Financial Statements included elsewhere in this offering memorandum 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 2016 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 taxes;
- classification of lease contracts between operating leases and finance leases;
- 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; and
- judgments used in connection with the purchase price allocation in connection with acquisitions.

Results of operations of NOL for the year ended December 30, 2016 compared with the year ended December 25, 2015

The following table sets forth income statement data for NOL for the periods indicated. This information is derived from and should be read together with the 2016 NOL Audited Financial Statements and the accompanying notes and the related report, included elsewhere in this offering memorandum. The NOL Audited Financial Statements were prepared in accordance with FRS (and not IFRS). NOL's classifications of certain line items may differ from similarly-titled line items in CMA CGM's financial statements. NOL was not controlled by the Company prior to the NOL Acquisition Date.

	Year ended December 25, 2015	Year ended December 30, 2016
(\$ millions)		
	(Restated) ⁽¹⁾	
<u>Continuing operations</u>		
Revenue	5,382.6	4,642.2
Cost of sales	(5,020.9)	(4,476.0)
Gross profit	<u>361.7</u>	<u>166.2</u>
Other gains/(losses) (net)		
- Miscellaneous	31.4	(551.9)
- Finance and investment income	6.7	14.8
Expenses		
- Administrative	(424.7)	(449.4)
- Finance	(129.0)	(124.8)
- Other operating	(55.8)	(256.5)
Share of results of associated companies	(5.1)	(3.8)
Share of results of joint venture	2.6	2.3
Loss before tax from continuing operations	<u>(212.2)</u>	<u>(1,203.1)</u>
Tax (expense)/credit	(1.2)	10.6
Loss from continuing operations, net of tax	<u>(213.4)</u>	<u>(1,192.5)</u>
<u>Discontinued operations⁽²⁾</u>		
Profit from discontinued operations, net of tax	<u>929.9</u>	<u>--</u>
Net profit/(loss) for the financial year	<u>716.5</u>	<u>(1,192.5)</u>

(1) Restated due to recognition of an onerous contract in prior years. In connection with the acquisition by CMA CGM, management undertook an assessment of certain business contracts. For one of these contracts, a lease contract for an area in a terminal to carry out equipment maintenance work, the economic benefits under the contract were determined not to be commensurate with the lease payments. Accordingly this contract was accounted for as an onerous contract from the lease inception date in 2014 and the financial statements for 2015 were restated. See Note 37 to the NOL Financial Statements.

(2) Discontinued operations refers to NOL's Logistics business unit which it disposed of in May 2015. The profit from discontinued operations in 2015 includes a \$888.4 million gain on the disposal of the Logistics business unit.

Revenue

Revenue earned from the rendering of container shipping services decreased by \$740.4 million or 13.8% from \$5,382.6 million in 2015 to \$4,642.2 million in 2016, primarily due to the following:

- Volumes increased by 3.4%, or 166 thousand TEUs, from 4,938 thousand TEUs for 2015 to 5,104 thousand TEUs for 2016. The increase in volume was mainly due to the launch of 24 new container shipping service offerings since June 2016 as the company expanded its service coverage due to the integration within the CMA CGM network. The new offerings resulted in a 130 thousand TEUs, or 9.5%, increase in volumes loaded on our Transpacific trade, a 16 thousand TEUs, or 2.0%, increase in volumes loaded on our Asia-Europe trade, and a 26 thousand TEUs, or 1.1%, increase in volumes loaded on our Intra-Asia trade. In Latin America, volumes were steady at 318 thousand TEUs in both years. In the Transatlantic trade, volumes declined in 2016 by six thousand TEUs, or 6.7%, reflecting weaker volumes in the backhaul trade; and
- Average revenue per TEU decreased by 14.2%, or \$134 per TEU, from \$944 per TEU for 2015 to \$810 per TEU for 2016 due to weaker freight rates across all trade lanes in 2016, caused by a combination of weak growth in global trade and the continued addition of new vessel capacity mainly over the first half of 2016. Average revenue per TEU in the Transpacific trade recorded a drop of 13.5% as compared to 2015, as average rates in annual contracts concluded with customers in 2016 were below the levels of 2015. Average revenue per TEU in the Intra-Asia trade declined by 18.7% in 2016 as compared with 2015, as growth in Intra-Asia trade remained muted, with rates being eroded by the introduction of cascaded vessels into many of the Intra-Asia trade lanes. Similarly, conditions in the Asia-Europe trade were difficult, with low economic growth in many European countries and the continuing delivery of large new vessels resulting in a 18.3% drop as compared with 2015. Average revenue per TEU in the Latin American market and Transatlantic trade also saw a decline of 10.1% and 14.0%, respectively, compared to the prior year, reflecting lower average rates due to on-going softness in their trade environment.

The following tables summarize the breakdown of volume in thousands of TEUs and average revenue / TEU by trade for the periods indicated.

<u>Volume (thousands of TEUs)</u>	<u>Year ended December 25, 2015</u>	<u>Year ended December 30, 2016</u>
Transpacific	1,370	1,500
Intra-Asia	2,360	2,386
Asia-Europe	794	810
Latin America	318	318
Transatlantic.....	96	90
Total.....	<u>4,938</u>	<u>5,104</u>

<u>Average Revenue / TEU (In \$)</u>	<u>Year ended December 25, 2015</u>	<u>Year ended December 30, 2016</u>
Transpacific	1,513	1,310
Intra-Asia	565	460
Asia-Europe	862	704
Latin America	1,373	1,235
Transatlantic	1,385	1,191
Total.....	<u>944</u>	<u>810</u>

Cost of sales

Cost of sales decreased by \$544.9 million, or 10.9%, from \$5,020.9 million in 2015 to \$4,476.0 million in 2016 due to a 13.6% decrease in depreciation and amortization, a 1.3% decrease in employee benefits, a 31.1% decrease in cost of inventories, a 5.8% decrease in global cargo transportation expenses, a 106.5% increase in net write back for insurance, litigation and other claims, and a 15.9% decrease in rental expenses - operating leases.

The following table summarizes the composition of NOL's cost of sales for the periods indicated.

(\$ millions)	Year ended December 25, 2015	Year ended December 30, 2016
	(Restated)	
Depreciation and amortization	355.4	307.0
Employee benefits	114.4	112.9
Cost of inventories	620.8	427.8
Global cargo transportation expenses.....	3,335.5	3,143.5
Net provision/(write back) for insurance, litigation and other claims	16.9	(1.1)
Rental expenses - operating leases	577.9	485.9
Total	5,020.9	4,476.0

Depreciation and amortization

Depreciation and amortization decreased by \$48.4 million from \$355.4 million in 2015 to \$307.0 million in 2016, mainly due to disposal of vessels and containers in 2016, which largely resulted from sale and leaseback transactions implemented since the integration within CMA CGM.

Employee Benefits

Employee benefits were relatively stable, at \$112.9 million in 2016 compared to \$114.4 million in 2015, a decrease of only 1.3%.

Cost of inventories

The cost of inventories mainly comprises bunker costs and lubricant, with bunker costs representing the vast majority of such costs. Cost of inventories decreased by \$193.0 million from \$620.8 million in 2015 to \$427.8 million in 2016, primarily due to a decrease in bunker costs as a result of a decline in the average bunker rate from \$333 per metric ton in 2015 to \$224 per metric ton in 2016, while the consumption of bunker fuel was relatively flat at approximately 1.75 million metric tons for both years.

Global cargo transportation expenses

Global cargo transportation expenses consist mainly of cargo handling, land transportation, empty repositioning, equipment maintenance and repair, voyage costs (excluding bunker), vessel and slot purchases, and other expenses. Global cargo transportation expenses decreased by \$192.0 million from \$3,335.5 million in 2015 to \$3,143.5 million in 2016 mainly due to savings resulting from increased network optimization and operational efficiency. These arose from standalone efficiency improvements and the impact of NOL's integration into the Company.

The following table sets forth the composition of global cargo transportation expenses for the periods indicated.

\$ millions	Year ended December 25, 2015	Year ended December 30, 2016
	(Restated)	
Cargo handling	1,394.7	1,377.4
Land transportation	719.7	661.2
Empty repositioning	407.1	388.0
Equipment maintenance and repair	147.8	135.8
Voyage costs (excluding bunker)	257.8	231.5
Vessel and slot purchases	331.5	303.9
Others	76.9	45.7
Total	3,335.5	3,143.5

Cargo handling. Cargo handling decreased by \$17.3 million or 1.2% from \$1,394.7 million in 2015 to \$1,377.4 million in 2016, mainly due to lower stevedoring related expenses resulting from network optimization. Cargo handling accounted for 43.8% of the total global cargo transportation expense in 2016.

Land transportation. Land transportation decreased by \$58.5 million, or 8.1%, from \$719.7 million in 2015 to \$661.2 million in 2016, mainly due to the lower number of inland transportation moves undertaken. Land transportation accounted for 21.0% of the total global cargo transportation expense in 2016.

Empty repositioning. Empty repositioning costs decreased by \$19.1 million, or 4.7%, from \$407.1 million in 2015 to \$388.0 million in 2016 due to lower empty storage cost arising from the disposal of containers in 2016. Empty repositioning accounted for 12.3% of the total global cargo transportation expense in 2016.

Equipment maintenance and repair. Equipment maintenance and repair decreased by \$12.0 million, or 8.1%, from \$147.8 million in 2015 to \$135.8 million in 2016 due to lower maintenance & repair arising from the disposal of containers in 2016. Equipment maintenance & repair accounted for 4.3% of the total global cargo transportation expense in 2016.

Voyage costs (excluding bunker). Voyage costs (excluding bunker), which consist of port charges and canal expenses, decreased by \$26.3 million, or 10.2%, from \$257.8 million in 2015 to \$231.5 million in 2016, mainly due to a reduction in canal expenses resulting from fewer Panama and Suez crossings than in the prior year. Voyage costs (excluding bunker) accounted for 7.4% of the total global cargo transportation expense in 2016.

Vessel and slot purchases. Vessel and slot purchases decreased by \$27.6 million, or 8.3%, from \$331.5 million in 2015 to \$303.9 million in 2016 as a result of a decrease in the number of slot purchases due to changes in some of our vessel sharing agreements. Vessel and slot purchases accounted for 9.7% of the total global cargo transportation expense in 2016.

Other expenses. Other expenses (agency fees, freight taxes, etc.) decreased by \$31.2 million, or 40.6%, from \$76.9 million in 2015 to \$45.7 million in 2016. Other expenses accounted for 1.5% of the total global cargo transportation expense in 2016.

Net (write-back)/provision for insurance, litigation and other claims

A net write-back of \$1.1 million was recorded in 2016, compared to a provision of \$16.9 million in 2015. The provision in 2015 primarily reflected an increase in provisions for cargo claims, workers' compensation, hull and machinery. The net write-back in 2016 primarily reflected a reduction in provisions for cargo claims.

Rental expenses – operating leases

Rental expenses – operating leases include vessel chartering costs and rental payments relating to the fleet of containers and chassis equipment. Rental expenses – operating leases decreased by \$92.0 million from

\$577.9 million in 2015 to \$485.9 million in 2016, mainly due to a decrease in vessel chartering costs resulting from the expiration of expensive charter hires.

Gross Profit

Reflecting the above, gross profit decreased by \$195.5 million from \$361.7 million (6.7% of revenue) in 2015 to \$166.3 million (3.6% of revenue) in 2016.

Other miscellaneous (losses)/gains

Other miscellaneous losses in 2016 related mainly to a \$570.6 million loss on disposal of fixed assets resulting from the sale and leaseback transactions implemented since the integration into CMA CGM and losses on the disposal of investments, partially offset by income from provision of shared services support functions of \$11.2 million. Other miscellaneous gains in 2015 mainly reflected a \$12.8 million gain on disposal of fixed assets and investments and \$8.8 million in income from provision of shared services support functions.

Income from provision of shared services support functions relates to income from provision of financial and accounting services, documentation services, and other related support services in connection with the customers' business operations.

Finance and investment income

Finance and investment income increased by \$8.1 million, or 120.9%, mainly due to interest income from loans extended to CMA CGM. The loans were extended to CMA CGM following the sale and leaseback transactions mentioned above, as part of the Group's cash management strategy.

Administrative expenses

Administrative expenses increased by \$24.7 million, or 5.8%, from \$424.7 million in 2015 to \$449.4 million in 2016, mainly due to transaction costs incurred in relation to the acquisition by CMA CGM.

Finance expenses

Finance expenses decreased by \$4.2 million, or 3.3%, from \$129.0 million in 2015 to \$124.8 million in 2016 mainly due to a decrease in financing fees.

Other operating expenses

Other operating expenses increased by \$200.7 million, or 359.7%, from \$55.8 million in 2015 to \$256.5 million in 2016, mainly due to a \$106.9 million write-down in value of an IT system which was retired and a \$19.2 million write-down in value of a vessel which was subsequently sold in January 2017. In addition, a provision of \$69.4 million was made in 2016 in respect of an onerous contract involving repositioning of empty containers. This contract no longer provides its full benefit to NOL after the restructuring of operational activities pursuant to acquisition by CMA CGM, whereby equipment management is now under the control of the latter.

Share of results of associated companies

NOL's share of the results of associated companies was a loss of \$3.8 million in 2016 compared to a loss of \$5.1 million in 2015. The loss mainly relates to NOL's investment in a terminal in Rotterdam.

Share of results of joint venture

NOL's share of results of joint venture amounted to income of \$2.3 million in 2016 compared to income of \$2.6 million in 2015. This income relates to NOL's share of a terminal in Vietnam.

Tax credit/ (expense)

The tax credit in 2016 of \$10.6 million was mainly attributed to write-back of tax provision arising from favorable settlement within certain jurisdictions in respect of prior years' income tax returns. This compares to tax expense of \$1.2 million in 2015.

Loss from continuing operations, net of tax

Reflecting the above items, the loss from continuing operations, net of tax increased by \$979.1 million from \$213.4 million in 2015 to \$1,192.5 million in 2016.

Discontinued operations

NOL's results of operations for 2015 included profit from discontinued operations of \$929.9 million relating to NOL's logistics business unit, which was disposed of in May 2015. The profit from discontinued operations in 2015 includes a \$888.4 million gain on disposal of the business unit.

Net profit / (loss) for the financial year

Reflecting the above, NOL recorded a net loss of \$1,192.5 million in 2016 compared to a net profit of \$716.5 million in 2015.

INDUSTRY OVERVIEW

THE INTERNATIONAL CONTAINER SHIPPING INDUSTRY

All the information and data presented in this section, including the analysis of the international container shipping industry, 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 subject to limited audit and validation procedures.

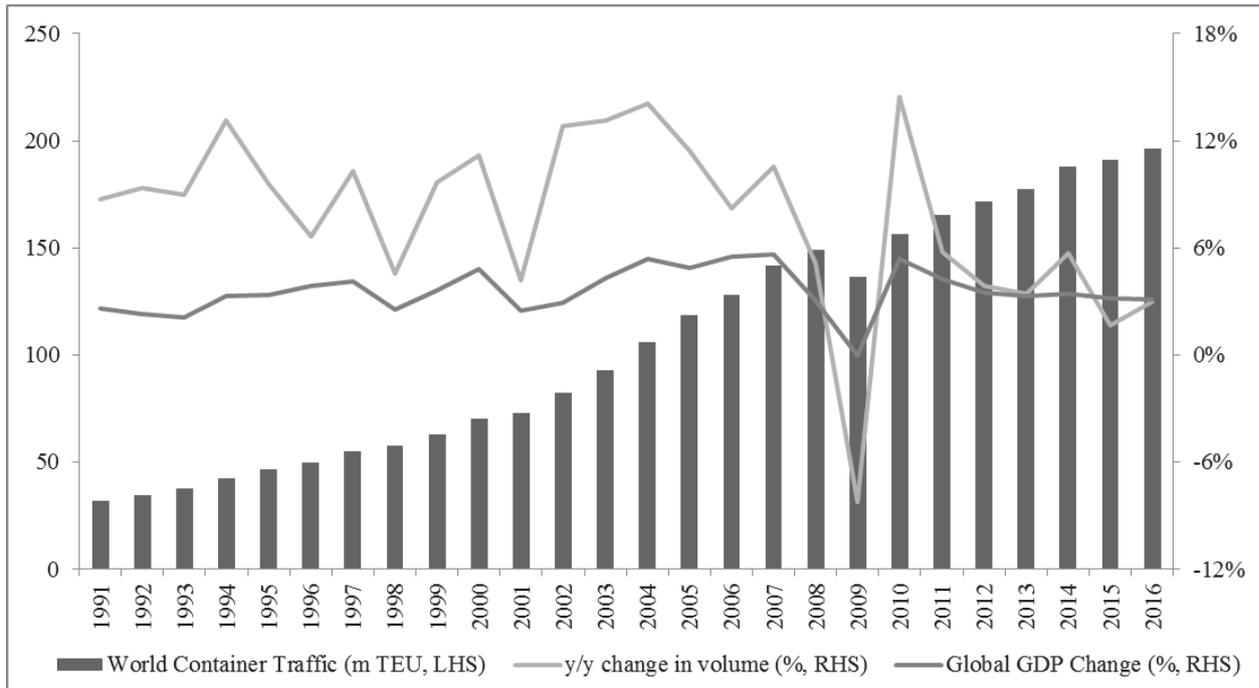
Overview

The maritime shipping 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, approximately 90% of world trade in terms of volume is transported by sea and global seaborne trade has grown in every year in 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.

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, tons, 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. Volumes on specific trade routes can also be affected by trade disagreements between individual countries and currency exchange rates.

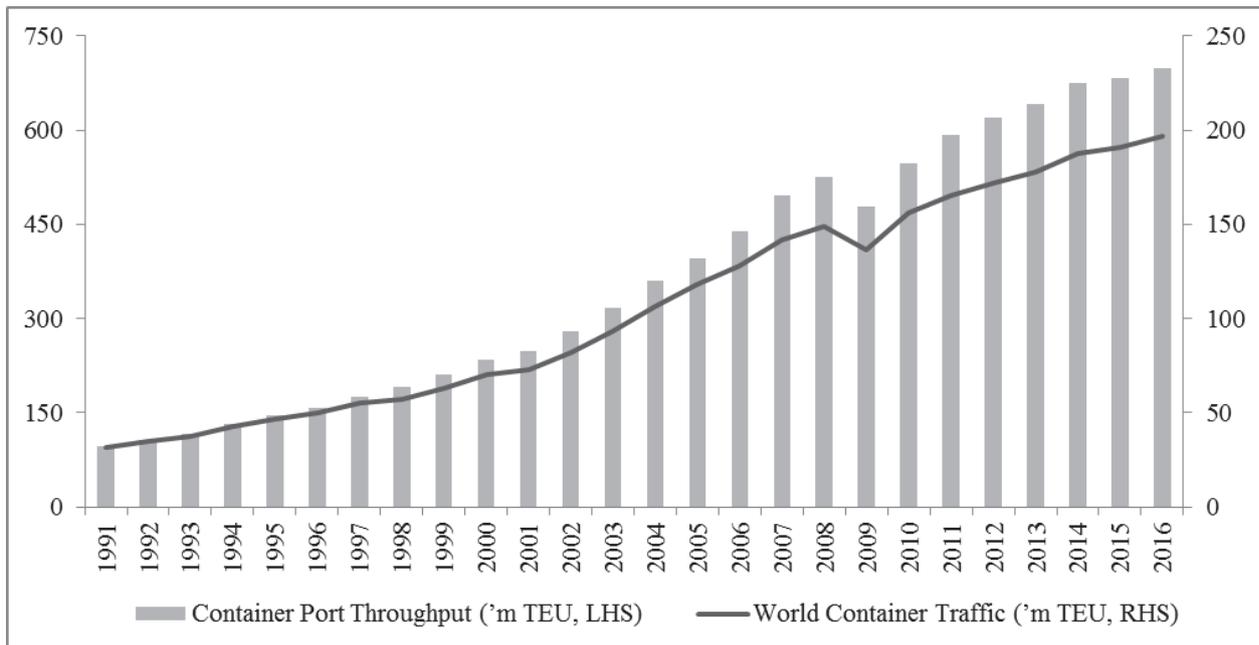
Historically, the relationship between incremental supply and demand for shipping services has varied among different sectors of shipping because the drivers are different with respect to each sector. This means that at any point in time different sectors of the seaborne transportation industry may be at different stages of their respective supply and demand cycle. This is the case in 2017 - shipping segments are at different points in their business cycle, with container shipping being at the cusp of recovery while others could be experiencing different market conditions. Current trends indicate that the liner industry overall is in the early stages of recovery, driven primarily by the trend of consolidation in the industry, aggressive scrapping, and ship owners continuing to defer new vessel deliveries. Container shipping occupies an increasingly important position in world trade, with containerships constituting the principal channel to transfer finished and semi-finished goods. Container shipping has a direct impact on container ports' activity.

World Loaded Container Volumes
(Million TEU per annum)



Source: Drewry

World Loaded Container Volume and Port Throughput
(Million TEU per annum)



Source: Drewry

Global container trade traffic represents close to 16% of seaborne transported cargo by volume but approximately 65% 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 2016, container trade traffic grew steadily from 165 million TEU to 197 million TEU, respectively. This represents an overall increase on a TEU basis at a CAGR of 4.4% over the last decade, albeit with a slowdown in growth rates in more recent years.

The Advantages of Container Shipping

The containers used in maritime transportation are steel boxes of standard dimensions. The standard unit of measure of volume or capacity in container shipping is the 20-foot equivalent unit, or TEU, representing a container which is 20 feet long and typically 8.5 feet high and 8 feet wide. In recent years, 40-foot long high cube containers (9.5 feet high), equivalent to two TEU, have increasingly been used by large retailers to move lightweight, fast-moving consumer goods across the globe with less container moves. There are also specialized containers of both sizes to carry refrigerated perishables or frozen products, commonly referred to as reefers, as well as tank containers that carry liquids such as liquefied gases, spirits or chemicals.

A container shipment begins at the shipper's premises with the delivery of an empty container. Once the container has been filled with cargo, it is transported by truck, rail or barge to a container port, where it is loaded onto a containership. The container is shipped either directly to the destination port or through an intermediate port where it is transferred to another vessel, an activity referred to as transshipment. When the container arrives at its destination port, it is off-loaded and delivered to the receiver's premises by truck, rail or barge.

Container shipping has a number of advantages compared to other shipping methods, including:

Less Cargo Handling: Containers provide a secure environment for cargo. The contents of a container, once loaded, are not handled directly until they reach their final destination. Using other shipping methods, cargo may be loaded and unloaded several times, resulting in a greater risk of breakage and loss.

Efficient Port Turnaround: With specialized cranes and other terminal equipment, containerships can be loaded and unloaded in significantly less time and at lower cost than other cargo ships.

Highly Developed Intermodal Network: Onshore movement of containerized cargo, from points of origin, around container ports, to and from staging or storage areas, and to final destinations, benefits from the physical integration of the container with other transportation equipment such as trucking chassis for road transport, railcars and other means of hauling the standard-sized containers. Sophisticated port and intermodal industries have developed to support container transportation.

Reduced Shipping Time: Containerships used to travel at a maximum speed of up to 25 knots, even in rough seas. However, since 2008, due to higher fuel prices and the negative effects of the global recession, most containership operators have reduced speeds to around 18 knots on some major routes and deployed more ships on some voyage strings, primarily in an effort to reduce bunker fuel consumption and reduce oversupply. This has also had a positive environmental effect, as slow steaming has helped reduce ship emissions. This strategy, known as slow steaming, has become a new norm and most ships built since 2011 now have a reduced maximum design speed of 21.5 knots with optimized hull to reduce fuel consumption and emissions when sailing at or below such speed.

Types of Containerships

Containerships are typically "cellular," which means they are equipped with metal guide rails to allow for rapid loading and unloading and to provide for more secure carriage. In some cases, smaller container ships will be equipped with their own cranes for loading and unloading. These ships are often referred to as "geared" ships. Virtually all of the larger containerships (over 3,000 TEU) are "gearless," with the exception of certain recently-built wide-beam vessels. Other vessels are partly cellular, including roll-on/roll-off ships, or "ro-ro" ships, designed to carry chassis and trailers, and multipurpose ships which can carry a variety of cargo including containers.

Generally speaking, the main categories of containerships are:

- **Super/Ultra Large:** Super and Ultra Large ships (with capacity in excess of 14,000 TEU) are deployed primarily on the Asia-North Europe and Mediterranean trades.
- **Large/Very Large:** Large and Very Large ships have a capacity of 8,000 to 13,999 TEU and are primarily deployed on the Transpacific, Asia-Middle East, Transatlantic and Asia/Europe to Latin America trades. A few 8,000 TEU containerships are also deployed on the Asia to West Africa trade.

- **Post Panamax:** Ships with a capacity of 5,000 to 7,999 TEU, so-called because of their inability to transit through the original Panama Canal locks due to the canal's restrictions on ships' width. With the completion of the widening of the Panama Canal, ships with capacity of up to 14,000 TEU can now transit the waterway. Ships of this size (5,000 to 7,999 TEU) are mainly deployed on various smaller or developing trade routes outside of the main East-West routes.
- **Panamax:** Ships with a capacity between 3,000 to 4,999 TEU, which was the maximum size that the Panama Canal could handle before the recently-completed expansion. These ships are expected to be less sought-after following the expansion of the Panama Canal, as carriers will deploy larger ships across their service portfolios in order to minimize slot costs. Hence, Panamax containerships could increasingly be scrapped, though some of them will likely be used on new trades because of cascading.
- **Intermediate:** In this category, the ships range in capacity between 2,000 and 2,999 TEU and are generally able to operate on all trades, but commercially they are mainly used on intra-regional trades.
- **Handysize:** Smaller ships with capacities ranging from 1,000 to 1,999 TEU, for use in regional trades.
- **Feeder:** Ships with a capacity of less than 1,000 TEU, which are usually employed as feeder ships on trades to and from hub ports or on small niche trades or domestic routes.

Since the first purpose-built container ships were built in the 1960s, there has been a steady increase in ship size as shown in the table below, as shipping companies sought to take advantage of scale effects. In addition, more recently, there has been increasing use of wider beam and more fuel efficient ships. To add perspective, the slot cost per TEU for an 11,000 TEU vessel is around 20% higher than that of an 18,000 TEU vessel.

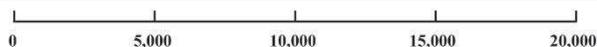
The Evolution of Container Vessel Size

Ship evolution

Built	Beam (m)	TEU capacity	Ship type
1968	27.5	1,404 TEU	First Generation
1980	30.5	2,653 TEU	Second Generation
1985	32.3	4,300 TEU	Panamax
1988	39.3	4,614 TEU	
1995	40.0	5,344 TEU	Post-Panamax and variations
1996	42.8	7,403 TEU	
1997	42.8	9,600 TEU	
2006	56.4	16,800 TEU	Super-Post Panamax and variations
2010	51.2	14,036 TEU	
2011	51.2	14,074 TEU	
2012	53.6	16,020 TEU	
2013	59.0	18,270 TEU	Ultra Large Container Vessel
2015	58.6	19,100 TEU	
2016	59.0	19,224 TEU	

Specialisation

2012	37.4	4,496 TEU	Wide Beam
2014	48.2	9,669 TEU	Wide Beam for South America
2016	48.2	10,662 TEU	Wide Beam Bosphorus Max for Black Sea



Source: Drewry

It is possible that the increase in container vessel capacity will continue, and there are currently orders for ships with a capacity of up to 21,500 TEU, although such vessels are still within the maximum size accepted in all major ports and hubs where Ultra Large ships are currently calling (400.0 meters long; 61.5 meters wide and 16.5 meters draft). Any vessel larger than this maximum size would likely be accommodated on very few

routes and very few ports, as it would exceed the current reach of cranes and limit maneuverability in certain ports, such as Hamburg.

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 non-operating owners, which do not operate ships, but instead charter them out to liner companies, often referred to as “tonnage providers.” Approximately 50.4% of the global fleet in TEU terms is owned by liner companies and 49.6% by independent non-operating owners. Chartering in tonnage provides a degree of flexibility to the liner companies to adjust shipping capacity to market conditions.

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 containerships and have generally stayed away from investing in route-specific ships or in the very largest ships, unless backed by long-term charter contracts for such ships with major shipping lines. Non-operating owners 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 non-operating owners have focused on ordering wide beam ships and other ships featuring new designs, which are more sought after by the liner companies and can attract a premium in the charter market.

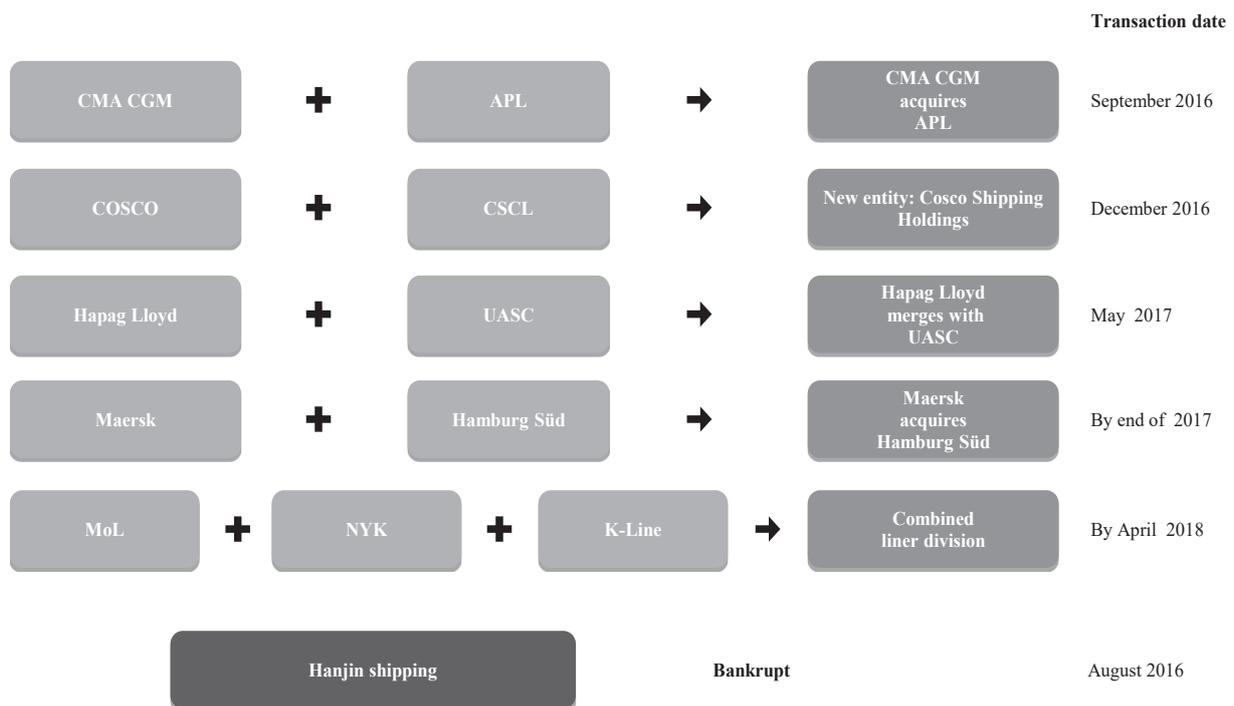
Industry Consolidation

Carriers are continually striving to improve operational efficiencies and scale in order to enhance profitability. These efforts contributed to a wave of consolidation in the industry in 2015 and 2016, with NOL being acquired by CMA CGM, China Shipping Group (CSCL) merging with COSCO, Hapag Lloyd and UASC announcing their intention to merge in 2017 and Maersk announcing its acquisition of Hamburg Süd. The recent flurry of takeovers comes after a 10-year lull of mergers and acquisitions (M&A) activity in the container shipping industry. As a result of these combinations, the container shipping industry going forward is expected to be characterized by fewer, but larger, players with greater scale and lower per-unit costs as a result of using larger, more-efficient vessels.

Whereas in the past, the main driver for acquisitions was the need to establish a presence on routes on which the acquirer had lesser or no presence, the latest M&A activity has been focused on the pursuit of scale and global reach by reinforcing the acquirer network through a combination of capacity and market share. An example is the CMA CGM takeover of NOL, where the latter’s primary strength on its Transpacific and Intra-Asia/Middle East trades reinforced CMA CGM’s position in these trades. Another part of the surge in M&A activity came as a consequence of the highly leveraged smaller companies that faced challenges in servicing their debts due to recurrent operating losses, and hence were more inclined to be acquired by larger competitors.

In addition to consolidation due to M&A activity, the competitive landscape has also changed in recent years due to company bankruptcies. Distressed vessel earnings in the past and a heightened debt level in the industry led to the bankruptcy of Hanjin Shipping, the leading Korean liner company. Debt in the industry remains high and there are still highly leveraged companies in the sector, which may lead to further consolidation going forward.

Consolidation in the Liner Industry



Source: Drewry

As a result of the above-mentioned consolidation in the industry and the bankruptcy of Hanjin shipping, the global supply chain experienced disruptions and scheduling disturbances. 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. Similarly, as Hanjin was deploying 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 as Hanjin's exit created gaps.

On the other hand, the recent M&A activity also led to less prompt deliveries, higher scrapping and more idling, which in turn have alleviated the existing excess supply to some extent. The former Hanjin-operated fleet accounted for 622,958 TEU (or 36%) of the total idle fleet as of November 2016. Of this ex-Hanjin fleet (which includes old Panamax vessels), some 200,000 TEU is composed of containerships larger than 10,000 TEU, which were discontinued from Transpacific and Asia-Europe services.

As of May 2017, only 17 of the 98 ships formerly operated by Hanjin remained idle with a combined capacity of 122,000 TEU. Furthermore, six vessels with cumulative capacity of 26,000 TEU have been scrapped while 75 ships (460,000 TEU) found employment elsewhere. Hanjin's idle fleet started to decline in December 2016 as many ships were re-chartered. Maersk Line has shown the biggest appetite for the former Hanjin's fleet, by chartering 14 vessels, including six 13,000 TEU ships, followed by MSC which has chartered eight vessels.

In addition, some non-operating companies that charter out ships out to liner companies were also under severe financial duress and this resulted in aggressive scrapping. Of the total 659,400 TEU scrapped in 2016, approximately 523,300 TEU belonged to independent owners. Moreover, containerships owned by non-operating owners such as Rickmers Maritime Trust and German KG Hansa Treuhand (which are in danger of being wound up) may also be scrapped.

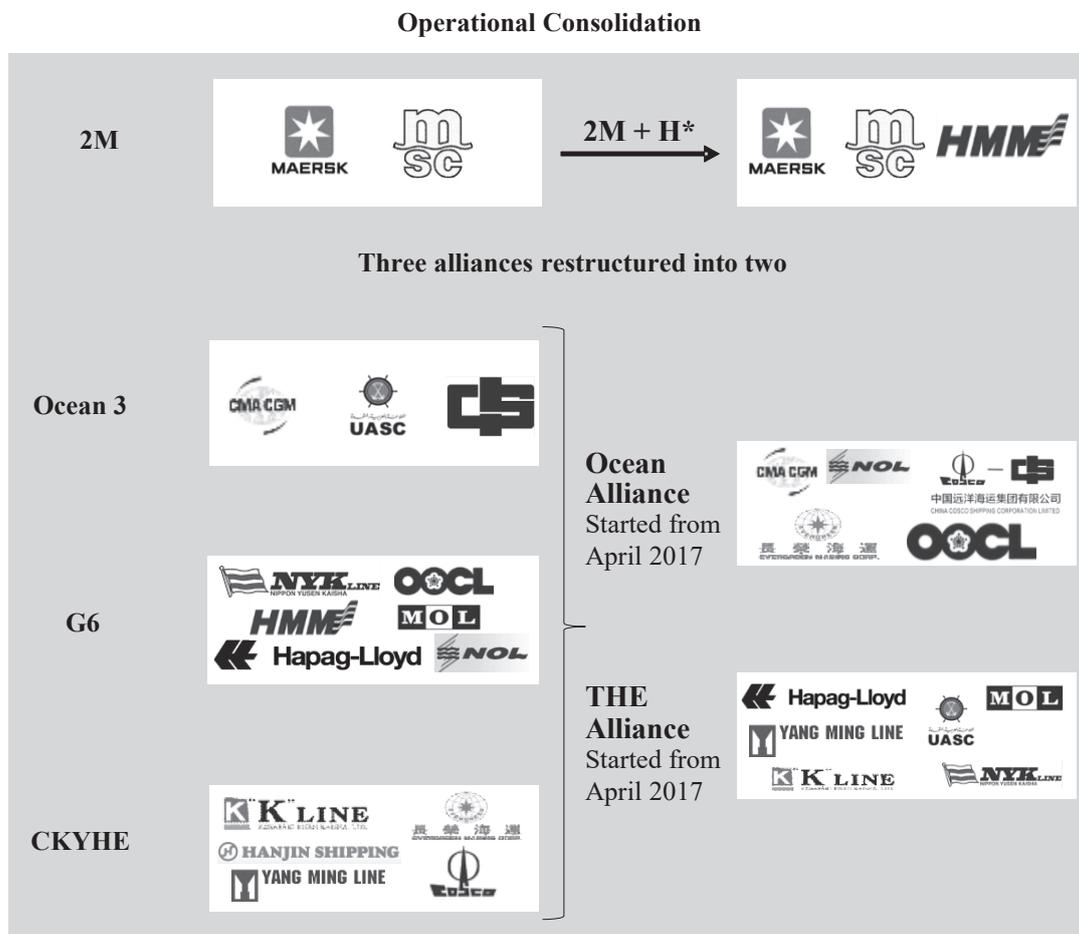
Global Alliances

Alliances are generally agreements that cover vessel sharing, and the purpose of these alliances is to offer comprehensive service networks, competitive sailing frequencies, extensive port coverage and an efficient integration of ships. Global alliances are focused mainly on the East West corridor because larger ships can be

positioned on these routes. Deploying larger ships on these routes allows carriers to operate at a lower cash break-even point, as it optimizes costs for them to operate on trade lanes with greater cargo volume.

Some alliances are more formal than others and in some cases liners still negotiate their own individual terminal deals with ports. However, the core aim is to maximize the usage of the largest vessel assets in a group of carriers to maximize efficiency and to maximize port coverage for shipper clients.

Before April 2017, there were four main operational alliances among the major carriers. These have now been reshaped into three major alliances, namely 2M, Ocean Alliance and The Alliance, and approximately 43% of the global containership fleet is deployed under these three alliances. The vessel-sharing agreement within 2M remains largely unchanged compared to the prior operational alliance landscape, with the addition of HMM for selected services. HMM has chartered out its vessels to 2M and will charter slots on a need basis. The Ocean Alliance expanded its cumulative capacity compared to 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 and joined The Alliance.



**Slot exchange and Charter arrangement*

Source: Drewry

The market share of each alliance on different routes is shown in the table below. As shown, 2M has the largest capacity share on Asia–Europe (41%) and Transatlantic (22%) while Ocean Alliance leads capacity share

on the Transpacific route (33%). THE Alliance is the third major alliance in terms of total capacity deployed and it holds a meaningful market share (18%) on the Transatlantic route.

Trade route market share for each alliance

Trade route	Carrier	Total TEU capacity ⁽¹⁾	No. of Ships	% Share	Largest Vessel Deployed
Transpacific	2M ⁽²⁾	872,273	102	23%	13,630
	Ocean Alliance	1,248,806	149	33%	14,000
	THE Alliance	856,087	116	23%	13,169
	Others	774,385	121	21%	10,062
	Total	3,751,551	488	100%	14,000
Asia-Europe	2M ⁽²⁾	1,790,928	117	41%	20,000
	Ocean Alliance	1,486,922	120	34%	21,100
	THE Alliance	1,003,042	81	23%	20,150
	Others	64,209	15	1%	4,447
	Total	4,345,101	333	100%	21,100
Transatlantic	2M	190,276	31	22%	8,089
	Ocean Alliance	106,771	17	13%	8,508
	THE Alliance	153,955	34	18%	5,595
	Others	400,827	96	47%	9,400
	Total	851,829	178	100%	9,400
Asia-Middle East/South Asia	2M ⁽³⁾	0	0	0%	n.a.
	Ocean Alliance	402,730	46	27%	14,074
	THE Alliance	59,764	7	4%	10,100
	Others	1,049,804	208	69%	13,100
	Total	1,512,298	117	100%	14,074

Notes:

1) Above list is based on dedicated loops only, and the total TEU capacity includes multi-trade services.

2) Fleet of below services counted twice in above table because of multi-trade dedicated routings

a) 2M - AE12/TP2/Phoenix/Jaguar (Asia-Europe & Transpacific)

b) 2M - AE6/TP6/Lion/Pearl (Asia-Europe & Transpacific)

3) 2M does not have any dedicated trade loops on the Asia-Middle East/South Asia route. However, 2M runs a few consortium services and has added Middle East/South Asia port calls on Asia to Europe services.

Source: Drewry

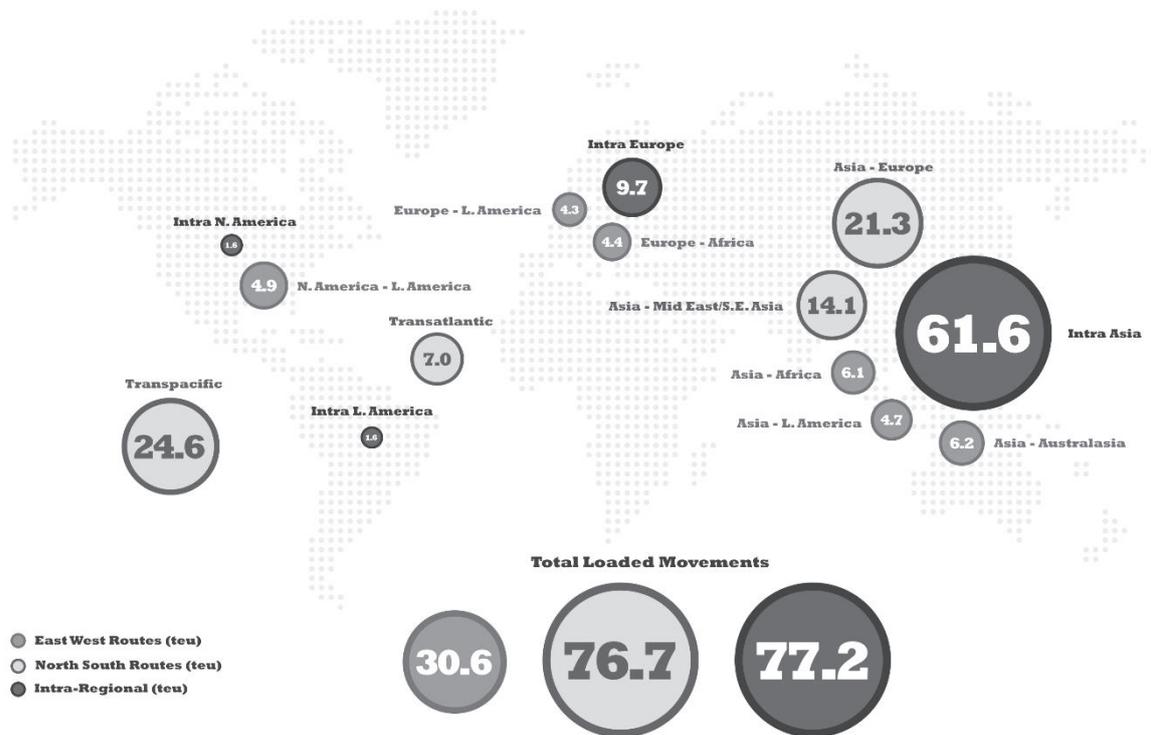
While these are the major official alliances, there are also other forms of operational cooperation agreements, such as vessel sharing agreements, slot swap or exchange agreements and slot charter agreements and also other less-binding operational cooperation frameworks between individual liner companies which are not commonly known by an industry title or name. 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-Asian market and agree to operate a service together, with each liner company providing a certain number of ships. Other loose 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, Hamburg Süd and UASC signed an agreement in 2014, whereby the German operator bought weekly slots on UASC's East-West trade lanes and the Dubai domiciled company gained access to a number of weekly slots in the trades to and from Latin America. Similarly, members of an alliance can coordinate vessel ordering to spread their capital investment.

Main Container Trades

There are four core trades in the container shipping industry: the 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 United States and European consumer demand for products made in Asia. The volume of trade between Asia and the Middle East is now larger than that on the Transatlantic and the Asia-Middle East trade is now becoming considered 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.

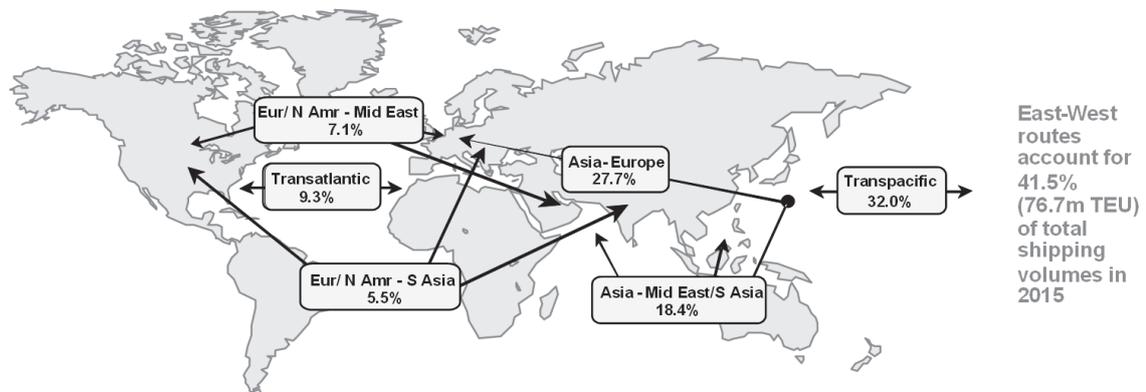
The Main Container Trades⁽¹⁾ (Million TEU)



¹Based on 2015, final data for 2016 not available yet

Source: Drewry

Containerized Seaborne Trade – Main East-West Routes⁽²⁾



²Based on 2015, final data for 2016 not available yet

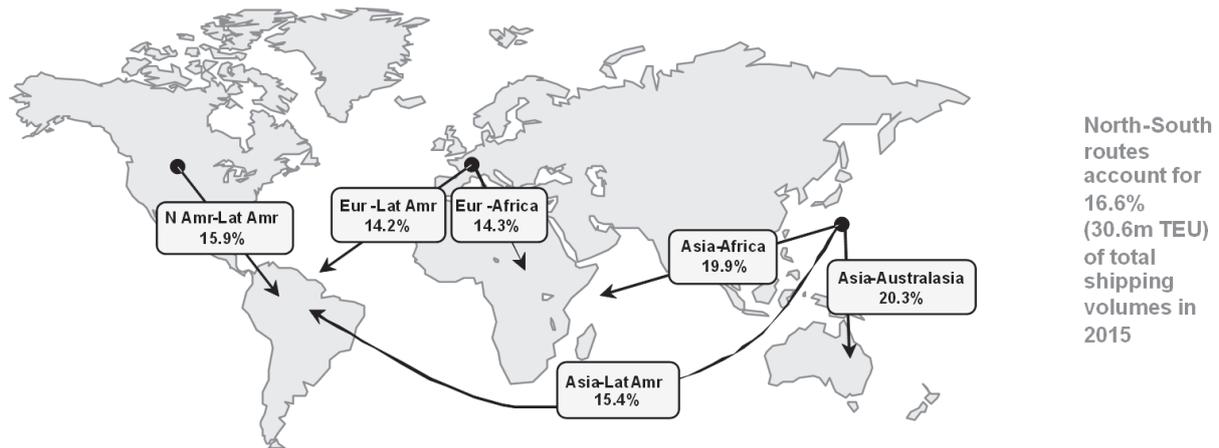
Source: Drewry

In 2015, Asia to U.S. head haul trades increased in terms of volume while Asia to Europe volumes declined because of lower imports by European countries reflecting the weakness in cargo demand. For instance,

European imports from the Far East in volume terms declined by 3.3% year-on-year to 14.55 million TEU. Similarly, Europe also imported less cargo from North America in 2015, as imports volume declined 6.2% to 2.70 million TEU.

Supporting the main East-West trades are the North-South trades and 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, more ships of around 8,000 to 9,000 TEU have been deployed in the North-South routes. Regional trades are generally served by feeder and Handysize containerships, but lately larger ships up to the Panamax size have been introduced.

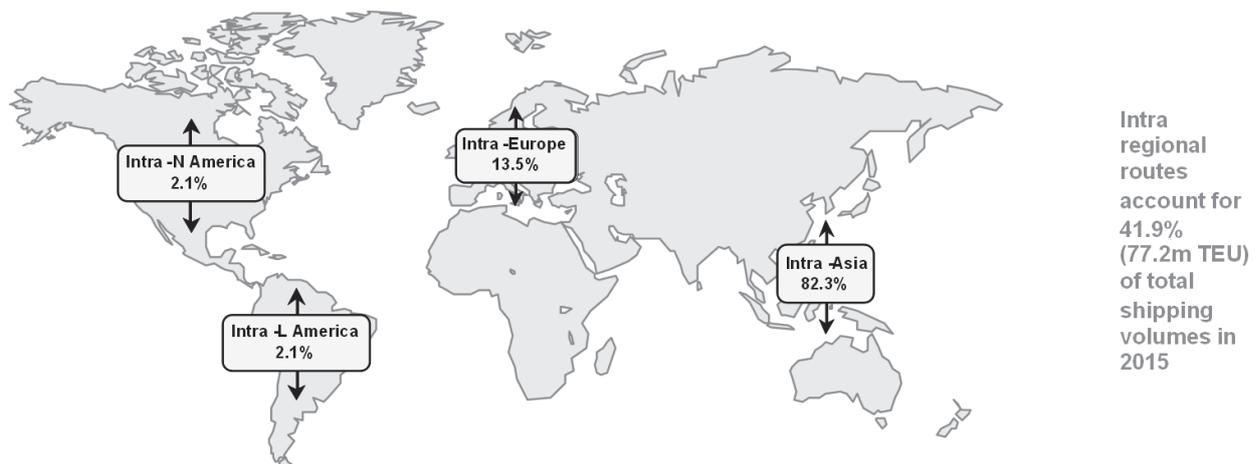
Containerized Seaborne Trade – Main North-South Routes⁽³⁾



³Based on 2015, final data for 2016 not available yet

Source: Drewry

Containerized Seaborne Trade – Main Intra-Regional Routes⁽⁴⁾



⁴Based on 2015, final data for 2016 not available yet

Source: Drewry

The following table shows the trades on which different sizes of containerships may adequately be deployed.

Containerships -Typical Deployment by Size Category

Trades	Routes	Ship Size TEU							
		<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	Far East-Europe						X	X	X
	Transatlantic			X	X	X	X		
	Transpacific				X	X	X	X	X
	Far East-Mid East				X	X	X	X	
	Asia-Red Sea				X	X	X		
Other	Intra-Asia	X	X	X	X				
	North-South Routes		X	X	X	X	X	X	
	Other Intra-Regional Routes	X	X	X	X				

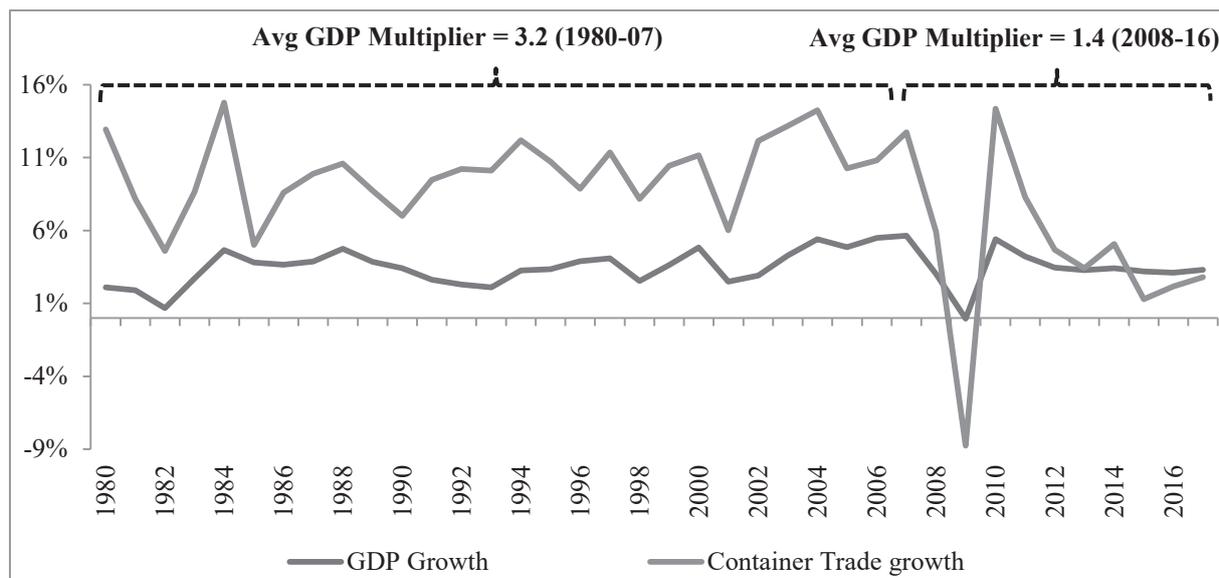
** All trade routes contain dedicated loops only*

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 and 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 have grown at a multiple of approximately three times 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 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. However, it has improved slightly to 0.7x in 2016, pointing to a probable turnaround towards improved multiples.

Container Demand and GDP Multiplier



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 also 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 such as Eastern Europe, Mexico, South East Asia and the Indian Subcontinent.

Inexpensive and reliable container transport has facilitated manufacturing and distribution processes that have accompanied globalization, allowing manufacturing to move away from traditionally high-cost production areas, such as Japan, Western Europe and North America, to lower-cost production areas, such as China, Vietnam and other parts of South East Asia. There has been little impact on the quality of the distribution process to the primary consumer markets. As an illustration of the relative low cost of container transportation, many technologically advanced countries are exporting component parts for assembly in other countries, and then re-importing the finished products. Manufacturers have also focused more on “just-in-time” delivery methods, which are facilitated by the fast transit times and frequent, reliable services offered by container liner companies and the container industry. However, this concept was turned on its head in around 2007 and 2008 with the onset of much higher fuel prices and the advent of liner slow steaming. Average transit times in the deep-sea trades are now much longer than they were a decade ago.

In addition to the levels of economic growth, there are several structural factors that also positively impact 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.

Growth in the container market has at times outpaced investment in port and canal infrastructure, which has occasionally resulted in congestion in some parts of the transportation chain. Congestion increases ships’ time in transit and reduces overall efficiency. The largest containerships are deployed in the major trades, and incremental tonnage is required to feed cargo to these mother ships from ports that do not have either the volume or the infrastructure to serve very large ships of over 10,000 TEU of capacity directly. In this context, both congestion and increased transshipment absorb shipping capacity, but do not represent incremental growth to the overall container market.

In recent years, economic growth slowed down in developed markets such as the U.S. and Europe, which translated into lower container trade, though these markets have started to show signs of a recovery, particularly the U.S. Similarly, increasing trade protectionism by developed countries would also mean putting boundaries to the trade flows, and could have a negative impact on international trade and containership volumes.

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 such as CMA CGM, Maersk and ZIM have sought to leverage the digital medium to grow their business at lower costs. All three companies have signed an agreement with *Alibaba One Touch*, to provide an online platform for customers, which offers direct booking for shipments. In addition, CMA CGM has also agreed to tie up with *Agree Freight*, another online freight booking platform. Maersk has also signed with Chinese internet service *Cangweibao* to service Chinese small-businesses.

Online platforms will be a bonus, especially for small and medium-sized shippers, who otherwise might get squeezed out by the biggest manufacturers. Not only does a digital platform provide an opportunity for 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.

The Containership Fleet

As of March 31, 2017, the world fleet of fully cellular containerships consisted of 5,129 ships, totaling a capacity of 19.97 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 12 years, with the largest vessels being newer as a result of the increasing preference for such larger vessels in recent years.

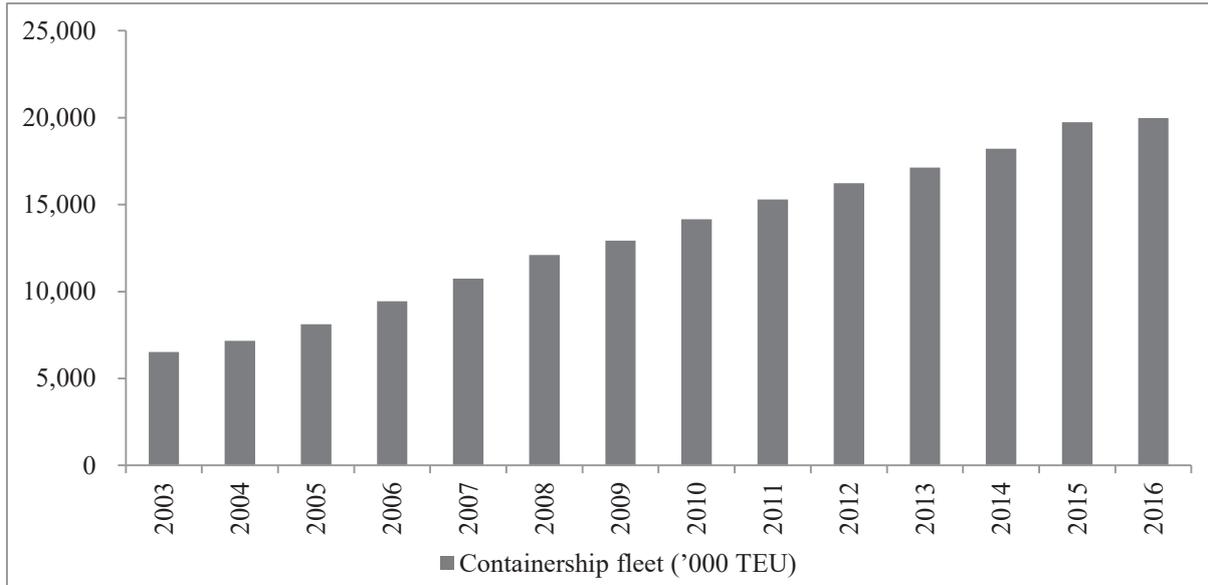
World Cellular Containership Fleet by Size March 31, 2017

Type	Size (TEU)	March 2017		% of Total	
		No	'000 TEU	No.	TEU
Feeder	<1,000	1,041	629	20.3	3.1
Handysize	1,000-1,999	1,239	1,741	24.2	8.7
Intermediate	2,000-2,999	615	1,556	12.0	7.8
Panamax	3,000-4,999	812	3,357	15.8	16.8
Post-Panamax	5,000-7,999	576	3,476	11.2	17.4
Large	8,000-9,999	480	4,204	9.4	21.1
Very Large	10,000-13,999	231	2,801	4.5	14.0
Super Large	14,000-17,999	83	1,227	1.6	6.1
Ultra Large	18,000+	52	978	1.0	4.9
Total		5,129	19,968	100.0	100.0

Source: Drewry

The fleet has grown rapidly to meet the increases in trade, with capacity rising from 6.5 million TEU at the end of 2003 to 19.96 million TEU in March 2017. In terms of capacity, the containership fleet increased 8.4% in 2015 and by a further 1.2% in 2016. On average, the fleet has increased by an average of 7.8% per year since 2006.

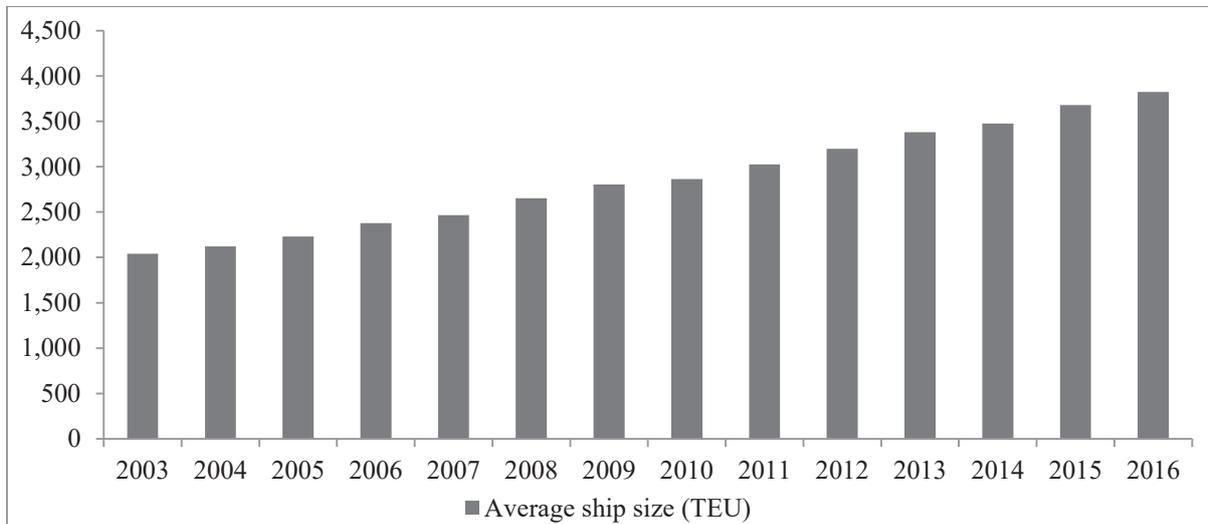
Containership Fleet Development ('000 TEU, 2003 - 2016)



Source: Drewry

In tandem with the growth in capacity of the overall fleet, average ship capacity has also steadily increased. The average size of containerships in service was nearly 3,900 TEU as of March 2017, compared with approximately 1,600 TEU in 1997. Average ship size is expected to continue to increase in view of the increasing preference for large-sized containerships that are being ordered.

Increasing size of containerships (2003 - 2016)



Source: Drewry

Since 2011, both liner companies and independent owners have invested heavily in the 5,000 TEU to 11,000 TEU wide beam newbuilding market. These ships can be used for many trade lanes, due to economies of scale in terms of size, while their wide beam and energy efficient designs lower slot costs. Many of them are deployed in Latin American trades due to their high reefer intake design, and some in the Asia-Mediterranean and Asia-West African trades. Recently, older 8,000 TEU vessels are also being replaced by newly-built vessels that have more efficient engine designs.

The wide-beam feature of the specific vessel segment offers a range of advantages over conventional ships of the same size, including:

- The ability to service a greater number of ports due to their reduced length.
- Enhanced vessel stability, which allows for greater cargo carrying capacity and economies of scale and can lead to up to 15% more capacity for loaded containers.
- More fuel-efficient design which lowers costs. Fuel efficient vessels can be 30% to 40% more economical per container carried.

The attraction of these ships is clear for the market, but the deployment in certain emerging routes has affected the supply/demand balance. The decision to order these ships is therefore mainly made with the aim of realizing economies of scale and fuel cost savings. A large number of ships in the 8,000 to 10,000 TEU size range have been ordered since 2010. The vast majority of these have been of wide beam design and many with a high reefer intake, again targeted at the Latin American trades. In 2016, approximately 21 ships of this size were delivered. Another 11 such ships are scheduled for delivery in 2017, in addition to the two that have already been delivered during the year.

There is a relatively small critical mass of new wide beam ships in the market and few orders in the 4,500 to 5,500 TEU range have been placed recently. Ships of this size have come into the market since late 2013 and have commanded a premium over traditional designs. For example, in the fourth quarter of 2016, the average daily one-year charter rate of approximately \$6,400 for a 5,000 TEU modern vessel was significantly higher than rates of \$4,400 per day for older traditional designs of the same size. 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

As of March 31, 2017, the global containership newbuilding orderbook in terms of TEU was 3 million TEU, equivalent to 15.1% of the existing containership fleet. This is the lowest percentage since 2000 and represents a significant decline from the peak witnessed in 2007, when the orderbook reached 60% of the existing fleet. The orderbook mainly comprises ships with capacity exceeding 10,000 TEU, which accounts for close to 80% of the overall orderbook in TEU terms. The orders placed to date for the largest containerships have all been placed by the major operators, which are likely to use such vessels to increase their market share and/or reduce their slot costs.

At the other end of the spectrum, 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 transshipment services to the largest ships working the main East-West routes. However, very recently, there has been an increased interest in the sub-3,000 TEU sector because of the possible increase in transshipment activities as a result of bigger vessels being increasingly deployed on all major routes due to the new alliance structure.

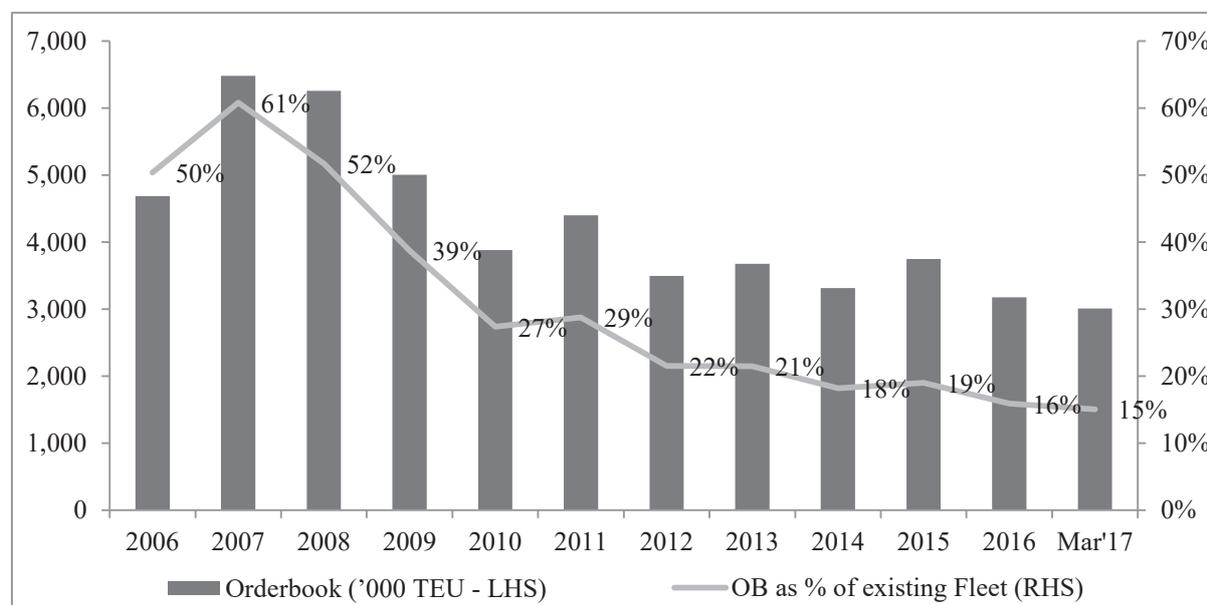
Containership Orderbook Delivery Schedule, March 31, 2017

Vessel Size	Scheduled Year of Delivery								All Ships on Order		% of existing fleet by TEU
	2017		2018		2019		2020		No	Total TEU	
TEU	No	'000 TEU	No	'000 TEU	No	'000 TEU	No	'000 TEU	No	Total TEU	by TEU
< 1,000	3	1	3	1					6	3	0.4%
1,000-1,999	55	82	39	55	18	27	2	4	114	168	9.7%
2,000-2,999	38	96	33	85	11	28			82	209	13.4%
3,000-4,999	14	52	14	48					28	100	3.0%
5,000-7,999	7	38	1	5					8	44	1.3%
8,000-9,999	11	103							11	103	2.5%
10,000-13,999	20	218	29	366	2	24			51	607	21.7%
14,000-17,999	25	353	12	169	6	84	3	42	46	648	52.8%
18,000-20,000	20	409	24	481	4	76	9	162	57	1,128	115.4%
Totals	193	1,353	155	1,211	41	239	14	208	403	3,010	15.1%

Source: Drewry

The size of the orderbook built up rapidly in the period from 2006 to 2008, when strong freight rates and robust demand on the core East-West trades encouraged high levels of new ordering. However, the orderbook started contracting with a combination of orderbook cancellations, slippage and vessel conversions. This position was reversed only for a short period in 2011 due to a renewed ordering of very large containerships, but since then orderbook relative to the existing fleet has declined steadily and the ratio is currently at its lowest point in more than a decade, especially given challenging market conditions in 2016.

The Containership Orderbook ('000 TEU) – Ratio to Existing Fleet



Note – Fleet data is net of vessels scrapped

Source: Drewry

In the recent past, interest in ships of over 18,000 TEU has increased, with six vessels ordered in 2014, and that increased sharply in 2015 as 57 ships vessels were ordered during the year. Owing to an oversupplied market, none have been ordered since.

Meanwhile, with the widening of the Panama Canal, containerships with capacity of up to 14,000 TEU will now be able to transit the enlarged Panama Canal. However, the largest containerships of 20,000 TEU are not expected to be able to transit the enlarged waterway and have primarily been designed to be deployed in the Asia-Europe trade.

Deliveries & Slippage

The majority of the containerships on order are scheduled to be delivered in 2017 and 2018, but based on past evidence it cannot be assumed that these ships will be delivered on time. According to the orderbook as on March 31, 2017, nearly 85% of the tonnage on order is scheduled to be delivered by 2018.

Containership Deliveries ('000 TEU)

Deliveries	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total (2005-16)
<1,000	42	53	54	52	23	16	8	9	4	1	3	5	269
1,000-2,000	62	108	168	174	90	68	47	51	60	43	52	47	972
2,000-3,000	119	161	114	162	78	47	32	21	22	17	41	43	856
3,000-5,000	199	223	310	348	344	336	111	183	226	128	64	8	2,480
5,000-8,000	250	278	318	293	227	241	210	95	122	93	48	0	2,175
8,000-10,000	272	510	279	338	178	265	226	224	441	336	552	195	3,816
10,000+	0	47	72	135	166	415	555	602	494	686	923	607	4,701
Total	944	1,380	1,315	1,501	1,106	1,388	1,189	1,185	1,369	1,304	1,683	905	15,270

Source: Drewry

Historically, slippage rates were typically less than 10%, but in the recent years, the actual deliveries have been significantly less than originally scheduled.

Actual Deliveries and Slippage ('000 TEU)

	2014	2015	2016
Due delivery as of 1 Jan	1,624	1,889	1,321
sub 8,000 TEU	448	310	208
8,000+ TEU	1,176	1,579	1,113
Actual delivery			
sub 8,000 TEU	310	215	103
8,000+ TEU	1,166	1,454	801
	1,476	1,669	904
Year slippage	147	220	417
Delivery rate			
sub 8,000 TEU	69.4%	69.3%	49.3%
8,000+ TEU	99.1%	92.1%	72.0%
Net delivery rate	90.9%	88.3%	68.4%
Slippage %	9.1%	11.7%	31.6%

Source: Drewry

Slippage rates in 2016 rose significantly due to a number of reasons:

- Freight rates plummeted to record lows, thereby forcing ship owners to postpone deliveries to avoid exacerbating operating losses.
- Owing to high leverage, and at times purchasers being unable to secure financing, ship deliveries have been deferred to avoid further increasing debt on balance sheets.
- Orders were placed at “greenfield” shipyards, some of which could not secure funding to finance yard development. A greenfield yard is a shipyard with no prior experience in building ships for international

accounts.

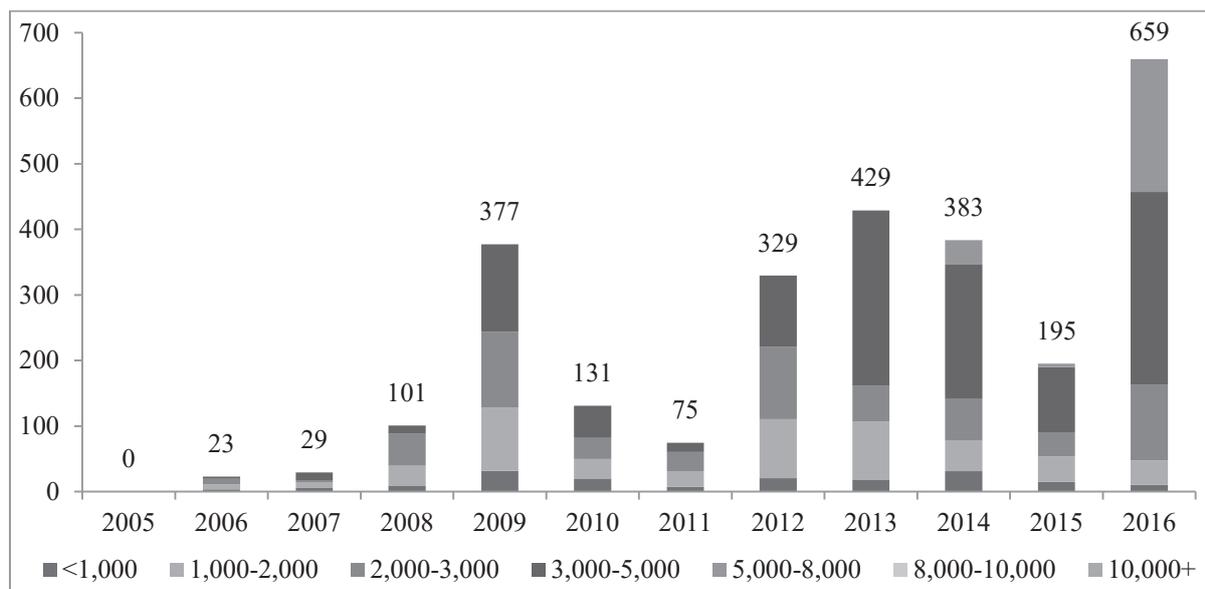
- Ship owners also cancelled orders despite incurring short-term losses because the depressed business environment did not encourage the chartering out of ships.

Scrapping

Scrapping of ships has risen since the beginning of 2012. This has been driven by operators' desire to utilize the most fuel efficient tonnage, as many older container ships are unable to provide owners and operators the cost savings they require. In addition, the charter market has not recovered meaningfully since 2009 and most tonnage under 4,000 TEU has been unable to consistently earn revenue above operating costs. With costly dry docking required once a vessel reaches fifteen years of age, some owners have decided to instead realize residual values by scrapping the older portions of their fleet. This is likely to be a continuing trend for the industry, especially as older Panamax ships are increasingly becoming redundant after the widened Panama Canal that opened in 2016.

Two important trends have emerged with regard to demolition. 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 2016, the average age of ships scrapped ranged from a low of 16 years for ships of 1,500 to 2,000 TEU to a high of 24 years for similarly sized ships, with the overall average being close to 19 years. This compares to an overall average of close to 30 years, which has been the typical age for scrapped ships over the last decade. In the same period, the average size of ship being sent for demolition increased from 1,200 TEU in 2006 to 3,380 TEU in 2016.

Containership Scrapping ('000 TEU)

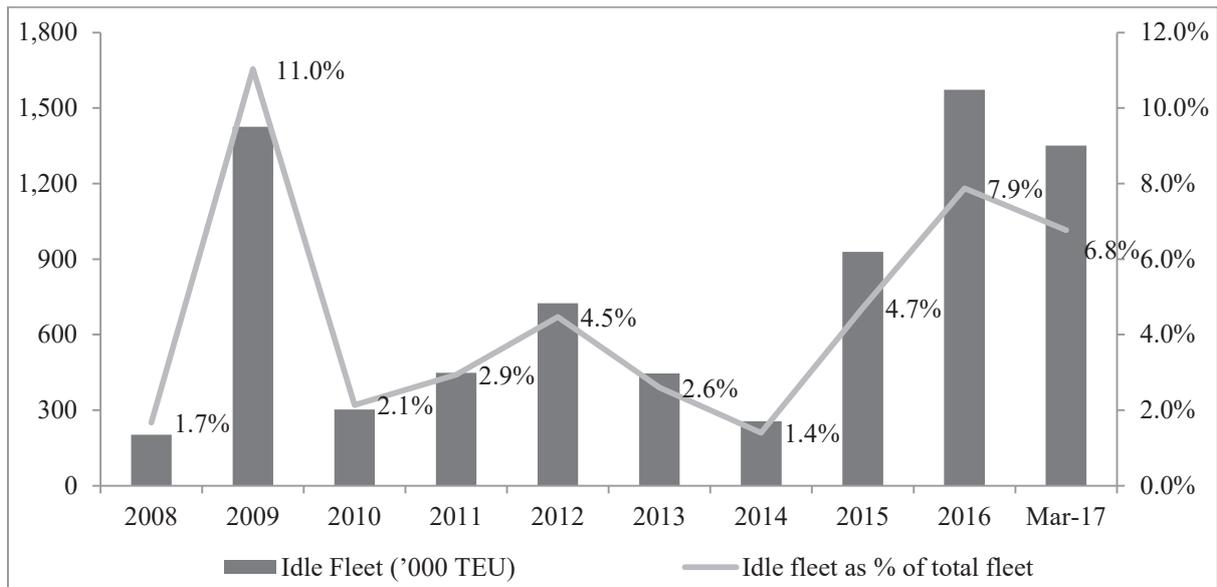


Source: Drewry

Idle Tonnage

At any point in time, a proportion of the fleet can be idle or inactive. The volume of idle capacity will vary 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. However, as vessel earnings started to weaken further in the second half of 2015, ship owners resumed idling their vessels at a rapid pace. Consequently, by the end of 2016, the idle capacity relative to existing fleet shot up to 7.9%, far higher than 1.4% at the end of 2014. With improvement in freight rates witnessed since the last quarter of 2016, the idle fleet has slightly eased to 6.8% of the total fleet, although this remains a higher figure than typically has been observed historically.

Idle Capacity ('000 TEU) as a Percentage of Fleet



Source: Drewry

Slow Steaming

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.

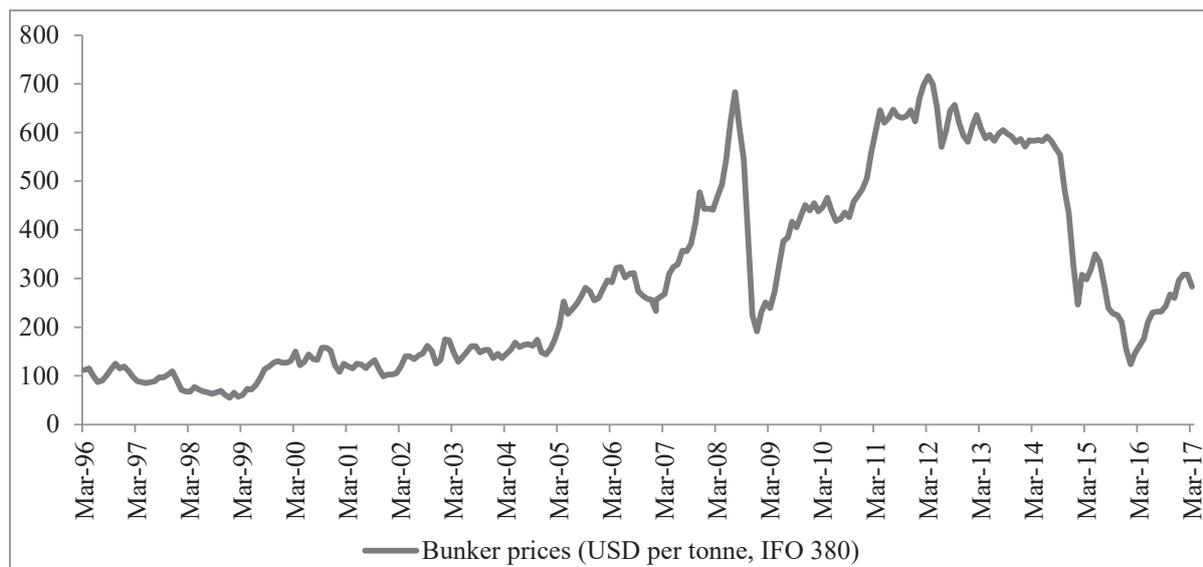
Vessel Sailing Times (Sailing Days – Round Voyage)

Route	Vessel Speed						
	24.0 Knots	20.1 Knots	19.4 Knots	17.6 Knots	16.1 Knots	23.0 Knots	17.7 Knots
Asia-Europe	56.5	63	70	77	84	-	-
Transpacific	-	-	-	-	-	23.4	30.4
Transatlantic	-	-	-	-	-	23.4	30.4
Typical No of Vessels Deployed	8	9	10	11	12	4	5

Source: Drewry

A typical Asia-North Europe string previously comprised eight 14,000 to 16,000 TEU vessels operating at design speeds of 24 knots. By reducing the sailing speed of the vessels to 20 knots, a further 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 5,500 TEU vessel sailing at 25 knots consumes approximately 168 tons of fuel a day. If the speed is reduced to 19 knots, consumption is reduced by 56% to approximately 74 tons a day.

Marine Bunker Fuel Prices (US\$/Ton – IFO 380)



Source: Drewry

Since October 2014, with the sharp decline in oil prices, there has been some industry debate about the cost savings associated with slow steaming, but it is now unlikely that major carriers will reverse their strategy of slow steaming.

The Impact of Larger Ships and Cascading

The ordering of 18,000+ TEU ships has naturally raised questions of how cargo will be moved in the future, in particular the impact on the traditional hub/spoke feeder model and level of transshipment. Essentially, in a hub and spoke model, the large to ultra large ships call at three to four hub ports in Asia and three to four in Europe, while smaller feeder ships carry cargo from outlying areas such as Indonesia, Philippines and Japan to Asian hub ports and from hub ports in Northern Europe and the Mediterranean to Eastern Europe and Russia.

In this respect, it seems likely that, as far as the main East-West trades are concerned, the liner companies will continue to deploy 10,000+ TEU ships on the Asia-Europe trades and bigger ships of 9,000-10,000 TEU on the Asia-U.S. West Coast trade. With the Panama Canal extension, such larger ships can also be deployed on the Asia-U.S. East Coast trade. In addition, it is clear that there is a trend towards the use of larger feeder ships.

Ships below 12,000 TEU are now moving away from the Asia-North Europe route and being employed on the Transpacific and other North-South routes as part of the global cascading process. The liners are deploying the largest ships they can on all major East-West and North-South trades in order to exercise competitive advantages and to enjoy economies of scale. In theory, the deployment of the larger ships will result in lower slot costs. Hence, all ships of Post-Panamax size and above are attractive to carriers, while smaller Panamax ships are becoming obsolete.

Carriers are gradually positioning their ships of 4,500 TEU and above in the huge intra-Asian trade lane, though regional operators believe there is still a place for the smaller ships. Carriers have also upgraded the size of ships working in the Asia to West Africa trade and this route is acting as a slight relief valve for older gearless Panamax tonnage. There are a number of North-South trade lanes where ships of over 8,000 TEU are now trading, including Asia-West Coast South America (WSCA) and Asia and Europe–East Coast South America (ESCA). There are, however, some natural limits to the cascading process. For example, in parts of West Africa, Asia and Latin America, liner companies have invested in and continue to invest in shallow draught and wide beam ships due to physical infrastructure restraints.

Supply-Demand Balance

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, the 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. Over the last two years, demand on the head haul East-West routes has been sluggish, as reflected by the decline in average utilization rates, which fell from 92.9% in 2014 to 87.1% in 2015. In 2016 there was a marginal improvement to 88.9%. The key routes which have started to witness recovery in contract rates in recent months are Asia-Europe and Transpacific.

East-West Trades Head-haul Supply/Demand Balance and Utilization Factors 2015-2016

	Capacity* (‘000 TEU)	Change	Demand (‘000 TEU)	Change	Supply- demand gap	Utilization	Slot/TEU	TEU/slot
1Q15	9,964		8,393			84.2%	1.19	0.84
2Q15	10,635	6.7%	9,389	11.9%	-5.1%	88.3%	1.13	0.88
3Q15	10,916	2.6%	9,765	4.0%	-1.4%	89.5%	1.12	0.89
4Q15	10,433	-4.4%	8,990	-7.9%	3.5%	86.2%	1.16	0.86
2015	41,948	12.8%	36,537	5.7%	7.1%	87.1%	1.15	0.87
1Q16	10,314	-1.1%	8,720	-3.0%	1.9%	84.5%	1.18	0.85
2Q16	10,906	5.7%	9,504	9.0%	-3.3%	87.2%	1.15	0.87
3Q16	10,744	-1.5%	9,966	4.9%	-6.3%	92.8%	1.08	0.93
4Q16	10,377	-3.4%	9,459	-5.1%	1.7%	91.1%	1.10	0.91
2016	42,341	0.9%	37,650	3.0%	-2.1%	88.9%	1.12	0.89

Capacity and demand is annualized for full year and quarterly figure per quarter; trade routes include Asia-Northern Europe, Asia-Mediterranean, Transpacific and Northern Europe & Mediterranean -North America

*Capacity is the deployed capacity and refers to total available slots on a particular trade route

Source: Drewry

However, North-South routes did not perform as well in 2016 and overall head haul utilization rates were close to 70%. The decline in utilization rates on North-South routes caused aggregate utilization rates for the entire container fleet in 2016 to remain at 2015 levels despite higher load factors on the East-West routes.

North-South Head-haul Supply/Demand Balance and Utilization Factors, 2015 - 2016

	Capacity* (‘000 TEU)	Change	Demand (‘000 TEU)	Change	Supply- demand gap	Utilization	Slot/TEU	TEU/slot
1Q15	5,345		4,004			74.9%	1.33	0.75
2Q15	5,759	7.7%	4,287	7.1%	0.7%	74.4%	1.34	0.74
3Q15	5,942	3.2%	4,358	1.7%	1.5%	73.3%	1.36	0.73
4Q15	5,698	-4.1%	4,116	-5.6%	1.5%	72.2%	1.38	0.72
2015	22,744	n.a.	16,766	2.3%	n.a.	73.7%	1.36	0.73
1Q16	5,708	0.2%	4,037	-1.9%	2.1%	70.7%	1.41	0.71
2Q16	6,091	6.7%	4,359	8.0%	-1.3%	71.6%	1.40	0.72
3Q16	6,096	0.1%	4,296	-1.5%	1.5%	70.5%	1.42	0.70
4Q16	5,958	-2.3%	4,214	-1.9%	-0.4%	70.7%	1.41	0.71
2016	23,853	4.9%	16,906	0.8%	4.0%	70.9%	1.41	0.71

Capacity and demand is annualized for full year and quarterly figure per quarter; Trade routes include Asia-ECSA, Europe-ECSA, Asia-West Africa, Northern Asia-Oceania; Asia-Mid-East; Asia-South Asia; Europe-Mid-East; Europe-South Asia

*Capacity is the deployed capacity and refers to total available slots on a particular trade route

Source: Drewry

Global Head-haul Supply/Demand Balance and Utilization Factors, 2015-2016

	Capacity* (’000 TEU)	Change	Demand (’000 TEU)	Change	Supply- demand gap	Utilization
1Q15	15,310		12,397			81.0%
2Q15	16,394	7.1%	13,676	10.3%	-3.2%	83.4%
3Q15	16,858	2.8%	14,123	3.3%	-0.4%	83.8%
4Q15	16,130	-4.3%	13,106	-7.2%	2.9%	81.3%
2015	64,692	n.a.	53,303	2.1%	n.a.	82.4%
1Q16	16,022	-0.7%	12,758	-2.7%	2.0%	79.6%
2Q16	16,996	6.1%	13,863	8.7%	-2.6%	81.6%
3Q16	16,839	-0.9%	14,262	2.9%	-3.8%	84.7%
4Q16	16,336	-3.0%	13,673	-4.1%	1.1%	83.7%
2016	66,193	2.3%	54,556	2.4%	0.0%	82.4%

Capacity and demand is annualized for full year and quarterly figure per quarter; Trade routes include Europe-ECSA, Asia-ECSA, Asia-West Africa, Northern Asia-Australasia, Asia-Mid-East, Asia-South Asia, Europe-Mid-East, Europe-South Asia, Asia-Northern Europe, Asia-Mediterranean, Transpacific, Northern Europe-North America

*Capacity is the deployed capacity and refers to total available slots

Source: Drewry

Containership Time Charter Rates

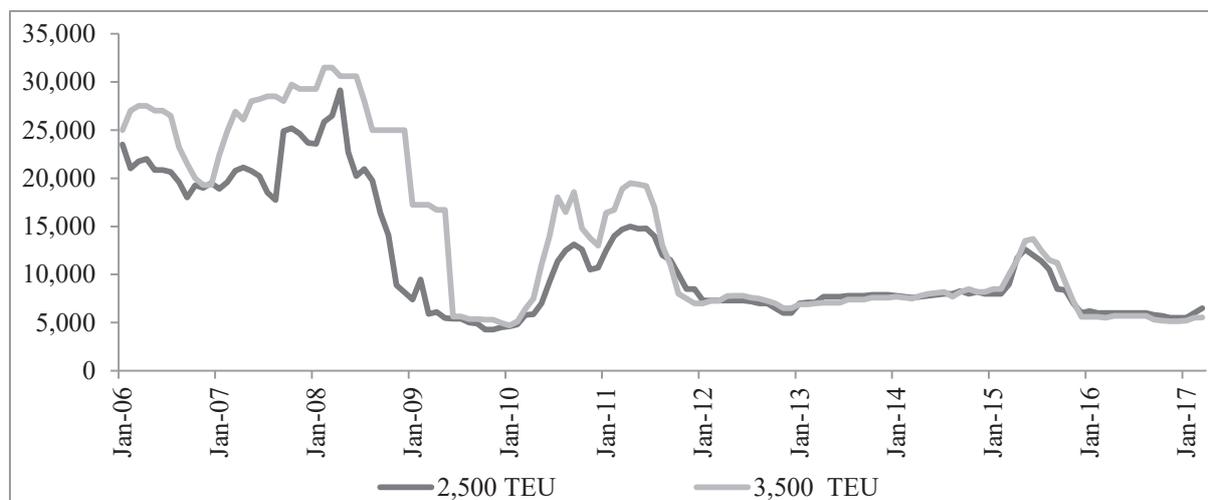
A time charter involves the use of the vessel, either for a number of months or years. The charterer pays all voyage related costs. The owner of the vessel receives monthly charter hire payments on a per day basis and is responsible for the payment of all vessel operating expenses and capital costs of the vessel.

Meanwhile, a bareboat charter involves the use of a vessel usually over longer periods of time ranging up to several years. All voyage related costs, including vessel fuel, or bunkers, and port dues as well as all vessel operating expenses, such as day-to-day operations, maintenance, crewing and insurance are the responsibility of the charterer. The owner of the vessel receives monthly charter hire payments on a per day basis and is responsible only for the payment of capital costs related to the vessel.

Charter rates are mainly dependent on the prevailing supply and demand dynamics in the sector, especially for shorter contracts. For longer charter periods, from three years to ten years, charter rates tend to be more stable and less cyclical. Other factors affecting charter rates include the age and characteristics of the ships (including fuel consumption, speed, new design, whether geared or gearless, number of reefer plugs), and supply/demand dynamics. Liner companies were under stress in 2016 because charter rates were unable to cover daily vessel operating expenses. For example, the average one-year charter rate in 2016 for a 7,000 TEU ship in 2016 was \$6,500 compared to daily operating expenses of \$8,200.

The following chart indicates annual average charter rates for representative containerships from 2006 to March 2017.

One-Year Containership Charter Rates, (Period averages U.S. \$/Day)



Source: Drewry

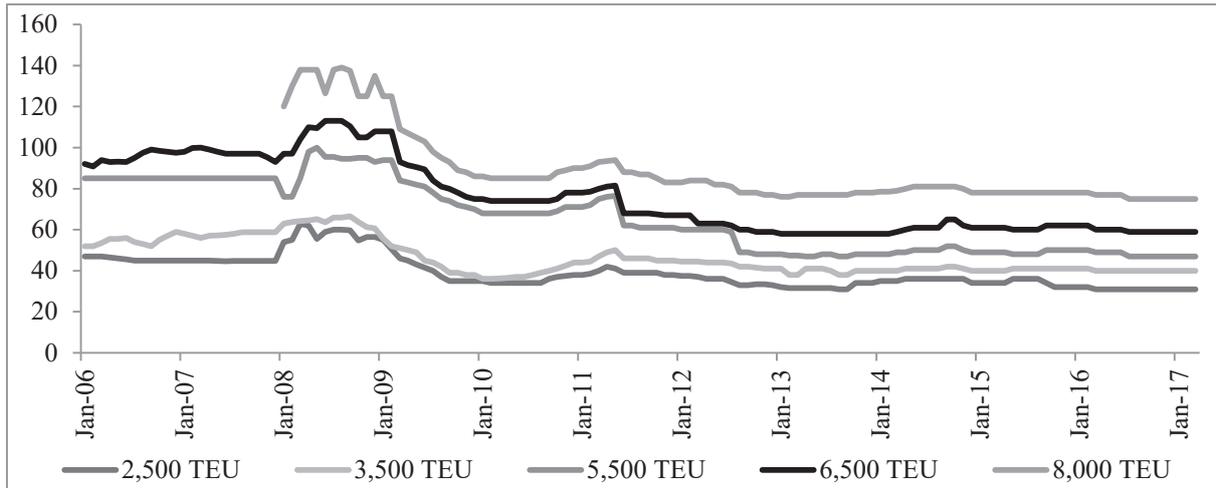
With some exceptions, charter rates for all vessel sizes increased steadily from 2002 until 2005, in some cases rising by as much as 50%, as charter markets experienced significant growth. In 2006, charter rates weakened due to market conditions and supply rising faster than demand. Charter rates recovered in 2007, only to fall in the second half of 2008 and subsequently drop dramatically in 2009 amid the sub-prime crisis. In 2010 and 2011, charter rates recovered, partly due to the re-stocking of inventories after the sharp contraction in container trade in 2009. However, they subsequently fell again in the first half of 2012, as increases in supply once again outpaced the changes in demand due to economic recession in Europe and elsewhere. In January 2013, charter rates were close to the all-time low witnessed in 2009, and as such, below long term averages. In 2013 and most of 2014 the charter market made no noticeable recovery across most size segments, other than the 5,000 TEU+ segment, which experienced a material improvement. There was a small upturn in charter rates towards the end of 2014 and into the first half of 2015, but thereafter for the remainder of 2015 and well into 2016 rates were soft and generally well below historical averages. However, rates started to recover in the fourth quarter of 2016 and this upward momentum has been maintained in the opening months of 2017.

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 the yard, individual design specifications, including fuel efficiency or environmental features and the price of ship materials, engine and machinery equipment and particularly the price of steel.

Newbuilding prices rose steadily from 2002 to 2008, due to a shortage in newbuilding capacity during a period of high ordering and increased shipbuilders’ costs as a result of rising steel prices. However, 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 weakened 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 suggesting that the price drop had leveled out. In 2014, prices improved only to retreat towards the end of year, and thereafter declined marginally in 2015 and 2016.

Containership Newbuilding Prices, (US\$ Million)



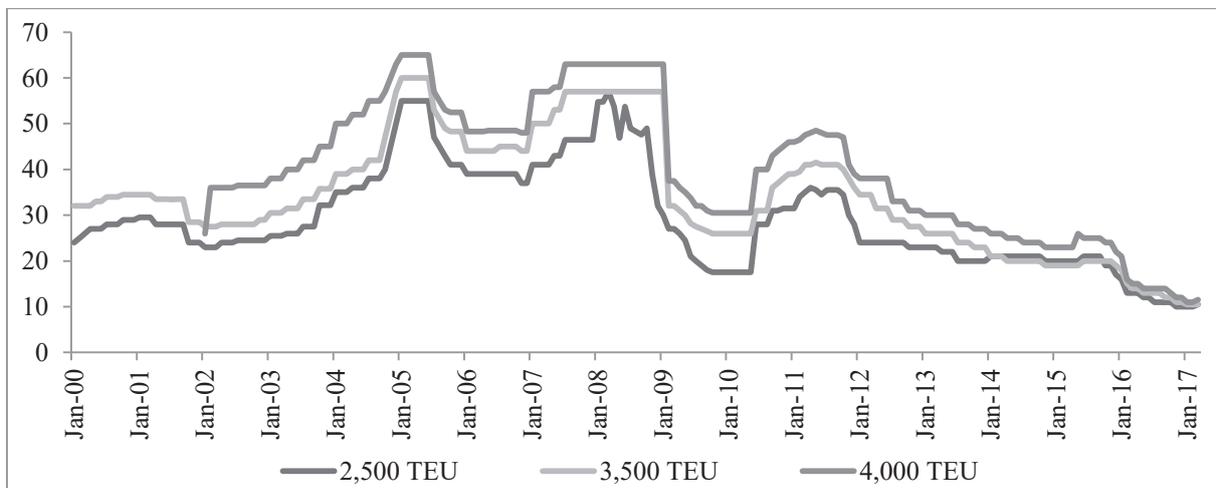
Source: Drewry

Containership Secondhand Prices

Ships are usually sold through specialized brokers who report transactions to the maritime transportation industry on a regular basis. The sale and purchase market for ships is usually quite transparent and liquid, with a number of ships changing hands on an annual basis. A large part of the interest in secondhand 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 longer term in nature. Secondhand prices are also influenced if a charter contract is attached to the vessel, and the terms of the contract. A secondhand 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.

Secondhand values for containerships increased between 2005 and 2008, supported by a strong charter market, but prices collapsed in 2009 due to the economic crisis and the resulting over-capacity in container shipping. Prices recovered partly during 2010 and 2011 as charter rates returned closer to average historical levels, but in 2012 they weakened once again in the face of much softer charter rates. In mid-2013, prices for 2,500 and 3,500 TEU ships were approximately 50% below prices at the end of 2007. In 2014, secondhand values for most container vessels were below average values in 2013, and were steady until fourth quarter 2015, after which the secondhand prices have almost halved as a result of the decline in freight rates. A five-year old 2,500 TEU vessel, which was priced at USD \$21 million in September 2015, is currently valued at USD \$10.5 million.

Containership Secondhand Prices, (5-Year old, US\$ Million)



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. Average operating cost per TEU declined by \$133 in 2016 over the previous year, but that was nullified by the decline in revenue per TEU of \$152. In the past, larger carriers have proved to be more equipped to handle the downturn but 2016 was a challenging year for them as well. Nonetheless, financial performance in the first quarter of 2017 has shown an improvement, with most of the major players such as CMA CGM and Evergreen Marine, continuing the improvement already observed in the previous quarter or becoming profitable again. Industry operating margins were close to break-even levels in the first quarter of 2017, driven by superior performance by CMA CGM, Zim and Evergreen Marine, which saw positive operating margins in the period, while liner companies such as Hyundai Merchant Marine and Yang Ming continued to struggle under market pressure and continued to have negative margins in the period.

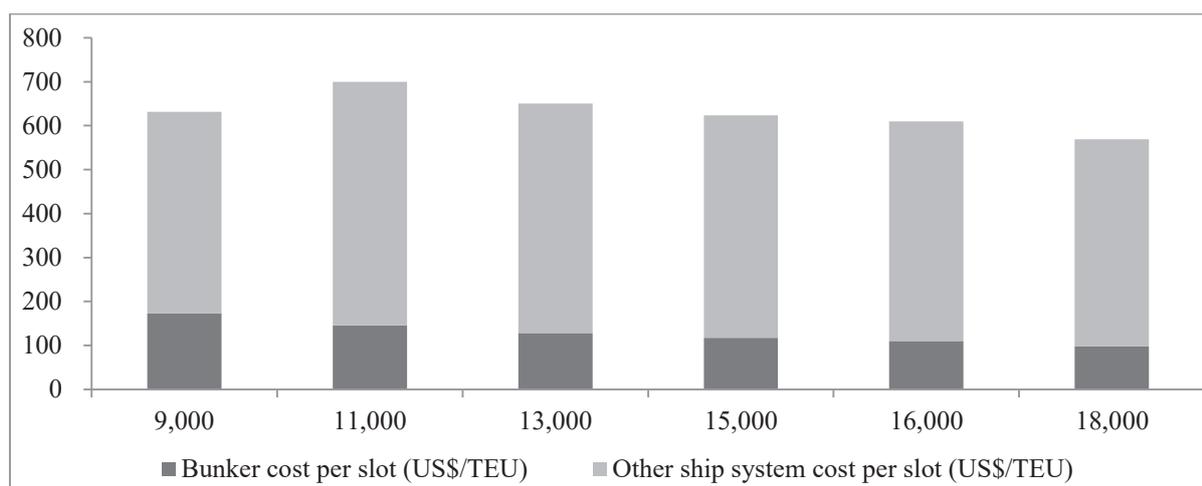
Development of Average Industry Revenue and Operating Cost per TEU

Year	Revenue per TEU (US\$)	Operating Cost per TEU (US\$)
2012	1,347	1,578
2013	1,267	1,464
2014	1,252	1,429
2015	1,093	1,210
2016	941	1,077

Source: Drewry

One of the main ways liner companies have been able to reduce costs is by deploying larger, more economical 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 40% 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 than the smaller ships, as shown in the chart below.

Unit Costs Asia-North Europe Route (US\$/TEU – May 2017)



*Slot cost includes charter-in costs, and specific to Asia-North Europe route, which is not comparable with the industry average

Source: Drewry

From a competitive point of view, it is essential for the liner companies to deploy large, economical ships in order to position themselves at the low end of the cost curve. Because economies of scale are reached only when the ships are highly utilized, it is also essential for liner companies to adopt policies such as joint operational alliances, which aim to combine services and volumes to attain higher levels of ship utilization.

Overall, liner companies that have been unwilling or unable to invest in the larger containerships required for certain routes have been finding it challenging to remain competitive on these routes. For instance, ZIM exited in 2015 and HMM in 2017 from Asia-North Europe route for this reason.

In addition to larger ships, the other main cost mitigation policies are slow-steaming (which reduces fuel consumption per voyage), the use of bunker adjustment factors (variable pass-through surcharges invoiced to customers), the use of more fuel-efficient ships and fuel hedging.

With regard to costs, bunker fuel costs account for 40-50% of ship operating costs (operating cost includes port charges, fuel, admin, stores and lubes, insurance, repair and maintenance, manning and excluding the charter-in costs) of carriers and for about 20-25% of total container transport costs (including inland transport and cargo handling in addition to operating costs). Bunker costs are inherently volatile, due to both market and geo-political changes, which liner companies cannot predict.

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. Indeed, the top five liner companies alone own or control 142 terminals worldwide (see table below). While some carriers consider terminals to be a stand-alone 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 a more efficient use of vessels and faster connections. However, it is worth noting that in the last few years, the trend towards terminal ownership by liner companies has slowed down and a number of liner companies have been selling their stake in terminals amid a challenging business environment.

Terminals Owned or Part-Owned by Container Carriers

Carrier	Number of Owned/ Part owned Terminals	Main owned/Part owned transshipment terminals
APM Terminals	55	Shanghai, Tanjung Pelepas, Colombo, Salalah, Rotterdam, Zeebrugge, Bremerhaven, Gioia Tauro, Buenos Aires, Santos, Port Said
MSC-TIL	30	Singapore, King Abdullah, Valencia, Sines, Antwerp, Rotterdam, Santos, Buenos Aires
Evergreen	12	Busan, Colombo, Colon
CMA CGM/Terminal Link/NOL	32	Antwerp, Dunkirk, Le Havre, Fos, Montoir de Bretagne, Malta, Casablanca, Tangier, Abidjan, Pusan, Miami, Houston, Rotterdam, Marseille, Lattakia, Um Qsar, Odessa, Long Beach, Rotterdam, Mundra, Kingston, French West Indies, Yokohama, Kaohsiung, San Pedro, Dutch Harbor, Singapore
NYK	13	Kaohsiung, Yokohama
K Line	7	Yokohama, Antwerp
OOCL	4	Kaohsiung
Yang Ming	6	Kaohsiung, Antwerp
MOL	10	Yokohama, Rotterdam
Hanjin*	16	Busan, Algeciras

*Note: *Data pertains to only fully-operational terminals in 2015, and includes Hanjin- owned terminals*

Source: Drewry

Historically, providers of container shipping services have been divided between port-to-port transport providers and door-to-door transport providers. Shipping lines including CMA CGM, MSC, Maersk and Hapag Lloyd offer intermodal services as a service differentiator. They offer intermodal and inland services either through a subsidiary or through a third party. 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 U.S. in particular) are a clear differentiator among shippers between top-tier and low-tier liner companies. Other shippers either organize their own inland transport and port-door transport, or they outsource it to freight forwarders and other non-asset-based logistics service providers. Aside from door-to-door transport, there is no strong evidence that liner companies

have been successful in adding value by offering logistics services to shippers, as they have generally not been able to replicate the services of non-asset-based logistics service providers.

BUSINESS

We are one of the leading and most profitable, based on Core EBIT, providers of global container shipping services. In terms of capacity, we are the third largest provider of container shipping services in the world. We offer our services through a global network of 273 main lines and 97 short sea and feeder lines, calling at 370 ports in 161 countries as of March 31, 2017, with the support of 208 shipping agencies operating through more than 600 offices worldwide.

As of March 31, 2017, our fleet consisted of 445 container ships, of which we chartered 58% and owned or had under finance lease or equivalent arrangements 42% of them, in each case in terms of capacity. Our entire fleet had a combined capacity of 2.220 million TEU and a weighted average age, based on total TEU, of 7.3 years. As of March 31, 2017, we maintained a 3.54 million TEU fleet of containers, of which we leased approximately 90% and owned the remainder. As of March 31, 2017, the book value of our owned containers was \$473.3 million. The market value of our owned vessels is assessed every six months by calculating the average of four independent ship brokers' valuation and was \$4,646.8 million as of December 31, 2016.

We transported approximately 17.8 million TEU in the twelve months ended March 31, 2017 (on a pro forma basis giving effect to the NOL Acquisition as if it had occurred on January 1, 2016) on behalf of a globally diversified base of more than 100,000 customers. We generated pro forma revenues of \$18,102.0 million and pro forma Core EBIT of \$250.3 million in the twelve months ended March 31, 2017 (on a pro forma basis giving effect to the NOL Acquisition as if it had occurred on January 1, 2016; see "*Unaudited Pro Forma Consolidated Financial Information*"). Our pro forma EBITDA was \$840.8 million in the twelve months ended March 31, 2017 (on a pro forma basis giving effect to the NOL Acquisition as if it had occurred on January 1, 2016; see "*Unaudited Pro Forma Consolidated Financial Information*"). Our cash and cash equivalents (net of overdrafts) as of March 31, 2017 was \$1,213.9 million. 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 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 effectively manage 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 increases our profitability. We substantially increased our scale and geographic coverage with the acquisition of 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.

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 trade lanes: 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) and intra-regional lines. Our extensive and diversified network allows us to focus both on high-volume markets, such as Asia-Europe and Asia-North America, and niche markets, such as the Caribbean, Black Sea and intra-Asia markets.

Our extensive network is further supported by strategic alliances with other carriers, which allow us to extend the scope and improve the quality of our services while reducing our cost base. Our principal alliance is the Ocean Alliance, along with Cosco Shipping, Evergreen Line and Orient Overseas Container Line. Ocean Alliance, which started operations on April 1, 2017 and has a ten-year term, enables the 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 15% of our annual volumes transported. 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 addition, we have developed niche activities within our container shipping core business. Thanks to our proven expertise and the ownership of the second-largest fleet of reefer containers in the world, we are able to address an enlarged customer base with the transportation of perishable goods, pharmaceuticals, frozen food and wines and spirits. Since the NOL Acquisition, we maintain a contractual relationship with the U.S. government and have the certification to carry U.S. governmental cargo with nine of our vessels sailing under the U.S. flag.

To complement our container shipping services, we offer logistics services and inter-modal container transportation services that allow us to provide door-to-door and tailor-made transportation of cargo. To provide these services, we have established inland transportation systems, including by rail, road and waterway to ensure connection to our shipping lines, and to capture additional profitability in the logistical chain, particularly in France, Africa, Asia and India. We provide these services either ourselves or through third-party contractors.

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 36 terminals around the world, 34 of which are in operation and two in development, through our subsidiaries CMA Terminals (100% owned by the Company as of March 31, 2017), Terminal Link (51% owned by the Company as of March 31, 2017) and entities acquired as part of the NOL Acquisition. CMA Terminals is present in Marseille (France), Lattakia (Syria), Umm Qsar (Iraq), Odessa (Ukraine), Long Beach (United States), Rotterdam (the Netherlands), Cai Mep (Vietnam), Mundra (India), and has historically directly owned and operated terminals in Guadeloupe and Martinique (French Antilles) and French Guyana. Terminal Link currently has terminal investments in the following ports: Antwerp (Belgium), Dunkirk, Le Havre, Fos, Montoir de Bretagne (France), Malta, Casablanca, Tangier (Morocco), Abidjan (Ivory Coast), Pusan (South Korea) and Miami and Houston (United States). We continue to expand our terminal portfolio, as recently illustrated by the signature of a 30-year concession agreement until 2046 with the government of Jamaica to manage the Kingston Container Terminal. Situated in close vicinity of Panama, with 2,400 meters of key length and a 102 hectare yard, this terminal will allow us to manage all of our transshipment operations between Asia, South America, North America and Europe. As part of the NOL Acquisition, we acquired indirect controlling interests in terminal facilities in Los Angeles and Dutch Harbor (USA), Kaohsiung (Taiwan) and Yokohama (Japan), as well as minority interests in the following terminals: Laem Chabang (Thailand), Qingdao (China), Ho Chi Minh (Vietnam) and an additional minority stake in a terminal already partly owned by CMA Terminals, Rotterdam (the Netherlands). Finally, through a 49% held joint venture, we lease and operate four container berths in the port of Singapore.

Over the past 38 years, we have grown from being a regional Mediterranean carrier with a single ship into a leading provider of global container shipping services with a fleet of 445 vessels as of March 31, 2017. We believe that the stability of our efficient, hands-on 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 superior profitability when compared to our peers. From January 1, 2013 to December 31, 2016, we achieved compound annual growth rates on volumes transported of 8.5%.

Our Competitive Strengths

We believe our competitive strengths include:

Global reach, leading market positions and diversified operations in an industry in which scale is critical. We believe that there is a natural tendency for mainstream shippers to choose large operators who can provide a range and scope of connections, with enough carrying capacity to accommodate their volumes on each connection. Our large and diversified global network thus provides a key advantage for us in a market where scale both helps to attract customers and has a positive impact on operating costs and profitability. We operate a global container shipping network made up of 273 main lines and 97 short sea and feeder lines, calling at 370 ports in 161 countries as of March 31, 2017. Our operations are supported by an extensive global network of 208 shipping agencies operating through more than 600 offices worldwide. We own or have a majority stake in 136 of these shipping agencies, which accounted for approximately 97% of our carried volumes in 2016. Our agencies act as our local sales, marketing and customer service representatives. We aim to provide our customers with global seamless shipping services through our network of lines and agencies that connects six continents. With this breadth of coverage, we can offer our customers a range of lines, scheduling alternatives and services to fulfill their container shipping requirements.

We have leading market positions in the container shipping industry both on high-volume trade routes and higher margin, niche routes. With a total fleet capacity of 2.220 million TEU as of March 31, 2017, we are the third largest provider of container shipping services in the world in terms of capacity and our fleet represented more than 10% of the total capacity of the world fleet of fully cellular containerships (source: Alphaliner Monthly Monitor – April 2017). We have 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, but also other trades, such as Asia-Red Sea, and niche markets, such as the Caribbean, Black Sea, Africa and intra-Asia markets. Our strong position on the Transpacific and Intra-Asia/Middle East trades was reinforced by our acquisition of NOL in June 2016, which substantially increased our scale and reinforced our geographic coverage, allowing us to become the leader on the Transpacific

trade in terms of volumes carried. As a result of being a large, globally diversified operator with a culture fostering responsiveness, we have generally tended to outpace industry growth in terms of volume. From 2013 to 2016, 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, June 2017). We transported over 15.6 million TEU in 2016.

We have both leveraged and reinforced our scale and geographic diversification through our new Ocean Alliance with Cosco Shipping, Evergreen Line and Orient Overseas Container Line, which began operations on April 1, 2017 and has a 10 year term. The Ocean Alliance is designed to enable its members to offer comprehensive service networks covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-US East Coast and Trans-Atlantic trades, and it has the most extensive geographical network of the major alliances. Together, the members of the Ocean Alliance operate 41 services on the East-West trades with 97 ports of call and almost 500 port pairs. Supported by a highly-efficient fleet of 311 vessels with approximately 18 million TEUs in total annual capacity, Ocean Alliance is also one of the leading alliances by volume. It represents the largest market share of any shipping alliance on the Transpacific trade and the second-largest on the Asia-Europe trade (source: Drewry, June 2017). We are the main contributor in terms of deployed capacity to the Ocean Alliance, deploying a fleet of 113 vessels with a 36% capacity share. Our participation in the Ocean Alliance will allow 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. At the same time, the Ocean Alliance will allow us to improve our level of slot utilization on the relevant lines as compared to our standalone operations and to deploy larger ships on certain lines, such as Asia-Europe and Asia-Mediterranean, to take advantage of economies of scale to ensure competitive slot costs. Thus, we anticipate that the Ocean Alliance will support our overall revenue growth and contribute to our efforts to control our operating costs.

Strong integrated asset base to support our operations. We have a comprehensive and diverse asset base, including a large and flexible fleet of vessels, a cost-efficient and diversified container fleet and strategic terminal investments. The NOL Acquisition allowed us to further supplement our asset base to support the expanded scale of our operations. We carefully manage the composition, financing and operational deployment of our assets so we can be responsive to a variety of customer needs and provide efficient and reliable services while retaining financial flexibility. Our asset base is also strongly integrated and complementary, with our terminal and logistics investments providing support services and allowing us to optimize the use of our vessel and container assets, as well as increasing our revenue diversification and thus reducing volatility and our overall reliance on freight rates. We believe this complementarity supports the overall value of our asset base and enhances our operational and financial performance.

As of March 31, 2017, our fleet consisted of 445 container ships with a total capacity of 2.220 million TEU, of which we owned 127, or 42% of our fleet by capacity, and chartered the remaining 318, or 58% of our fleet by capacity, of which 218, or 24% of our fleet by capacity, had a remaining charter duration of less than one year. Our use of vessel charter agreements allows us to align our cost structure with our projected demand more quickly and thus allows us to be flexible across the business cycle. Our vessel fleet is also diversified in terms of size, ranging from 164 TEU to 17,554 TEU. On our main liner trades, the average size is 6,491 TEUs; on our short sea lines, the average size is 1,485 TEUs, and on our feeder services, the average size is 1,140 TEUs. 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. Finally, the increasing overall efficiency of our vessel fleet as a result of increasing size, technological advancements and retrofitting and our operational efficiency efforts have helped us to control our operating costs and improve profitability.

We maintain a large fleet of containers of diverse types totaling 3.54 million TEUs as of March 31, 2017, of which we leased approximately 90% under operating leases and owned the remainder. Our fleet includes 322,696 reefer containers, the second-largest fleet of reefer containers in the world, which permits us to be one of the market leaders in providing this high-value added service to our customers.

We hold strategic investments in a number of port terminal facilities around the world where we have significant operations. Through these investments, we gain preferred access to berths for our vessels and greater control over port activities and workers, including stevedores, allowing us to ensure greater reliability and efficiency of operations and helping us to optimize certain port-related costs. Although we manage our terminals as profit centers, the primary intention of our terminal investments is to support and help us to optimize our liner services. We currently have interests in or agreements related to 36 terminals around the world, 34 of which are in operation and two in development, through our subsidiaries CMA Terminals (100% owned by the Company), Terminal Link (51% owned by the Company) and certain entities in the NOL group. We have continued to

strategically expand our terminal investments in recent years, including through our concession agreement signed with the government of Jamaica in 2016 to manage the Kingston Container Terminal through 2046, which provides us with a strategic hub for trades through the widened Panama Canal and permits us to use larger vessels for the lines operated in the area. We also entered into a joint venture with PSA Singapore Terminals in 2016 to lease and operate four container berths in the port of Singapore, which provides us with an additional container terminal hub in the region.

Finally, we hold a portfolio of logistics-related assets to help support our growing logistics operations and to complement, and enhance the efficiency of, our liner services. For example, we hold investments in dry ports in certain jurisdictions where infrastructure is less developed (see “*Business—Logistics Activities and Inter-Modal Container Transportation Services*”). These properties are inland intermodal terminals directly connected by road or rail to a seaport and operating as a center for the transshipment of sea cargo to inland destinations. In addition to their role in cargo transshipment, dry ports may also include facilities for storage and consolidation of goods, maintenance for road or rail cargo carriers and customs clearance services. These facilities are particularly important to our operational efficiency in jurisdictions where infrastructure is underdeveloped and the timing of delivery of containers from our customers is uncertain, because they allow us the flexibility to receive the containers in advance in order to permit a greater margin of error to address potential delays.

A strong business model allowing for superior profitability. We believe that our size, reinforced by the NOL Acquisition, enables us to take advantage of the significant economies of scale that characterize the liner industry. Being able to efficiently deploy optimized tonnage and achieve a lower cost base, coupled with the ability to react quickly and flexibly, and having in place the proper commercial tools and IT systems means that, across the industry, larger liners are more profitable than smaller players. The scale of our operations, together with the flexibility of our fleet and effective management of our operated tonnage across all trade lanes, enables us to efficiently deploy optimized tonnage on most of our routes. 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 further improve the efficiency and capacity of our services beyond the lines which are the direct beneficiaries of the new replacement ships. Optimizing tonnage is a key advantage as operating costs can differ significantly depending on the size of the vessel deployed along the same route. For example, the bunker fuel cost per TEU for a new 18,000 TEU new-generation containership is estimated to be about 40% lower than the equivalent costs for an older 9,000 TEU ship operating on the same route, so our ability to cascade larger vessels helps us to reduce our operating costs per unit. Our size also strengthens our bargaining power when negotiating the terms of our contracts for operational and capital expenditures, financings, and any negotiations with respect to rebates and discounts with various terminals.

Our profitability and the resilience of our business model is also supported by our diversified revenue base, with no single trade representing more than 15% of our annual volumes transported, and our opportunistic exposure to high value niche businesses. We believe that our geographic diversification and our leading market positions help protect us from regional fluctuations in demand and freight rates because the factors affecting these measures in our various markets may differ, reflecting regional balance-supply dynamics. In addition to geographic diversification, we have also 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. We have also developed into one of the leaders in intra-European short sea lines and intra-Asia short sea lines, which function as standalone services as well as providing support for our main lines. 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. Finally, since our acquisition of NOL in 2016, we maintain 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.

Our diversified and loyal customer base is founded on dedicated commercial services and strong reputation. In the twelve months ended March 31, 2017, we made shipments on behalf of a globally diversified base of over 100,000 customers. Our customer portfolio is highly diversified by both geography and industry sector and includes important customer relationships with both direct shippers (who collectively represent approximately 40% of our customers), such as Samsung, Ikea, GM, BASF, Coca-Cola, Renault and Nestlé, and leading freight forwarders (who collectively represent approximately 60% of our customers), such as DHL, Kühne & Nagel, Schenker, Expeditors and Panalpina. In 2016, the volumes transported for our top 20 customers

by volume represented 17% of total volumes carried, and we had no customer that accounted for more than 2.5% of total volume. We believe that this diverse customer base helps reduce the adverse effects of downturns in a particular region or industry. In addition, we have been successful in acquiring and retaining longstanding relationships with many of our customers, including many multinational companies and other key account customers, some of which we acquired through the integration of NOL. Our success in maintaining strong relationships with our customers through exceptional service has been recognized by a number of accolades, including being named “Best Partner 2016” by Sony, “Supply Chain Provider of the Year” by JCPenney, “Transporter of Reference 2016” by Huawei and “Excellent Service Provider” by Nike in 2016. This success is further evidenced by the fact that our top 20 customers in 2006 all remained significant customers in 2016. We have also had success in growing our customer base in recent years, winning business from major customers including Alibaba and, as a result of the NOL Acquisition, Amazon.

The strength of our business model and our ability to support and enhance profitability are evidenced by the positive results we have achieved with respect to NOL since the NOL Acquisition. After consistently generating operating losses in recent years, NOL has been profitable in the short time since the NOL Acquisition. For example, NOL generated negative Core EBIT margins of (7.4)%, (18.4)% and (3.9)%, respectively, in the first, second and third quarters of 2016, before making a positive contribution to group profitability in the fourth quarter of 2016 (1.4% Core EBIT margin) and the first quarter of 2017 (4.4% Core EBIT margin) (NOL Core EBIT margins for quarterly periods prior to the NOL Acquisition are derived from Alphaliner Monthly Monitor, December 2016; subsequent to the NOL Acquisition margins are calculated based on NOL’s contribution to our consolidated Core EBIT). This turnaround was a result of a variety of initiatives, including implementation of improved pricing models and billing best practices, as well as cargo selection efforts to focus on more profitable cargos. We also pursued cost reduction efforts through optimization of NOL’s asset deployment, as well as operational cost savings initiatives as part of our Agility program that allowed us to achieve approximately \$150 million in cost synergies relating to NOL in 2016.

We believe our reputation for quality and reliability, together with our global reach and leading market position, gives us an advantage over our competitors and allows us to avoid competing solely based on price. In light of recent challenges in the container shipping industry, including the bankruptcy of Hanjin Shipping and the associated delays and losses for shippers, we believe our strong reputation for reliability is particularly important to customers and serves as a competitive advantage going forward.

High management reactivity and entrepreneurial spirit coupled with innovative culture and strong governance practice. We benefit from what we believe to be one of the most highly qualified and experienced management teams in the container shipping industry. Mr. Jacques R. Saadé, the founder of CMA S.A., was instrumental in building the business since its inception in 1978 from a niche French container shipping services provider to the third largest provider of container shipping services in the world in terms of capacity in 2017. He was recently replaced as Chief Executive Officer by his son, Mr. Rodolphe Saadé, who had previously served as Deputy General Manager and a member of the Board of Directors since 2010 and a Vice-Chairman since 2014. Mr. Jacques R. Saadé remains the non-executive Chairman of our Board of Directors. Mr. Jacques R. Saadé and Mr. Rodolphe Saadé are supported by a senior management team, many of whom have long periods of service with the Company and in the industry. Our five most senior operational executives have on average over 20 years of experience within the industry. 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.

Our management team is organized with a focus on broad information-sharing, timely decision-making and rapid responses to arising opportunities. As part of our entrepreneurial corporate culture, led by our senior management, we endeavor to take advantage of opportunities sooner than most of our competitors. We believe that our ability to react quickly represents a significant strategic advantage over our competitors. The NOL Acquisition in 2016 exemplifies our management’s ability to make timely strategic decisions and effectively manage volatile market conditions, ensuring we are prepared for a strong performance as the market recovers. Our management also demonstrated the entrepreneurial and flexible decision making process through its implementation of a commercial strategy in 2016 aimed at halting certain underperforming activities in order to focus on higher value cargos and contracts, which contributed to an improving trend in some financial indicators in 2016 and the first quarter of 2017 (see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”). Furthermore, our recently-announced agreement with Maersk to purchase Mercosul Line, one of the leading players in Brazil’s domestic container shipping market, demonstrates the ability of our management to strategically pursue attractive opportunities in markets where we see strong potential for development and to implement our strategy to further develop intra-regional sea transportation links and complementary services such as logistics. At the operational level, we rely on our experienced team of line

managers to optimize the cargo mix on each ship and on each line and load vessels efficiently, with a view towards maximizing profits while maintaining a high standard of quality.

As part of our efficiency initiatives, we have also set up ship operating centers in Marseille, Singapore and Miami, operating 24 hours a day and staffed by a team of experienced officers that together monitor our entire fleet of 445 vessels and their cargo, both in transit and in port. These centers calculate the most efficient routing for vessels based on weather forecasts, current forecasts and a variety of other factors, monitor speed and route requirements and have direct access to every officer on board of our vessels so that any deviation from schedule may be immediately addressed. The teams at our operating centers are also in charge of improving fuel efficiency and the punctuality of all our lines and ensuring efficient movement and effective storage of our containers throughout our network. These monitoring systems provide a key advantage in transporting sensitive cargos by allowing us to ensure our reefer containers remain at proper temperatures and are efficiently loaded and unloaded from vessels. In recent years, 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. Combined, these efforts have driven improvements in operating efficiency, particularly by reducing our bunker consumption, and helped us to control our operating costs.

Clear focus on cost reduction. We have implemented a broad range of cost reduction and efficiency measures across our organization aimed at reducing our per-unit costs and hence supporting our profitability and increasing the resilience of our business in cyclical downturns. Our operational efficiency efforts accelerated with the launch of our Agility global efficiency plan in July 2016, which is designed to improve our operating results by leveraging our global presence, scale and resources to generate significant cost savings. The announced targets for the Agility program are to reduce our cost base by delivering a \$1 billion reduction in standalone operating expenses by the end of 2017 (calculated as described “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Agility Cost Efficiency Program*”) and to achieve an additional approximately \$500 million in annual run-rate cost and revenue synergies related to the NOL Acquisition by 2018. The Agility program comprises a variety of initiatives organized under four main pillars: contract renegotiation (securing improved terms, including as a result of our increase in volumes from the NOL Acquisition and aligning on best terms across the group’s contracts), lean operations (initiatives to identify and address operational inefficiencies and redundancies and to optimize our operations), asset optimization (identifying and capturing opportunities to leverage our assets in a more efficient and profitable manner) and efficient general and administrative costs (including savings from rationalization of our agency network and close monitoring of our administrative expenses to identify potential cost savings). See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Agility Cost Efficiency Program.*” Our cost management and operational efficiency efforts have already had a positive impact on our financial results, helping to contribute to an 8.0%, or \$392 per TEU, aggregate reduction in consolidated operating expenses per TEU from 2012 to 2016, with the acceleration from the launch of Agility contributing to an 11.1% decrease in consolidated operating expenses per TEU in 2016 as compared to 2015. Our integration efforts with respect to NOL have also achieved positive results: we achieved approximately \$150 million in cost synergies relating to NOL in 2016, which was consistent with our implementation plan for Agility and with our overall synergies objective. The cost savings calculated under Agility, which comprise both standalone cost savings and cost synergies related to the NOL Acquisition, are targeted to amount to an overall cumulative cost reduction of \$1,350 million by the end of 2017. As of March 31, 2017, we have secured aggregate cost reductions under the Agility program (including both standalone cost savings and those related to the NOL Acquisition) of approximately \$920 million, or nearly 70% of our targeted cost reductions by the end of 2017. Moreover and as noted above, after consistently experiencing operating losses in recent years, NOL made a positive contribution to group profitability in the first quarter of 2017 as a result of the implementation of initiatives to increase its per unit revenue to a level closer to CMA CGM’s and various cost control measures. These successes in controlling costs and improving profitability across our organization despite the volatile market conditions in 2016 demonstrate the ability of our management to successfully implement an effective cost control strategy.

Our efficiency initiatives and specific cost cutting programs have helped us consistently outperform industry-average Core EBIT margins by 2.3% to 6.9% on a quarterly basis since the first quarter of 2014, an average of 5.6% per quarter during this time period (source: Alphaliner, May 2017, based on average of reported financial information; note that Core EBIT may be measured differently by different liners, see “*Presentation of Financial Information*”). Our reduced cost base has also contributed significantly to our profitability in the first quarter of 2017, when our operating expenses per TEU on a CMA CGM standalone basis decreased by 1.4% compared to the first quarter of 2016, and helped us to limit our net losses in 2016 by virtue of a 8.3% decline in operating expenses per TEU on a CMA CGM on a standalone basis compared with 2015.

Adequate capital structure with significant cash position and balanced financial strategy. We have access to diversified sources of financings including bond markets, secured and unsecured asset financing and long-term leases provided by a wide range of suppliers including international and regional banks, financial institutions, governmental agencies, shipyards and various lessors. At the same time, we have built strong and confident relationships with a group of core banks that allow us to optimize our financings. All of our debt financing arrangements benefit from a covenant package well-suited to the industry's volatility, based on minimum available cash and a gearing ratio, rather than leverage or coverage ratios. In addition, we have been successful in seizing financing opportunities and managing our leverage covenants to maintain our strong liquidity position. Our ability to seize and implement attractive financing opportunities also allowed us, notwithstanding difficult industry and market conditions, to quickly repay the acquisition facility we incurred in connection with the NOL Acquisition and refinance the amount using longer-term indebtedness, thus solidifying our long-term capital strategy.

Our financial policy focuses on maintaining a strong liquidity position to provide security and flexibility in an uncertain market. Our liquidity strategy in 2016 enabled us to maintain a strong liquidity position notwithstanding the extremely difficult operating environment, both as a result of the positive cash we generated through operations and various financing transactions. Our available cash position as of March 31, 2017 was \$1.2 billion (net of overdrafts), and our gearing ratio (as defined in our financing arrangements) was 1.31. Our liquidity position will be further improved by the expected sale of a 90% interest in our GGS terminal to a consortium composed of the infrastructure fund EQT Infrastructure and the port operator P5 Infrastructure, as described in "Recent Developments." The consideration to be paid at closing (which is subject to anti-trust and regulatory approvals, and is expected to occur in the second half of 2017) to NOL Liner is estimated to be \$817 million (excluding potential adjustments at closing). Moreover, additional earn-outs estimated at up to approximately \$200 million would be payable from 2020 subject to (i) certain conditions of volumes of usage of the facility by the group, (ii) the purchasers' ability to refinance the transaction and (iii) the pricing conditions of any future exit by the purchasers. The proceeds of the disposal will be used to reimburse drawings under our and our subsidiaries' (unsecured) credit facilities, mostly maturing in 2017 and 2018, as well as repayment of other secured debt thereunder. The asset sale and the use of proceeds therefrom is expected to result in a \$817 million decrease in our net debt (without taking into account any earn-out).

Our Strategy

Our key strategic objectives are as follows:

Further improve our long-term profitability. One of our main objectives is to increase the profitability of our operations, while continuing to enhance our financial strength. We are currently one of the top tier operators in terms of profitability, and we will continue to work to enhance this position, in particular by realizing the long-term benefits of efficiencies obtained through our Agility operating efficiency program and a continued focus on realizing synergies related to the NOL Acquisition. These efforts include the following initiatives:

- ***Network optimization.*** We constantly reassess the profitability of our network of lines and react nimbly to either close or open or restructure our network to meet changing requirements. As part of the Agility program, we are working to rationalize our sailings and port call schedules, reduce services overlaps, reduce the cost of our feeder activities (including through selective outsourcing), study and optimize our overall fleet schedule with respect to berthing windows and speed and implement procedures to optimize our delivery network and reduce inefficiencies. In addition, our opportunistic reductions in transshipment activities in 2016 with the aim of improving efficiency contributed to an overall \$24 per carried TEU reduction in handling and stevedoring expenses per TEU on a CMA CGM standalone basis compared to 2015.
- ***Review and renegotiation of contracts.*** As part of our ongoing cost reduction efforts, we will continue to review our contracts with suppliers and seek to renegotiate more advantageous terms where possible, including for our handling and stevedoring contracts, contracts with terminals and vessel charter contracts. Our increased scale, particularly as a result of the NOL Acquisition, provides us with greater leverage in securing favorable terms such as lower prices, bonuses and discounts, securing preferential status at certain ports and operational concessions to reduce port time.
- ***Fuel efficiency initiatives.*** We will continue to pursue improved efficiency in our bunker consumption through a variety of methods. First, we will maintain our efforts to improve the overall bunker efficiency of our vessels through increases in vessel size, replacing older vessels with newer, more efficient vessels, continued route optimization that leverages our data analysis capabilities at

our three ship operating centers, and pursuing retrofits of our vessels where possible to increase efficiency through improvements like bulbous bows to reduce drag and trim optimization. These initiatives have already contributed to a reduction in our bunker fuel consumption per transported TEU from 491kg per transported TEU in 2014 to 440kg per transported TEU (459kg per transported TEU in 2016 on a standalone basis excluding NOL) in 2016, and to 425kg per transported TEU (439kg per transported TEU on a standalone basis excluding NOL) in the three-month period ended March 31, 2017. These reductions in fuel use allowed us to reduce the carbon emissions of our fleet during the period. In addition, we will continue to pursue further integration and coordination of our bunker fuel supply chain, including in cooperation with bunker fuel suppliers, in view of the evolving mix of fuel sources and developing regulatory requirements with respect thereto in the industry.

- ***Additional Cost Reduction Initiatives.*** As cost savings are a key part of our strategy, we will continue to pursue a number of other initiatives to improve our operating efficiency. For example, we are continuing to rationalize our network of agencies and shared service centers by centralizing certain functions, transferring operations from third-party agencies to our agencies, streamlining the network through the creation of clusters to manage agencies in several adjacent jurisdictions and improving the operating performance of SSCs through greater automation and transferring certain functions. We also will continue to closely monitor administrative expenses including travel, real estate, IT and insurance expenses and pursue initiatives to reduce costs such as ports and canals and logistics expenses, in particular by optimizing our operations or renegotiating terms with vendors.

Leverage our digital capabilities to enhance our service offering and be opportunistic in cultivating complementary services. The container shipping industry has been transformed by the ongoing trend towards digitalization, and we are well positioned to leverage our strong existing digital capabilities to compete in this changing environment. 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. We will continue to leverage and improve our technological infrastructure to support our shipping agencies, individual lines and various head office departments. We will seek to leverage the effects of digitalization to identify and exploit opportunities to spread best practices across our operations and streamline our operations to control costs. For example, we developed an analytical tool for our sales force that enables them to better select more profitable cargo by providing information on profitability measures at the time of booking. We rolled out a version of this tool within NOL's sales team following the NOL Acquisition, which contributed to an increase in its per unit revenues and improved profitability. We plan to continue our significant investments in technology systems to ensure they remain cutting edge and to provide convenient service and new digital capabilities for our customers. Our e-commerce platform accounted for 32% of our total bookings in the first quarter of 2017, and approximately 80% of all of our bookings were made electronically in the period. We expect that this will continue to increase as our customers seek out a convenient and integrated booking system online, and we will continue to develop these systems to facilitate digital transactions and ensure ease, efficiency and reliability for our customers. In addition, by leveraging our business intelligence and data analysis tools we will seek 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 are also looking to invest in new technologies that will improve our operations and set new standards for the industry. For example, we spearheaded an investment in Traxens, a French startup company that is developing an innovative container monitoring and coordination system, which could help provide more granular monitoring of our containers as they move around the world.

In addition to our continued efforts to improve and diversify our core container shipping services through digitalization, we also plan to cultivate our complementary support services and move towards providing a more integrated and comprehensive offering of logistics solutions to our customers. We currently provide logistics services such as stock management, disassembling, packaging, packing, shipping, customs formalities, reassembling and distribution through our subsidiary CMA CGM Logistics. We believe that expanding these complementary services will enhance our position as a full-service provider, further diversify our sources of revenue and help us gain access to new customers searching for a simple and comprehensive transportation solution. As part of our continued investment to develop these capabilities further, in 2015 we acquired a 60% stake in LCL Logistix, one of India's independent third-party logistics leaders, in part to leverage LCL Logistix's networks in India, Canada, the United States and in East Africa and accelerate the development of our logistics services. We may also pursue strategic partnerships to provide more comprehensive logistics services for leading e-commerce companies, such as the memorandum of understanding we signed with Alibaba in the first quarter of 2017, which will allow Chinese exporters to use Alibaba's OneTouch system to book shipping services directly with us and bypass freight forwarders. Finally, we will seek to further cultivate sources of revenue that complement our core maritime transport business such as inland transport services. We believe that expanding

our inland transport services, including transport via rail, road and waterway as well as local transfers by sea, will enable us to continue to transport containers door-to-door and better manage our fleet of containers.

We believe that our substantial digital expertise, our entrepreneurial and innovative culture and our track record of quickly identifying and seizing upon new growth opportunities under the direction of our experienced and adaptable management team leaves us well positioned in this changing market environment. By broadening and enhancing our service offerings, we will seek to move further towards being a one-stop shop for our customers global logistics needs.

Cultivate operations in higher growth areas and higher-value niche markets. Over the years, we have built substantial expertise and a track record of quickly identifying and seizing upon opportunities in high growth and niche markets. We believe that the liner industry is in the early stages of a recovery, in part as a result of the consolidation in the industry and the enhanced dynamic as a result of the new alliance structure with the launch of our Ocean Alliance (see “*Industry—Global Alliances*”). In this dynamic environment, we intend to actively pursue opportunities on trades or in regions where we see an opportunity for significant growth, such as intra-regional trades and trades in the Americas, in particular in Latin America. For example, we recently announced an agreement with Maersk to purchase Mercosul Line, one of the leading players in Brazil’s domestic container shipping market (see “*Recent Developments*”). The acquisition would help us to strengthen 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. It would further support our core strategy to develop intra-regional sea transportation links and complementary services such as logistics.

We will also continue to focus on our higher-value activities to improve profitability and provide differentiated services. For example, we will continue to focus on reefer markets, which still benefit from the conversion of conventional reefer transport to containerized transport and provide better profitability than dry markets because they require specialized containers, additional oversight throughout the journey (including timely management of the logistic chain) and expertise. As of March 31, 2017, we operated the second-largest reefer container fleet in the world, with 322,696 TEU of reefer containers.

We will continue to carefully evaluate the profitability of our operations in order to strategically align our resources towards the most valuable and profitable services. For example, in 2016 we decided to reduce certain of our feeder line activities, which were at the time less profitable than our main lines, including the redelivery of 50 ships under 1,700 TEUs used in such activities. These reductions allowed us to reallocate our efforts towards more profitable lines and avoid holding underperforming assets. We also pursued aggressive cargo selection efforts across our lines in 2016, focusing on the most profitable transported volumes to improve overall profitability. We will continue these efforts to identify the most profitable portions of our business in order to cultivate and grow those segments.

Maintain a balanced financial policy and a strong liquidity position. Bearing in mind the volatility of market freight rates and industry demand, as well as bunker fuel prices, we will continue to seek to improve our balance sheet profile and maintain a strong liquidity position, while also ensuring we have flexibility to invest in strategic assets to improve our long-term profitability and growth perspectives. Our policy will generally be 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. We will also typically 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 recent challenging market conditions. For example, our recently-announced sale of the GGS terminal facility that we acquired as part of the NOL Acquisition will bolster our liquidity position, reduce our debt and improve our financial ratios going forward, as we will use the proceeds of such sale to reimburse drawings under our and our subsidiaries’ (unsecured) credit facilities, mostly maturing in 2017 and 2018 (see discussion above in “—*Adequate capital structure with significant cash position and balanced financial strategy*”). Another example of our prudent approach to our financial policy is our use of charter agreements to obtain new ships. In these arrangements, the ships are financed on the balance sheet of the shipyards to which we pay a long term bareboat charter rate. In such schemes our cash output is generally minimal (approximately 5% of the vessel’s price). We used such arrangements to purchase six 9,400 TEU (upgraded to 10,926 TEU) ships from China Shipping Industry (Jiangsu) yard, to be delivered during 2017. In 2016 we also undertook significant sale and leaseback operations, including an operation whereby we sold almost the entire NOL container fleet for a sale price of \$542.9 million and then leased back the containers for a period of 2 to 8 years. This arrangement enabled us to quickly repay the acquisition facility we incurred in connection with the NOL Acquisition in a difficult market environment and to rent the containers back at attractive rates. We will also continue to explore a variety of funding sources to support

our liquidity position. For example, we recently received indicative commitment papers from certain lenders (subject to final documentation) with respect to the entry by the Issuer into a new (unsecured) revolving credit facility for a minimum initial amount of \$205 million. This proposed facility would mature in three years and would support our overall group liquidity. For more information, see “*Description of Certain Financing Arrangements—Bank Borrowings—Unsecured Financing—Unsecured Revolving Credit Facilities (CMA CGM)*.”

Given our current balance sheet profile and liquidity position, we believe it is appropriate to consider a more balanced approach to our financial policy and to strategically take advantage of opportunities like those described above to shore up and enhance our financial condition, which will allow us to make future focused investments in strategic assets to further improve our growth perspectives.

Consolidate our position through internal growth and selective acquisitions. As part of our long-term strategy, we plan to continue to grow 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 intend to continue to invest in selected strategic assets in the chain of logistics, such as vessels, dry ports, terminals and logistics assets to support revenue diversification. For example, we have continued to strategically expand our terminal investments in recent years, including our concession agreement to manage the Kingston Container Terminal, our joint venture with PSA Singapore Terminals in 2016 to lease and operate four container berths in the port of Singapore, and our joint ventures to develop new terminals in Kribi, Cameroon and Mundra, India. We believe that continuing to invest in strategic assets in the logistical chain, which may take 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 new shipbuilding orders, our focus will continue to be on strategic assets such as larger vessels to take advantage of economies of scale and maintain competitive unit costs in the context of industry trends towards increasing volumes and scale. We will invest selectively in new ships and continue to take advantage of chartering arrangements to secure new vessels while limiting invested capital. We also intend to continue to grow through selective acquisitions, as demonstrated by our recently-announced acquisition of Mercosul Line discussed above. More generally, we will also remain attentive to opportunities to participate in the ongoing consolidation of the industry. Our key evaluation criteria for any acquisition proposal will include strategic fit, financial attractiveness and manageable execution risks, while maintaining a balanced financial policy.

History

CMA (*Compagnie Maritime d’Affrètement*), one of our predecessor companies, was founded in 1978 by our current chief executive officer, 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 China, where we are now established as one of the largest container carriers in terms of capacity.

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 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. Delmas was merged into CMA CGM in June 2012.

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, which has port operations, container transport operations and an interest in the strategic Tangier, Morocco port terminal.

In January 2011, the Turkish company Yildirim subscribed (via its subsidiary Yildirim AM) to \$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 September 2014, the Company signed a major partnership with CSG and UASC, creating the “Ocean 3” alliance, covering the Asia-Europe/Mediterranean and Transpacific Trades. The alliance encompasses 192 vessels, 20 shipping services and 175 weekly stopovers in 87 ports. Operations commenced in January 2015 and ended upon launching of the new Ocean Alliance (see below).

In July 2015, the Company, via its subsidiary MacAndrews, completed the acquisition of the German carrier OPDR. This acquisition reinforced the presence of the Group in the intra-European short sea market and created new synergies with MacAndrews.

In April 2015, the Company, via its subsidiary CMA CGM Logistics, acquired a strategic stake in LCL Logistix, one of India’s logistics leaders, via the group’s subsidiary specializing in freight forwarding and logistics solutions, CMA CGM Logistics. This strategic stake reinforces the position of CMA CGM Logistics in India and allows us to leverage LCL Logistix’s Indian network as well as its presence in Canada, the United States and East Africa to accelerate its development.

In June 2016, the Company took control of NOL, a container shipping company based in Singapore, pursuant to an unconditional cash friendly general offer. The acquisition of NOL, the world’s 12th-largest shipping company, which operates under the APL brand, reinforces the Group’s position in worldwide shipping with the complementary geographical strengths of the lines, while also boosting its competitive edge with substantial economies of scale.

In June 2016, the Company and PSA Singapore Terminals announced the establishment of a joint venture company named CMA CGM – PSA Lion Terminal Pte. Ltd, owned in proportions of 49% and 51% respectively, to lease and operate four container berths in the port of Singapore. With an estimated annual handling capacity of over 3 million TEU, the joint venture’s facilities will be used as a dedicated container terminal in the region for the Group and its shipping affiliates, including NOL.

In July 2016, the Company, via its subsidiary Kingston Freeport Terminal Ltd, took over the concession of Kingston Container Terminal for 30 years pursuant to an agreement with the Port Authority of Jamaica signed in April 2015. The Company already uses Kingston as a transshipment hub in the area, and its presence in this area will be reinforced upon completion of the extended terminal, the capacity of which is set to increase to up to 3.6 million TEU containers.

In November 2016, following receipt of the necessary regulatory approvals, the Company, COSCO Container Lines, Evergreen Line and Orient Overseas Container Line signed definitive agreements to form a new alliance named Ocean Alliance. The Alliance, which has a ten-year term, covers the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-US East Coast and Trans-Atlantic trades. Together, the members operate 41 services on the East-West trades with 97 ports of call and almost 500 port pairs. Supported by a highly-efficient fleet of 311 vessels with about 18 million TEUs 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. As the main contributor to the Ocean Alliance, we have the largest share within it, deploying a fleet of 113 vessels with a 36% capacity share. Operations commenced on April 1, 2017.

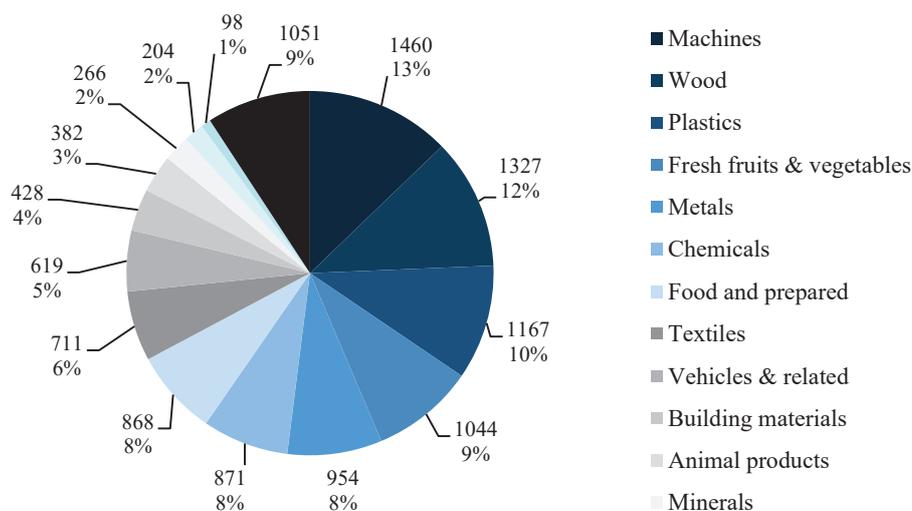
Services

Container Shipping

Container shipping is our core business. Substantially all our revenue is derived from container shipping or related services.

We primarily transport three categories of goods: low/middle market consumer goods (approximately 60% of our volumes transported); raw materials and agricultural products (approximately 30% of our volumes transported); and luxury/high end goods (approximately 10% of our volumes transported).

The following table breaks down our full year 2016 transportation volumes by commodity based on the declarations of our clients:



A typical container shipment 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. Except where we provide value-added services as described under “—Logistics Activities and Inter-Modal Container Transportation Services,” we are often responsible only for the ocean leg of the container’s journey, with customers or intermediaries arranging and executing the inland legs. We seek to increase the proportion of our bookings where we are also in charge of organizing the in-land transportation of the container prior to and / or after the sea transportation.

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 trade lanes: Asia-Europe, Transpacific (Asia-North America), Transatlantic (Europe-North America), and Asia-Middle East but also other trades such as such as North-South lines (Latin America and Africa) and intra-regional lines. Our extensive and diversified network allows us to focus both on high-volume markets, such as Asia-Europe and Asia-North America, and niche markets, such as the Caribbean, Black Sea and intra-Asia markets. We operate our container shipping services through a variety of different lines. We classify our lines as main lines, short sea lines or feeder lines. Our main lines are the services that we offer on our intercontinental routes, and our short sea and feeder lines are the services that either support our main lines by calling at one of our hubs and usually one or two other smaller ports or intra-regional lines. We were pioneers in implementing this “hub-and-feeder” system for container shipping, which connects our main lines with our feeder lines serving local less developed markets from our primary hubs in the Mediterranean, Asia, the Caribbean, North Africa and the Middle East. We believe these connections between main and feeder lines are critical to our success.

Market and Trade Lanes

We offer container shipping services to our customers through a variety of different services. Each of them represents a specific offering of regularly scheduled ports of call and sailing times, dates and frequencies. Most of our services run on a weekly schedule complementing a network enabling several sailings per week in the key ports. We classify our services as main lines, short sea services or feeder services.

Main lines, which represent the majority of our service offering with 273 services, are the services operating intercontinentally with our largest vessels. The average vessel size on our main liners is 6,491 TEUs.

Short sea lines are non-intercontinental services, calling at smaller ports and operating with smaller vessels, but operating for their own purpose for most of their cargo. We operate 72 such services with an average vessel size of 1,485 TEUs.

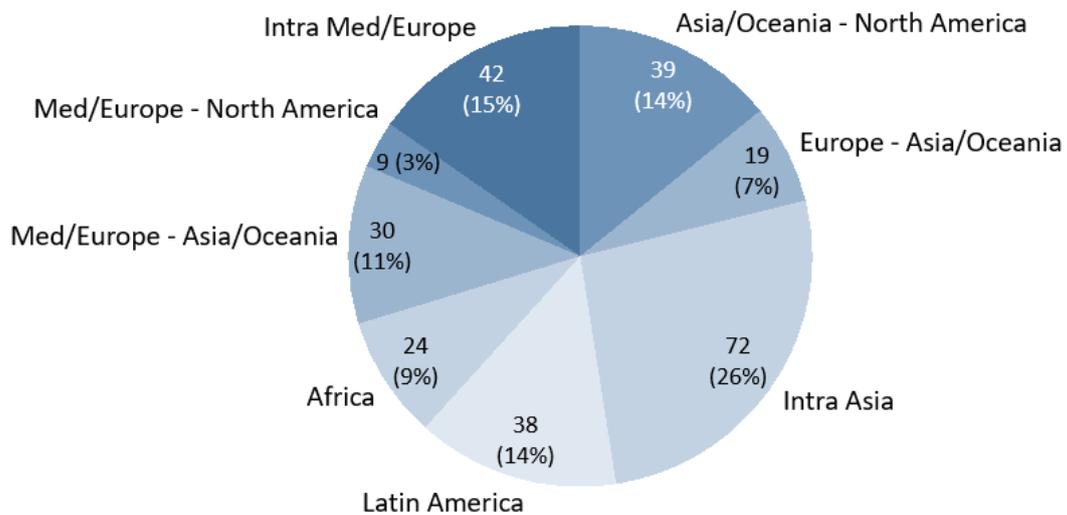
Feeder lines are small non-intercontinental services that operate for purposes of connecting with main lines for most of their cargo and only to a very limited extent for their own purpose on regional routes. Overall we operate 25 such services with an average vessel size of 1,140 TEUs.

Our subsidiaries McAndrews and OPDR are specialized in short sea intra-European lines, while CNC and APL operate most of our intra-Asia short sea lines.

The diagram below shows our main line services as of March 31, 2017.



The diagram below sets out the repartition of our main line services by geographical zone:



The table below illustrates our volume in our principal markets for 2014, 2015, 2016, for the three-month period ended March 31, 2017 and for the twelve-month period ended March 31, 2017 (on a *pro forma* basis including NOL's volumes throughout the period).

Market	Volume per market (in TEU)				
	2014	2015	2016	Three-month period ended March 31, 2017	Pro forma for the twelve-month period ended March 31 2017
Asia-Europe	4,072,301	3,942,966	4,238,208	1,185,051	4,696,806
Transpacific.....	1,811,630	2,050,845	2,997,693	916,314	3,724,245
Australasia.....	548,387	596,329	783,994	238,128	951,107
Transatlantic.....	553,822	856,409	882,921	223,413	915,677
Latin America & Caribbean.....	1,843,053	1,895,020	2,409,521	634,549	2,688,165
Africa	1,705,092	1,492,794	1,392,341	345,716	1,405,428
Other Lines.....	1,689,411	2,160,683	2,935,882	760,484	3,409,119
Total	12,223,696	12,995,046	15,640,561	4,303,655	17,790,547

Our hubs. Our hub-and-feeder system includes 25 feeder lines, which support our main intercontinental lines by calling at one of our six primary hubs, Malta, Port Kelang (Malaysia), Kingston (Jamaica), Tangier (Morocco), Khor Fakkan (United Arab Emirates), and Singapore, or one of our secondary hubs, and one or two other, smaller ports. Our feeder services disperse traffic away from larger ports to avoid saturation and dependence on any one particular location. Some of our secondary hubs are located near our six primary hubs and can temporarily replace the services of our primary hubs in the event they become unavailable or overly congested. We periodically consider establishing new feeder lines based on the needs of various markets and cost effectiveness.

Each hub is serviced by dedicated feeder lines that transport smaller volumes of cargo to and from smaller ports in the vicinity or region. At the hubs, containers delivered by various feeder lines and by other main lines are consolidated and loaded onto larger vessels sailing on our main lines. We believe that our extensive hub-and-feeder system provides us with numerous benefits, such as increasing the range of destinations we are able to serve, allowing us to provide our services at higher frequency and increasing our per-voyage capacity.

We maintain a team of employees in each of our hub ports to provide the logistics and management expertise that we require to operate our hub-and-feeder system. The primary objective of these teams is accuracy and timing in the discharge and reloading of containers from and onto vessels so that our vessels may maintain minimal transit times.

The following tables provide certain information about our primary and secondary hubs and the feeder lines that support them, as of March 31, 2017:

Europe	Mediterranean	Hubs Middle East	Asia	Caribbean
Le Havre	Malta ⁽¹⁾	Khor Fakkan ⁽¹⁾	Port Kelang ⁽¹⁾	Kingston ⁽¹⁾
Rotterdam	Tangier ⁽¹⁾	Jeddah	Pusan	
Hamburg	Port Said		Hong Kong	
			Singapore ⁽¹⁾	
			Tanjung Pelapas	

(1) Primary hubs

Reefer Business

With over 322,846 containers (TEUs), we own the second largest fleet of reefer containers in the world. Designed for the transport of perishable goods in a temperature controlled environment, these containers come in different sizes and are equipped with the latest technologies. Our fleet consists of 20', 40' High Cube and 45'32/33 Pallet Wide containers allowing the transport of goods at temperatures ranging from -35°C to +35°C within a

humidity-controlled environment. With an average age of five years, the reefer fleet is one of the youngest in the industry. Products requiring reefer containers include, for example, fresh produce, pharmaceuticals, frozen food, wines and spirits and cut flowers. We have introduced innovative solutions for specific travel needs within our reefer fleet. An example is our Aquaviva line of containers, which are specially adapted for transporting live aquatic animals by sea. Because reefer goods require use of specific containers, additional oversight throughout the journey (including timely management of the logistic chain) as well as expertise, the contribution of reefer containers is usually higher than that of dry containers.

U.S. Flag Services

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 make 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 34,647 TEUs. The U.S. government business accounted for 0.4% of our total transported volume in the year ended December 31, 2016 (partial year NOL contribution) and 0.6% in the three-month period ended March 31, 2017.

Alliances with other shipping companies

Alliance and other cooperation agreements are vital for us in order to provide a global network of services for clients.

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 include Cosco Shipping, Evergreen and OOCL, with whom we recently launched Ocean Alliance (discussed below), Maersk, MSC, Hapag-Lloyd, Hamburg Süd and UASC. These cooperation agreements allow us to enhance 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 to contribute 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 two-year terms, except for Ocean Alliance, which has a 10-year term based on two five-year periods. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Cooperation Agreements*” and “*Industry—Consolidation, Partnerships and Global Alliances*” for more details on these arrangements between carriers.

Ocean Alliance. On September 2, 2016, we signed a Master Agreement along with Cosco Shipping, Evergreen Line and Orient Overseas Container Line to establish the main terms of our new alliance named Ocean Alliance, which is designed to enable the members to offer comprehensive service networks covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-US East Coast and Trans-Atlantic trades. Ocean Alliance obtained clearance from the main competition and/or shipping authorities. The agreement provides for a 10-year term. Ocean Alliance operations started on April 1, 2017. APL’s East-West services that previously operated within a different alliance than CMA CGM (G6) will be fully integrated within Ocean Alliance through CMA CGM’s membership. We previously participated in the Ocean 3 alliance; our participation ceased upon commencement of operations by Ocean Alliance.

Each member of Ocean Alliance provides ships for the services covered by Ocean Alliance’s operating agreement and agrees to share capacity on its ships with the other Ocean Alliance members. 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 Ocean Alliance is allocated slots on vessels contributed by other Ocean Alliance members. Together, the members operate 41 services on the East-West trades with 97 ports of call and almost 500 port pairs. Supported by a highly-efficient fleet of 311 vessels with about 18 million TEUs in total annual capacity, the 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. As the main contributor to the Alliance, we have the largest share within it, deploying a fleet of 113 vessels with a 36% capacity share.

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 Trans-Atlantic trade. Our participation in the Ocean Alliance offers an opportunity to lower our cost base by improving slot utilization, expanding our use of slow steaming and expanding our service without making additional investments in vessels. Under the Ocean Alliance, we and the other participants continue to market our shipping services and to serve our customers independently. We also continue to own or charter and operate the vessels that we deploy under the Ocean Alliance.

We expect to derive the following main benefits from being a member of 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.

Logistics Activities and Inter-Modal Container Transportation Services

We respond to changing customer expectations and increasingly competitive environment in the shipping industry by providing value-added services prior to and following transoceanic shipping with the use of various transportation solutions and by offering a single-contact for communication with the customer. The product portfolio is continuously expanding (*e.g.* door-to-door services; hub solutions) and investments are being made worldwide in logistics assets (*e.g.* warehouse; dry ports). These logistics services and investments allow our customers to outsource non-core activities and concentrate on their core business. We provide these logistics and supply chain activities to complement our transportation services and to generate additional revenue for the group, as well as providing additional services for our clients. For example, we have investments in dry ports, which are inland intermodal terminals directly connected by road or rail to a seaport and operating as a center for the transshipment of sea cargo to inland destinations. In addition to their role in cargo transshipment, dry ports may also include facilities for storage and consolidation of goods, maintenance for road or rail cargo carriers and customs clearance services. These facilities are particularly important to our operational efficiency in jurisdictions where infrastructure is underdeveloped and the timing of delivery of containers from our customers is uncertain, because they allow us the flexibility to receive the containers in advance in order to permit a greater margin of error to address potential delays. We are investing in such facilities in several countries, in particular in Africa and in India.

The services are rendered through our CMA CGM Logistics brand.

CMA CGM Logistics. CMA CGM Logistics is currently present in more than 70 countries through its own offices and third-party suppliers. First, CMA CGM Logistics provides customers with a range of comprehensive logistics services such as sea freight (including the possibility to go through other shipping lines), air freight, rail freight, trucking, custom clearance and empty container repositioning. Second, it offers our customers a variety of supply chain management solutions. In addition, it acquired a controlling stake in LCL Logistix, one of India's logistics leaders, in order to reinforce its position in India and to leverage LCL Logistix's Indian network as well as its presence in Canada, the United States and East Africa. To further accelerate its development, CMA CGM Logistics is currently working on a number of opportunities to further strengthen the global network and customer offering. Finally, CMA CGM Logistics coordinates activities at all stages of the supply chain, including stock management and disassembling, packaging, packing, shipping and reassembling.

Through its Progeco branch, CMA CGM Logistics is also active in container maintenance and repairs in France, Holland, Germany and Belgium as well as container transformation.

Operations

Vessel Fleet

As of March 31, 2017, our fleet consisted of 445 container ships, of which we owned or had under finance lease or equivalent arrangements 127 vessels, or 42% of our fleet by capacity, chartered 59 vessels, or 25% of our fleet by capacity, with a remaining charter duration of more than five years, chartered 41 vessels, or 10% of our fleet by capacity, with a remaining charter duration ranging between one and five years and chartered 218 vessels, or 24% of our fleet by capacity, with a remaining charter duration of less than one year. Our entire fleet had a combined capacity of 2.220 million TEUs as of March 31, 2017. The weighted average age of the vessels in our fleet was 7.3 years (based on total TEUs) as of March 31, 2017.

The average size of our vessels as of March 31, 2017 is 4,989 TEUs. On our main liner trades, the average size is 6,491 TEUs; on our short sea lines, the average size is 1,485 TEUs, and on our feeder services, the average size is 1,140 TEUs.

We generally utilize our larger vessels on our intercontinental lines to achieve greater operational efficiencies and economies of scale, whereas we operate smaller vessels on our feeder and intra-regional lines as well as on shorter main lines. For large vessels, we are currently focused on purchases or long-term financed charter arrangements. For smaller vessels, we favor chartering. We sometimes charter or sub-charter our vessels to other parties.

The table below sets forth certain information regarding the 127 container vessels that we owned, or operated under finance leases or equivalent arrangements, as of March 31, 2017:

Vessel Name	TEUs	Year Built	Current Financing
CMA CGM KERGUELEN	17,554	2015	Bank Debt
CMA CGM GEORG FORSTER	17,554	2015	Bank Debt
CMA CGM BOUGAINVILLE	17,554	2015	Capital Lease
CMA CGM ALEXANDER VON HUMBOLDT	16,022	2013	Capital Lease
CMA CGM JULES VERNE	16,022	2013	Capital Lease
CMA CGM MARCO POLO	16,022	2012	Bank Debt
APL CHANGI	13,892	2013	Secured RCF
APL MERLION	13,892	2014	Bank Debt
APL RAFFLES	13,892	2013	Bank Debt
APL TEMASEK	13,892	2013	Bank Debt
APL VANDA	13,892	2013	Bank Debt
MOL QUARTZ	13,892	2013	Bank Debt
MOL QUASAR	13,892	2014	Bank Debt
MOL QUEST	13,892	2013	Bank Debt
CMA CGM AMERIGO VESPUCCI	13,830	2009	Bank Debt
CMA CGM CHRISTOPHE COLOMB	13,830	2009	Bank Debt
CMA CGM CORTE REAL	13,830	2010	Capital Lease
CMA CGM LAPEROUSE	13,830	2009	Bank Debt
CMA CGM MAGELLAN	13,830	2010	Bank Debt
CMA CGM ANDROMEDA	11,388	2008	Bank Debt
CMA CGM AQUILA	11,388	2009	Bank Debt
CMA CGM CALLISTO	11,388	2010	Bank Debt
CMA CGM CASSIOPEIA	11,388	2009	Bank Debt
CMA CGM CENTAURUS	11,388	2010	Bank Debt
CMA CGM COLUMBA	11,388	2010	Bank Debt
CMA CGM GEMINI	11,388	2011	Bank Debt
CMA CGM LEO	11,388	2010	Bank Debt
CMA CGM LIBRA	11,388	2010	Bank Debt
CMA CGM LYRA	11,388	2011	Bank Debt
CMA CGM PEGASUS	11,388	2010	Bank Debt
CMA CGM TITAN	11,388	2009	Bank Debt
CMA CGM HYDRA	11,040	2009	Bank Debt
CMA CGM MUSCA	11,040	2009	Bank Debt
APL BARCELONA	10,700	2012	Secured RCF
APL YANGSHAN	10,700	2012	Secured RCF
APL CHONGQING	10,106	2011	Bank Debt
APL GWANGYANG	10,106	2011	Bank Debt
CMA CGM FIDELIO	9,415	2006	Capital Lease
CMA CGM MEDEA	9,415	2006	Capital Lease
CMA CGM NORMA	9,415	2006	Capital Lease

Vessel Name	TEUs	Year Built	Current Financing
CMA CGM RIGOLETTO.....	9,415	2006	Capital Lease
APL BOSTON.....	9,326	2013	Bank Debt
APL COLUMBUS	9,326	2014	Bank Debt
APL DETROIT.....	9,326	2014	Secured RCF
APL HOUSTON.....	9,326	2014	Bank Debt
APL MIAMI.....	9,326	2014	Bank Debt
APL PHOENIX.....	9,326	2013	Bank Debt
APL SAVANNAH.....	9,326	2013	Bank Debt
CMA CGM LA TRAVIATA	8,488	2006	Capital Lease
CMA CGM NABUCCO.....	8,488	2006	Capital Lease
CMA CGM OTELLO.....	8,488	2005	Capital Lease
CMA CGM TOSCA.....	8,488	2005	Capital Lease
CMA CGM ALMAVIVA	8,469	2010	Bank Debt
CMA CGM CENDRILLON.....	8,469	2009	Bank Debt
CMA CGM DALILA	8,469	2010	Bank Debt
CMA CGM FIGARO	8,469	2010	Bank Debt
CMA CGM LA SCALA.....	8,469	2010	Capital Lease
CMA CGM TITUS.....	8,469	2010	Capital Lease
CMA CGM INDUS.....	7,500	2005	No Debt
CMA CGM LAMARTINE.....	6,574	2010	Capital Lease
CMA CGM MAUPASSANT.....	6,574	2010	Capital Lease
APL CALIFORNIA	6,350	2009	Capital Lease
APL FLORIDA	6,350	2008	Capital Lease
APL MINNESOTA	6,350	2008	Capital Lease
APL NEW JERSEY	6,350	2008	Capital Lease
CMA CGM BELLINI.....	5,782	2004	No Debt
CMA CGM CHOPIN	5,782	2004	Capital Lease
CMA CGM MOZART	5,782	2004	Capital Lease
CMA CGM PUCCINI.....	5,782	2004	Capital Lease
CMA CGM ROSSINI.....	5,782	2004	Capital Lease
APL BELGIUM	5,506	2002	No Debt
APL ENGLAND	5,506	2001	No Debt
APL HOLLAND	5,506	2001	No Debt
APL SCOTLAND	5,506	2001	No Debt
APL CHINA.....	5,108	1994	No Debt
APL JAPAN.....	5,108	1995	No Debt
APL KOREA.....	5,108	1995	No Debt
APL PHILIPPINES.....	5,108	1996	No Debt
APL SINGAPORE	5,108	1995	No Debt
APL THAILAND.....	5,108	1995	No Debt
CMA CGM FLORIDA.....	5,095	2007	Capital Lease
CMA CGM GEORGIA	5,095	2008	Capital Lease
CMA CGM NEW JERSEY.....	5,095	2008	Capital Lease
CMA CGM SWORDFISH.....	5,095	2007	Capital Lease
CMA CGM TARPON.....	5,095	2007	Capital Lease
CMA CGM VIRGINIA.....	5,095	2008	Capital Lease
CMA CGM BLUE WHALE	5,095	2007	Capital Lease
CMA CGM WHITE SHARK.....	5,095	2007	Capital Lease
APL CORAL.....	5,020	1997	No Debt
CMA CGM AMBER.....	4,404	2008	Capital Lease
CMA CGM CORAL.....	4,404	2008	Capital Lease
CMA CGM EIFFEL.....	4,404	2002	Capital Lease
CMA CGM PUGET	4,404	2002	No Debt
ANL WANGARATTA	4,250	2008	Capital Lease
ANL WYONG.....	4,250	2008	Capital Lease
APL CAIRO.....	2,478	2001	No Debt
APL DALIAN	2,478	2002	Bank Debt
APL JEDDAH.....	2,478	2001	No Debt
APL PUSAN	2,478	2002	Bank Debt
CMA CGM FORT ST GEORGES.....	2,260	2003	Capital Lease
CMA CGM FORT ST LOUIS.....	2,260	2003	Capital Lease
CMA CGM FORT ST PIERRE.....	2,260	2003	Capital Lease
CMA CGM FORT STE MARIE.....	2,260	2003	Capital Lease
NICOLAS DELMAS.....	2,207	2002	Capital Lease
CMA CGM CAYENNE.....	2,100	2015	Bank Debt
CMA CGM MARSEILLE.....	2,100	2015	Bank Debt
CMA CGM SAINT LAURENT.....	2,100	2015	Bank Debt

Vessel Name	TEUs	Year Built	Current Financing
CMA CGM KAILAS	1,854	2006	Capital Lease
KUO LONG	1,756	2017	Bank Debt
CMA CGM ARISTOTE	1,713	2007	Capital Lease
CMA CGM HERODOTE	1,713	2007	Capital Lease
CMA CGM HOMERE	1,713	2007	Capital Lease
CMA CGM PLATON	1,713	2007	Capital Lease
CMA CGM OKAPI	1,708	2000	No Debt
ELISA DELMAS	1,641	2002	No Debt
FLORA DELMAS	1,641	2002	No Debt
NALA DELMAS*	1,641	2002	No Debt
KUO CHANG	1,195	1998	No Debt
KUO CHIA	1,195	1998	No Debt
KUO WEI	1,195	1997	No Debt
CMA CGM SIMBA	1,048	1994	No Debt
DELMAS SWALA	1,048	1993	No Debt
CMA CGM GOYA	908	2008	Bank Debt
MOROTAI	642	1996	No Debt
OUED ZIZ	505	1998	No Debt
CAP CAMARAT	347	1987	No Debt
AKNOUL	164	1993	No Debt

* Nala Delmas was renamed APL GULF EXPRESS as of April 5, 2017

Current Orderbook

Purchases

As of March 31, 2017, we had the following vessels under order: three 20,600 TEU vessels, six 14,000 TEU vessels, one Bangkokmax, four 3,000 TEU Neo-PCRF and three 2,500 TEU vessels.

The three 20,600 TEU vessels were ordered from Hanjin Heavy Industry Subic yard in 2015 and are scheduled to be delivered in January, June and September 2018. Upon delivery, these vessels will be deployed on Asia-Europe lines, contributing to further reductions in unit costs. The total amount of the consideration for the three vessels is \$438.7 million, of which the total committed financing amount is \$329 million. As of March 31, 2017, the total outstanding amount under the shipbuilding contracts is \$210.0 million. See “*Description of Certain Financing Arrangements—Finance Leases—Vessel Capital Lease—French Tax Lease Financing.*”

The six 14,000 TEU vessels were ordered from Hyundai Heavy Industries in 2015. None of them were delivered as of March 31, 2017. Two of them were delivered in April 2017 and one in May 2017, and the remainder are scheduled to be delivered between July 2017 and February 2018. Upon delivery, these vessels will be deployed on Transpacific lines. The purchase price per vessel amounts to \$117.6 million for a total of \$706 million, of which the total committed financing amount is \$588 million. As of March 31, 2017, the total outstanding amount under the shipbuilding contracts is \$600 million. See “*Description of Certain Financing Arrangements—Finance Leases—Vessel Capital Lease—French Tax Lease Financing*” and “*Description of Certain Financing Arrangements—Finance Leases—Vessel Capital Lease—Other Financing Leases.*”

The 1,750 TEU Bangkokmax vessel is part of an order for two vessels from Zhejiang Ouhua Shipbuilding yard in 2015. The first was delivered in January 2017 and the second was subsequently delivered in April 2017. These vessels will be deployed by CNC on our intra-Asia short sea lines. The purchase price per vessel amounts to \$25.5 million for a total of \$51 million, of which the total committed financing amount is \$39 million. As of March 31, 2017, the total outstanding amount under the shipbuilding contract is \$18 million. See “*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Vessel Bank Debt Financing—Vessel Bank Debt Financing—CMA CGM.*”

The four 3,000 TEU Neo-PCRF vessels were ordered from COSCO Zhoushan yard in 2016 and are scheduled to be delivered in March, June, July and August 2018. Upon delivery, these vessels will be deployed on West Indies lines. The purchase price per vessel amounts to \$30 million for a total of \$120 million, of which the total expected financing amounts to between \$90 and \$120 million. As of March 31, 2017, the total outstanding amount under the shipbuilding contract is \$108 million.

The three 2,500 TEU vessels were ordered from Jinhai Heavy Industry yard in 2014 and are scheduled to be delivered in September, October and November 2017. Upon delivery, these vessels will be deployed for Baltic services. The purchase price per vessel amounts to \$39 million for a total of \$116 million, of which the total committed financing amount is \$77 million. As of March 31, 2017, the total outstanding amount under the

shipbuilding contract is \$75 million. See “*Description of Certain Financing Arrangements—Bank Borrowings—Secured Financing—Vessel Bank Debt Financing—Vessel Bank Debt Financing—CMA CGM.*”

Estimated date of delivery for the above vessels may vary from time to time 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 receive the following new chartered tonnage.

In 2013 and 2014, we ordered six 9,400 TEU (upgraded to 10,926 TEU) ships from China Shipping Industry (Jiangsu) yard. The first was delivered in May 2017 and the second was subsequently delivered in June 2017. We currently expect to take delivery of the remaining four vessels between September and November 2017. Upon delivery, these vessels will be deployed in South America. All vessels are subject to operational sale and lease back agreements, with a charter duration of 12 years. In each case, the charter rate is set for the duration of the charter and we have an option to either purchase the ship at the end of the lease term or extend the lease for another 5 years at the same rate.

General

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.

The following chart sets out both the size and capacity of our owned and long-term chartered vessel fleet as of March 31, 2017 and the size and capacity of our owned and long-term chartered vessel fleet that we expect to have by end of 2018 as a result of our existing ship acquisition program and charter plans as set out above:

	Container vessel fleet as of March 31, 2017		Projected container vessel fleet as of December 31, 2018⁽²⁾	
	Ships	TEUs	Ships	TEUs
<i>Owned</i>	127	923,322	144	1,091,450
<i>Long-term chartered⁽¹⁾</i>	59	555,988	65	621,544
<i>Total owned and long-term chartered</i>	186	1,479,310	209	1,712,994

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

(2) Based on current orderbook and hence merely indicative and subject to variation. This includes ships that we currently expect to receive by December 2018 and consists of three 20,000 TEU, six 14,000 TEU, three 2,500 TEU, two Bangkokmax, one 7,500 TEU owned ship and six 9,400 TEU long-term chartered ships.

Container Fleet

As of March 31, 2017, we owned and leased a container fleet of 3.54 million TEUs (of which 322,696 were reefer containers), which we managed from our headquarters in Marseille for the entire group including recently acquired NOL and its subsidiaries. The following table indicates the composition of our container fleet as of that date:

Container Type	TEU
20-foot.....	821,759
40-foot.....	2,631,330
45-foot.....	85,086
Total	3,538,175

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. As of March 31, 2017, 90.2% of our container capacity, or approximately 3.19 million TEUs, was obtained through operating leases. We owned the remaining 9.8% of our container capacity, corresponding to approximately 347,942 TEUs.

We manage empty containers' movements 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.

Ship Management

The ship management of the CMA CGM group vessels is performed by our wholly-owned subsidiary CMA Ships SAS, incorporated in France.

For most of the vessels owned or bareboat chartered by the CMA CGM Group (including, among others, APL, ANL, CNC, Mac Andrews), there is a ship management contract between CMA CGM (or the relevant CMA CGM subsidiary as the case may be) and CMA Ships SAS (or its relevant subsidiaries or subcontractor as the case may be), entrusting CMA Ships SAS with the vessels management.

For some vessels, CMA Ships SAS also subcontracts the ship management by means of Subcontracting Agreements to its subsidiary CMA Ships UK or CMA CGM's subsidiary CMA CGM International Shipping Company Pte. Ltd.

Some vessels are also managed by independent ship managers for historical reasons or benchmarking purposes. In such a case, a ship management agreement between CMA Ships SAS and Midocean (incorporated in the Isle of Man) or NSB (incorporated in Germany) is entered into to cover this subcontracting service. As at March 31, 2017, five vessels of the CMA CGM Group were managed by Midocean while four vessels were managed by NSB. We recently gave notice to Midocean to terminate the ship management agreement providing for the management of the five vessels. As from termination, three of them will be managed by CMA Ships SAS (or one of its affiliated companies) while the two others will be managed by NSB.

As at March 31, 2017, CMA Ships SAS (either directly or via subcontracting) managed 175 vessels for the CMA CGM Group.

In all cases, the ship management agreements provide that CMA Ships SAS receives 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 owning the vessel.

In addition, CMA Ships SAS performs several services for CMA CGM such as new building supervision, research & development for the fleet, energy efficiency optimization, thus leading to a fully integrated chain of services from construction to management. All such services are invoiced at cost to CMA CGM.

The US flag vessels (nine vessels as at March 31, 2017) are managed independently by APL Maritime Ltd, USA, which benefits from the support and expertise of CMA Ships SAS.

Finally, the vessel "Flora Delmas", owned by our wholly owned affiliate OPDR, is managed under a ship management agreement with Doehle Germany and supervised by CMA Ships SAS.

Shipping Agencies

Our operations are supported by a network of 208 shipping agencies worldwide with more than 600 offices. We own or have a majority stake in 136 of these shipping agencies, which accounted for approximately 97% of the carried volumes in 2016. The shipping agencies that we own cover most of our principal locations.

Our current network of agencies results from the combination of 164 CMA CGM agencies pre-dating the acquisition of NOL and 44 agencies stemming from APL network. We are currently in the process of reviewing this network and gradually integrating the two networks. As such, we have and expect to continue to deliver notices to some of APL's third-party agents wherever possible, and to combine agencies in countries / locations where it is cost efficient. We are also continuing to pursue a strategy of establishing our own shipping agencies in our major markets in order to improve our management of marketing and revenue collection and further improve control of our costs at the point of sale. Accordingly, we have been continuously merging the APL and CMA CGM agency networks with a reduction from 88 APL agencies at June 30, 2016 to 44 APL agencies currently.

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 transshipment 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 enable 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, transshipment 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 with vessel manifests 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.

Shared Service Centers

We consolidate certain back-office functions, such as accounting, finance, documentation and logistics, at our captive shared service centers in India, China, Malaysia, Estonia, Costa Rica and the USA, with the objective of standardizing processes and reducing operating expenses. As of December 31, 2016, 4,210 of our employees (FTE) worked at these centers.

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 have investments in port facilities, as noted below. Through these investments, we expect to gain “most favored nation” status at these multi-users’ terminals, which we anticipate will provide preferred access to berths, limit any future increases in our port charges and afford greater control over port activities and laborers, including stevedores. Our terminal operations are managed as to support / enhance our liner operations while being managed for profit.

Terminal Link

Terminal Link, one of our majority-owned subsidiaries, 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 transshipment 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.

Terminal Link currently has terminal investments in the following ports: Antwerp (Belgium), Dunkirk, Le Havre, Fos, Montoir de Bretagne (France), Malta, Casablanca, Tangier (Morocco), Abidjan (Ivory Coast), Pusan (South Korea), Miami and Houston (United States).

On January 25, 2013, we entered into an agreement to sell 49.0% of Terminal Link to CM Port, the largest public port operator in China, for a consideration of \$528.0 million. We also agreed to guarantee a certain level of dividends payable to CM Port regardless of the capacity of Terminal Link to pay them. The estimated fair value of this guarantee was \$99.1 million as of December 31, 2016. At the same time, we entered into two relationship agreements with both Terminal Link and CM Port, according to which Terminal Link and CM Port 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 CM Port have invested (and for certain efforts on our part to favor use of these terminals by other liner services).

Kingston Container Terminal (“KCT”)

On April 7, 2015, our wholly-owned subsidiary Kingston Freeport Terminal Limited (“KFTL”) signed an agreement with the Port Authority of Jamaica (“PAJ”) for a 30-year concession of KCT lasting until 2046. We are developing KCT as a strategic hub within the context of the widened Panama Canal and the use of larger vessels for the lines operated in the area. The handover of the terminal’s operations from PAJ occurred on June 30, 2016, triggering the transfer of certain assets and liabilities against a payment of \$75 million.

We have committed to pay the following concession fees during the concession period: a fixed annual concession fee of \$15 million and variable concession fees representing 8% of the annual turnover.

In order to develop the terminal facilities and operations, KFTL has obtained a long term limited recourse project financing from certain banks amounting to \$265 million, maturing in May 2031 and bearing variable and fixed interest (with no principal repayment before May 2020). As at December 31, 2016, such financing was drawn in an amount of \$56.4 million. The facility agreements provide for customary events of default for long term limited recourse project financing, including failure to make timely payment, breach of covenants and material adverse change. Security interests, among others, in the form of mortgage on leasehold interest, assignment of insurance and reinsurance proceeds and assignment of termination compensation, assignment and pledge of a subordinated loan agreement are granted to the lenders to secure KFTL’s obligations under such financing. As is customary in project finance, limited sponsor support from, ultimately, CMA CGM, is provided to cover a portion of operating cash flow during the construction phase (expected to end by April 2020) as contingent equity. Such contingent equity amounts to a total of \$112.0 million out of which \$80 million is covered by a stand-by equity letter. In addition, and subject to certain specific conditions, CMA CGM has agreed to provide a minimum revenue guarantee to KFTL from June 2020 to June 2031.

KFTL had invested \$110.9 million in the development of KCT infrastructure and port equipment as of March 31, 2017 and budgets an additional \$341.1 million through expected completion in December 31, 2019.

Singapore terminal with Port of Singapore Authority (“PSA”)

On July 22, 2016, CMA CGM and PSA Singapore Terminals started operations at a joint venture company named CMA CGM – PSA LION TERMINAL PTE. Ltd (“CPLT”), of which they own 49% and 51%, respectively, and which leases and operates four container berths in the port of Singapore. With an estimated annual handling capacity of over 3 million TEUs, the joint venture’s facilities are being used as a container terminal in the region for the Group and its shipping affiliates, including NOL. The first phase of the terminal started operations with two berths in July 2016. The Group made an initial equity contribution for the set-up of the joint venture, amounting to SG\$ 108.1 million, in July 2016. The second phase of the terminal construction (to add two more berths) commenced on April 1, 2017; it will bring the total capacity to 4 million TEUs and is expected to be completed by late 2017 / early 2018. As initial financing of the second phase, the Group contributed an additional SG\$ 33.45 million of equity in March 2017.

Kribi Container Terminal

In 2015, we won a bid in Cameroon with 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. A 50-50 joint venture between Bolloré and us owns 60.45% of the shares of the terminal, Wide Resources Limited, a company controlled by CHEC, owns 20% of the shares and the remaining 19.55% is held by Cameroonian nationals. This terminal is the only deep sea terminal of Cameroon; it is expected to be the future gateway for imports/exports and one of the main transshipment hubs in this 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 by equity contributions and the remainder either by external loans, equity contributions or shareholder loans) of the development which completed in early 2017. Phase 2 of the development consists primarily of the furnishing of new port equipment and is currently expected to be delivered and operational by early 2021.

Mundra CT4

In July 2014, we announced the creation of a 50-50 joint venture in Mundra, India, through our subsidiary CMA Terminals and Adani Ports and Special Economic Zone (“APSEZL”) to develop and operate the port’s new fourth container terminal with capacity of 1.3 million TEUs (the “CT-4 Terminal”). The CT-4 Terminal is a multi-user terminal, primarily handling container volumes of the Company and its vessel-sharing partners. APSEZL was responsible for the construction of the CT-4 Terminal, which was completed in late 2016. It committed to maximum construction costs of \$307 million. The parties each committed to an initial equity contribution (\$5 million) and a further equity contribution on completion (\$41 million) which will be made in the second quarter of 2017, with the remainder being debt-financed. The joint venture company was established on April 25, 2017.

Others

The Company has also invested in other terminals through its wholly-owned subsidiary CMA Terminals. CMA Terminals is present in Marseille (France), Lattakia (Syria), Umm Qsar (Iraq), Odessa (Ukraine), Long Beach (United States), Rotterdam (the Netherlands), Cai Mep (Vietnam), Mundra (India), and has historically directly owned and operated terminals in Guadeloupe and Martinique (French Antilles) and French Guyana.

As part of the NOL Acquisition, we acquired indirect controlling interests in terminal facilities in Los Angeles/Long Beach (USA) and Dutch Harbor (USA), Kaohsiung (Taiwan) as well as Yokohama (Japan). These terminals have historically been operated by NOL and primarily handled NOL volumes. We intend to continue to use these facilities at the level of the entire group going forward. Certain of these assets have been recorded as held for sale as at December 31, 2016.

As part of the NOL Acquisition, we also acquired minority interests in the following terminals: Laem Chabang (Thailand), Qingdao (China), Ho Chi Minh (Vietnam) and an additional minority stake in a terminal already partly owned by CMA Terminals, Rotterdam (the Netherlands).

The GGS terminal in the twin ports of Los Angeles/Long Beach (USA) that we acquired as part of the NOL Acquisition is currently fully owned by Eagle Marine Services, Ltd. (historically a wholly-owned subsidiary of American President Lines, Ltd.), which is the tenant of a 26-year lease granted by the City of Los Angeles to operate the concession. As of June 30, 2017, NOL Liner signed a stock purchase agreement with a consortium composed of the infrastructure fund EQT Infrastructure and the port operator P5 Infrastructure, pursuant to which the consortium will acquire a 90% interest in APL Ltd. (which indirectly holds the GGS terminal), with CMA CGM remaining a minority shareholder holding (directly or indirectly) 10% of the share capital. Concurrently, CMA CGM and its subsidiaries entered into a long term commitment to remain a major user of the facility. Closing of the transaction is subject to anti-trust and regulatory (including CFIUS) approvals, and is expected to occur in the second half of 2017. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—Sale of the GGS Terminal.*”

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 transshipment 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.

Customers

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 TEUs 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, Kühne & Nagel, Bolloré, Schenker, Expeditors and DHL, accounted for approximately 10.3% of our volume during the year ended December 31, 2016. 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 4% of ocean freight.

We carry a diverse range of goods for many different types of customers. We had over 100,000 customers in 2016, including 75 companies we consider key customers, such as Hyundai Motor Group, Ikea, LG, Nike, or Nestlé. In 2016, the percentage of volumes carried for our top 20 customers represented 17% of total volumes carried and we had no customer that accounted for more than 2.5% of total volume.

Due to price competition and the extensive geographical needs of large-scale shipping customers, 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. Large customers will sometimes invite several carriers to tender for their business, requesting detailed information, which they use to assess which carrier they will hire. Tender requests vary significantly from customer to customer, and usually cover a series of individual, regional or global shipping requests. 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 interests in choosing a carrier tend to include, depending on the cargo:

- geographic coverage and the availability of service in their desired area;
- price;
- a carrier's punctuality and performance record according to key industry indicators, such as voyages completed on time (especially on main lines), frequency of service and length of transit times;
- a carrier's capacity to offer door-to-door and other value-added services;
- the accuracy and timeliness of shipping documentation, including bills of lading and port activity documentation; and
- more recently, a carrier's ability to demonstrate its willingness to develop digitalization and new technologies: ability to provide data, to be innovative with IoT (Internet of things), to have multi-channel sites and EDI facilities. Most of our customers are already extensively using our <http://www.cma-cgm.com> website to place their orders 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 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.

Investment in Charter Company

We own 20,478,650 of the Class A common shares of Global Ship Lease (GSL), a company that charters vessels to us. We also own 3,943,050 Class B common shares of GSL. As of March 31, 2017, GSL’s fleet consisted of 18 containerships with an aggregate capacity of 82,312 TEUs and a weighted average age of approximately 12.3 years. The average remaining term of the charters is 3.4 years, with earliest charter expiry dates ranging from September 2017 until October 2025. 15 of these vessels are currently on charter to us and the undiscounted lease payments payable by us to GSL for such vessels amounted to \$555.5 million as of March 31, 2017. The other three vessels owned by GSL are leased to OOCL. GSL is listed on the New York Stock Exchange and, as of March 31, 2017, had a total market capitalization of approximately \$81.4 million. GSL is accounted for as associate and the carrying amount of our investment in GSL (*i.e.*, our share in GSL’s net assets) as of December 31, 2016 was \$146.4 million. GSL has outsourced ship management services for 13 CMA CGM chartered vessels to one of our subsidiaries, CMA Ships. While we have two representatives on GSL’s board of directors which comprises a total of 6 members, they have no vote on decisions related to the Company.

Competition

The container shipping industry is highly competitive. Although, as of April 1, 2017, the world’s top 20 carriers by capacity controlled approximately 84.7% of global container capacity, with the top ten controlling approximately 69.4% and the top five over 53.7% (source: Alphaliner Monthly Monitor – April 2017), the industry remains fragmented, with over 450 carriers operating worldwide (source: Alphaliner – April 2017).

Globally, market shares (based on capacity) remain widely dispersed. The largest single carrier, as of April 1, 2017, provides 15.8% of global container capacity and the next two largest single carriers provide 14.5% and 10.4% (CMA CGM) of global container capacity, respectively (source: Alphaliner Monthly Monitor – April 2017). The following three largest carriers each have a capacity share of global container capacity of 8.2% to 4.8% each (measured in TEU), whereas the capacity shares of the seventh to fifteenth largest carriers range from 2.8% to 1.8% (source: Alphaliner Monthly Monitor – April 2017).

The industry is in the midst of a wave of consolidation that started in early 2016. In addition to our acquisition of NOL in June, the Chinese carriers Cosco Shipping and China Shipping merged in early 2016. Since then, the following major transactions have been announced and are in the process of being implemented: a business combination between Hapag-Lloyd and United Arab Shipping Company (UASC), an acquisition of Hamburg Süd by Maersk, and a joint venture of 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). The 10 largest carriers had a combined market share of 69.4% measured in terms of capacity share as of April 1, 2017 (source: Alphaliner Monthly Monitor – April 2017); assuming the closing of all announced transactions, the pro forma combined market share would be 78.6%.

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, MSC, Cosco Shipping, Evergreen 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. One example of a regional carrier that competes with us is Wan Hai, which operates mainly on intra-Asian trades. 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, our main competitors are niche operations of other global and regional carriers, such as Maersk, MSC, Cosco Shipping, Evergreen and Hapag-Lloyd.

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 routes. The composition of such alliances has recently evolved in particular following the consolidation steps noted above, including our acquisition of NOL. The number of operating alliances operating on East-West routes has hence recently been reduced from four (2M, Ocean Three, G6 and CKYHE) to three. As of today, the main current alliances are Ocean Alliance, comprising Cosco Shipping, Evergreen, OOCL and us; 2M Alliance, comprising Maersk Line, Mediterranean Shipping Company (MSC) and Hyundai Merchant Marine (HMM) (the latter taking a defined number of slots on services operated by the alliance); and THE Alliance, comprising Mitsui O.S.K. Lines (MOL), Nippon Yusen Kabushiki Kaisha (NYK), Kawasaki Kisen Kaisha Ltd. (K Line), Hanjin Shipping Co. (Hanjin), Hapag-Lloyd and Yang Ming Marine Transport Corp. (Yang Ming). See “—Services—Container Shipping—Alliances with other shipping companies” and “Industry—Consolidation, Partnerships and Global Alliances.”

Insurance

We maintain insurance policies to cover risks related to physical damage to, and loss of, our ships and ships’ equipment, other equipment (such as containers, chassis, terminal equipment and trucks) and properties. Third-party liabilities arising from the carriage of goods and the operation of ships and shore-side equipment and general liabilities which may arise through the course of our normal business operations are also covered through insurance programs we have implemented. We renew most of these policies annually, and most of our insurance expenses are denominated in either U.S. dollars or euros. Most of our insurance programs are set up and administered by Marsh and Willis, with the assistance of our in-house broker, ARB.

As an exception, vessels owned by our affiliates Comanav and Cheng Lie Navigation are covered under local insurance covers. All of our chartered vessels are covered by liability to hull insurance specifically for chartered vessels, which covers our liability for loss or damage to the chartered vessels. We insure each vessel purchased under financing arrangements for the value stipulated in the financing agreement, and we insure the vessels that we own outright for at least their market value.

Our insurance policies also cover our owned vessels for losses due to war, piracy and acts of terrorism. Chartered vessels are covered by their owners’ war risk policies. We also subscribe to “Extra war risk” insurance cover, via an open cover for our owned vessels and on a case-by-case basis for chartered vessels.

When we are subject to “extra war risk” premiums, we may pass on the additional costs of these premiums to customers. See “Regulatory Matters—Maritime Regulations” and “Risk Factors—Risks Relating to Our Business—Political, economic and other risks in the markets where we have operations may cause serious disruptions to our business.”

We also maintain protection and indemnity policies - “P&I” policies, through P&I Clubs (member of the IG group) covering all our fleet, including chartered vessels, for:

- third-party claims arising from the carriage of goods, including loss or damage to cargo;
- claims arising from the operation of our owned and chartered ships, including injury or death to crew, passengers, or other third parties;
- claims arising from collisions of chartered vessels (covered through H&M cover for owned vessels);
- pollution arising from oil and other substances and salvage; and
- other related costs.

Our premiums under these policies are directly linked to the number and amount of claims that we and other carriers suffered during preceding periods. We are also sometimes subject to supplementary calls for additional payments during the coverage period of our policies. Our P&I insurance provides high limit coverage for losses on any vessel we own and \$500.0 million per incident for each claim on vessels we charter (including pollution claims).

We maintain insurance cover called “ship owner’s liability” (“SOL”) covering the Company for liabilities arising out of loss of or damage to “special and valuable cargoes” or a breach of contract of carriage,

where such a breach/deviation falls outside the scope of P&I cover. This comprehensive SOL insurance is offered on a “per member per annum basis,” with no advance declaration required by the P&I club, and limited to U.S. \$50.0 million per event. NOL is also covered by this SOL. It should be noted that our customers usually take out their own insurance on such cargos.

In addition to the foregoing policies, we maintain loss of hire insurance for all our owned vessels. This insurance covers business interruption and loss of earnings for vessels that are taken out of service for repairs or detained by pirates.

We also maintain various other insurance policies to cover a number of other risks related to our business, such as:

- Directors and officers cover;
- Employers practice liability cover;
- Chassis, containers and handling equipment cover;
- Cargo handling cover for our owned or controlled terminals;
- 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; and
 - Logistic activities;
- Repatriation cover for our crew and expatriates;
- Chassis road liability cover for our operations in the United States;
- Inland environment cover;
- Political violence insurance policy; and
- Crime and cyber insurance policy.

For the avoidance of doubt, NOL is coinsured under all of the insurance covers referred to above, except for the General Liability insurance program, for which it currently has its own program that will be integrated into the Group’s cover before the summer of 2017.

We believe that the types and amounts of insurance coverage that we currently maintain are consistent with customary practice in the international container shipping industry and are adequate for the conduct of our business.

Information Systems and Logistical Processes

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 modules to this 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 customer relationship and operations 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.
- MUST: Our e-Commerce platform has delivered 215,000 bookings in 2017-Q1 (32% of our total bookings). We constantly invest in our e-commerce platform and in all digital transactions with our customers. Electronic booking (for example e-Commerce and EDI) accounted for approximately 80% of our total booking during the same period.
- DIVA/SAFRAN: Our business intelligence tools support corporate management and operational decisions by providing operational and financial/contribution reports.
- OCEAN/LOAD/SAGE. 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). As of March 31, 2017, nearly 90% of our worldwide volumes are managed by those systems.
- HFM: Our 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.

In addition, NOL is currently still relying on its historical information systems (SAP Finance & Mainframe applications) and will be migrated over time to CMA CGM systems (migration before end of 2018 and termination of existing applications by end 2019). However, a number of tools have already been deployed on NOL systems to facilitate their integration and to upgrade their performance, thereby providing enhanced management tools. For example, the management of the fleet of containers is integrated on the same platform at group level and the contribution calculation tool in place at CMA CGM has been adapted to be deployed on NOL systems.

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 a strategic agreement with SAP for the development of a new information system that will replace most of our existing IT systems. Our new information system will be tailored specifically for container shipping activities. The new system is designed by SAP and covers our commercial, operational and financial processes in a seamless and scalable solution. We spent €238 million on development of the new system over the 2013 to 2016 period and have budgeted a further €189 million through expected completion of its deployment, which is expected to be implemented in phases from 2018 through to 2020. See “*Management’s Discussion and Analysis—Liquidity and Capital Resources—Capital Expenditure.*” We believe that our new system will provide us with greater efficiency, including substantial cost savings, and operational flexibility. It will be specifically designed for container shipping and should enhance efficiency and flexibility in an industry that is constantly evolving.

The first three SAP applications were delivered in 2015 and 2016, namely the “Identity Management Tool”, the “Governance, Risk and Compliance” tool and the “Customer Relationship Management” tool.

Employees

The following table sets forth our full-time equivalent employees broken down by geographic location as of December 31, 2014, 2015 and 2016:

	As of December 31,		
	2014	2015	2016
France ⁽¹⁾	4,171	4,053	4,390
Rest of Europe.....	2,761	2,913	3,467
Asia Oceania	6,241	7,767	10,924
Americas.....	1,863	2,065	3,798
Middle East & Africa	3,019	3,236	3,458
Total	18,055	20,034	26,037

(1) These figures include French overseas departments and territories.

The substantial increase of the full-time equivalent employees as at December 31, 2016 is directly linked with the acquisition of NOL. Of our 26,037 total full time equivalent employees as at December 31, 2016, 5,266 are employed by the NOL Group.

As of December 31, 2016, 22,392 full-time equivalent employees, or approximately 86% of our total workforce, perform 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 3,645 full-time equivalent employees, or approximately 14% of our total workforce, were 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.

All our French employees 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 are good.

Properties

We own, lease or have rights to use approximately 800 properties globally, either directly or through one of our subsidiaries. We have two flagship properties in Marseille, in the south of France, and in Norfolk Virginia, USA. The CMA CGM current head office, 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.

In addition, CMA CGM still owns its original headquarters building, located in Marseille, which is a 1970’s-era seven-story building, with capacity for 354 people and a gross floor area of 7,056 square meters. This building is currently partially rented out.

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.

Certain operations are also carried out in France from another office building located in Le Havre, France, and that we own; it measures approximately 8,940 square meters.

The NOL Group’s sole real estate asset is in Mexico and consists of a 7,502 square feet floor in an office building that is in the process of being sold.

As of March 31, 2017, we operated 164 CMA CGM shipping agencies together with 49 NOL shipping agencies (in the process of being merged with CMA CGM’s agencies) around the world; we either fully own or jointly own these agencies. Each of our agencies typically leases small offices for 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.

Quality, Environmental Matters and Safety

Quality

Customers' satisfaction and operational excellence are the drivers of our vision of quality. We have developed a comprehensive set of quality-focused procedures in compliance with applicable legal, industry and customers' practices. 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.

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.

Environmental Matters

Our Environmental commitment is defined around three strategic axes: Air (energy and climate change – air pollution), Ocean (marine biodiversity and pollution prevention) and Innovation (vessels, containers and sustainable services).

Our ship management activity is certified since 2013 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 or 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", a business-to-business initiative that consists of multinational manufacturers, retailers as well as ocean carriers and logistics service providers. The group develops and promotes the use of tools and methods to address the environmental and social impacts of transporting products. Furthermore, we are in contact and have concluded agreements with major players in the market (such as ENGIE and Total) to study the most efficient way to adapt our vessel fleet to the new sulphur regulations.

We have 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 and monitoring.

Health and Safety

We have implemented a safety management system in accordance with the International Management Code for Safe Operation of Ships and for Pollution Prevention ("**ISM Code**"). Regular internal and external audits are designed to ensure compliance of all our vessels and our shore based organization with the ISM Code. Our safety management system is focused on safety at sea, preventive measures to protect health and life, cargo and the environment, as well as vessels and property against safety risks, accidents and emergency situations in connection with our operations. Our ship management activity and some of our major operated terminals are certified according to the OHSAS 18001 standard on Occupational Health and Safety Management.

We have also developed and implemented procedures for the handling of hazardous cargo, which are updated regularly. In addition, our "Dangerous Goods" department provides support to our organization worldwide on a 24-hours-a-day, seven-days-a-week basis. The staff in our Dangerous Goods department undergoes regular intensive training to ensure continuous high-level knowledge of the proper handling of hazardous cargo. 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.

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, colors and logos in the field of maritime transport 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, amongst others, the “APL” and “CNC” trademarks, colors and logos in the field of maritime transport.

Legal Proceedings and Government Investigations

Antitrust matters

On March 15, 2017, we received a subpoena from the Antitrust Division of the U.S. Department of Justice (the “DOJ”) relating to an antitrust investigation of ocean container shipping services to and from the U.S. The subpoena includes wide-ranging requests for information and documents in relation to such services, including as to the International Council of Containership Operators (known as the “Box Club”), of which we are a member, and the Transpacific Stabilization Agreement, to which we are a party. We understand that a similar subpoena was received by other container shipping companies that are members of the Box Club. We are responding to the subpoena. The investigation is currently ongoing, and at this stage there can be no assurance as to the direction the DOJ’s investigation will take in the future or its outcome. Further, no assurance as to the timing of the investigation can be given. If we ultimately become subject to sanctions for possible anti-competitive activities, we may be required to pay fines (which could be substantial) and/or to change our business practices. Additionally, the Company and/or individual executives may become subject to criminal prosecution.

In May 2011, the European Commission carried out unannounced inspections at the premises of various carriers, including ours, in order to investigate a possible collusion among carriers on prices and capacities. In a decision dated November 21, 2013, the European Commission initiated antitrust proceedings against a large number of carriers, including us. According to the European Commission, since 2009, carriers had been disclosing price increase intentions, several times a year and a few weeks before their implementation date, through press releases on their websites and in the specialized trade press, which may have allowed carriers to signal future price intentions to each other and may have led to price increases on routes to and from Europe. The proceedings aimed to determine whether this behavior qualified as an anticompetitive practice. The European Commission and the concerned carriers, including CMA CGM, explored the possibility of putting an end to the procedure by way of commitments under Article 9 of Council Regulation (EC) n° 1/2003, in such a way that if the European Commission accepted these commitments, the proceedings would be closed with respect to parties having agreed to submit such commitments, no fine would be imposed and there would be no admission of infringement or liability for those carriers. After carrying out a market test of the commitments – which relate to publication and communication of price changes and price announcements and the binding nature of such price announcements in container liner shipping services to and from the European Economic Area - offered by the carriers, the Commission announced its decision on July 7, 2016 by which it confirmed that the commitments addressed its concerns. Such decision, which concludes the European Commission’s formal investigation, provides that (i) the commitments are binding upon the concerned carriers for a period of three years starting from December 7, 2016, (ii) there are no longer any grounds for action on the Commission’s part and (iii) the proceedings in this case should therefore be brought to an end based on the fact that there was no infringement of EU antitrust rules. We and the other carriers subject to such commitments have periodic reporting obligations to the Commission in respect of them. It should be noted that the Commission announcement does not preclude third-party civil claims for damages; no such claims have been brought against us to date.

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. CCSA is currently reviewing the documents and the procedure is pending. 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 R 500,000.00 maximum and/or 10 years of imprisonment maximum. No provision is recorded in this respect in the 2016 Consolidated Financial Statements.

The Antitrust Commission of Peru (INDECOPI) initiated legal proceedings against shipping lines including CMA CGM due to an alleged price fixing cartel that could affect Peruvian maritime liner shipping market. The theoretical maximum potential exposure for CMA CGM is 12% of sales or gross income received by the offender, or its economic group, in the previous accounting year as to the year in which INDECOPI issues the resolution case. CMA CGM and APL submitted their written defenses. In parallel, the majority of the carriers involved in the proceedings are jointly discussing with INDECOPI a settlement (Commitment to Cease) pursuant

to which carriers will pay about \$2.4 million to an independent fund (trustee) to finance studies aiming at improving the competition in the shipping market in Peru and training measures. If the carriers' proposal is validated by INDECOPI, the payment breakdown by carrier will be based on respective market shares (based on the average between the period of alleged infringement and the year preceding the INDECOPI's decision, i.e. about 9% for CMA CGM and APL together). Accordingly, the potential combined amount for CMA CGM and APL, depending on final negotiations with INDECOPI, is about \$206,610, although no provisions have been made at this stage of the procedure.

The Russian Competition Authority (FAS) carried out unannounced inspections at the premises of a large number of carriers' shipping agents, including ours, on February 15, 2013. On November 26, 2013, the FAS initiated antitrust proceedings against fourteen shipping agencies, including CMA CGM Russia, with respect to possible price arrangements. FAS and certain carriers, including CMA CGM, have negotiated behavioral commitments. Such undertakings shall remain in force for a period of three years following the approval of the settlement agreement by the Ninth Arbitrazh Appellate Court which occurred on February 16, 2017.

The Chinese National Development and Reform Commission (NDRC) carried out unannounced inspections at the premises of ten carriers in China between November 12 and November 14, 2015 for the three main following 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 THC is illegal and (iii) carriers collecting Terminal Handling Charges (THC) from shippers under FOB terms is not lawful. An anti-trust 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. A new CMA CGM THC structure in Chinese ports was announced on CMA CGM's website on February 28, 2017. After a monitoring period of one year, the NDRC will decide whether to terminate the investigation based on the companies' compliance. Based on the above, no provision has been made in the 2016 Consolidated Financial Statements.

Asbestos work-related matters

We are currently party to two types of legal actions in respect of asbestos work-related matters:

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 (TASS) against its employer (based on gross negligence) to obtain damages for the prejudice suffered and the additional costs incurred due to the illness. To date, 19 such actions have been initiated 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.

Compensation for emotional distress

Six claims have been filed against us 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. The average quantum for each claim linked to emotional distress is set at \$24,000.

With one exception, where a judgment was awarded in the amount of €8,000 (which judgment is currently under appeal by the Company), no court decisions have been rendered to date in the above-referenced cases (of either type) as they are at a very early stage. We have established provisions for the above-referenced claims based on their nature (wrongful death, illness, emotional distress), amounting to an aggregate of \$6.94 million as of March 31, 2017. 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 (seafarer and limited 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.

APL asbestos matters

APL was named as a defendant in over 5,600 lawsuits alleging injuries caused by asbestos exposures on or around APL vessels. Those cases were consolidated before a U.S. federal court in Pennsylvania. 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 has recorded a provision of U.S.\$6.745 million on account of these lawsuits in its financial statements as of March 31, 2017.

APL is also named as a defendant in a body of other lawsuits (pending in other U.S. jurisdictions) brought not only by seamen but also 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 has approximately 40-50 such lawsuits open and pending at any given time, and has recorded a provision of U.S.\$2.647 million on account of these lawsuits based on claims data and actuarial analysis in its financial statements as of March 31, 2017.

Other current disputes and potential claims

DIPCO Litigation

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 subsidiary 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 U.S.\$200,000,000 in equity, and DIPCO signed a financing agreement for U.S.\$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. DIPCO's outstanding debt is estimated, due to the lack of information from DIPCO's management, at approximately U.S.\$ 450,000,000.00.

On July 18, 2013, the ICC Paris arbitration tribunal, in an arbitration brought by AAC, sentenced DIPCO to pay approximately U.S.\$140,000,000 to AAC. On December 8, 2015, AAC filed a lawsuit against DIPCO and the Damietta Port Authority, 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. AAC may appeal and attempt again to pierce DIPCO's corporate veil, rendering CMA Terminals and its representatives potentially liable for our 20% share of DIPCO's indebtedness. It should be noted that other creditors could also conceivably seek to pierce the corporate veil in a bankruptcy or other proceeding.

Provision for litigation

A provision for litigation of U.S.\$126.0 million was recorded in our 2016 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. NOL contributed to litigation provisions for an amount of U.S.\$56.7 million, which relates to various cargo-related claims of a similar nature as the CMA CGM litigation provisions. None of these claims taken individually represents a significant amount.

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.*” 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 L5000-1 *et seq.*, and in the French Customs Code (*Code des douanes*).

As part of our effort to qualify for certain tax advantages available from the French government for the financing of the purchase of new vessels, 21 of the container ships we own fly the French flag (*Registre International Français*, “**RIF**”). Under Article 219 of the French Customs Code, the main requirements for a vessel to be registered under the French flag are the following:

- the vessel must have been built in the territory of an EU member state or have paid applicable import fees and taxes in one of these countries; and
 - (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 European Economic Area (“**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, responsible for its exploitation, 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) has 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:

- 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
- 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 (“TFUE”), 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 (“**Commission Regulation (EC) No 906/2009**”).

Since the Council abolished 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 Commission. The 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 details rules applicable to shipping companies consortia. 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 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, 2020.

In the EEA we are subject to specific rules relating to future price announcements for ocean shipping services on EEA trades. In the context of such rules, the European Commission carried out unannounced inspections in May 2011 at the premises of various carriers, including ours, in order to investigate a possible collusion among carriers on prices and capacities. The European Commission announced its decision on July 7, 2016. See “*Business—Legal Proceedings and Government Investigations.*”

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 (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. 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 \$8,000 may be imposed for non-willful violations and up to \$40,000 for each willful or knowing violation. The maximum amount for civil penalties is adjusted for inflation every four years, with the last adjustment occurring in 2011.

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.

International. The 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**”) mandatory from 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") which we joined in 2002. See "*Risk Factors—Risks Relating to Our Business.*"

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 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.

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 Convention 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 October 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. The amended Annex VI will reduce air pollution from vessels by, among other things, (i) implementing a progressive reduction of sulfur oxide emissions from ships by reducing the global sulfur fuel cap from 4.50% initially to the current cap of 3.50% (effective from January 1, 2012) and to 0.50% effective January 1, 2020, and in the more stringently regulated designated Emission Control Areas (“**ECA**”), the cap is 0.10% effective from January 1, 2015; and (ii) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. All new vessels keel laid after January 1, 2016 navigating in designated ECAs are required to be compliant with NOx Tier III requirements. The IMO announced in October 2016 that it was reducing the global sulfur fuel cap from 3.5% to 0.5% effective January 1, 2020 in an effort to significantly reduce the amount of sulfur oxide emanating from ships.

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, entering in force as from September 8, 2017. 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**”) which has been applicable since April 14, 2015 and 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, 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 coast line, 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 July 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 CO₂ reduction level over EEDI reference value calculated for the individual ship design (10% improvement target for ships built between 2015 and 2019; 20% improvement target for ships built between 2020 and 2024; 30% improvement target after 2025). The SEEMP for new and existing ships aims at providing ship owners with incentives to implement a more energy efficient performance of ships without imposing an obligation to reduce emissions. 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 October 2016, the IMO approved a roadmap (2017 to 2023) for developing a comprehensive IMO strategy on the reduction of greenhouse gas emissions from ships, which aims at an initial greenhouse gas emissions strategy to be adopted in 2018.

Greenhouse Gas Regulation. In February 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 universal, legally binding global climate deal (which is a separate instrument under the United Nations Framework Convention on Climate Change ("**UNFCCC**"), rather than an amendment to the Kyoto Protocol). The 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. The agreement will take 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. 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.

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.

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 TFUE 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, amended by Directive 2014/100/EU, 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 establishes the fundamental principles governing the investigation of accidents in the maritime transport sector, and Regulation 391/2009/EC, on providing common rules and standards for ship inspection and survey organizations, establish 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 by Regulation 2013/100/EU, 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 shipowner's insurance for maritime claims. After the Prestige tanker sinking in 2002, the European Union passed Directive 2005/35/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 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 2012/33/EU, amending 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 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 Commission calls on Member States to work within the IMO to promote the development of harmonized international standards for shore-side electrical connections. Directive 2012/33/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 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 seagoing vessels that fly the flag of an EU 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 ship owners have to ensure that ships are only recycled in ship recycling facilities that meet certain environmental and safety requirements.

On July 1, 2013, the Commission submitted a proposal of a Regulation of the European Parliament and of the Council on the monitoring, reporting and verification of carbon dioxide (“**CO²**”) emissions from maritime transport, amending Directive 2009/16/EC. The European Economic and Social Committee adopted its opinion on October 16, 2013 and the European Parliament adopted its opinion at first reading on April 16, 2014. The Council and the European Parliament conducted informal negotiations with a view to concluding an agreement at the stage of the Council’s position at first reading (‘early second reading agreement’). These negotiations were concluded on November 18, 2014 with a provisional agreement. On March 5, 2015, the European Council adopted, in first reading, a Position 6/2015 on the monitoring, reporting and verification (the “**MRV**”) of CO² emissions from maritime transport. On April 24, 2015, the Council adopted a statement on position 6/2015. On May 19, 2015, Regulation (EU) 2015/757 of April 29, 2015, was published in the Official Journal of the European Union and entered into force on July 1, 2015. The main objective of the Regulation is to establish a system for MRV of CO² emissions from maritime transport, as a first step towards a global MRV system. Regulation 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 (owned and chartered vessels are concerned), above 5000 GT, for the CO² 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 regulation sets three steps and milestones, as follows: 2017, establishment of a detailed and externally-verified monitoring plan by companies; 2018, implementation of the monitoring plan: companies shall monitor CO² emissions for each ship on a per-voyage and an annual basis by applying the appropriate method and by calculating emissions and; 2019, companies shall submit to the Commission and to the flag States concerned an externally-verified emission report.

AEO Regime. Globalization and the changed security situation of international trade under the threat of terrorist attacks caused the World Customs Organization (WCO) to set up a Framework of Standards to Secure and Facilitate Global Trade (“SAFE”) establishing modern and efficient risk management in the customs administrations worldwide. The EU’s implementation rules are set out in the Union Customs Code (Regulation 952/2013 and its Delegated and Implementing Regulations). Economic operators are required to provide the customs authorities with details of goods before they are imported into the EU or exported from it. A core element of the security package is the introduction of the status as an Authorized Economic Operator (“AEO”). The Company has been a certified Authorized Economic Operator (“AEO”) within the EU since December 7, 2010. See “*Risk Factors—Risks Relating to Our Business.*”

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. But REACH includes 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 the French Code of Transportation (Part 5 relating to Sea transport). The provisions of Law no. 83-581, now codified in 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 by Decrees no. 2012-161, no. 2013-484 and no. 2014-1428, 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 September 23, 1987 relating to security on vessels.

Law no. 2016-1087 (“*la reconquête de la biodiversité, de la nature et des paysages*”) creates an additional regime of liability in case of environmental damage.

Law no. 2008-757 on environmental liability introduced under French law, mainly in the French Code of Environment, 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 prove fault and operators carrying out 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.

French law also contains specific provisions applicable in the case of 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 for ship fuels (Articles L. 5123-1 to L. 5123-7 and Articles R.5123-1 to R.5123-5 of the French Transportation Code). Sanctions may be applied in 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 the French Code of Environment (Articles L.218-10 et seq.), imposing severe fines and imprisonment for ship-source pollution. Penalties differ depending on the size of the vessel.

United States. In the United States, ship owners 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, ship owners, 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 December 21, 2015. 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 VGP 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. The EPA has issued a new VGP, to be effective on December 2018, which contains more stringent requirements, including numeric ballast water discharge limits that generally align with the most recent U.S. Coast Guard standards, to ensure that the ballast water treatment systems are functioning correctly, and more stringent effluent limits for oil

to sea interfaces and exhaust gas scrubber wastewater. We have submitted NOIs for our vessels operating in U.S. waters and will likely incur costs to meet the more stringent requirements of the new VGP. 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 defined below) to increase the control of air pollutant emissions from certain large marine engines by requiring certain new marine-diesel engines installed on U.S. registered ships to meet lower NO_x standards which will be implemented in two phases. 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% NO_x reduction below previous levels. The second phase of new long-term standards for newly built engines became effective beginning in 2016 and require the use of high efficiency emission control technology such as selective catalytic reduction to achieve NO_x 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 Californian coast to reduce air pollution by using only low-sulfur marine distillate fuel rather than bunker fuel in auxiliary diesel and diesel-electric engines, main propulsion diesel engines and auxiliary boilers. Vessels sailing within 24 miles of the California coastline whose itineraries call for them to enter any California ports, terminal facilities, or internal or estuarine waters must use marine gas oil or marine diesel oil with a sulfur content at or below 0.1% sulfur. 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. These requirements applied to a minimum of 70% of vessel calls for any ocean going vessel fleet as of January 2017, and are expected to increase to 80% by January 2020.

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 seagoing 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.

MANAGEMENT

Board of Directors and Other Key Management

Prior to January 18, 2010, we were governed by a Supervisory Board and an Executive Board. We have been governed by a Board of Directors (*Conseil d'Administration*) since January 18, 2010.

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
Jacques R. Saadé.....	80	Chairman
Farid T. Salem	77	Executive Officer and Director
Rodolphe Saadé	47	Chief Executive Officer and Director
MERIT.....		Director
Represented by Tanya Saadé Zeenny	49	Executive Officer
Naïla Saadé	75	Director
Véronique Saadé.....	42	Director
Sarah Salem.....	76	Director
Pierre Mongin.....	62	Director (Independent)
Mathilde Lemoine.....	47	Director (Independent)
Robert Yüksel Yildirim	57	Director
Evren Öztürk	35	Director
Peri Bilgic.....	36	Director
Denis Ranque.....	65	Director
Badia Zaiane	43	Director (representing the employees)
Jocelyn Rapp	54	Director (representing the employees)

Jacques R. Saadé founded the CMA CGM group in 1978 and has managed it ever since. Jacques R. Saadé was appointed as a Director from the candidates proposed by Merit. He became Chairman of the Board of Directors in January 2010 and was Chief Executive Officer from January 28, 2011 until February 8, 2017. Mr. Saadé was the Chairman and President of the Supervisory Board between 2001 and 2010. Prior to this, Mr. Saadé was President of *Compagnie Maritime d’Affrètement* (CMA) since it was founded in 1978, and of CGM S.A. since November 1996. He was President of the Franco-Lebanese Chamber of Commerce from 1986 to 2014. Jacques R. Saadé graduated from the London School of Economics (1957). He is Naïla Saadé’s husband, Rodolphe Saadé and Tanya Saadé Zeenny’s father and Farid T. Salem’s brother-in-law.

Farid T. Salem was appointed as a Director from the candidates proposed by Merit. He has been an Executive Officer and a member of the Board of Directors since 2010. He was a member of the Supervisory Board beginning in 2001 and was Group Chief Executive Vice President from 1999. Between 1978 and 1979, he participated in the creation of CMA in Marseille. He has been with CMA since 1986. From 1976 to 1986, he acted as manager of fisheries at United Fisheries of Kuwait. He began his career in 1964 with Lebanon’s Packfreez as a director and partner. From 1964 to 1973, he successively headed the import and distribution of food products in Lebanon and industrial fishing operations in Madagascar. From 1974 to 1976, he was back in Lebanon, following the Madagascar government’s nationalization of the fishing companies. He founded and managed Polyfreez, an importer and distributor of seafood products in Lebanon. Farid T. Salem holds a master’s degree in law and economics from St. Joseph University in Beirut. He is Naïla Saadé’s brother, Jacques R. Saadé’s brother-in-law and Rodolphe Saadé and Tanya Saadé Zeenny’s uncle.

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 in 2010 and Vice-Chairman in 2014. He was appointed as Chief Executive Officer on February 8, 2017. Prior to this, he was Chief Executive Vice President and a member of the Executive Board as of 2004, and from 2001 to 2004, was a member of the Supervisory Board. 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. Rodolphe Saadé obtained a Bachelor of Commerce degree from Concordia University in Montreal (Canada). He is Jacques R. Saadé and Naïla Saadé’s son, Tanya Saadé Zeenny’s brother and Farid T. Salem’s nephew.

Tanya Saadé Zeenny has represented Merit in her capacity as a Director since August 2014. She became Executive Officer on May 23, 2014 and has been a member of the Board of Directors 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 the Group Administration & Facilities Management and in March 2011, she became General Secretary of CMA CGM group. Tanya Saadé Zeenny is a graduate of the American Business School in Paris. She is Jacques R. Saadé and Naïla Saadé's daughter, Rodolphe Saadé's sister and Farid T. Salem's niece.

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 wife of Jacques Saadé, the mother of Rodolphe Saadé and Tanya Saadé Zeenny and the sister of Farid T. Salem.

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 at the company 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 from the University 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 Naïla Saadé's and Farid Salem'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 *Ecole 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.

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 *Ecole 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 Öztürk 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. Öztürk 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 Yildiz Technical University, respectively. Mr. Öztürk also has a PhD in Finance and Accounting from Marmara University.

Peri Bilgic was appointed as a Director from the candidates proposed by Yildirim. She has been a member of the Board of Directors since May 2017. She currently serves as Senior Legal manager at the company Yildirim Holding A.S., a position she has held since July 2011. Before that, she was an associate at Esin Law Firm between December 2009 and July 2011, and an associate in Hergüner Bilgen Özeke Attorneys At Law between August 2008 and April 2009. Peri Bilgic is a graduate from the Queen Mary, University of London.

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. 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 Group (ex EADS), and a member of the Board of Directors of Saint Gobain.

Badia Zaiane was appointed as a Director representing the employees. He has been a member of the Board of Directors since September 2015.

Jocelyn Rapp was appointed as a Director representing the employees. He has been a member of the Board of Directors since September 2015.

For the purpose of this offering memorandum 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.....	55	General Secretary
Michel Sirat.....	56	Group Chief Financial Officer & Performance Officer
Nicolas Sartini.....	56	Chief Executive Officer of APL Co Pte Ltd.
Xavier Eiglier.....	46	Senior Vice President Emerging Market Lines
Mathieu Friedberg.....	47	Senior Vice President Commercial Agency Network
Lars Kastrop.....	58	Executive Vice President
Alexis Michel.....	60	Senior Vice President, Container Logistics, Intermodal & Reefer
Olivier Nivoix.....	43	Senior Vice President East West Lines
Elie Zeenny.....	56	Senior Vice President Group Insurances & Projects Development

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.

Michel Sirat has been the Group Chief Financial Officer since June 2011. He has also been Performance Officer since January 2017. 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 IMF (Washington DC). Michel Sirat holds degrees from the *Ecole Nationale d'Administration*, *Ecole Centrale de Paris* and *Institut d'Etudes Politiques de Paris*.

Nicolas Sartini was appointed in June 2016 as Chief Executive Officer of APL Co Pte Ltd. 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, first as a line manager of its subsidiary, Octomar, then as director of African Island Shipping, Durban and finally as a manager in charge of the Indian Ocean line. Mr. Sartini graduated from the *Ecole des Hautes Etudes Commerciales* business school in 1983.

Xavier Eiglier supervises 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 has been Senior Vice President in charge of the Central Agency 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'Etudes Politiques de Paris* and *INSEAD*.

Lars Kastrup has been the President of APL USA and is responsible for APL's businesses and operations in the USA. Prior to joining APL, Mr. Kastrup was the Head of CMA CGM Asia based in Hong Kong since 2014. He joined the CMA CGM Group in Marseille in 2007 as Senior Vice President in the Group Agency Network, and was in charge of Europe, Africa and Americas, as well as Shared Service Centers development. As from July 1st, 2017, he will serve as CMA CGM Executive Vice-President in charge of Terminals, Safety & Security, Feederings, CMA Ships and ANL. Lars Kastrup graduated from the Maersk Shipping School complemented by Executive Leadership Education at Penn State University and Wharton School of Business.

Alexis Michel has been Senior Vice President of Container Logistics since 2007, Reefer activity since 2009, Detentions & Demurrages since 2013 and Intermodal since 2013. He has been with CGM IT and Logistics since 1988 and joined the Company's Container Department in 1997 as Container Flow Manager. Mr. Michel graduated as an engineer from *Ecole Nationale d'Agronomie* and has a master's in Management from *Arts et Métiers*.

Olivier Nivoix has been Senior Vice President in charge of East West Lines since April 2017. He joined the CMA CGM Group in 2005 to work alongside Rodolphe Saadé as Project Officer. He rejoined the group in September 2010 as Deputy Vice President - Caribbean Lines - Latin America, and North America lines in 2012. In 2014, he was appointed Vice President of North America Lines. Olivier Nivoix holds a degree from *Ecole Française d'Informatique*. He also took over various sales management functions by Reuters Financial Software and IBM.

Elie Zeenny was promoted to Senior Vice President Group Insurances and Project Development in January 2016. Prior to this, he was Senior Vice President in charge of Group IT Systems from December 2012. He was also responsible for all of the Group's marine and non-marine insurances. In 2003, Elie Zeenny joined the Group as Deputy Vice-President, Group Agencies Network Department. He previously held the position of Sales Director at PRINTONIX Inc. Mr. Zeenny graduated from San Diego State University (California) with a Bachelor's of Science and from Hartford University (CT) with a Masters of Business Administration.

For the purpose of this offering memorandum 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 thirteen 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 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, Farid T. Salem, Evren Öztürk, Denis Ranque and Mathilde Lemoine.
- **Appointments and Remuneration Committee.** Members: Rodolphe Saadé and Merit (represented by Tanay Saadé Zeenny).

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 shareholders' agreement, dated as of January 27, 2011, among us, Merit and Yildirim, as amended on April 7, 2011 and June 28, 2013 (the "Yildirim Shareholders' Agreement"), the shareholders' agreement, dated June 28, 2013 among us, Merit and BPI in the presence of Yildirim (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 December 16, 2010, the Board of Directors decided, with effect from January 2011, that the general management of the Company would be the responsibility of the Chairman of the Board. On January 27, 2014, the Board of Directors confirmed the combination of the positions of Chairman of the Board and Chief Executive Officer of the Company. On February 8, 2017, the Board of Directors decided the dissociation of the positions of Chairman of the Board and Chief Executive Officer of the Company and appointed Rodolphe Saadé as Chief Executive Officer of the Company.

In connection with the Yildirim Investment (as defined herein—see "*Management—Corporate Governance*"), Yildirim Holding, Yildirim AM, Merit and the Company entered into a shareholders agreement, pursuant to which, as the holder of our A Preferred Share, Yildirim is entitled to appoint three members to our Board of Directors, one of whom must qualify as an independent director. In addition, certain strategic decisions enumerated in the Yildirim Shareholders' Agreement require, in addition to any requirements imposed by law and our governing documents, the vote of at least one of the directors appointed by Yildirim other than an independent director; these transactions 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 additional indebtedness in an amount greater than \$50.0 million, modification of the Company's articles of association, capital increase, capital decrease, merger, spin-off or issuance of securities, 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 \$25.0 million, and any decision involving an investment or disposal in an aggregate value exceeding 3.0% of the Company's consolidated turnover. Yildirim is entitled to such rights, subject to limited exceptions, until the earlier of: (i) the date on which Yildirim's direct or indirect interest in the Company falls below 6.0% of share capital and voting rights on a fully-diluted basis (in that case, Yildirim will cause two of the members of our Board of Directors it appointed to resign) or 3.0% of share capital and voting rights on a fully-diluted basis (in that case, Yildirim will cause the remaining member of our Board of Directors it appointed to resign and shall not have any veto right with regards to the strategic decisions described above following a period of six months after its holding falls below the 3.0% threshold) on a fully-diluted basis; or (ii) a change of control of Yildirim; or (iii) the date of conversion of our B Preferred Shares into ordinary shares in accordance with their terms (i.e., no later than December 31, 2017).

In connection with the BPI Investment (as defined herein—see “*Management—Corporate Governance*”), 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 be comprised of nine directors (including at least two independent directors) appointed among the candidates proposed by Merit. In addition, each of Yildirim and BPI, subject to the terms and conditions set forth in their respective shareholders agreements, as the case may be, shall be entitled to request the appointment of one censor each.

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 €7.8 million in 2016. There is no option outstanding to purchase shares of the Company.

RELATED PARTY TRANSACTIONS

French Legal Requirements

The French Commercial Code prohibits loans by a *société anonyme* to its General Manager or Deputy General Manager 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 and our by-laws require members of the Board of Directors, the General Manager or Deputy General Manager 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)) 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. We believe that these transactions are conducted on terms substantially equivalent to those we would have negotiated on an arm's-length basis with third parties. Set below is a summary of the main transactions entered into since January 1, 2010.

1. In 2011, we issued the Initial Yildirim ORA \$500.0 million, and in 2013 we issued the Additional Yildirim ORA \$100.0 million pursuant to an investment agreement, dated November 25, 2010, among us, Merit and Yildirim Holding (the "Yildirim Investment Agreement"). The related shareholders agreement, as amended from time to time, and shareholder pledge and guarantee are described under "*Description of Certain Financing Arrangements—Yildirim Investment.*" As at December 31, 2015, the bonds were redeemed in preferred shares as per their terms and conditions. The holders of preferred shares are entitled to a priority dividend (at a rate of 12% per annum) until the date of the conversion into ordinary shares, which is scheduled to occur at the latest as at December 31, 2017. As at December 31, 2017, these preferred shares held by Yildirim will automatically be converted into ordinary shares of the Company representing 24% of the Company's ordinary shares on a fully diluted basis.
2. In 2013, we issued the BPI ORA to BPI for \$150.0 million pursuant to an investment agreement dated February 6, 2013, among us, Merit and BPI. The related shareholders agreement, shareholder pledge, guarantee and delegation deed are described under "*Description of Certain Financing Arrangements—BPI Investment.*" The BPI ORA bear interest at a rate of 12% per annum.
3. In June 2011, the Company transferred to Merit 51.0% of its shares in CdP for a price of €1. In 2010 and 2011, Merit S.A.L. made available to CdP external financings for vessels up to \$118.0 million. The Company granted CdP a loan (via its shareholders' current account) of €155.0 million. Repayment by CdP of the Company's current account was subordinated to the repayment of the financings made available through and guaranteed by Merit S.A.L. In August 2012, Merit and the Company transferred their shares in CdP to Bridgepoint for a price of €1 and the financings made available through Merit S.A.L. were paid in full while the Company's €155.0 million loan was partially waived in an amount of €90.0 million and a new loan of €65.0 million was granted to CdP. This new loan was further amended in early 2013 whereby €25.0 million was repaid and the remaining outstanding amount (€40.0 million)

will accrue interest at 5.0% per annum and mature in August 2017. The amount of €40.0 million was finally repaid on August 6, 2014.

4. In 2010, we entered into a container leasing contract for \$103.0 million with Investment and Financing Corp. Ltd., a subsidiary of Merit S.A.L. In 2011, we entered into a container leasing contract for \$103.0 million with Investment and Financing Corp. Ltd., a subsidiary of Merit S.A.L. As at December 31, 2016, the commitments to Investment and Financing Corp. Ltd. amounted to \$55.4 million.
6. 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. In 2008, GSL merged with a special purpose acquisition company and was listed on the New York Stock Exchange. We currently own common shares representing a 44.4% voting interest in GSL and have two representatives on GSL’s board of directors (although they may not vote on decisions relating to us). In addition to the charter arrangements, we also currently manage GSL’s fleet and receive management revenues in connection therewith. As at December 31, 2016, GSL owned a fleet of 18 vessels of which 15 were time chartered to the Company under agreements ranging from September 2017 until October 2025.
7. 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.
8. On June 2011, the Company and Yildirim Holding entered into a transaction pursuant to which a Yildirim group company subscribed to 50.0% of the share capital of MFTL Holding, a company held by Terminal Link, at that time a wholly-owned subsidiary of the Company, in consideration of a payment of €200.0 million, and 100.0% of the share capital of Malta Freeport, which was transferred to MFTL Holding. 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 will amount to €20.0 million), which is guaranteed (*caution solidaire*) by the Company. 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 €42 million). In the course of the disposal of the 49.0% stake in Terminal Link to CMHI in June 2013, CMHI has undertaken 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.
9. 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 2014, 2015 and 2016 was €2.7 million, €2.4 million and €4.5 million, respectively.
10. 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 company providing port management services, for a maximum amount of €20 million and a term of 15.5 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, 2016, the outstanding amount of the loan made by CMA CGM was €8.9 million.

PRINCIPAL SHAREHOLDERS

Share Ownership

As of March 31, 2017, 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) 10,578,355 ordinary shares, (ii) one A Preferred Share (iii) 3,626,864 B Preferred Shares, and (iv) one C Preferred Share. Each A Preferred Share, each B Preferred Share and each C Preferred Share represents the same voting rights as an ordinary share (*i.e.*, one vote per share).

Our share ownership as of June 26, 2017, was as follows:

Name	Shares
Merit ⁽¹⁾	10,512,451 ordinary shares
Jacques R. Saadé.....	58,832 ordinary shares
Naïla Saadé.....	18 ordinary shares
Rodolphe Saadé.....	18 ordinary shares
Tanya Saadé Zeenny.....	18 ordinary shares
Jacques Junior Saadé.....	7,018 ordinary shares
Yildirim Asset Management Holding BV.....	1 A Preferred Share and 3,626,864 B Preferred Shares
Bpifrance Participations.....	1 C Preferred Share

- (1) Jacques R. Saadé and the members of his 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 are vested with the same rights and obligations as our ordinary shares; provided, however, that the B Preferred Shares are 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 is guaranteed by Merit. Upon certain specified events and in any event no later than December 31, 2017, the B Preferred Shares will automatically convert into ordinary shares.

In addition, on January 27, 2011, Merit loaned Yildirim AM one preferred share of the Company (the “A Preferred Share”), which entitles Yildirim to certain governance rights as provided in the Yildirim Shareholders’ Agreement, in connection with the closing of the Yildirim Investment. Under the Yildirim Shareholders’ Agreement, Yildirim is entitled to appoint three members to our Board of Directors, one of whom must qualify as an independent director. Furthermore, certain strategic decisions enumerated in the Yildirim Shareholders’ Agreement and listed in the Board of Directors Internal Regulations require the vote of at least one of the directors appointed by Yildirim other than an independent director. Yildirim is entitled to such rights, subject to limited exceptions, until the earlier of (i) the date on which Yildirim’s direct or indirect interest in the Company falls below 6.0% of share capital and voting rights on a fully-diluted basis (in that case, Yildirim shall cause two of the members of our Board of Directors it appointed to resign) or 3.0% of share capital and voting rights on a fully-diluted basis (in that case, Yildirim will cause the remaining member of our Board of Directors it appointed to resign and shall no longer have any veto right with regards to certain strategic decisions as described above), (ii) any change of control of Yildirim or (iii) the date of conversion of our B Preferred Shares into ordinary shares in accordance with their terms (*i.e.*, upon the occurrence of certain specified events and in any case by December 31, 2017 at the latest).

The Yildirim Shareholders' Agreement also 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" and "Description of Certain Financing Arrangements—Yildirim Investment."

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—BPI Investment."

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 \$1.0691 = €1.00 and \$1.00 = SG\$1.3974, respectively, as of March 31, 2017. The indebtedness figures set forth below are based on the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements. 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. 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,” Note 3.1.1 to the 2016 CMA CGM Audited Consolidated Financial Statements and Notes 3.1 and 6.4 to the CMA CGM Unaudited Interim Condensed Consolidated Financial Statements.

Introduction

Overview of Financing Arrangements

An overview of our main outstanding financing arrangements is presented below. These arrangements include (i) senior notes (See “Senior Notes”); (ii) bonds and preferred shares redeemable in shares (See “Bonds and Preferred Shares Redeemable in Shares”); (iii) long-term bank borrowings (See “Bank Borrowings”), (iv) finance leases and similar arrangements (See “Finance Lease”), (v) bank overdrafts (See “Bank Overdrafts”), and (vi) receivables securitization programs (“Securitization Programs”).

(in million U.S.\$)	As of March 31, 2017	Current Portion ⁽²⁾	Non-current portion ⁽³⁾	2019	Maturity schedule: March 31,			
					2020	2021	2022	Onwards
Senior notes ⁽¹⁾	1,984.4	260.7	1,723.7	294.4	183.5	951.9	201.4	92.6
Bonds and preferred shares re- deemable in shares	175.0	129.3	45.7	13.8	15.2	16.7	-	-
Bank borrowings.....	3,507.5	595.9	2,911.6	717.0	520.9	330.6	295.48	1,047.8
Obligations under finance lease .	1,432.9	202.5	1,230.4	216.0	205.3	224.6	117.7	466.8
Bank overdrafts.....	54.7	54.7	-	-	-	-	-	-
Securitization program.....	1,177.7	338.8	838.9	(0.8)	839.8	-	-	-
Other borrowings	141.1	112.5	28.5	23.5	0.9	0.8	0.8	2.6
Total	8,473.3	1,694.4	6,779.0	1,263.9	1,765.5	1,524.6	615.2	1,609.8

⁽¹⁾ This includes SG\$400 million notes issued by NOL in April 2012 and fully repaid upon maturity on April 26, 2017

⁽²⁾ Current portion relates to financial liabilities due on or prior to March 31, 2018

⁽³⁾ Non-current portion relates to financial liabilities due after March 31, 2018

Our financing arrangements relate to the following assets and activities and their respective average interest rates (after hedging, amortized costs and preliminary allocation of the purchase price for NOL) are as follows:

(in million U.S.\$)	Senior Notes	Bonds and Preferred Shares Redeemable in Shares	Bank Borrowings	Obligations under Finance Leases	Other Borrowings, Securitization and Overdrafts	Average Interest Rate
Vessels.....	-	-	2,194.0	1,273.8	-	4.95%
Containers.....	-	-	83.6	130.5	-	4.95%
Land and Buildings.....	-	-	134.7	3.6	-	0.72%
Handling	-	-	2.3	11.6	-	2.37%
Other tangible assets	-	-	1.7	13.5	-	4.94%
General corporate purposes.....	1,984.4	175.0	1,091.3	-	1,373.5	5.00%
Total.....	1,984.4	175.0	3,507.5	1,432.9	1,373.5	

To finance part of the purchase price for the NOL Acquisition, we entered into a U.S.\$1,652 million credit facility with a syndicate of banks in December 2015 (as subsequently amended). This facility had an initial contractual maturity in December 2016, with an 8-month extension option, and was fully repaid in November 2016.

Key financial ratios

Prior to the NOL Acquisition, most of our financing arrangements (except for the Senior Notes we issued in 2013 and 2015 (See “*Senior Notes*”), the 2013 securitization program (See “*CMA CGM Securitization Program*”), the Yildirim Preferred Shares and BPI ORA redeemable in ordinary shares (See “*Bonds and Preferred Shares Redeemable in Shares*”) and certain operating lease arrangements provided for a maximum gearing ratio of 0.8x as from June 30, 2015 and a requirement to maintain a minimum cash balance of U.S.\$400.0 million.

The maximum gearing ratio and the requirement to maintain a minimum cash balance were amended in December 2015, in anticipation of the NOL Acquisition. The gearing ratio was further amended in May 2017, both to reflect the market situation in 2016 and provide additional headroom in light of potential market volatility in the container shipping environment going forward.

Gearing Ratio: The group gearing ratio, which is tested on semi-annual basis, is defined as group adjusted net debt divided by group adjusted equity. Group adjusted net debt is calculated as the difference between (A) the group’s financial indebtedness under IFRS minus (B) the aggregate of (i) unrestricted cash and cash equivalent (including marketable securities), (ii) cash collateral provided under certain loan-to-value covenants, and (iii) the portion of the bonds and preferred shares redeemable in shares accounted for as financial debt (See “*Bonds and Preferred Shares Redeemable in Shares*”). Group adjusted equity is defined as the sum of the Issuer’s total equity under IFRS and the portion of the bonds and preferred shares redeemable in shares accounted for as financial debt (See “*Bonds and Preferred Shares Redeemable in Shares*”), minus currency translation adjustments.

The maximum gearing ratio is now set to return to the pre-acquisition level of 0.8x as from June 30, 2020.

Testing Date	Gearing Ratio
June 30, 2017	Equal to or below 1.40x
December 31, 2017	Equal to or below 1.30x
June 30, 2018	Equal to or below 1.30x
December 31, 2018	Equal to or below 1.20x
June 30, 2019	Equal to or below 1.10x
December 31, 2019	Equal to or below 1.00x
From June 30, 2020	Equal to or below 0.80x

As of March 31, 2017, our gearing ratio was 1.31. The amendments completed in May 2017 did not impact the maximum gearing ratio as at June 30, 2017 (which remains set at a maximum of 1.40x).

The financing arrangements providing for maximum gearing ratio requirements 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 gearing ratio, 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. We expect such negotiations to take place in due time in connection with the entry into force of IFRS 16. See “*Risk Factors – Risks Relating to Our Business and Industry – Changes in accounting standards will increase the amount of debt on our balance sheet and will have a significant impact on the manner in which lease expenses are reported in our income statement,*” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Significant Recently-Issued Accounting Pronouncements – Leases.*”

Group Cash Balance: In consideration for the amendments sought in anticipation of the acquisition of NOL, we agreed to increase the group minimum cash balance requirement indefinitely, as from December 31, 2016, from U.S.\$400.0 million to U.S.\$600.0 million. The group minimum cash balance is tested on a quarterly basis, as at March 31, June 30, September 30 and December 31 in each calendar year. Our strategy is to maintain a high level of liquidity (comprising available cash and undrawn RCF lines) in order to weather industry volatility.

Senior Notes

As of March 31, 2017, an aggregate principal amount of U.S.\$1,984.4 million of senior notes was outstanding. The table below identifies the Group’s outstanding unsecured notes, listed by maturity order.

Notes	Issuer	Maturity	Outstanding
SG\$400 million Notes (“NOL 2017 Senior Notes”).....	NOL	Apr. 2017	U.S.\$284.9m
€300 million Notes (“2018 Senior Notes”).....	CMA CGM	Dec. 2018	U.S.\$314.2m
SG\$300 million MTNs (“NOL 2019 Senior Notes”)	NOL	Nov. 2019	U.S.\$198.3m
SG\$280 million MTNs (“NOL 2020 Senior Notes”)	NOL	Sept. 2020	U.S.\$170.4m
€725 million Notes (“CMA CGM 2021 Senior Notes”).....	CMA CGM	Jan. 2021	U.S.\$761.0m
SG\$300 million MTNs (“NOL 2021 Senior Notes”)	NOL	June 2021	U.S.\$175.8m
U.S.\$150 million debentures (“2024 Notes”)	APL Ltd.	Jan. 2024	U.S.\$79.9m

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.

Each of the NOL 2017 Senior Notes, NOL 2019 Senior Notes, NOL 2020 Senior Notes, and NOL 2021 Senior Notes were issued by NOL under its U.S.\$1.5 billion Euro Medium Term Note Program set up in June 2010 (“EMTN Program”), the proceeds of which have been subject to cross currency swaps.

The NOL 2017 Senior Notes were fully repaid upon maturity on April 26, 2017, through drawings made under unsecured revolving credit facilities granted to NOL. Part of the proceeds of the offering of the notes will be used to reimburse drawings made under these revolving credit facilities. See “*Use of Proceeds.*” In addition to the repayment of the NOL 2017 Senior Notes upon maturity, we paid \$33.8 million in connection with the unwinding of the currency hedging transaction set up with respect to the issuance of the NOL 2017 Senior Notes.

The EMTN Program contains certain customary covenants with respect to, among other matters, restrictions on NOL's and any of its material subsidiaries' ability to create liens on assets to secure indebtedness in the form of bonds, notes, debentures or other debt securities. Material subsidiaries are defined as any subsidiary whose total revenue is greater than 10% of the total revenue of NOL sub-group, or whose total assets are greater than 10% of the total assets of NOL sub-group.

CMA CGM 2018 Senior Notes

On December 16, 2013, we issued €300.0 million 8.750% Senior Notes due December 15, 2018. Interest under the 2018 Senior Notes is payable semi-annually on June 15 and December 15 of each year. As from December 15, 2015, we may redeem all or part of the 2018 Senior Notes at any time at specified redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 102.188% for redemptions during the 12-month period commencing on December 15, 2016, and 100% for redemptions made after December 15, 2017.

The indenture governing the 2018 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 a portion of the proceeds of the Notes to call in full, and satisfy and discharge, the 2018 Notes (See "Use of Proceeds").

NOL 2019 Senior Notes

In November 2012, NOL issued SG\$ 300.0 million of 4.40% fixed-rate notes due November 8, 2019 under the EMTN Program.

Interest under these notes is payable semi-annually on November 8 and May 8 of each year. NOL may redeem all or part of these notes at any time on or after November 8, 2017 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 102.2% for the 12-month period commencing on November 8, 2017, and 101.1% for redemptions made after November 8, 2018.

In accordance with applicable change of control provisions set forth therein, the coupon due under such notes was increased by 1.50% as a result of our acquisition of NOL.

NOL 2020 Senior Notes

In September 2010, NOL issued SG\$ 280.0 million of 4.65% fixed-rate notes due September 9, 2020 under the EMTN Program.

Interest under these notes is payable semi-annually on March 9 and September 9 of each year. NOL may redeem all or part of these notes at any time as from September 9, 2015 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 102.325% for the 12-month period commencing on September 9, 2015, 101.550% for the 12-month period commencing on September 9, 2016, 100.775% for the 12-month period commencing on September 9, 2017, and 100% for redemptions made after September 9, 2018.

CMA CGM 2021 Senior Notes

In June 2015, we issued €725.0 million of 7.750% Senior Notes due January 15, 2021. Interest under the CMA CGM 2021 Senior Notes is payable semi-annually on January 15 and July 15 of each year. Prior to January 15, 2018, we may redeem all or part of the CMA CGM 2021 Senior Notes by paying a "make-whole" premium. We may redeem all or part of the CMA CGM 2021 Senior Notes at any time on or after January 15, 2018 at specified redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 103.8750% for redemptions during the 12-month period commencing on January 15, 2018, 101.9375% for redemptions during the 12-month period commencing on January 15, 2019 and 100.0000% for redemptions after January 15, 2020. In addition, until January 15, 2018, we may redeem up to 40% of the CMA CGM 2021 Senior Notes with the proceeds of certain equity offerings at specified redemption prices.

The indenture governing the CMA CGM 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.

NOL 2021 Senior Notes

In June 2011, NOL issued SG\$ 300.0 million 4.40% fixed rate notes due June 22, 2021 under the EMTN Program. Interest under these notes is payable semi-annually on June 22 and December 22 of each year. NOL may redeem all or part of these 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 102.20% for the 12-month period commencing on June 22, 2016, 101.47% for the 12-month period commencing on June 22, 2017, 100.73% for the 12-month period commencing on June 22, 2018, and 100% for redemptions made as from June 22, 2019.

APL 2024 Senior Notes

In January 1994, American President Companies, Ltd. (now APL Ltd.) issued U.S.\$150 million 8% senior notes due January 15, 2024. 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.

On or prior to closing of the agreed sale of 90% of our equity interest in APL Ltd., the liabilities under the APL 2024 Senior Notes will be assumed by APL Investments America LLC (a subsidiary of NOL Liner) and will be guaranteed by the Issuer. See “*Recent Developments*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals—Sale of the GGS Terminal.*”

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.

Bonds and Preferred Shares Redeemable in Shares

Yildirim Preferred Shares

On January 27, 2011 and January 31, 2013, Yildirim subscribed to bonds mandatorily redeemable in the Company’s preferred shares as at December 31, 2015, for an aggregate amount of U.S.\$600 million (the “Yildirim ORA”). The Yildirim ORA were automatically converted into newly issued preferred shares of the Company upon maturity on December 31, 2015 (“Yildirim Preferred Shares”).

The Yildirim Preferred Shares carry the same economic and voting rights as ordinary shares, plus a guaranteed 12.0% annual dividend until conversion into ordinary shares. No later than December 31, 2017, the Yildirim Preferred Shares will automatically be converted into ordinary shares of the Company, which today would represent 24% of the Company’s ordinary shares on a fully diluted basis.

As of March 31, 2017, Yildirim Preferred Shares are accounted for as financial debt for an outstanding amount of \$116.8 million.

For more information, see “*Management—Corporate Governance*” and “*Principal Shareholders.*”

BPI ORA

On June 28, 2013, Bpifrance (previously named *Fonds Stratégique d’Investissement (FSI)*) subscribed to new bonds mandatorily redeemable in the Company’s ordinary shares on December 31, 2020 (“BPI ORA”) for an aggregate amount of U.S.\$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 certain circumstances, 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 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. 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. Upon conversion, the BPI ORA will represent 906,717 ordinary shares of the Company, which today would amount to 6% of the Company's capital on a fully diluted basis.

As of March 31, 2017, BPI ORA are accounted for as financial debt for an outstanding amount of \$58.2 million.

For more information, see "Management—Corporate Governance" and "Principal Shareholders."

Bank Borrowings

As at March 31, 2017, the Group had U.S.\$3.5 billion of outstanding bank borrowings and access to undrawn committed credit facilities amounting to U.S.\$441.6 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.

Vessel Bank Debt Financing – CMA CGM

We currently have 31 vessels financed under various mortgaged facility agreements. As of March 31, 2017, the amount of our obligations outstanding under such vessel financing arrangements totaled U.S.\$1,255.4 million.

The table below identifies our outstanding vessel mortgaged loan facilities (excluding the NOL subgroup), listed by maturity order. Generally, we incorporate a special-purpose vehicle to acquire a vessel and enter into a mortgaged 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.

From our current orderbook, three Intermediate vessels are financed through mortgage facility agreements and are scheduled to be delivered in September, October and November 2017. See "*Business – Operations – Current Orderbook – Purchases.*"

Certain vessels initially financed through financing lease arrangements have been reclassified as vessel bank debt financings following exercise by CMA CGM of the call option to acquire the shares of the relevant special-purpose vehicle acting as lessor thereof. See "*Description of Certain Financing Arrangements—Finance Leases.*"

TEU Category	Outstanding Debt ⁽¹⁾	Maturity
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 41.0m	July 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 41.0m	July 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 41.0m	Aug. 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 60.9m	March 2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 61.1m	March 2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 41.4m	March 2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 38.2m	March 2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 38.2m	March 2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 38.2m	March 2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 38.2m	March 2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 38.2m	March 2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 53.5m	Apr. 2023
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 19.9m	May. 2024
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 45.0m	Oct. 2024
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 51.1m	Nov. 2024
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 45.4m	Dec. 2024
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 15.0m	Dec. 2024
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 36.5m	Dec. 2024
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 48.4m	Dec. 2024
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 48.4m	June 2025
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 94.9m	June 2025
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 38.6m	Dec. 2025
Super / Ultra Large (14,000 TEU and above) ⁽²⁾	U.S.\$ 58.6m	Dec. 2025
Large / Very Large (8,000 to 13,999 TEU) ⁽²⁾	U.S.\$ 45.3m	March 2026
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 89.2m	March 2027
Intermediate (2,000 to 2,999 TEU)	U.S.\$ 21.6m	Aug. 2027
Intermediate (2,000 to 2,999 TEU)	U.S.\$ 21.6m	Aug. 2027
Intermediate (2,000 to 2,999 TEU)	U.S.\$ 21.6m	Aug. 2027
Intermediate (2,000 to 2,999 TEU) ⁽³⁾	U.S.\$ 7.9m	Sept. 2029
Intermediate (2,000 to 2,999 TEU) ⁽³⁾	U.S.\$ 7.9m	Oct. 2029
Intermediate (2,000 to 2,999 TEU) ⁽³⁾	U.S.\$ 7.9m	Nov. 2029

⁽¹⁾ Amount outstanding as at March 31, 2017 (after conversion into U.S.\$ at applicable exchange spot rate, as the case may be); amount shown above 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.

⁽²⁾ Vessels initially financed through financing lease arrangements and reclassified as vessel bank debt financings following exercise by CMA CGM of the call option to acquire the shares of the third-party SPV as lessor.

⁽³⁾ In construction. Maturity based on expected delivery date.

The facility agreement relating to the acquisition of the first Intermediate vessel (2,000 to 2,999 TEU) was fully repaid upon maturity on June, 27 2017. The facility agreement relating to the acquisition of the second Intermediate vessel (2,000 to 2,999 TEU) will mature in September 2017.

As customary for this type of financing, security interests, among others in the form of a first ranking mortgage on the financed vessel and assignment of insurance and requisition compensation, 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 mortgaged 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.

Our subsidiary MacAndrews & Company Ltd. currently has one Feeder vessel (less than 1,000 TEU) financed under a €2.7 million term loan facility agreement entered into in July 2016. This facility will mature in July 2023 and is guaranteed by CMA CGM.

Our subsidiary CNC Line Limited has two additional Handysize vessels (from 1,000 to 1,999 TEU) (which were delivered on January 9 and April 17, 2017, respectively) financed under two separate U.S.\$19.7 million mortgaged term loan facility agreements entered into in October 2016. The facilities have a tenor of 10 years starting 3 months after the delivery of the ships and maturing on April and July 2027 respectively. The facilities are guaranteed by Cheng lie Navigations Co. Ltd.

Vessel Bank Debt Financing – NOL

NOL currently has 17 vessels financed under 9 different bilateral mortgaged facility agreements. As of March 31, 2017, the amount of NOL obligations outstanding under such vessels financing arrangements totaled U.S.\$918.2 million.

The table below identifies outstanding vessel financings incurred at the NOL sub-group, listed by maturity order. 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.

TEU Category	Outstanding Debt⁽¹⁾	Maturity
Intermediate (2,000 to 2,999 TEU)	U.S.\$ 4.1m	2017
Intermediate (2,000 to 2,999 TEU)	U.S.\$ 4.1m	2017
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 44.9m	2019
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 44.9m	2019
Large / Very Large (8,000 to 13,999 TEU) ⁽³⁾	U.S.\$ 69.2m	2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 69.2m	2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 68.6m	2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 53.6m	2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 53.6m	2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 47.1m	2023
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 52.1m	2024
Large / Very Large (8,000 to 13,999 TEU) ⁽³⁾	U.S.\$ 69.7m	2024
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 69.0m	2024
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 72.8m	2025
Large / Very Large (8,000 to 13,999 TEU) ⁽³⁾	U.S.\$ 73.5m	2025
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 62.5m	2025
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 59.3m	2025

(1) Amount outstanding as at March 31, 2017 (after conversion into U.S.\$ at applicable exchange spot rate, as the case may be)

(2) Facilities made available in SGS for amount corresponding to the U.S.\$ denominated facility

(3) Vessels sub-leased by APL to MOL

As customary for this type of financing, security interests in the form of a first ranking mortgage and assignment of insurance and requisition compensation with respect to the relevant vessel(s) 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.

Container Bank Debt Financing – CMA CGM

To finance the acquisition of containers, we entered into an up to U.S.\$490.0 million dual-tranche facility in 2007, including a Facility A of up to U.S.\$150.0 million and a Facility B of up to U.S.\$340.0 million, maturing in February 2017. In February 2015, the dual tranche facility was amended to (i) extend the maturity of Facility B from February 2017 to February 2019 and (ii) to reduce the interest rate on Facility A. In June 2016, an additional U.S.\$50.9 million Facility C was introduced, the proceeds of which were partly used to repay outstanding amounts under Facility A, which matured February 2017. Facility C will mature in February 2019.

We may prepay the whole or any part of the facilities subject to customary conditions. Any amount so prepaid may not be re-borrowed. We make standard representations under this facility. We are also subject to several customary reporting and financial covenants which are the same for all our secured financing. The facility provides for customary events of default, including failure to make timely payment and breach of representations and covenants.

As at March 31, 2017, the aggregate amount of our obligations outstanding under this facility totaled U.S.\$83.7 million.

Real Estate Financing – CMA CGM

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 at March 31, 2017, the aggregate amount of our obligations outstanding under this facility was U.S.\$130.3 million.

Kingston Container Terminal (“KCT”)

On April 7, 2015, our wholly owned subsidiary Kingston Freeport Terminal Limited (“KFTL”) signed an agreement with the Port Authority of Jamaica (“PAJ”) for a 30-year concession of KCT. We are developing KCT as a strategic hub within the context of the widened Panama Canal and the use of larger vessels for the lines operated in the area. The handover of the terminal’s operations from PAJ occurred on June 30, 2016, triggering the transfer of certain assets and liabilities against a payment of U.S.\$75 million.

KFTL has committed to pay a fixed annual concession fee of U.S.\$15 million during the concession period, and variable concession fees representing 8% of the annual turnover.

In order to develop the terminal facilities and operations, KFTL has obtained a long term limited recourse project financing from certain banks amounting to U.S.\$265 million, maturing in May 2031. As at March 31, 2017, such financing was drawn in an amount of U.S.\$85.3 million. The facility agreements provide for customary events of default for long term limited recourse project financing, including failure to make timely payment, breach of covenants and material adverse change.

Security interests, among others, in the form of mortgage on leasehold interest, assignment of insurance and reinsurance proceeds, assignment of termination compensation, assignment and pledge of a subordinated loan agreement are granted to the lenders to secure KFTL’s obligations under such financing. As is customary in project finance, limited sponsor support from, ultimately, CMA CGM, is provided to cover a portion of operating cash flow during the construction phase (expected to end by April 2020) as contingent equity. Such contingent equity amounts to a total of U.S.\$112.0 million out of which U.S.\$ 80 million is covered by a stand-by equity letter. In addition, and subject to certain specific conditions, CMA CGM has agreed to provide a minimum revenue guarantee to KFTL from June 2020 to June 2031.

KFTL had invested U.S.\$170.0 million in the development of KFT as of March 31, 2017 and budgets an additional U.S.\$341.1 million through expected completion in December 31, 2019.

Secured Revolving Credit Facilities (NOL)

The table below identifies, by maturity order, outstanding secured revolving credit facilities granted to NOL Liner for general corporate purposes. Repayment obligations thereunder are guaranteed by NOL. Available commitments under each such facility are reducing over time according to contractual amortizing schedules.

Facility	Outstanding ⁽¹⁾	Maturity
U.S.\$140m	U.S.\$125.1m	Sept. 2022
U.S.\$85m	U.S.\$ 70.0m	June 2023
U.S.\$67m	U.S.\$56.0m	March 2024

⁽¹⁾ Amount outstanding as at March 31, 2017 (after conversion into U.S.\$ at applicable exchange spot rate, as the case may be)

Security interests, in the form of a first 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 at March 31, 2017, the aggregate outstanding amount under these secured revolving facilities totaled U.S.\$251.1 million.

Unsecured Financing

Unsecured Revolving Credit Facilities (CMA CGM)

We recently received indicative commitment papers from certain lenders (subject to final documentation) with respect to the entry by the Issuer into a new (unsecured) revolving credit facility for a minimum initial amount of \$205 million, which might be increased by a further \$100 million subject to certain conditions.

The commitment papers contemplate that, in the case of non-compliance with certain thresholds, the Issuer would be required to grant security interest over a certain amount of shares of NOL, the aggregate value of which would be equal to at least 120% of the facility amount.

This proposed facility would mature in three years and would support our overall group liquidity.

The facility agreement would standard financial covenants (gearing ratio, minimum cash requirements) for the CMA CGM group, as well as customary representations and warranties and events of default.

Unsecured Revolving Credit Facilities (NOL)

The table below identifies, by maturity order, outstanding unsecured revolving credit facilities granted to NOL and NOL Liner for general corporate purposes.

Facility	Outstanding⁽¹⁾	Maturity
U.S.\$50m	U.S.\$30m	June 2017
JPY7.817bn	U.S.\$0.0m	Aug. 2018
SG\$150m	U.S.\$102.7m	Aug. 2018
U.S.\$100m	U.S.\$100.0m	Sept. 2018
U.S.\$100m	U.S.\$100.0m	Oct. 2018
U.S.\$150m	U.S.\$48.0m	Oct. 2018
U.S.\$100m	U.S.\$0.0m	March 2019
SG\$400m	U.S.\$143.5m	March 2020

⁽¹⁾ Amount outstanding as at March 31, 2017 (after conversion into U.S.\$ at applicable exchange spot rate, as the case may be)

Each facility agreement authorizes, subject to certain customary conditions, voluntary prepayment of the relevant advances, except for the U.S.\$100.0 million facility identified in the table above by reference to a final maturity date in September 2018 (it being understood that each advance thereunder may have a shorter contractual maturity date). The facility agreements further provide for customary representations and warranties, and events of default.

As at March 31, 2017, the aggregate outstanding amount under these unsecured revolving facilities totaled U.S.\$524.2 million. Since then, the JPY7.817bn facility and the U.S.\$100m facility maturing in 2019 have been fully drawn, and the U.S.\$50 million facility has been fully repaid upon maturity in June 2017.

Uncommitted Facility (NOL)

In September 2014, NOL entered into an uncommitted facility with a financial institution for up to U.S.\$200 million. The maximum amount of the facility has been reduced over time and has been capped, as from March 28, 2017, at U.S.\$100m. The facility can be terminated by the bank at any time, and amounts borrowed are repayable on demand, without any prior notice. As at March 31, 2017, the facility is fully drawn.

Islamic Financing (NOL)

In April 2013, NOL entered into a SG\$100.0 million Singapore Law Murabahah facility agreement, maturing on October 18, 2017.

This agreement authorizes voluntary prepayment subject to customary conditions, and contemplates mandatory prepayment upon the occurrence of illegality. The facility agreement further provides for customary representations and warranties, and events of default.

As of March 31, 2017, the aggregate outstanding amount under these facilities totaled U.S.\$67.4 million.

Unsecured Revolving Credit Facilities (CNC)

As of March 31, 2017, Cheng Lie Navigation Co. Ltd. had drawn an aggregate outstanding amount of U.S.\$23.2 million (after conversion into U.S.\$ at applicable exchange spot rate, as the case may be) under six different unsecured revolving credit facilities.

Finance Leases

Overview

As of March 31, 2017, the cost of assets under finance leases, tax lease agreements and other similar arrangements amounted to U.S.\$3.9 billion (U.S.\$4.5 billion as of December 31, 2016) and accumulated depreciation of U.S.\$1.1 billion (U.S.\$1.2 billion as of December 31, 2016).

Vessel Capital Lease

We and several of our subsidiaries have agreed to lease ships under financing structures enhanced with certain advantages under tax laws of either the United Kingdom or France. These advantages are granted to the lessor of the relevant ship and can be partly passed on to us or our subsidiaries that are parties to the relevant lease agreement.

Vessels initially financed through financing lease arrangements are reclassified as vessel bank debt financing upon exercise by CMA CGM of its call option to acquire the shares of the relevant third-party special-purpose vehicle acting as lessor thereof (See “*Description of Certain Financing Arrangements—Bank Borrowings—Vessel Bank Debt Financing-CMA CGM*”).

UK Tax Lease Financing (one vessel)

Under a typical UK tax lease financing, our UK-based subsidiary enters into a lease agreement for each vessel with a lessor, which owns such vessel in trust for a limited partnership formed by an investor and a sponsor. The terms of these agreements are generally for a 20-year period, although these agreements may, and are in many cases expected to, terminate earlier upon the exercise of a put-call option.

To date, we only have one Panamax vessel (4,404 TEU) financed under a UK tax lease arrangement expiring in July 2017.

We make customary representations and warranties under the lease arrangement, and are subject to standard reporting and financial covenants which are the same as our secured financing. The lease arrangement provides for customary events of default, including failure to make timely payment, breach of representations and covenants.

As of March 31, 2017, the aggregate amount of our obligations outstanding under such UK tax lease arrangement totaled U.S.\$2.2 million.

French Tax Lease Financing (21 vessels)

We currently lease 21 vessels under various French tax lease arrangements. As of March 31, 2017, the amount of our obligations outstanding under such lease arrangements totaled U.S.\$542.7 million.

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 fifteen years, although they may terminate a few years earlier pursuant to a call or put-call arrangement with respect to the vessel.

French tax lease financings represent a significant portion of our vessel financings. In December 2015, we refinanced mortgaged credit facilities relating to six Large / Very Large vessels (from 8,000 to 13,999 TEU), two Post-Panamax vessels (from 5,000 to 7,999 TEU) and two Panamax vessels (from 3,000 to 4,999 TEU) via a French tax lease financing.

A significant portion of our current orderbook (six Super / Ultra Large vessels (with capacity in excess of 14,000 TEU)) is 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—Operations—Vessel Fleet"

The table below identifies vessels financed through French tax lease financings, listed by maturity order.

TEU Category	Outstanding Debt ⁽¹⁾	Maturity
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 39.8m	Oct. 2022
Panamax (3,000 to 4,999 TEU)	U.S.\$ 7.8m	Dec. 2022
Panamax (3,000 to 4,999 TEU)	U.S.\$ 7.8m	Dec. 2022
Post Panamax (5,000 to 7,999 TEU).....	U.S.\$ 7.8m	Dec. 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 22.9m	Dec. 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 22.9m	Dec. 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 25.1m	Dec. 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 25.1m	Dec. 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 26.0m	Dec. 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 26.0m	Dec. 2022
Post Panamax (5,000 to 7,999 TEU).....	U.S.\$ 7.8m	Dec. 2022
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 41.3m	April 2023
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 65.0m	April 2025
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 65.3m	April 2025
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 90.1m	Aug. 2027
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 14.2m	Nov. 2027 ⁽²⁾
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 0.0m ⁽³⁾	May 2029
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 30.9m	Aug. 2029 ⁽²⁾
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 16.9m	Jan. 2030 ⁽²⁾
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 0.0m	Apr. 2032 ⁽²⁾
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 0.0m	May 2032 ⁽²⁾

⁽¹⁾ Amount outstanding as at March 31, 2017 (after conversion into U.S.\$ at applicable exchange spot rate, as the case may be)

⁽²⁾ In construction. Maturity date based on expected delivery date.

⁽³⁾ U.S.\$88.2m drawn upon delivery of the vessels, on May 4, 2017.

A component of the payments in respect to such leases is variable and approximates the floating interest rate applicable to amounts owed by the subsidiary under the related credit facilities. As the case may be, we enter into a swap to hedge against our exposure to the variable component of such lease payments.

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.

Other Financing Leases

Other Financing Leases – CMA CGM (29 vessels)

We currently have 29 vessels under lease or sale and lease-back arrangements entered into between December 2015 and February 2017.

As of March 31, 2017, the amount of our obligations outstanding under such other financing lease arrangements totaled U.S.\$513.2 million. Two Super / Ultra Large vessels were delivered in April 2017, resulting in an additional outstanding amount of U.S.\$235.2 million.

TEU Category	Outstanding Debt ⁽¹⁾	Maturity
Handysize (1,000 to 1,999 TEU)	U.S.\$ 8.4m	June 2020
Handysize (1,000 to 1,999 TEU)	U.S.\$ 8.4m	June 2020
Handysize (1,000 to 1,999 TEU)	U.S.\$ 8.4m	June 2020
Handysize (1,000 to 1,999 TEU)	U.S.\$ 8.4m	June 2020
Handysize (1,000 to 1,999 TEU)	U.S.\$ 8.4m	June 2020
Panamax (3,000 to 4,999 TEU)	U.S.\$ 12.9m	June 2020
Panamax (3,000 to 4,999 TEU)	U.S.\$ 12.9m	June 2020
Post Panamax (5,000 to 7,999 TEU).....	U.S.\$ 17.2m	June 2020
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 17.2m	June 2020
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 17.2m	June 2020
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 17.2m	June 2020
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 35.1m	Dec. 2020
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 35.1m	Dec. 2020
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 20.3m	March 2021
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 20.3m	March 2021
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 20.3m	March 2021
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 20.3m	March 2021
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 20.3m	March 2021
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 20.3m	March 2021
Intermediate (2,000 to 2,999 TEU).....	U.S.\$ 3.8m	Dec. 2021
Intermediate (2,000 to 2,999 TEU)	U.S.\$ 3.8m	Dec. 2021
Intermediate (2,000 to 2,999 TEU)	U.S.\$ 3.8m	Dec. 2021
Intermediate (2,000 to 2,999 TEU)	U.S.\$ 3.8m	Dec. 2021
Large / Very Large (8,000 to 13,999 TEU)	U.S.\$ 76.5m	Feb. 2022
Post Panamax (5,000 to 7,999 TEU) ⁽²⁾ .	U.S.\$ 48.8m	June 2022
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 43.9m	Sept. 2022
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 0.0m ⁽³⁾	April 2029
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 0.0m ⁽³⁾	April 2029
Super / Ultra Large (14,000 TEU and above)	U.S.\$ 0.0m	March 2030 ⁽⁴⁾

⁽¹⁾ Amount outstanding as at March 31, 2017 (after conversion into U.S.\$ at applicable exchange spot rate, as the case may be).

⁽²⁾ Vessel subleased by CMA CGM to APL for reasons of fleet management and capacity optimization.

⁽³⁾ Delivered in April 2017, resulting in an additional outstanding amount of U.S.\$ 117.6 million (each).

⁽⁴⁾ In construction. Maturity date based on expected delivery date.

We have one additional Intermediate vessel (2,000 to 2,999 TEU) leased by one of our operating subsidiary under a financing lease arrangement maturing in December 2020, for an outstanding amount of U.S.\$7.0 million.

Other Financing Leases – NOL Liner (4 vessels)

NOL Liner currently has 4 Post Panamax vessels under long-term financing leases.

As of March 31, 2017, the amount of obligations outstanding under such other financing lease arrangements totaled U.S.\$210.5 million.

TEU Category	Outstanding Debt ⁽¹⁾	Maturity
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 52.3m	June 2028
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 52.5m	Sept. 2028
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 52.6m	Oct. 2028
Post Panamax (5,000 to 7,999 TEU)	U.S.\$ 53.1m	Jan. 2029

⁽¹⁾ Amount outstanding as at March 31, 2017 (after conversion into U.S.\$ at applicable exchange spot rate, as the case may be).

Container Capital Lease

We have entered into a number of capital lease agreements to finance the acquisition of containers. Typically we have the option to purchase the containers at the end of the lease period for a nominal sum.

As at March 31, 2017, the aggregate amount of our obligations outstanding under such leases totaled U.S.\$130.5 million.

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 one in our secured financing. 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 at March 31, 2017, the Group had U.S.\$54.7 million of outstanding debt in the form of bank overdrafts with various financial institutions.

Securitization Programs

Overview

The Group has two receivables securitization programs outstanding: (i) a receivables securitization program dated October 2013, drawn for an amount of U.S.\$838.1 million as at March 31, 2017 (See “*CMA CGM Securitization Program*”), and (ii) a securitization program implemented in 2016 to finance NOL freight receivables, drawn for an amount of U.S.\$339.6 million as at March 31, 2017 (See “*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 “Securitization Program”) with financial institutions for an initial financing amount of U.S.\$200.0 million. Pursuant to sale agreements, certain receivables of the Company and of certain of the Company’s subsidiaries (CMA CGM Antilles-Guyane, ANL Container Line Pty Limited, MacAndrews and ANL Singapore, together, the “Originators”) were assigned to the Securitization Issuer.

The maximum amount of the Securitization Program was subsequently increased to U.S.\$880.0 million in October 2014 and to \$1.0 billion in December 2015, following accession of additional subsidiaries as Originators.

The Securitization Seller grants security interest over the transferred receivables. We, acting directly or through eligible agents, remain responsible for the collection of the receivables on behalf of the financial institutions participating in the Securitization Program.

Monthly interest payments by the Securitization Issuer are calculated according to specific formulae. The Securitization Program is guaranteed by a performance guarantee granted by us and secured by pledges of certain bank accounts of the Securitization Issuer. The Securitization Program, as supplemented and amended from time to time, will mature on July 20, 2019 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 March 31, 2017, the CMA CGM Securitization Program was drawn for an amount of U.S.\$838.1 million.

NOL Securitization Program

We recently 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.

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. The maximum of this guarantee is currently set at the lower of (i) the outstanding amount of senior funding made available by ING Bank and (ii) U.S.\$350 million.

As at March 31, 2017, the NOL Securitization Program was drawn for an amount of U.S.\$339.6 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, €650 million aggregate principal amount of senior notes due 2022 (the “Notes”) under an indenture to be dated as of July 13, 2017 (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 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 €650 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 July 15, 2022 unless redeemed prior thereto as described herein.

The Notes will bear interest at the rate of 6.500% per annum, from July 13, 2017 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 January 15, 2018. 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, that we will maintain for these purposes. Initially that principal paying agent will be Elavon Financial Services DAC, UK Branch (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.*” 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 March 31, 2017, on an adjusted basis to give effect to the issuance of the Notes and the use of the net proceeds therefrom as described herein under “*Use of Proceeds*:”

- (a) we would have had total indebtedness of \$2,884.7 million of which \$1,173.6 million would have been secured indebtedness ; and
- (b) our Subsidiaries would have had total indebtedness of \$5,641.7 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 solely 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 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 by reason of the receipt of payments made under or with respect to Notes or 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 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), U.S. Treasury regulations thereunder, or any intergovernmental agreement entered into in connection with the implementation of such Sections, 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, 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 July 15, 2019 upon Equity Offering

At any time prior to July 15, 2019, 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 106.500% 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 60% 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 July 15, 2019

At any time prior to July 15, 2019, 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 July 15, 2019, 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) July 15, 2019 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 July 15, 2019

At any time on or after July 15, 2019 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 July 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.

<u>Year</u>	<u>Redemption Price</u>
2019.....	103.250%
2020.....	101.625%
2021 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. 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.

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 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;*”
- clause (b) of the first 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 \$1.0 billion and 7.5% 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 Capitalized Lease Obligations, 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 Capitalized Lease Obligations, 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 *provided, further*, that, solely for the purposes of this clause (b) and in the case of a Capitalized Lease Obligation related to a Vessel or Vessels, the Debt Incurred (or deemed to be Incurred) in respect of such Vessel or Vessels (as the case may be) shall be reduced by the amount of any equity contribution made by any party (other than the Company, any Restricted Subsidiary or any Affiliate thereof) in connection with such Capitalized Lease Obligation that is shown as Debt on the consolidated balance sheet of the Company; and
 - (iii) represented by Capitalized Lease Obligations, 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 Capitalized Lease Obligations, 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) or (e) of this paragraph (2)) shall not in the aggregate exceed the greater of \$100.0 million and 0.50% 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) (i) Acquired Debt of a Restricted Subsidiary incurred and outstanding on or prior to the date on which 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 (y) below) in an aggregate

principal amount at any one time outstanding not to exceed the greater of \$150.0 million and 0.75% 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; and
- (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 \$100.0 million and 0.50% of Consolidated Total Assets;

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) and (x) of this paragraph (2)) (i) by our Restricted Subsidiaries (other than NOL and Restricted Subsidiaries of NOL) that are not Guarantors shall not exceed at any one time outstanding an amount equal to the greater of \$250 million and 1.25% of Consolidated Total Assets and (ii) by NOL and Restricted Subsidiaries of NOL, in each case unless they are Guarantors, shall not exceed at any one time outstanding an amount equal to (x) until December 31, 2018, \$1,750 million, (y) from January 1, 2019 to December 31, 2020, \$1,300 million and (z) from January 1, 2021, \$800 million.

- (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.

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 Existing 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 Existing 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 Existing 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 Existing 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 Existing 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 Existing 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 Existing 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).
- (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 \$10.0 million 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 2.75 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; *provided, however*, in the case of clause (ii) of this paragraph, that (A) the aggregate amount of such dividends or distributions with respect to any fiscal year does not exceed 40% of our Consolidated Adjusted Net Income for such fiscal year and (B) the Minimum Cash Balance is no less than \$400.0 million after giving *pro forma* effect to the payment of such dividend or distribution;

- (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 \$100.0 million and 0.5% of Consolidated Total Assets.

The actions described in clauses (a), (f), (g), (h), (j), (k), (l), (m) and (p) 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 Existing 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 \$15.0 million 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;
- (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 \$50.0 million:
 - (i) such transaction complies with clause (a) above;
 - (ii) 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; and
 - (iii) 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 \$10.0 million in the aggregate at any one time outstanding;
- (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 \$200 million and 1.00% 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 \$75.0 million, 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 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 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 \$50.0 million, we deliver a resolution of our Board of Directors (set out in an Officer's Certificate to the Trustee) resolving that such Asset Swap has been approved by our Board of Directors;
- (c) with respect to any Asset Swap involving the transfer of assets having a value greater than \$100.0 million, we 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 Asset Swap is fair to us or such Restricted Subsidiary from a financial point of view; and
- (d) such Asset Swap would be permitted under the "Restrictions on Transfer of Our Assets" covenant (if applicable to such Asset Swap).

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.

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) 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 and Capitalized Lease 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;
 - (b) we would be permitted to make a Restricted Payment at the time of designation (assuming the effectiveness of such designation) pursuant to the second paragraph of the “*Limitation on Restricted Payments*” covenant or a Permitted Investment, in either case in 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;
 - (c) except as otherwise permitted by the “*Limitation on Transactions with Affiliates*” covenant, neither we nor any Restricted Subsidiary has a contract, agreement, arrangement, understanding or obligation of any kind, whether written or oral, with such Subsidiary unless the terms of such contract, arrangement, understanding or obligation are not materially less favorable taken as a whole to us or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of ours or of any Restricted Subsidiary; and

- (d) 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 for all purposes of the Indenture in 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. Any such filing with the Trustee must occur within 45 days after the end of our fiscal quarter in which such designation is made (or, in the case of a designation made during the last fiscal quarter of our fiscal year, within 90 days after the end of such fiscal year).

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, 2017, within 120 days following the end of each of our fiscal years an annual report containing “Selected Historical Financial Data,” Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” sections in scope and content substantially similar to the corresponding sections of this offering memorandum (after taking into consideration any material changes to our business and operations after the Issue Date), 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;

- (b) commencing with the fiscal quarter ending June 30, 2017, 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 in London 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.

Restriction on Transfer of Our Assets

We will not sell, convey, transfer, swap or otherwise dispose of, directly or indirectly, in one or a series of related transactions, any of our assets or property having an aggregate Fair Market Value, together with all other such sales, conveyance, transfers, swaps or disposals since the date of the Indenture, greater than \$200.0 million to any Restricted Subsidiary that is not a Guarantor, except for sales, conveyances, transfers or other dispositions (i) of assets or property sold, transferred or otherwise disposed of in the ordinary course of business, (ii) of assets or property that are obsolete or are no longer used or useful in our business, (iii) in connection with any Qualified Lease Financing, (iv) in connection with any Permitted Receivables Financing, (v) of assets or property that constitute Capital Stock or assets or property of a Person that becomes a Restricted Subsidiary or is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, us after the date of the Indenture or (vi) of asset or property that represent all or substantially all of our assets, and are sold, transferred or otherwise disposed of in accordance with the provisions of the covenant described under “—*Consolidation, Merger and Sale of Assets.*”

Distribution Requirements

- (1) We will cause our Vessel Financing SPVs, Material Operating Subsidiaries and Shipping Agencies that are Restricted Subsidiaries to dividend or otherwise distribute on equity to us, directly or indirectly, within 180 days of the end of each fiscal year for Restricted Subsidiaries the Capital Stock of which is directly held by the Company, or as soon as reasonably practicable after the end of each fiscal year for Restricted Subsidiaries the Capital Stock of which is directly held by one or more other Subsidiaries of the Company, all distributable reserves held by such Restricted Subsidiaries as identified on the basis of the balance sheet of each such Restricted Subsidiary as of such year-end prepared in accordance with applicable GAAP, other than any such amount (i) that cannot be distributed to us, directly or indirectly, from such Restricted Subsidiaries as a dividend or other distribution on equity under any law, rule or regulation (including “thin capitalization” laws, rules or regulations) after giving effect to all corporate, shareholder or other comparable actions required in order to make such payment or (ii) distributed to holders of Capital Stock of such Restricted Subsidiaries other than us or another Restricted Subsidiary on a *pro rata* basis.
- (2) Notwithstanding paragraph (1) above, we will not be required to cause our Vessel Financing SPVs, Material Operating Subsidiaries and Shipping Agencies that are Restricted Subsidiaries to pay a dividend or make another distribution on equity to us (i) that would not be permitted under any consensual restriction that would be permitted under paragraph (2) of the covenant described under “—*Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*” or (ii) that could reasonably be

expected to give rise to or result in any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses Incurred in connection with any governmental or regulatory filings required as a result of, such dividends or distributions on equity.

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 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 \$50.0 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 indemnity and/or security satisfactory to the Trustee 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, 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 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 Issuer 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.

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 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 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.

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 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.

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 Existing 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 \$50.0 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 Qualified Lease Financing; 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* (formerly known as the Fonds Stratégique d'Investissement).

"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) July 15, 2019 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 July 15, 2019; *provided, however*, that, if the period from such redemption date to (but excluding) July 15, 2019 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.

“Capitalized Lease Obligation” means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under IFRS, and, for purposes of the Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty; *provided* that any reference to any Capitalized Lease Obligation will include (i) any put or call option or charter arrangements entered into by us, any Restricted Subsidiary or the lessor under such Capitalized Lease Obligation in connection with such Capitalized Lease Obligation and (ii) any Qualified Lease Financing; and *provided, further*, that liabilities in respect of operating leases as determined under IFRS as in effect on the Issue Date shall be deemed not to be Capitalized Lease Obligations.

“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 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 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, 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 (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 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 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 Fixed Charge Coverage Ratio” of our company means, for any period, the ratio of:

- (a) 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;
- (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 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 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 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) the interest component of our and the Restricted Subsidiaries’ Capitalized Lease Obligations accrued and/or scheduled to be paid or accrued during such period which, for the avoidance of doubt, shall not include time charters or bareboat charters; 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) our Consolidated Leverage to (b) our aggregate Consolidated Adjusted Net Income 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 Adjusted Net Income 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, Consolidated Adjusted Net Income for such period shall be calculated after giving effect on a *pro forma* basis to such Debt as if such Debt had been 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 Adjusted Net Income for such period will be reduced by an amount equal to the Consolidated Adjusted Net Income (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 Adjusted Net Income (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 Adjusted Net Income 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 Adjusted Net Income 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 Capitalized 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), (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) anything accounted for as an operating lease in accordance with IFRS as at the date of the Indenture, (iv) any pension obligations of ours or any Restricted Subsidiary, (v) 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, (vi) Subordinated

Shareholder Debt, (vii) the Preferred Shares and (viii) 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 €300 million 8.75% Senior Notes due 2018 issued by the Company on December 16, 2013 and (ii) the €725 million 7.75% Senior Notes due 2021 issued by the Company on June 8 and June 12, 2015, in each case in existence on the Issue Date after giving effect to the issuance of the Notes, the other transactions described under the “*Use of Proceeds*” section of this offering memorandum and the application of the net proceeds therefrom.

“Existing Notes Indentures” means each of the indenture dated as of December 16, 2013 between, *inter alios*, us and The Bank of New York Mellon, London Branch, as trustee, and the indenture dated as of June 8, 2015 between, *inter alios*, us and The Bank of New York Mellon, London Branch, 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 \$50.0 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 July 13, 2017.

"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.

"Material Operating Subsidiaries" means CMA CGM Antilles-Guyane, ANL Singapore Pte Ltd, Cheng Lie Navigation Co. Ltd, Neptune Orient Lines Limited, NOL Liner (Pte.) Ltd., APL Co. Pte Ltd, American President Lines, Ltd. and their respective successors.

"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.

"Minimum Cash Balance" means, as of the date of determination, the aggregate of:

- (a) all unrestricted Cash and Cash Equivalents of the Company and its Restricted Subsidiaries, net of any outstanding amounts of overdraft; and
- (b) securities at fair market value as shown on the Company's consolidated financial statements (i.e. marketable securities if liquid investments),

in each case as of the date of the last consolidated balance sheet of the Company available on such date of determination.

"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.

"NOL" means Neptune Orient Lines Limited and its successors.

"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 Jacques R. Saadé, 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 (v) of the proviso to the definition of “Debt;”
- (q) Investments not to exceed the greater of \$250.0 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 Capital 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 \$175.0 million and 1.00% 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 the interest or title of a lessor under any Capitalized Lease Obligation incurred pursuant to clauses (b), (c) or (q) under the covenant described under “*Certain Covenants—Limitation on Debt;*” *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 Capitalized 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; *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 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.

"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 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 Existing 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 Lease Financing” means any Capitalized Lease Obligation incurred or assumed in connection with the purchase, acquisition, construction or improvement of assets used or useful in our business.

“Qualified Minority Entity” means any entity in which we or any of our Restricted Subsidiaries own 50.0% or less of the Capital 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.

“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.

“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.

“Shipping Agencies” means Wholly Owned Restricted Subsidiaries licensed under applicable laws as and primarily conducting the business of a shipping agency.

“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 Financing SPVs” means Restricted Subsidiaries incorporated for the sole purpose of acquiring a Vessel (and related assets, including insurance coverage) and chartering such Vessel to the Company or a Subsidiary of the Company.

“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 depository for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depository.

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 Note, the “Global Notes”). The 144A Global Note will be deposited, on the closing date, with, or on behalf of, a common depository for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depository.

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 depository 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 depository and a successor depository 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 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 that may be relevant to noteholders 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 advisers 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 this offering memorandum 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 assimilated 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 noteholders. The list of Non-Cooperative States is published by a ministerial executive order, which may be updated at any time and at least once a year.

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. 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 French Tax Code at a rate of 30% or 75%, subject to the more favorable provisions of any applicable tax treaty.

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 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-20-50-20140211, 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 depository 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 depositories or operators, provided that such depository 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 24% 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 other related contributions) are also levied at source at an aggregate rate of 15.5% 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 24% levy and the 15.5% 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, a “U.S. holder” means, for U.S. federal tax income purposes, a beneficial owner of notes that is a citizen or resident of the United States, a domestic corporation or that is 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 issue price as part of the initial distribution 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, partnerships (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 to U.S. holders of the notes 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.

Payments of Interest and Additional Amounts

Payments or accruals of stated interest on the notes (including any Additional Amounts) 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.

If you use the cash method of accounting, the amount of interest income you will realize on the euro-denominated notes will be the U.S. dollar value of the payment in euros, calculated based on the exchange rate in effect on the date you receive the payment, regardless of whether you convert the payment into U.S. dollars. A cash method U.S. 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-basis U.S. 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. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued stated interest income on the date such interest is received. 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 such 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.

Foreign Tax Credit

Stated interest 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 subject to tax in the manner described above under “—*Payments of Interest and Additional Amounts*”) and your adjusted tax basis in the note. Your adjusted tax basis in a note generally will equal the purchase price for the note. The tax basis for 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. 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 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 or retirement 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. You will only recognize such foreign currency gain or loss to the extent you have gain or loss, respectively, on the overall sale, exchange or retirement of the note. This foreign currency gain or loss will not be treated as an adjustment to interest income that you receive on the note.

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 exceeds, in the case of an individual or trust, \$50,000 in a single tax year or, in other cases, various higher thresholds. 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 USD 50,000 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 July 7, 2017, we have agreed to sell to the initial purchasers and each initial purchaser has agreed, severally and not jointly, to purchase from us €650 million aggregate principal amount of the 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.....	€256,750,000
HSBC Bank plc	€256,750,000
Crédit Agricole Corporate and Investment Bank.....	€38,500,000
Société Générale	€38,500,000
UniCredit Bank AG	€38,500,000
Crédit Industriel et Commercial S.A.	€11,000,000
ODDO BHF SCA	€10,000,000
Total	€650,000,000

(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 this offering memorandum less an underwriting 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 this offering memorandum. 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 and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed any notes to the public in France, within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title I of Book II of the *Règlement Général* of the *Autorité des Marchés Financiers* (the French financial markets authority) (the "AMF"). Consequently, the notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France (*offre au public de titres financiers*), and neither this offering memorandum nor any offering or marketing materials relating to the notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

This offering memorandum or any other offering material relating to the notes and such offers, sales and distributions have been and will be made in France only to (a) investment services providers authorized to engage in portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account as defined in, and in accordance with, Articles L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Prospective investors are informed that:

- (i) neither this offering memorandum nor any other offering material relating to the notes has been or will be submitted for clearance to the AMF;
- (ii) in compliance with Articles L.411-2 and D.411-1 of the French *Code monétaire et financier*, any qualified investors subscribing for the notes should be acting for their own account; and
- (iii) the direct and indirect distribution or sale to the public of the notes acquired by those investors to whom offers and sales of the notes may be made as described above may only be made in compliance with Articles L.411-1 to L.411-4, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier* and applicable regulations thereunder.

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 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:

- (a) 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 Financial Services and Markets Act 2000 (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
- (b) 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 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 this offering memorandum 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. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to

observe any restrictions relating to the offering of the notes, the distribution of this offering memorandum and resale of notes. See “*Notice to Investors.*”

General

No sale of similar securities

The Issuer has agreed, subject to certain limited exceptions, that they or their 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 the notes are issued without first obtaining the written consents of the initial purchasers.

New issue of notes

The notes are a new issue of securities for which there currently is no established trading market. In addition, the notes are subject to certain restrictions on resale and transfer as described under “*Notice to Investors.*” We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF market of the Luxembourg Stock Exchange. 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. Accordingly, we can give no assurance as to the development or liquidity of any market for 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 this offering memorandum 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 this offering memorandum, 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 three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of this offering memorandum or the next 2 business days 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:
 - (a) 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
 - (b) 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 this offering memorandum, which offering memorandum has 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 this offering memorandum. 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:
- (a) to the Issuer or any subsidiary thereof;
 - (b) pursuant to a registration statement that has been declared effective under the Securities Act;
 - (c) 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;
 - (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.

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.

- (6) 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 REGULATIONS 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.

- (7) 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.
- (8) 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.
- (9) 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.
- (10) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and you agree that if any of the acknowledgements, 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 acknowledgements, representations and agreements on behalf of each such investor account.
- (11) 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 this Offering Memorandum 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 this Offering Memorandum and/or in the front of this Offering Memorandum 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 Shearman & Sterling (London) 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 Shearman & Sterling LLP with respect to matters of French law.

INDEPENDENT AUDITORS

The consolidated financial statements of CMA CGM S.A. as of and for the end of the year ended December 31, 2016, have been audited by Deloitte & Associés and KPMG Audit, a Department of KPMG S.A., independent auditors, as stated in their report dated March 10, 2017, a free English translation of which is included in this offering memorandum. The consolidated financial statements of CMA CGM S.A. as of and for the year ended December 31, 2015, have been audited by Deloitte & Associés and KPMG Audit, a Department of KPMG S.A., independent auditors, as stated in their report dated March 7, 2016, a free English translation of which is included in this offering memorandum. The unaudited interim condensed consolidated financial statements of CMA CGM S.A., as of and for the three-month period ended March 31, 2017, have been reviewed by Deloitte & Associés and KPMG Audit, a Department of KPMG S.A., independent auditors, as stated in their report dated May 19, 2017. Deloitte & Associés was appointed as statutory auditor, together with KPMG Audit, a Department of KPMG S.A., until the annual shareholder meeting of 2020, which will approve the financial statements for the year ending December 31, 2019.

The consolidated financial statements of NOL as of and for the end of the year ended December 30, 2016 have been audited by PricewaterhouseCoopers LLP, independent auditor, as stated in its report dated June 30, 2017. PricewaterhouseCoopers LLP was appointed as statutory auditor of NOL until its annual shareholder meeting of 2017, which will approve the financial statements for the year ended December 30, 2016.

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 de Grande Instance) 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 this offering memorandum, 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.

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 (EC) no 44/2001, Articles 14 and 15 of the French Civil Code may also apply. Pursuant to Article 14 of the French Civil Code, 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, 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, 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 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);
- this offering memorandum; and
- the Indentures relating to the notes, which include the forms of the notes.

We have appointed U.S. Bank Trustees Limited as trustee for the notes, Elavon Financial Services DAC, UK Branch as Paying Agent and Elavon Financial Services DAC 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 this offering memorandum. To the Company's best knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum. This offering memorandum 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 04 Quai d'Arenc 13002 Marseille, France. Our telephone number is +33 (0)4 88 91 90 00.

As of the date of this offering memorandum, our authorized share capital was €234.988.330,56 divided into 14,205,221 shares, entirely paid up, in the following categories: (i) 10,578,355 ordinary shares, (ii) one A Preferred Share (iii) 3,626,864 B Preferred Shares, and (iv) 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 decisions of the Chief Executive Officer of CMA CGM, adopted on July 7, 2017.

Significant Change

Except as disclosed herein, there has been no material adverse change in our financial trading position that is material in the context of the issue and offering of the notes since December 31, 2016, 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 Regulation S and Rule 144A will have a Common Code of 164710084 and 164710190, respectively. The ISIN for the notes sold pursuant to Regulation S is XS1647100848 and the ISIN for the notes sold pursuant to Rule 144A is XS1647101903.

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**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

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Three-month period ended March 31, 2017

Deloitte & Associés
Les Docks – Atrium 10.4
10 place de la Joliette
13002 Marseille

KPMG Audit
Division of KPMG S.A.
480 avenue du Prado
13008 Marseille

CMA CGM S.A.

Société Anonyme

4 Quai d'Arenc
13002 Marseille

**Statutory Auditors' Report on the interim condensed consolidated
financial statements**

Period from January 1, 2017 to March 31, 2017

To the Board of Directors of CMA CGM S.A.

As Statutory Auditors of CMA CGM S.A. and at your request, we have reviewed the accompanying interim condensed consolidated financial statements of CMA CGM S.A., for the period from January 1, 2017 to March 31, 2017.

These interim condensed consolidated financial statements have been approved by the Board of Directors. Our role is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review primarily consists of making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures. Those procedures are substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently the assurance obtained that the interim condensed consolidated financial statements, taken as a whole, are free of material misstatement is moderate and less than that obtained by an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to Note 3.1 to the interim condensed consolidated financial statements regarding the status of the purchase price allocation related to the acquisition of Neptune Orient Lines.

This report is governed by French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, dispute or difference which may arise out of or in connection with our engagement letter or this report.

Marseille, France

May 19, 2017

The Statutory Auditors

Deloitte & Associés

Vincent Gros
Partner

KPMG Audit
A Division of KPMG S.A.

Georges Maregiano
Partner

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The accompanying notes are part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Profit & Loss

(in USD million, except for earnings per share)

	Note	For the three-month period ended March 31,	
		2017	2016
REVENUE	4.1	4,620.2	3,399.3
Operating expenses	4.2	(4,237.4)	(3,304.0)
EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES		382.8	95.3
Gains / (losses) on disposal of property and equipment and subsidiaries	4.3	7.8	(0.1)
Depreciation and amortization of non-current assets	5.2.1	(146.5)	(109.8)
Other income and (expenses)	4.4	(0.1)	(3.9)
Net present value (NPV) benefits related to assets financed by tax leases		11.9	13.9
EBIT BEFORE SHARE OF INCOME / (LOSS) FROM ASSOCIATES AND JOINT VENTURES		255.9	(4.4)
Share of income / (loss) from associates and joint ventures	7.1	3.8	4.0
EBIT	4.1	259.6	(0.5)
CORE EBIT	4.1	251.9	3.5
Interests expense on borrowings		(112.4)	(65.4)
Interests income on cash and cash equivalent		7.9	6.1
Other net financial items		(53.6)	(17.4)
FINANCIAL RESULT	4.5	(158.1)	(76.7)
PROFIT / (LOSS) BEFORE TAX		101.5	(77.2)
Income taxes	4.6.1	(8.4)	(17.6)
PROFIT / (LOSS) FOR THE PERIOD		93.1	(94.8)
of which:			
Non-controlling interests		6.8	5.1
OWNERS OF THE PARENT COMPANY		86.4	(99.8)
<i>Basic and diluted Earnings Per Share (EPS) attributable to owners of the parent company (in USD)</i>		5.7	(6.6)

The accompanying notes are part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

(in USD million)

	Note	For the three-month period ended March 31,	
		2017	2016
PROFIT / (LOSS) FOR THE PERIOD		93.1	(94.8)
Other comprehensive income / (loss) reclassifiable to Profit and Loss			
Cash flow hedges:			
Gains / (losses) arising during the period		(1.1)	14.4
Recycling to the income statement		0.5	0.5
Available-for-sale financial assets		-	2.7
Currency translation adjustment related to foreign subsidiaries		8.9	2.8
Share of other comprehensive income of associates and joint ventures		7.6	0.2
Tax on other comprehensive income reclassifiable to Profit and Loss		(0.1)	-
Other comprehensive income / (loss) non reclassifiable to Profit and Loss			
Remeasurement of defined benefit pension plans	8.1.1	0.4	(7.9)
Remeasurement of defined benefit pension plans of associates and joint ventures		-	-
Tax on other comprehensive income non reclassifiable to Profit and Loss		-	-
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD, NET OF TAX		16.2	12.7
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD, NET OF TAX		109.3	(82.1)
of which:			
Non-controlling interests		8.4	5.2
Owners of the parent company		100.9	(87.2)

The accompanying notes are part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position - Assets

(in USD million)

	Note	As at March 31, 2017	As at December 31, 2016
Goodwill	5.1.1	1,013.0	1,007.9
Other intangible assets	5.1.2	1,093.0	1,083.3
INTANGIBLE ASSETS		2,106.0	2,091.1
Vessels	5.2.1	8,001.7	8,087.3
Containers	5.2.1	473.3	470.4
Lands and buildings	5.2.1	480.4	479.7
Other properties and equipments	5.2.1	310.8	311.8
PROPERTY AND EQUIPMENT	5.2.1	9,266.2	9,349.2
Deferred tax assets	4.6.2	76.6	59.4
Investments in associates and joint ventures	7.1	940.6	900.2
Derivative financial instruments	6.1	1.9	0.1
Other financial assets	6.2.1	480.5	550.0
NON-CURRENT ASSETS		12,871.8	12,950.0
Inventories	5.3.1	368.7	347.6
Trade and other receivables	5.3.2	2,721.6	2,619.5
Income tax asset	5.3.2	15.0	16.2
Derivative financial instruments	6.1	0.2	0.0
Securities and other financial assets	6.2.2	319.9	304.8
Cash and cash equivalents	6.3.1	1,268.6	1,211.6
Prepaid expenses	5.3.2 & 5.3.3	394.4	369.0
Assets classified as held-for-sale	5.4	851.5	837.8
CURRENT ASSETS		5,940.0	5,706.4
TOTAL ASSETS		18,811.8	18,656.4

The accompanying notes are part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position - Liabilities & Equity

(in USD million)

	Note	As at March 31, 2017	As at December 31, 2016
Share capital		234.7	234.7
Reserves and retained earnings		4,637.0	5,075.5
Profit / (Loss) for the period attributable to owners of the parent company		86.4	(452.2)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		4,958.1	4,858.1
Non-controlling interests		70.6	69.5
TOTAL EQUITY		5,028.7	4,927.6
Borrowings	6.4	6,779.0	6,650.8
Derivative financial instruments	6.1	179.8	215.5
Deferred tax liabilities	4.6.2	114.1	116.2
Provisions	8.1	326.0	358.2
Employee benefits	8.1	187.2	180.4
Deferred income	5.3.2 & 5.3.3	191.3	198.8
NON-CURRENT LIABILITIES		7,777.4	7,719.8
Borrowings	6.4	1,694.4	1,627.4
Derivative financial instruments	6.1	62.9	72.5
Provisions	8.1	66.5	40.5
Employee benefits	8.1	2.3	2.2
Trade and other payables	5.3.2	3,354.2	3,459.5
Income tax liability	5.3.2	62.5	58.4
Deferred income	5.3.2 & 5.3.3	719.1	701.9
Liabilities associated with assets classified as held-for-sale	5.4	43.9	46.6
CURRENT LIABILITIES		6,005.7	6,009.0
TOTAL LIABILITIES & EQUITY		18,811.8	18,656.4

The accompanying notes are part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of changes in Equity

(in USD million)

	Attributable to owners of the parent				TOTAL	Non-controlling interests	Total Equity
	Share capital (*)	Reserves, retained earnings and Profit for the period					
		Bonds redeemable in shares (**)	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			
Balance as at January 1, 2016	234.7	56.5	5,207.1	(141.4)	5,356.8	48.7	5,405.5
Profit / (Loss) for the period	-	-	(99.8)	-	(99.8)	5.1	(94.8)
Other comprehensive income / (expense), net of tax	-	-	(7.9)	20.5	12.6	0.1	12.7
Total comprehensive income / (expense) for the period	-	-	(107.7)	20.5	(87.2)	5.2	(82.1)
Transaction with non-controlling interests	-	-	(1.4)	0.1	(1.3)	(0.6)	(1.9)
Dividends	-	-	-	-	-	(2.5)	(2.5)
Total transactions with Shareholders	-	-	(1.4)	0.1	(1.3)	(3.1)	(4.4)
Balance as at March 31, 2016	234.7	56.5	5,097.8	(120.8)	5,268.2	50.8	5,319.0
Balance as at January 1, 2017	234.7	56.5	4,746.2	(179.3)	4,858.0	69.5	4,927.6
Profit / (Loss) for the period	-	-	86.4	-	86.4	6.8	93.1
Other comprehensive income / (expense), net of tax	-	-	0.3	14.3	14.6	1.6	16.2
Total comprehensive income / (expense) for the period	-	-	86.6	14.3	100.9	8.4	109.3
Transaction with non-controlling interests	-	-	(0.7)	(0.2)	(0.9)	0.0	(0.9)
Dividends	-	-	-	-	-	(7.3)	(7.3)
Total transactions with Shareholders	-	-	(0.7)	(0.2)	(0.9)	(7.2)	(8.2)
Balance as at March 31, 2017	234.7	56.5	4,832.1	(165.2)	4,958.0	70.6	5,028.7

(*) 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 preference 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.

(**) 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.

Interim Condensed Consolidated Statement of Cash Flows

(in USD million)

	Note	For the three-month period ended March 31,	
		2017	2016
Profit / (Loss) for the period		93.1	(94.8)
Reconciliation of profit / (loss) for the period to cash generated from operations :			
- Depreciation and amortization	5.2.1	146.5	109.8
- Net present value (NPV) benefits related to assets financed by tax leases		(11.9)	(13.9)
- Other income and expense	4.4	0.1	3.9
- Increase / (Decrease) in provisions		6.4	5.5
- Loss / (Gains) on disposals of property and equipment and subsidiaries	4.3	(7.8)	0.1
- Share of (Income) / Loss from associates and joint ventures	7.1	(3.8)	(4.0)
- Interest expenses on net borrowings		114.6	71.5
- Income tax	4.6.1	8.4	17.6
- Other non cash items		(6.0)	19.1
Changes in working capital	5.3.2	(222.8)	(24.8)
Cash flow from operating activities before tax		116.9	89.9
- Income tax paid		(22.0)	(15.7)
Cash flow from operating activities net of tax		94.9	74.3
Purchases of intangible assets		(11.6)	(17.0)
Purchases / disposals of subsidiaries, net of cash acquired / divested		(0.8)	10.9
Purchases of property and equipment	5.2.1	(90.4)	(39.9)
Proceeds from disposal of property and equipment	4.3	78.3	5.8
Dividends received from associates and joint ventures	7.1	3.1	7.0
Cash flow resulting from other financial assets	6.2	65.6	2.3
Variation in securities		(0.0)	(7.8)
Net cash (used in) / provided by investing activities		44.2	(38.6)
Free Cash Flow	5.5	139.2	35.7
Dividends paid to the owners of the parent company and non-controlling interest		(2.6)	(2.4)
Proceeds from borrowings, net of issuance costs	6.4	581.6	4.5
Repayments of borrowings	6.4	(549.4)	(194.7)
Principal repayments on finance leases	6.4	(33.8)	(19.8)
Interest paid on net borrowings		(94.8)	(69.6)
Refinancing of assets, net of issuance costs	6.4	76.4	157.7
Other cash flow from financing activities		(41.5)	-
Net cash (used in) / provided by financing activities	6.5	(63.9)	(124.3)
Effect of exchange rate changes on cash and cash equivalents and bank overdrafts		4.7	(2.3)
Net increase / (decrease) in cash and cash equivalents and bank overdrafts		80.0	(90.9)
Cash and cash equivalents and bank overdrafts at the beginning of the period		1,133.9	1,050.9
Cash and cash equivalents as per balance sheet		1,268.6	1,236.2
Bank overdrafts		(54.7)	(276.2)
Cash and cash equivalents and bank overdrafts at the end of the period	6.3.1	1,213.9	960.0
Net increase / (decrease) in cash and cash equivalents and bank overdrafts		80.0	(90.9)
Supplementary information: non cash investing or financing activities:			
- Assets acquired through finance lease or equivalents	5.2.1	76.6	38.3
Supplementary information:			
- Interests received		2.1	6.8
- Interests paid		(96.9)	(76.4)

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 three-month period ended March 31, 2017 were approved by the Board of Directors on May 19, 2017.

The Group is headquartered in France and is the third largest container shipping company in the world. The Group operates primarily in the international containerized transportation of goods. Its activities mainly include container terminal operations and transport by rail, road and river.

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’Arcen, 13002 Marseille, France.

Note 2 - General accounting principles

2.1 Basis of preparation

The interim condensed CFS of CMA CGM for the three-month period ended March 31, 2017 have been prepared in accordance with IAS 34 “Interim Financial Reporting” and under the historical cost basis, with the exception of available-for-sale financial assets, 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 financial statements for the year ended December 31, 2016. 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: www.ec.europa.eu/internal_market/accounting/ias/index_en.htm

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. Dollars (“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. Dollars. 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, 2016, except as outlined in the paragraphs below.

2.2.1 *Adoption of new and amended IFRS and IFRIC interpretations from January 1, 2017*

There is no new or amended IFRS and IFRIC interpretation adopted from January 1, 2017.

2.2.2 *New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2017, endorsed by the European Union and not early adopted*

The following new standards have been recently endorsed by the European Union with an effective date on January 1, 2018. Refer to the 2016 annual CFS for the information regarding the main features of these new standard and the status of the Group's analysis on their impact on the Group's CFS.

IFRS 9: Financial instruments

IFRS 15: Revenue from contracts with customers

2.2.3 *New IFRS and IFRIC interpretations effective for the financial year beginning on or after January 1, 2017 and not yet endorsed by the European Union*

The impacts of the following new or amended Standards are currently being assessed by the Company:

- New IFRS and IFRIC interpretations effective for the financial year beginning on January 1, 2017 and not yet endorsed by the European Union

IFRS 14: Regulatory Deferral Accounts

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7: Disclosure Initiative

Annual improvements to IFRS 2014-2016

- New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2017 and not yet endorsed by the European Union

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 15: Revenue from contracts with customers

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRS 16: Leases: Refer to the 2016 annual CFS for the information regarding the main features of this new standard and the status of the Group's analysis on its impact on the Group's CFS.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the interim condensed 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 interim condensed 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 2016 annual CFS, have been described in the below mentioned notes of the annual CFS and are as follows:

- Judgments used for the purpose of the purchase price allocation of NOL (see Note 3.1.1 of the annual CFS);
- Judgments used for the purpose of determining the operating segments (see Note 4.1 of the annual CFS);
- Judgements and estimates used for the accounting of NPV benefits related to assets financed by tax leases (see Note 4.5 of the annual CFS);
- Deferred income tax (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);

- Classification of lease contracts between operating lease and finance lease (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);and
- 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).

Note 3 - Significant events occurred during the period

3.1 Business combination: Neptune Orient Lines (“NOL”) integration status update

Status of the purchase price allocation

The main estimates and principles used for the purpose of performing the purchase price allocation as well as the rationalization of the residual goodwill have been disclosed in Note 3.1.1 of the 2016 annual CFS.

As at March 31, 2017 and December 31, 2016, the purchase price allocation resulted respectively in the recognition of a preliminary goodwill of USD 744.1 million and USD 739.8 million (of which USD 44.0 million presented in assets held for sale at both dates).

According to IFRS 3, the measurement period to adjust the purchase price allocation ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. Hence, the measurement period shall not exceed one year from the acquisition date , i.e. June 13, 2017, and the purchase price allocation will be finalized in the second quarter.

This goodwill consists in, among others, the buyer-specific synergies expected as a result of the integration of NOL such as assembled workforce, potential customer relationships which have been excluded as a consequence of churn effect, as well as further potential terminal concession renewals not taken into account in the terminal concession rights recognized in intangible assets.

Contribution of NOL to the three-month period ended March 31, 2017 and variation of CMA CGM excluding NOL contribution for the three-month periods ended March 31, 2016 and 2017

	For the three-month period ended March 31,				
	2017	2017	2017	2016	
	Interim Condensed Consolidated Statement of Profit & Loss	NOL contribution	CMA CGM Profit & Loss excluding NOL contribution	Interim Condensed Consolidated Statement of Profit & Loss	CMA CGM Stand alone variance
	A	B	C = A (-) B	D	= C (-) D
REVENUE	4,620.2	1,277.4	3,342.8	3,399.3	(56.5)
Bunkers and consumables	(597.4)	(163.3)	(434.1)	(324.7)	(109.4)
Chartering and slot purchases	(472.2)	(65.3)	(406.9)	(506.7)	99.8
Handling and stevedoring	(1,194.1)	(375.6)	(818.5)	(933.0)	114.5
Inland and feeder transportation	(635.1)	(187.3)	(447.8)	(446.0)	(1.8)
Port and canal	(289.1)	(49.6)	(239.5)	(277.1)	37.5
Container rentals and other logistic expenses	(418.5)	(21.1)	(397.4)	(322.0)	(75.5)
Employee benefits	(404.2)	(102.5)	(301.7)	(303.4)	1.7
General and administrative other than employee benefits	(155.7)	(34.3)	(121.3)	(124.3)	3.0
Additions to provisions, net of reversals and impairment of inventories and trade receivables	0.0	1.1	(1.0)	(3.5)	2.4
Operating exchange gains / (losses), net	24.0	5.5	18.6	(16.4)	34.9
Others	(95.1)	(60.1)	(35.0)	(47.0)	12.0
Operating expenses	(4,237.4)	(1,052.6)	(3,184.8)	(3,304.0)	119.2
CMA STA-NOL intercompany operations	-	(133.4)	133.4	-	133.4
EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES	382.8	91.3	291.4	95.3	196.1
Gains / (losses) on disposal of property and equipment and subsidiaries	7.8	6.8	1.1	(0.1)	1.2
Depreciation and amortization of non-current assets	(146.5)	(38.5)	(108.0)	(109.8)	1.8
Other income and (expenses)	(0.1)	-	(0.1)	(3.9)	3.7
Net present value (NPV) benefits related to assets financed by tax leases	11.9	3.2	8.7	13.9	(5.2)
EBIT BEFORE SHARE OF INCOME / (LOSS) FROM ASSOCIATES AND JOINT VENTURES	255.9	62.7	193.1	(4.4)	197.6
Share of income / (loss) from associates and joint ventures	3.8	0.1	3.6	4.0	(0.3)
EBIT	259.6	62.8	196.8	(0.5)	197.3
CORE EBIT	251.9	56.1	195.8	3.5	192.4
FINANCIAL RESULT	(158.1)	(45.2)	(112.9)	(76.7)	(36.2)
Income taxes	(8.4)	8.9	(17.3)	(17.6)	0.2
PROFIT / (LOSS) FOR THE PERIOD	93.1	26.6	66.6	(94.8)	161.3
of which:					
Non-controlling interests	6.8	0.4	6.4	5.1	1.3
OWNERS OF THE PARENT COMPANY	86.4	26.2	60.2	(99.8)	160.0

In the below notes related to the statement of Profit and Loss, the contribution of NOL is not presented systematically. As a consequence, these Notes should be read in conjunction with the information provided in the table above.

3.2 Shipping Alliance

As disclosed in Note 3.2 of the annual CFS, on November 3, 2016, the 4 partners (COSCO, OOCL, Evergreen and CMA CGM) signed the OCEAN Alliance agreements in Shanghai for a 10 year period. Ocean Alliance operations started on April 1, 2017.

3.3 Terminal & Logistics development

Singapore terminal with Port of Singapore Authority (“PSA”)

As mentioned in the 2016 audited CFS, as at June 15, 2016, CMA CGM and PSA Singapore Terminals established a joint venture company named CMA CGM – PSA LION TERMINAL PTE.ltd (“CPLT”), owned in proportions of 49% and 51% respectively, to lease and operate four container berths in the port of Singapore. While first phase operations in the terminal started in July 2016 on 2 berths, the operations have been extended to two additional berths, representing an additional capital injection of USD 23.6 million for the Group.

3.4 CMA CGM Group governance

On February 8, 2017, the Board of Directors appointed Rodolphe Saadé as Chief Executive Officer of the CMA CGM Group. Jacques R. Saadé remains Chairman of the Board of Directors.

Note 4 - Results for the period

4.1 Operating segments

The segment information for the reportable segments for three-month period ended March 31, 2017 and 2016 is as follows:

	Revenue		EBIT	
	For the three-month period ended March 31,			
	2017	2016	2017	2016
Container shipping segment	4,520.8	3,291.2	234.2	(1.8)
Other activities	287.9	192.1	17.7	5.3
Total core measures	4,808.7	3,483.3	251.9	3.5
Reconciling items & Eliminations	(188.5)	(84.0)	7.7	(4.0)
Total consolidated measures	4,620.2	3,399.3	259.6	(0.5)

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) and (iii) potential impairment charge in associates and joint ventures (see Note 7.1).

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.

Seasonality

The Company usually experiences seasonality in its 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.

4.2 Operating expenses

Operating expenses are analyzed as follows:

	For the three-month period ended March 31,	
	2017	2016
Bunkers and consumables	(597.4)	(324.7)
Chartering and slot purchases	(472.2)	(506.7)
Handling and stevedoring	(1,194.1)	(933.0)
Inland and feeder transportation	(635.1)	(446.0)
Port and canal	(289.1)	(277.1)
Container rentals and other logistic expenses	(418.5)	(322.0)
Employee benefits	(404.2)	(303.4)
General and administrative other than employee benefits	(155.7)	(124.3)
Additions to provisions, net of reversals and impairment of inventories and trade receivables	0.0	(3.5)
Operating exchange gains / (losses), net	24.0	(16.4)
Others	(95.1)	(47.0)
Operating expenses	(4,237.4)	(3,304.0)

The overall increase of operating expenses is due to the NOL acquisition only reflected in the three-month period ended March 31, 2017. See Note 3.1 for the variation of operating expenses excluding the contribution of NOL.

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 three-month period ended March 31,	
	2017	2016
Disposal of vessels	6.3	-
Disposal of containers	0.6	(0.2)
Other fixed assets disposal	(0.1)	(0.6)
Disposal of subsidiaries	1.0	0.7
Gains / (losses) on disposal of property and equipment and subsidiaries	7.8	(0.1)

4.4 Other income and (expenses)

Other income and (expenses) can be analyzed as follows:

	For the three-month period ended March 31,	
	2017	2016
Impairment (losses) / reversals of assets	(0.0)	(0.4)
Others	(0.1)	(3.5)
Other income and (expenses)	(0.1)	(3.9)

4.5 Financial result

The financial result is analyzed as follows:

	For the three-month period ended March 31,	
	2017	2016
Interest expense on borrowings	(112.4)	(65.4)
Interests income on cash and cash equivalents	7.9	6.1
Cost of borrowings net of interest income on cash and cash equivalents	(104.5)	(59.3)
Settlements and change in fair value of derivative instruments	(4.8)	8.1
Foreign currency income and expense, net	(45.9)	(24.6)
Other financial income and expense, net	(2.9)	(0.9)
Other net financial items	(53.6)	(17.4)
Financial result	(158.1)	(76.7)

For the three-month period ended March 31, 2017, “Interest expense on borrowings” includes USD (7.4) million corresponding to the amortization of past issuance costs recognized using the effective interest method (USD (5.3) million for the three-month period ended March 31, 2016).

“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). The exchange loss for the three-month period ended March 31, 2017, and 2016, are mainly due to the appreciation of EUR currency versus USD.

4.6 Income and deferred taxes

4.6.1 Current income taxes

	For the three-month period ended March 31,	
	2017	2016
Current income tax	(27.6)	(17.6)
Deferred tax income / (expense)	19.2	(0.0)
Income Taxes	(8.4)	(17.6)

The “Current income tax” expense for the three-month period ended March 31, 2017 includes USD (1.6) million related to prior year income tax (USD (0.8) million for the three-month period ended March 31, 2016).

The increase of the current income tax expense and the deferred tax income recognized in the three-month period ended March 31, 2017 are mostly due to certain US foreign tax credits claimed in February 2017 while one of our US subsidiaries historically took a deduction from the taxable basis for the foreign taxes paid. Based on future profit forecasts, management has decided to fully recognize these items.

4.6.2 *Deferred income tax*

Deferred taxes balances break down as follows:

Deferred tax assets	As at March 31, 2017	As at December 31, 2016
Investment tax credit	0.1	0.1
Tax losses carried forward	7.3	7.3
Retirement benefit obligations	15.2	11.7
Other temporary differences	76.0	62.3
Total gross deferred tax assets	98.6	81.4
Total net deferred tax assets	76.6	59.4
Deferred tax liabilities	As at March 31, 2017	As at December 31, 2016
Revaluation and depreciation of property and equipment	23.1	21.0
Undistributed profits from subsidiaries	32.6	32.6
Other temporary differences	80.4	84.6
Total gross deferred tax liabilities	136.1	138.2
Total net deferred tax liabilities	114.1	116.2
Total net deferred tax assets / (liabilities)	(37.5)	(56.8)

	For the three-month period ended March 31,	
	2017	2016
Net deferred tax at the beginning of the period	(56.8)	(18.7)
Changes through Profit & Loss	19.2	(0.0)
Changes through Other Comprehensive Income	(0.1)	-
Currency translation adjustment	0.2	0.4
Other variations	0.0	-
Net deferred tax at the end of the period	(37.5)	(18.3)

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 tax 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.

Income tax impacts related to other comprehensive income are presented in the statement of comprehensive income.

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 March 31, 2017	As at December 31, 2016
Beginning of the period	1,007.9	310.4
Purchase price adjustment on previously recognized goodwill	4.2	740.3
Other variations	-	3.5
Reclassification to assets held-for-sale	-	(44.0)
Foreign currency translation adjustment	0.9	(2.3)
At the end of the period	1,013.0	1,007.9
<i>of which:</i>		
<i>Allocated to container shipping segment</i>	<i>987.1</i>	<i>982.3</i>
<i>Allocated to other activities</i>	<i>25.9</i>	<i>25.5</i>

In 2016, the line item “Goodwill from business combinations” mostly corresponds to the goodwill recognized as a result of the purchase price allocation performed on NOL acquisition. The goodwill allocated to the terminal activities reclassified as held-for-sale has been reclassified into assets held for sale for an amount of USD 44.0 million (see Note 5.4) which is still the case as at March 31, 2017.

In the three-month period ended March 31, 2017, the line item “Purchase price adjustment on previously recognized goodwill” corresponds to the slight update of the purchase price allocation performed on NOL acquisition (See Note 3.1 for the status of the purchase price allocation).

5.1.2 Other intangible assets

The net carrying value of other intangible assets mainly relate to the intangible assets recognized as part of the purchase price allocation related to NOL acquisition out of which USD 385.1 million consist of the customer relationships (USD 391.7 million as at December 31, 2016), USD 202.0 million relate to the APL trademark and USD 111.0 million to terminal concession rights (USD 112.6 million as at December 31, 2016).

5.2 Property and equipment

5.2.1 Variation of property and equipment

Property and equipment are analyzed as follows:

	As at March 31, 2017	As at December 31, 2016
Vessels		
Cost	10,211.9	10,200.0
Cumulated depreciation	(2,210.3)	(2,112.7)
	8,001.7	8,087.3
Containers		
Cost	806.1	796.1
Cumulated depreciation	(332.7)	(325.7)
	473.3	470.4
Lands and buildings		
Cost	638.2	631.0
Cumulated depreciation	(157.8)	(151.4)
	480.4	479.7
Other properties and equipments		
Cost	508.6	520.4
Cumulated depreciation	(197.8)	(208.6)
	310.8	311.8
Total		
Cost	12,164.8	12,147.5
Cumulated depreciation	(2,898.7)	(2,798.3)
Property and equipment	9,266.2	9,349.2

As at March 31, 2017, assets under finance leases, tax lease agreements and other similar arrangements included in the above table represented a cost of USD 3,856.7 million (USD 4,532.0 million as at December 31, 2016) and a cumulated depreciation of USD 1,087.0 million (USD 1,215.8 million as at December 31, 2016).

Variations in the cost of property and equipment for the three-months period ended March 31, 2017 and the year ended December 31, 2016 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at January 1, 2016	4,779.8	3,195.7	323.3	847.8	624.1	321.2	10,091.8
Acquisitions	32.8	19.4	85.6	56.7	0.9	136.8	332.2
Acquisitions of subsidiaries	2,765.3	130.7	-	582.8	46.7	188.8	3,714.3
Disposals	(1,108.4)	(2.2)	-	(688.1)	(20.0)	(34.3)	(1,853.0)
Reclassification	-	-	-	(2.9)	(2.2)	(83.1)	(88.1)
Vessels put into service & refinancing	(953.9)	953.9	-	-	-	-	-
Foreign currency translation adjustment	(1.9)	(20.1)	(0.1)	(0.1)	(18.5)	(9.0)	(49.6)
As at December 31, 2016	5,513.8	4,277.3	408.8	796.1	631.0	520.4	12,147.5
Acquisitions	15.2	-	68.6	15.4	0.5	22.7	122.4
Disposals	(6.0)	-	(67.0)	(5.5)	(0.1)	(27.5)	(106.1)
Reclassification	-	-	-	(0.5)	0.0	(9.8)	(10.3)
Vessels put into service	27.5	-	(27.5)	-	-	-	-
Vessels refinancing & exercise of purchase option	650.0	(650.0)	-	-	-	-	-
Foreign currency translation adjustment	0.7	0.5	-	0.5	6.8	2.9	11.3
As at March 31, 2017	6,201.3	3,627.8	382.9	806.1	638.2	508.6	12,164.8

As at March 31, 2017 the Group operates 128 vessels owned or under finance lease or equivalent agreements (128 vessels as at December 31, 2016).

During the three-month period ended March 31, 2017:

- the line items “Vessels put into service” relates to the delivery of a TEUs 1,700 vessel;
- “Vessels refinancing & exercise of purchase option” corresponds to the historical cost of a vessel which have been refinanced through finance leases (cost of USD 176.3 million and USD 41.2 million of cumulated depreciation) offset by the exercise of the purchase option for

six vessels (historical cost of USD 826.3 million and USD 187.3 million of cumulated depreciation).

In 2016, the line items “acquisition of subsidiaries” mainly corresponds to assets acquired as part of NOL acquisition and recognized at their acquisition date’s fair values (see Note 3.1.1 of the 2016 CFS).

In 2016, the line item “Disposals” mainly relates to sale and lease-backs operations on certain vessels and containers, as well as to the disposal of certain vessels.

Borrowing costs capitalized during the three-month period ended March 31, 2017 amounted to USD 5.9 million (USD 29.5 million for the year ended December 31, 2016).

Acquisition of property and equipment and reconciliation with the Consolidated Statement of Cash Flows

Purchases of property and equipment amounted to USD 122.4 million for the three-month period ended March 31, 2017 (USD 332.2 million for the year ended December 31, 2016).

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:

		Three-month period ended March 31,	
		2017	2016
Acquisition of assets presented in the above table	a	122.4	78.2
(-) Assets not resulting in a cash outflow (i)	b	32.0	38.3
CAPEX cash from purchases of property and equipment	a (-) b = c	90.4	39.9
CAPEX cash from purchases of intangible assets	d	11.6	17.0
CAPEX cash from business combination	e	0.8	(10.9)
Total CAPEX as per Consolidated Statement of Cash Flows	c (+) d (+) e	102.7	46.0

(i) *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 three-month period ended March 31, 2017 and the year ended December 31, 2016 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at January 1, 2016	(1,161.8)	(640.6)	-	(348.4)	(141.5)	(171.9)	(2,464.2)
Depreciation	(223.9)	(143.3)	-	(51.5)	(24.5)	(49.9)	(493.1)
Disposals	63.0	2.2	-	72.6	10.2	16.6	164.5
Impairment	(18.7)	-	-	0.0	-	(12.8)	(31.4)
Refinancing	381.6	(381.6)	-	-	-	-	-
Reclassification	-	-	-	1.4	0.5	6.4	8.3
Foreign currency translation adjustment	0.7	9.7	-	0.2	4.0	3.0	17.7
As at December 31, 2016	(959.1)	(1,153.6)	-	(325.7)	(151.4)	(208.6)	(2,798.3)
Depreciation	(58.5)	(39.6)	-	(8.9)	(5.4)	(14.3)	(126.6)
Disposals	1.1	-	-	1.9	-	26.4	29.4
Vessels refinancing & exercise of purchase option	(146.1)	146.1	-	-	-	-	-
Reclassification	-	-	-	0.1	-	(0.0)	0.1
Foreign currency translation adjustment	(0.3)	(0.3)	-	(0.1)	(1.1)	(1.4)	(3.2)
As at March 31, 2017	(1,162.9)	(1,047.4)	-	(332.7)	(157.8)	(197.8)	(2,898.7)

Including intangible assets, the total depreciation for the three-month period ended March 31, 2017 amounts to USD 146.5 million (USD 571.0 million for the year ended December 31, 2016).

The net book value of property and equipment at the opening and closing for the three-month period ended March 31, 2017 and the year ended December 31, 2016 & 2015 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at March 31, 2017	5,038.4	2,580.4	382.9	473.3	480.4	310.8	9,266.2
As at December 31, 2016	4,554.7	3,123.7	408.8	470.4	479.7	311.8	9,349.2
As at January 1, 2016	3,617.9	2,555.1	323.3	499.4	482.6	149.3	7,627.6

The net book value of the container fleet as at March 31, 2017 includes USD 150.6 million related to containers under finance leases (USD 152.8 million as at December 31, 2016).

5.2.2 Group fleet development

Prepayments made to shipyards relating to owned vessels under construction are presented within “Vessels” in the interim condensed consolidated statement of Financial Position and amount to USD 382.9 million as at March 31, 2017 (USD 408.8 million as at December 31, 2016).

See Note 5.2.2 and 8.2.1 of the 2016 annual consolidated CFS for the detail of the Group’s orderbook and the related commitments.

5.3 Working Capital

5.3.1 Inventories

	As at March 31, 2017	As at December 31, 2016
Bunkers	292.1	279.5
Other inventories	77.3	68.8
Provision for obsolescence	(0.7)	(0.7)
Inventories	368.7	347.6

5.3.2 Trade receivables and payables

Trade and other receivables are analyzed as follows:

	As at March 31, 2017	As at December 31, 2016
Trade receivables	2,182.5	2,008.6
Less impairment of trade receivables	(88.2)	(88.7)
Trade receivables net	2,094.3	1,919.9
Prepayments	123.0	118.3
Other receivables, net	381.0	458.5
Employee, social and tax receivables	138.3	139.0
Trade and other receivables (*)	2,736.7	2,635.7

(*) 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.

Trade and other payables are analyzed as follows:

	As at March 31, 2017	As at December 31, 2016
Trade payables	1,376.8	1,384.4
Employee, social and tax payables	276.4	273.8
Other payables (mainly accruals for port call expenses, transportation costs, handling services)	1,763.4	1,859.6
Trade and other payables (*)	3,416.7	3,517.9

(*) including current income tax liability

In 2016, “Other payables” included an amount payable in euros of USD 44.6 million owed to Merit Corporation, a related party. This payable bore interest at 7% per annum and mainly corresponded to dividends declared by the Company in 2007 and 2008. Such liability has been repaid to Merit early 2017 and has been presented as a cash flow from financing activities in the interim condensed consolidated statement of cash flows.

The working capital can be analyzed as follows:

	As at December 31, 2016	Variations linked to operations	Currency translation adjustment	Others	As at March 31, 2017
Inventories	347.6	18.3	0.3	2.5	368.7
Trade and accounts receivable (*)	2,635.7	104.2	17.3	(20.6)	2,736.7
Prepaid expenses	369.0	25.8	0.1	(0.5)	394.4
Trade and other payables (**)	(3,517.9)	103.4	(13.7)	11.6	(3,416.7)
Deferred income	(701.9)	(28.9)	0.0	11.6	(719.1)
Net working capital	(867.5)	222.8	4.1	4.6	(636.0)

(*) including current income tax asset
(**) including current income tax liability

5.3.3 Prepaid expenses and deferred income

Prepaid expenses and deferred income mainly include voyages in progress at the Statement of Financial Position date resulting from the revenue recognition accounting principles disclosed in Note 4 in the 2016 annual CFS.

5.4 Non-current assets held for sale

At the end of 2016, the Group decided to classify some of its terminal assets and related liabilities as assets held for sale due to the current status of the disposal project, and the likelihood of achieving the sale in the next 12 months.

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 three-month period ended March 31, 2017. However, the depreciation of the related non-current assets has been discontinued.

As at March 31, 2017, the assets and liabilities related to these terminal activities are as follows:

	As at March 31, 2017	As at December 31, 2016
Goodwill	44.0	44.0
Other intangible assets	637.4	637.6
Property and equipment	78.8	78.1
Cash and cash equivalents	-	1.9
Other current assets	91.4	76.3
TOTAL ASSETS	851.5	838.0
Deferred tax liabilities	8.2	8.2
Non-current liabilities	13.4	12.1
Current liabilities	22.3	26.3
TOTAL LIABILITIES	43.9	46.6

For the three month period ended March 31, 2017, such terminal assets contributed to the continuing operations as follows:

- USD 8.2 million in EBITDA;
- USD 6.1 million in Core EBIT; and

- USD 5.8 million in Profit / (Loss) for the period.

5.5 Free cash flow

Free cash flow is USD 139.2 million for the three-month period ended March 31, 2017. It is composed of cash flow from operations for USD 94.9 million (of which EBITDA contributed for USD 382.8 million and variation of working capital for USD (222.8) million) and cash flow used for investing activities for USD 44.2 million.

Cash flow from investing activities has been mainly impacted by capital expenditures from purchasing of property and equipment, representing a cash outflow of USD (90.4) million, as well as the proceeds from disposal of property and equipment for USD 78.3 million and the net proceeds received as part of the variation of other financial assets for USD 65.6 million (see Note 6.2.1).

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 2016 annual CFS.

The situation of the main aggregates used in the Company's covenants' calculation is as follows:

	Note	As at March 31,		As at December 31,	
		2017		2016	
Total Borrowings	6.4	8,473.3		8,278.2	
(-) Bonds redeemable in shares in Borrowings	6.4	(175.0)		(180.8)	
(-) LTV deposits	6.2.1	(39.9)		(14.9)	
Adjusted gross debt : A		8,258.4		8,082.5	
Cash and cash equivalents as per statement of financial position	6.3	1,268.6		1,211.6	
(+) Securities	6.2.2	13.3		13.4	
(-) Restricted cash	6.3	(5.1)		(4.4)	
Unrestricted cash and cash equivalents : B		1,276.8		1,220.6	
Adjusted net debt : A (-) B		6,981.7		6,861.9	

	Note	As at March 31,		As at December 31,	
		2017		2016	
Total Equity		5,028.7		4,927.6	
(+) Bonds redeemable in shares in Borrowings	6.4	175.0		180.8	
(-) Currency translation adjustment recognized in total equity		146.0		162.8	
Adjusted Equity		5,349.8		5,271.1	

6.1 Derivative financial instruments

Derivative financial instruments are analyzed as follows:

	As at March 31, 2017		As at December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Interest swaps - cash flow hedge	2.0	41.4	0.1	42.3
Interest swaps - not qualifying to hedge accounting	-	4.5	-	3.9
Cross currency interest rates swaps - fair value hedge	-	156.2	-	191.4
Cross currency interest rates swaps - cash flow hedge	0.1	40.6	-	50.4
Total derivative financial instruments	2.1	242.7	0.1	288.0
<i>of which non-current portion (greater than 1 year)</i>	<i>1.9</i>	<i>179.8</i>	<i>0.1</i>	<i>215.5</i>
<i>of which current portion (less than 1 year)</i>	<i>0.2</i>	<i>62.9</i>	<i>-</i>	<i>72.5</i>

As at March 31, 2017 and December 31, 2016, the Company did not record any transfer between derivative financial instruments' categories.

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 March 31, 2017	As at December 31, 2016
Gross	56.1	55.0
Impairment	(9.0)	(8.9)
Investments in non consolidated companies	47.1	46.1
Gross	101.2	101.0
Impairment	(43.8)	(40.2)
Loans	57.4	60.8
Gross	219.4	192.3
Impairment	-	-
Deposits	219.4	192.3
Gross	22.2	21.9
Impairment	(0.2)	(0.2)
Receivable from associates	22.0	21.7
Gross	134.7	229.3
Impairment	(0.1)	(0.1)
Other financial assets	134.6	229.2
Gross	533.7	599.5
Impairment	(53.2)	(49.5)
Total other non-current financial assets, net	480.5	550.0

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 participations individually not significant.

Loans

“Loans” mainly relate to funds borrowed by certain terminal joint ventures.

Deposits

Included in “Deposits” are mainly:

- USD 39.9 million as at March 31, 2017 (USD 14.9 million as at December 31, 2016) of cash deposited in escrow accounts in relation to certain loan-to-value provisions in financing agreements; and
- USD 156.1 million as at March 31, 2017 (USD 142.9 million as at December 31, 2016) of cash deposits which do not qualify as cash and cash equivalents.

Other financial assets

As at March 31, 2017, “Other financial assets” mainly include USD 87.9 million (USD 181.1 million as at December 31, 2016) of financial tax benefit to be received at the maturity of the tax financing period. The decrease in financial tax benefit, compared to December 31, 2016, relates to the exercise of the purchase option on the shares of Special Purpose Entities in relation to 5 vessels which were previously recognized in the statement of financial position as finance leases, which generated a cash inflow of USD 115.0 million and a positive impact in other financial result of USD 3.4 million.

6.2.2 Securities and other current financial assets

“Securities and other current financial assets” as at March 31, 2017 include securities at fair value for an amount of USD 13.3 million (USD 13.5 million as at December 31, 2016).

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 Cash and cash equivalents, and liquidity

6.3.1 Cash and cash equivalents

Cash and cash equivalents can be analyzed as follows:

	As at March 31, 2017	As at December 31, 2016
Cash on hand	611.0	640.9
Short term deposits	652.5	566.3
Restricted cash	5.1	4.4
Cash and cash equivalents as per statement of financial position	1,268.6	1,211.6
Bank overdrafts	(54.7)	(79.5)
Cash and cash equivalents and bank overdraft	1,213.9	1,132.0
Cash reported in assets held-for-sale	-	1.9
Cash and cash equivalents and bank overdrafts, as per cash flow statement	1,213.9	1,133.9

6.3.2 Undrawn committed credit facilities and liquidity position

As at March 31, 2017, the Group has full access to undrawn committed credit facilities amounting to USD 442.0 million (USD 841.0 million as at December 31, 2016) granted by various financial institutions, of which the average maturity is around 2.0 years ranging from 3 months to 7.0 years.

Together with the above-mentioned “cash and cash equivalents and bank overdraft” line item, excluding restricted cash and including securities disclosed in Note 6.2.2, the total liquidity of the Group amounts to USD 1,664.8 million (USD 1,982.1 million as December 31, 2016).

6.4 Borrowings

6.4.1 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 March 31, 2017	Current portion	Non current portion	Maturity schedule : March 31,				
				2019	2020	2021	2022	Onwards
Senior notes	1,984.4	260.7	1,723.7	294.4	183.5	951.9	201.4	92.6
Bonds and preferred shares redeemable in shares	175.0	129.3	45.7	13.8	15.2	16.7	-	-
Bank borrowings	3,507.5	595.9	2,911.6	717.0	520.9	330.6	295.4	1,047.8
Obligations under finance leases	1,432.9	202.5	1,230.4	216.0	205.3	224.6	117.7	466.8
Bank overdrafts	54.7	54.7	-	-	-	-	-	-
Securitization program	1,177.7	338.8	838.9	(0.8)	839.8	-	-	-
Other borrowings	141.1	112.5	28.5	23.5	0.9	0.8	0.8	2.6
Total	8,473.3	1,694.4	6,779.0	1,263.9	1,765.5	1,524.6	615.2	1,609.8

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 program	Other borrowings	Total
Balance as at January 1, 2017	1,927.0	180.8	3,291.2	1,587.2	79.5	1,083.1	129.3	8,278.2
Proceeds from new borrowings, net of issuance costs	-	-	492.6	-	-	88.8	0.2	581.6
Repayment of financial borrowings	-	(5.7)	(543.1)	(33.8)	-	-	(0.5)	(583.2)
Other increase/decrease in borrowings (non-cash)	4.4	-	22.5	15.0	(25.1)	-	-	16.9
Accrued interests and fees amortization	1.5	0.0	2.9	3.2	-	0.2	10.7	18.5
Refinancing of assets, net of issuance costs	-	-	-	76.5	-	-	-	76.5
Exercise of purchase option of vessel SPV	-	-	216.3	(216.3)	-	-	-	-
Foreign currency translation adjustments	51.5	-	25.1	1.1	0.2	5.5	1.4	84.8
Balance as at March 31, 2017	1,984.4	175.0	3,507.5	1,432.9	54.7	1,177.7	141.1	8,473.3

The line item “Other increase / decrease in borrowings (non-cash)” 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.

Increase in bank borrowings (as well as decrease to a lesser extent, together with usual principal repayment) mainly relate to various drawdown and repayments on the Group’s committed credit facilities.

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	-	-	2,194.0	1,273.8	-	4.95%
Containers	-	-	83.6	130.5	-	4.95%
Land and buildings	-	-	134.7	3.6	-	0.72%
Handling	-	-	2.3	11.6	-	2.37%
Other tangible assets	-	-	1.7	13.5	-	4.94%
General corporate purposes	1,984.4	175.0	1,091.3	-	1,373.5	5.00%
Total	1,984.4	175.0	3,507.5	1,432.9	1,373.5	

6.4.2 Details of Senior Notes

As at March, 31, 2017, the Group has 7 unsecured Senior Notes outstanding which can be detailed as follows:

- SGD 400 million of nominal amount, issued by NOL Limited, maturing and fully redeemed in April 2017;
- EUR 300 million of nominal amount, issued by CMA CGM and maturing in December 2018;
- SGD 300 million of nominal amount, issued by NOL Limited and maturing in November 2019;
- 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; Such Notes were issued in June 2015 and the related proceeds were used at that time to early repay USD & EUR unsecured Notes issued in 2011;
- SGD 300 million of nominal amount, issued by NOL Limited and maturing in June 2021;
- USD 116.5 million of nominal amount, issued by APL Limited and maturing in January 2024.

6.4.3 Securitization program

During the three-month period ended March 31, 2017, the securitization programs increased by USD 88.8 million.

6.4.4 Bonds and preferred shares redeemable in shares

The balance of the bonds and preferred shares as at March 31, 2017 breaks down as follows:

- USD 116.8 million representing the interest portion of priority dividend payable till maturity, as a remuneration of the preferred shares redeemable in ordinary shares held by Yildirim;
- USD 58.2 million representing the interest portion of 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.

6.4.5 Other borrowings

As at March 31, 2017, other borrowings include USD 102.8 million of accrued interests (USD 92.0 million as at December 31, 2016).

6.5 Cash flow from financing activities

Cash flow from financing activities amounting to USD (63.9) million. The financing cash flows mainly consisted in drawdown of borrowings (mainly committed credit facilities) for USD 581.6 million, balanced by repayment of borrowings for USD (549.4) million (committed credit facilities, among others), the payment of financial interests for USD (94.8) million and by the refinancing of certain vessels for USD 76.4 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 2016 annual CFS. There has not been any material change during the three month period ended March 31, 2017.

7.1 Investments in associates and joint ventures

Investments in associates and joint ventures can be analyzed as follows:

	As at March 31, 2017	As at December 31, 2016
Beginning of the year	900.2	635.8
Acquisition of subsidiaries	-	194.0
Transfer of carrying value of newly controlled entities	-	(5.7)
New investments in associates and joint ventures	27.8	87.6
Disposal	-	(1.8)
Share of (loss) / profit	3.8	(22.3)
Dividend paid or payable to the Company	(3.1)	(19.7)
Other comprehensive income / (expense)	7.6	(15.3)
Reclassification from / to other items	4.3	46.3
Other	-	1.5
At the end of the period	940.6	900.2

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 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 23.6 million (see Note 3.3).

As at March 31, 2017, the main contributors to investments in associates and joint ventures are as follows:

- Terminal Link Group for USD 385.5 million (USD 383.0 million as at December 31, 2016);

- Global Ship Lease for USD 149.2 million (USD 146.4 million as at December 31, 2016). The fair value of Global Ship Lease quoted shares, at the Company's share, amounts to approx. USD 37 million as at March 31, 2017 (USD 37 million as at December 31, 2016);
- Rotterdam World Gateway ("RWG") for USD 189.0 million (USD 184.0 million as at December 31, 2016);
- CPLT for USD 103.8 million (USD 76.7 million as at December 31, 2016).

For the year ended December 31, 2016:

- The line item "Acquisition of subsidiaries" mainly corresponds to minority owned terminals in NOL scope, which have been measured at fair value on acquisition date;
- The line item "New investment in associates and joint ventures" mainly corresponds to the participation of 49% in CPLT for USD 79.7 million and to the capital injection in Rotterdam World Gateway BV for USD 9.2 million;
- The line item "Reclassification from / to other items" mainly consists of shares in Rotterdam World Gateway BV for USD 50.0 million in which the Company had a 10% shareholding, reclassified from other financial assets as a consequence of NOL acquisition which also has a 20% ownership in Rotterdam World Gateway BV, thus resulting in a significant influence and an overall 30% ownership for the Group.

During the year ended December 31, 2016, Global Ship Lease recorded impairment charges amounting to USD 41.1 million (at Group share in Global Ship Lease).

7.2 Related party transactions

No new significant transaction has been entered into with related parties compared to the information disclosed in the 2016 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	of which		Employee benefits	of which	
				non current portion	current portion		non current portion	current portion
As at January 1, 2016	83.1	105.7	188.8	170.2	18.6	131.0	128.7	2.3
Additions for the period	8.4	63.5	71.9			16.2		
Reversals during the period (unused)	(19.4)	(2.4)	(21.7)			(0.1)		
Reversals during the period (used)	(17.4)	(35.8)	(53.2)			(12.0)		
Acquisition of subsidiaries	71.0	144.3	215.3			55.7		
Actuarial (gain) / loss recognized in the OCI	-	-	-			0.1		
Foreign currency translation adjustment	0.3	(2.7)	(2.4)			(8.2)		
As at December 31, 2016	126.0	272.6	398.6	358.2	40.5	182.6	180.4	2.2
Additions for the period	9.9	6.0	15.9			5.0		
Reversals during the period (unused)	(2.7)	1.7	(1.0)			(0.4)		
Reversals during the period (used)	(5.6)	(10.7)	(16.3)			(2.4)		
Reclassification of liabilities associated to assets held for sale	(1.3)	-	(1.3)			-		
Reclassification	-	(5.3)	(5.3)			-		
Acquisition of subsidiaries	-	0.2	0.2			4.1		
Actuarial (gain) / loss recognized in the OCI	-	-	-			(0.4)		
Foreign currency translation adjustment	0.1	1.6	1.7			1.0		
As at March 31, 2017	126.5	266.0	392.5	326.0	66.5	189.5	187.2	2.3

8.1.1 Provisions for litigation and other risks and obligations

Litigation

The provision for litigation as at March 31, 2017 corresponds to cargo related and other claims incurred in the normal course of business (same as at December 31, 2016). None of these claims taken individually represents a significant amount.

Other risks and obligations

Provisions for other risks and obligations mainly include 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. Such provision amounts to USD 102.2 million (USD 99.1 million as at December 31, 2016). This provision is based on the estimated level of Terminal Link dividend distribution capacity which may require a certain level of judgement.

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 2016 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.

In all cases, the Group fully cooperates with the authorities.

Antitrust matters

The Group's US agent CMA CGM (America) LLC was served with a subpoena by the Department of Justice in the United States on March 15, 2017. The subpoena appears to relate to an antitrust investigation of the liner shipping industry in the U.S. The subpoena seeks documents from CMA CGM (America) LLC and its affiliates, including CMA CGM S.A. The Group is currently reviewing this case with its external legal counsels, who are in contact with the Department of Justice to discuss CMA CGM's compliance with the subpoena. As the investigation is still in its initial stages, it is too early to determine the outcome of this investigation and the financial effects therefrom, if any.

8.2 Commitments

Apart from the information disclosed elsewhere in these interim condensed CFS, no significant commitment has been entered into since the information disclosed in the 2016 annual CFS.

8.3 Significant transactions occurred after the date of these Interim Condensed CFS

Apart from the repayment of the SGD 400 million Senior Notes disclosed in Note 6.4.2, there is no significant transaction occurred after the date of these interim condensed CFS to be reported.

KPMG Audit
Division of KPMG S.A.
480 avenue du Prado
CS 90021
13272 Marseille Cedex 08

Deloitte & Associés
Les Docks – Atrium 10.4
10 place de la Joliette
13002 Marseille

CMA CGM S.A.

4 Quai d'Arenc
13002 Marseille

**Statutory Auditors' report
on the consolidated financial statements**

Year ended December 31, 2016

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Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2016

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' General Meeting, we hereby report to you, for the year ended December 31, 2016, on:

the audit of the accompanying consolidated financial statements of CMA CGM S.A.;

the justification of our assessments;

the specific verifications required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the acquisition of Neptune Orient Lines ("NOL") presented in note 3.1.1. related to the purchase price allocation to assets acquired and liabilities assumed as part of this transaction.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 2.3 “Significant accounting judgments, estimates and assumptions” to the consolidated financial statements discloses the significant accounting judgements, estimates and assumptions adopted by management. These significant estimates mainly relate to judgements and assumptions used for the determination of the operating segments, the accounting for investment premiums related to the financing of vessels with leveraged tax leases, the impairment testing of non-financial assets, the determination of the useful lives and residual values of the vessels, the measurement of deferred tax assets, demurrage receivables and accruals for port call expenses, transportation costs and handling services, the classification of leases, the analysis of interests in associates and joint ventures and the preparation of the consolidation scope.

Our procedures consisted in assessing the data and assumptions underlying these judgements and estimates, reviewing, using sampling techniques, the calculations performed by the company and verifying the appropriateness of disclosures provided in the notes to the consolidated financial statements on the assumptions and options adopted by the company.

As indicated in Note 2.3 to the consolidated financial statements, these estimates are based on assumptions that are by nature uncertain, and actual results may sometimes differ significantly from forecast data used.

- Note 3.1.1 “Business combination: acquisition of Neptune Orient Lines (“NOL”)” presents the valuation method and assumptions used by Management to determine the purchase price allocation to assets acquired and liabilities assumed as part of this transaction.

Our work consisted in an assessment of the valuation model and assumptions used by Management as well as reviewing the accuracy of the amounts recorded. In compliance with the provisions of IFRS 3, the Company has twelve months after the effective date of the transaction, i.e. until June 13, 2017, to finalize the purchase price allocation.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group’s management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Marseille, March 10, 2017

The Statutory Auditors

French original signed by

KPMG Audit

Division of KPMG SA

Deloitte & Associés

Georges Maregiano
Partner

Vincent Gros
Partner



CONSOLIDATED FINANCIAL STATEMENTS

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Year ended December 31, 2016

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The accompanying notes are an integral part of these consolidated financial statements.

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The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Profit & Loss

(in USD million, except for earnings per share)

	Note	For the year ended December 31,	
		2016	2015
REVENUE	4.1	15,977.2	15,674.1
Operating expenses	4.2	(15,442.4)	(14,420.6)
EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES		534.9	1,253.5
Gains / (losses) on disposal of property and equipment and subsidiaries	4.3	(6.1)	9.8
Depreciation and amortization of non-current assets	5.2.1	(571.0)	(407.5)
Other income and (expenses)	4.4	(81.6)	(5.1)
Net present value (NPV) benefits related to assets financed by tax leases	4.5	46.2	50.4
EBIT BEFORE SHARE OF INCOME / (LOSS) FROM ASSOCIATES AND JOINT VENTURES		(77.6)	901.1
Share of income / (loss) from associates and joint ventures	7.3.2	(22.3)	(5.8)
EBIT	4.1	(99.9)	895.3
CORE EBIT	4.1	28.9	910.6
Interests expense on borrowings		(420.5)	(277.7)
Interests income on cash and cash equivalent		30.8	25.6
Other net financial items		127.6	28.9
FINANCIAL RESULT	4.6	(262.2)	(223.3)
PROFIT / (LOSS) BEFORE TAX		(362.1)	672.0
Income taxes	4.7.1	(65.4)	(85.4)
PROFIT / (LOSS) FOR THE YEAR		(427.4)	586.7
of which:			
Non-controlling interests		24.8	19.9
OWNERS OF THE PARENT COMPANY		(452.2)	566.7
<i>Basic and diluted Earnings Per Share (EPS) attributable to owners of the parent company (in USD)</i>	6.5	(29.9)	37.5

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(in USD million)

	Note	For the year ended December 31,	
		2016	2015
PROFIT / (LOSS) FOR THE YEAR		(427.4)	586.7
Other comprehensive income / (loss) reclassifiable to Profit and Loss			
Cash flow hedges:			
Gains / (losses) arising during the year	6.1	77.2	16.5
Recycling to the income statement		(26.6)	2.1
Currency translation adjustment related to foreign subsidiaries		(74.5)	(72.2)
Tax on other comprehensive income reclassifiable to Profit and Loss		-	-
Share of other comprehensive income of associates and joint ventures		(15.4)	(5.5)
Tax on other comprehensive income reclassifiable to Profit and Loss		1.3	(0.1)
Other comprehensive income / (loss) non reclassifiable to Profit and Loss			
Remeasurement of defined benefit pension plans	8.1	(0.1)	(2.0)
Remeasurement of defined benefit pension plans of associates and joint ventures		0.1	(0.5)
Tax on other comprehensive income non reclassifiable to Profit and Loss		(3.1)	(0.3)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX		(41.1)	(62.0)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX		(468.5)	524.7
of which:			
Non-controlling interests		25.2	19.2
Owners of the parent company		(493.7)	505.5

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position - Assets

(in USD million)

	Note	As at December 31, 2016	As at December 31, 2015
Goodwill	5.1.1	1,007.9	310.4
Other intangible assets	5.1.2	1,083.3	249.5
INTANGIBLE ASSETS		2,091.1	559.9
Vessels	5.2.1	8,087.3	6,496.3
Containers	5.2.1	470.4	499.4
Lands and buildings	5.2.1	479.7	482.6
Other properties and equipments	5.2.1	311.8	149.3
PROPERTY AND EQUIPMENT	5.2.1	9,349.2	7,627.5
Deferred tax assets	4.7.2	59.4	33.5
Investments in associates and joint ventures	7.3.2	900.2	635.8
Derivative financial instruments	6.2	0.1	-
Other financial assets	6.3.1	550.0	545.7
NON-CURRENT ASSETS		12,950.0	9,402.4
Inventories	5.4.1	347.6	250.9
Trade and other receivables	5.4.2	2,619.5	2,059.2
Income tax asset	5.4.2	16.2	18.5
Securities and other financial assets	6.3.2	304.8	938.7
Cash and cash equivalents	6.4.1	1,211.6	1,224.0
Prepaid expenses	5.4.2 & 5.4.3	369.0	381.5
Assets classified as held-for-sale	5.5	837.8	-
CURRENT ASSETS		5,706.4	4,872.8
TOTAL ASSETS		18,656.4	14,275.3

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position - Liabilities & Equity

(in USD million)

	Note	As at December 31, 2016	As at December 31, 2015
Share capital		234.7	234.7
Reserves and retained earnings		5,075.5	4,555.4
Profit / (Loss) for the year attributable to owners of the parent company		(452.2)	566.7
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		4,858.1	5,356.8
Non-controlling interests		69.5	48.7
TOTAL EQUITY		4,927.6	5,405.5
Borrowings	6.6	6,650.8	4,414.0
Derivative financial instruments	6.2	215.5	42.7
Deferred tax liabilities	4.7.2	116.2	52.1
Provisions	8.1	356.0	165.7
Employee benefits	8.1	182.6	131.0
Deferred income	5.4.2 & 5.4.3	198.8	42.7
NON-CURRENT LIABILITIES		7,719.8	4,848.2
Borrowings	6.6	1,627.4	733.6
Derivative financial instruments	6.2	72.5	20.2
Provisions	8.1	42.7	23.1
Trade and other payables	5.4.2	3,459.5	2,756.6
Income tax liability	5.4.2	58.4	20.2
Deferred income	5.4.2 & 5.4.3	701.9	467.9
Liabilities associated with assets classified as held-for-sale	5.5	46.6	-
CURRENT LIABILITIES		6,009.0	4,021.6
TOTAL LIABILITIES & EQUITY		18,656.4	14,275.3

Consolidated Statement of changes in Equity

(in USD million)

	Attributable to owners of the parent				TOTAL	Non-controlling interests	Total Equity
	Share capital (*)	Reserves, retained earnings and Profit for the year					
		Bonds redeemable in shares (**)	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			
Balance as at January 1, 2015	169.2	331.6	4,536.8	(82.4)	4,955.2	40.1	4,995.3
Profit for the year	-	-	566.7	-	566.7	19.9	586.7
Other comprehensive income / (expense), net of tax	-	-	(2.0)	(59.2)	(61.2)	(0.8)	(62.0)
Total comprehensive income / (expense) for the year	-	-	564.7	(59.2)	505.5	19.2	524.7
Transaction with non-controlling interests	-	-	(24.1)	0.2	(23.9)	8.6	(15.3)
Equity component of bonds redeemable in shares (**)	65.5	(275.2)	209.7	-	0.0	-	0.0
Dividends	-	-	(80.0)	-	(80.0)	(19.2)	(99.2)
Total transactions with Shareholders	65.5	(275.2)	105.5	0.2	(103.9)	(10.6)	(114.5)
Balance as at December 31, 2015	234.7	56.5	5,207.1	(141.4)	5,356.8	48.7	5,405.5
Balance as at January 1, 2016	234.7	56.5	5,207.1	(141.4)	5,356.8	48.7	5,405.5
Profit / (Loss) for the year	-	-	(452.2)	-	(452.2)	24.8	(427.4)
Other comprehensive income / (expense), net of tax	-	-	(3.5)	(37.9)	(41.5)	0.4	(41.1)
Total comprehensive income / (expense) for the year	-	-	(455.8)	(37.9)	(493.7)	25.2	(468.5)
Acquisition of subsidiaries (***)	-	-	-	-	-	446.9	446.9
Transaction with non-controlling interests (***)	-	-	(5.1)	(0.0)	(5.1)	(430.8)	(435.8)
Dividends	-	-	-	-	-	(20.5)	(20.5)
Total transactions with Shareholders	-	-	(5.1)	(0.0)	(5.1)	(4.4)	(9.5)
Balance as at December 31, 2016	234.7	56.5	4,746.2	(179.3)	4,858.0	69.5	4,927.6

(*) 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 preference 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.

(**) As at December 31, 2015, the bonds held by Yildirim have been redeemed in preferred shares as per their terms and conditions. The amount originally recognized as an equity component for USD 275.2 million has been splitted into a share capital increase for USD 65.5 million and a share premium for USD 209.7 million (see Note 6.5).

(***) As disclosed in Note 3.1.1, the acquisition of NOL occurred in several stages, resulting in an impact of USD 443.6 million in non-controlling interests at acquisition date (June 14, 2016), composed of USD 424.5 million of fair value of non controlling interests and USD 19.1 million of non controlling interests in NOL's subsidiaries. Subsequent to acquisition date, the Group acquired full ownership of NOL and hence, the non-controlling interests were derecognized.

Consolidated Statement of Cash Flows

(in USD million)

	Note	For the year ended December 31,	
		2016	2015
Profit / (Loss) for the year		(427.4)	586.7
Reconciliation of profit / (loss) for the year to cash generated from operations :			
- Depreciation and amortization	5.2.1	571.0	407.5
- Net present value (NPV) benefits related to assets financed by tax leases		(46.2)	(50.4)
- Other income and expense	4.4	81.6	5.1
- Increase / (Decrease) in provisions		(7.3)	13.9
- Loss / (Gains) on disposals of property and equipment and subsidiaries	4.3	6.1	(9.8)
- Share of (Income) / Loss from associates and joint ventures	7.3.2	22.3	5.8
- Interest expenses on net borrowings		416.0	278.0
- Income tax	4.7.1	65.4	85.4
- Other non cash items		(130.1)	32.9
Changes in working capital	5.4	(151.7)	122.7
Cash flow from operating activities before tax		399.6	1,477.8
- Income tax paid		(75.7)	(96.0)
Cash flow from operating activities net of tax		323.9	1,381.8
Purchases of intangible assets	5.1.2	(56.0)	(55.6)
Purchase of NOL, net of cash acquired and including transaction costs	3.1	(2,323.9)	-
Purchases / disposals of subsidiaries, net of cash acquired / divested	3.1.3	(63.2)	(48.7)
Purchases of property and equipment	5.2.1	(257.8)	(507.6)
Proceeds from disposal of property and equipment	4.3	1,769.3	92.5
Dividends received from associates and joint ventures	7.3.2	19.7	24.4
Cash flow resulting from other financial assets	6.3	687.8	(952.0)
Variation in securities		(12.0)	9.8
Net cash (used in) / provided by investing activities		(236.0)	(1,437.2)
Free Cash Flow	5.6	87.9	(55.4)
Dividends paid to the owners of the parent company and non-controlling interest		(18.9)	(99.1)
Proceeds from borrowings, net of issuance costs	6.6	2,367.3	938.5
Repayments of borrowings	6.6	(2,170.6)	(1,212.2)
Principal repayments on finance leases	6.6	(217.0)	(121.7)
Interest paid on net borrowings		(313.7)	(258.6)
Refinancing of assets, net of issuance costs	6.6	384.0	132.2
Other cash flow from financing activities		-	32.1
Net cash (used in) / provided by financing activities	6.7	31.1	(588.9)
Effect of exchange rate changes on cash and cash equivalents and bank overdrafts		(36.0)	(46.6)
Net increase / (decrease) in cash and cash equivalents and bank overdrafts		83.0	(690.8)
Cash and cash equivalents and bank overdrafts at the beginning of the year		1,050.9	1,741.7
Cash and cash equivalents as per balance sheet		1,211.6	1,224.0
Bank overdrafts		(79.5)	(173.1)
Cash and cash equivalents and bank overdrafts at the end of the year	6.4.1	1,133.9	1,050.9
Net increase / (decrease) in cash and cash equivalents and bank overdrafts		83.0	(690.8)
Supplementary information: non cash investing or financing activities:			
- Assets acquired through finance lease or equivalents	5.2.1	81.0	434.2
Supplementary information:			
- Interests received		29.8	24.8
- Interests paid		(343.5)	(283.4)

Notes to the Consolidated Financial Statements

Note 1 - Corporate information

The Consolidated Financial Statements (“CFS”) of CMA CGM and its subsidiaries (hereafter referred to together as “the Group” or “the Company”) for the year ended December 31, 2016 were approved by the Board of Directors on March 10, 2017.

The Group is headquartered in France and is the third largest container shipping company in the world. The Group operates primarily in the international containerized transportation of goods. Its activities also mainly include container terminal operations and transport by rail, road and river.

CMA CGM 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 available-for-sale financial assets, 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: www.ec.europa.eu/internal_market/accounting/ias/index_en.htm

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, including NOL and its subsidiaries (see Note 3.1.1); and
- the share in the net result and the net asset of associates and joint ventures.

The CFS are presented in U.S. Dollars (“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. Dollars. 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, 2015, except as outlined in the paragraphs below.

2.2.1 Adoption of new and amended IFRS and IFRIC interpretations from January 1, 2016

2.2.1.1 The adoption of the following new or amended Standards did not have any material impact on the Group's CFS:

Amendment to IAS 1: Disclosure Initiative: early applied in 2015 CFS

Annual improvements to IFRS 2012-2014

Amendments to IFRS 11: Accounting for acquisition of interests in joint operations

Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization

Amendments to IAS 27: Equity method in separate financial statements

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities – Applying the consolidation exception

2.2.2 New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2016, endorsed by the European Union and not early adopted

The following new standards have been recently endorsed by the European Union with an effective date on January 1, 2018.

IFRS 9: Financial instruments

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 will not have material impacts on the CFS on the following main aspects of the standard:

- Classification and measurement of financial assets and liabilities: the implementation of IFRS 9 will not materially affect the current classification and measurement of the Group's financial instruments;
- Depreciation of financial assets: the effect of the change from the "incurred loss" model under IAS 39 to the "expected credit loss" model under IFRS 9 is not considered to materially affect the valuation of the Group's financial instruments due to the low credit risk in the Group;
- Hedge accounting: the new standard does not materially change the hedging relationships.

Management will pursue the detailed assessment of the disclosure requirement of this new standard which will be applied starting from January 1, 2018.

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 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 will also result 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.

CMA CGM current practice for revenue recognition, based on the percentage of completion, will still be an appropriate method under the new standard. Hence, the new standard is not expected to have a material impact on the the Group's financial position and performance. The Company will pursue an in-depth analysis of the requirements of the new standard, notably but not exclusively in relation to additional disclosures.

2.2.3 New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2016 and not yet endorsed by the European Union

2.2.3.1 The impacts of the following new or amended Standards are currently being assessed by the Company:

IFRS 14: Regulatory Deferral Accounts

Amendments to IAS 7: Disclosure Initiative

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 15: Revenue from contracts with customers

Annual improvements to IFRS 2014-2016

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRS 16: Leases

The IASB published IFRS 16 in January 2016 regarding the accounting for leases, which will have a significant impact on the Company's Statement of Financial Position and Statement of Profit & Loss as it suppresses the distinction between operating leases and finance leases. It will be applicable for annual periods beginning on or after 1 January 2019 if endorsed by the European Union which is expected during 2017.

This new lease standard would lead to the recognition as a liability in the Statement of Financial Position of certain lease commitments currently disclosed as commitments in the Notes to the CFS. Certain operating lease expenses currently recorded within operating expenses would be split into a depreciation expense of an intangible asset and a financial expense, except for the running costs which would remain treated as an operating expense.

Information related to the Company's outstanding commitments under operating leases, mainly related to vessels and containers, is presented within Note 8.2.1 Commitments on vessels and containers, allowing a preliminary rough measurement of the impacts that IFRS 16 would have had on the CFS.

However, the number and complexity of lease contracts in which the Group will be committed at application date is hardly predictable, hence the expected impact of the new standard cannot be estimated in detail. Management also has not yet decided the transition option to be applied at application date.

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.

Except for the specific information related to NOL acquisition disclosed in Note 3.1.1, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty have been disclosed in the following Notes and have been highlighted in green:

- Judgments used for the purpose of determining the operating segments (see Note 4.1);
- Judgements 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 (see Note 5.2);
- Judgments used for the purpose of determining the consolidation scope (see Note 7.1);and

- Significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures (see Note 7.3.1).

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.

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 operational 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	
	2016	2015	2016	2015
Euro	0.94868	0.91853	0.90381	0.90095
British pound sterling	0.81226	0.67411	0.74020	0.65425
Australian Dollar	1.38469	1.36833	1.34516	1.33056
Chinese Yuan	6.94450	6.48553	6.64497	6.28340
Singapore Dollar	1.44521	1.41609	1.38157	1.37465

Note 3 - Significant events occurred during the year

3.1 Significant events in 2016

3.1.1 Business combination: acquisition of Neptune Orient Lines (“NOL”)

Description of the transaction

As disclosed in the 2015 annual CFS, on December 7, 2015, the Company announced a pre-conditional voluntary general cash offer for NOL, Company listed on Singapore SGX, to be financed via a combination of (i) a USD 1,652 million dedicated acquisition facility previously committed by a syndicate of international banks on

December 5, 2015 (see Note 6.6.7) and (ii) the Group's own cash including approximately USD 750 million which had been deposited in escrow accounts since December 2015.

On April 29, 2016, the European Commission approved the proposed acquisition of NOL by CMA CGM. On May 25, 2016, CMA CGM received confirmation that the Anti-monopoly Bureau of the Chinese Ministry of Commerce ("MOFCOM") had cleared the proposed acquisition of NOL by CMA CGM.

Following the clearing of the regulatory approvals stated above, CMA CGM announced on May 30, 2016, the launch of a voluntary general cash offer at a price of SGD 1.30 per share, representing an amount of approximately USD 2.5 billion (based on applicable SGD-USD exchange rate at transaction date). The offer was opened for acceptance from June 6, 2016 to July 18, 2016.

NOL's majority shareholders (Temasek and its affiliates) had irrevocably undertaken on December 7, 2015 to tender all of their shares, representing 67% of NOL share capital, in acceptance of the offer and effectively tendered them on June 9, 2016. As a consequence, the offer became unconditional from that date leading to a change in the composition of the Board of Directors. The acquisition date retained by the Management is June 14, 2016 when (i) the first Board of Directors ("BoD") of NOL including board members nominated by CMA CGM was held and approved the appointment of the new CEO, (ii) the whole internal control procedures were updated and implemented according to new responsibilities and (iii) the official announcement of the take-over and implied organization were presented in NOL head-office.

On June 14, 2016, CMA CGM had received valid acceptances representing 83.06% of NOL share capital and the ownership including valid acceptances reached 97.83% on July 18, 2016. At such date, the Company announced that its all-cash voluntary unconditional general offer for Neptune Orient Lines Limited (NOL) was closed. Afterwards, CMA CGM launched the process to compulsorily acquire all remaining NOL shares at a price equal to the Offer Price of SGD 1.30 per share. On September 2, 2016, the Company announced the completion of compulsory acquisition of shares in NOL (100% acquired). NOL was delisted from the SGX-ST on September 6, 2016.

As at December 31, 2016, the dedicated acquisition facility has been fully refinanced through various financing operations, notably sale and lease backs operations (see Note 6.6.7).

Consideration paid, purchase price allocation (“PPA”) and goodwill

At the acquisition date of June 14, 2016, the consideration paid, the measurement of fair values recognised for the assets acquired and liabilities assumed and the resulting goodwill can be presented as follows (in USD million):

		(In USD million)
Total consideration transferred for 83.06% stake in NOL	A	2,036.7
Cash and cash equivalents of NOL	B	160.6
Cash consideration paid for 83.06% stake in NOL, net of cash acquired	C = A (-) B	1,876.1
Identifiable assets acquired		
Intangible assets		1,486.7
Vessels		2,896.0
Containers		582.8
Lands and buildings		46.7
Other property and equipment		173.5
Associates and joint ventures		194.0
Deferred tax assets		32.7
Other non current assets		63.4
Inventories		104.5
Working capital - assets		624.6
Other current assets		9.0
Liabilities assumed		
Non controlling interests		19.1
Non current borrowings		1,910.1
Non current derivatives		153.8
Deferred tax liabilities		58.8
Non current provisions		251.0
Other non current liabilities		129.0
Current provisions		29.5
Current borrowings		952.9
Current derivatives		28.7
Working capital - liabilities		1,113.2
Fair value of net assets acquired	D	1,567.7
Fair value of non controlling interests (subsequently acquired)	E	424.5
Remeasurement of previously acquired shares treated as available for sale	F	6.9
Goodwill	C (+) E (+) F (-) D	739.8

The table above is based on the number of shares for which a valid acceptance was received on acquisition date, the payment of which being effective a few days after the acquisition date.

Subsequently to the acquisition date, the Company acquired the remaining part of NOL share capital to reach 100% as at September 2, 2016 for a total amount of USD 2,461 million which is shown in the table above under the line items A and E. In the Consolidated Statement of Cash Flows, the total reported includes transaction costs and is reduced by the amount of cash and cash equivalents of NOL as at acquisition date reported above.

In the below Notes of the statement of financial position, the contribution of NOL has not been presented systematically. As a consequence, these Notes should be read in conjunction with the information provided in the table above.

The main estimates and principles used for the purpose of performing the purchase price allocation are as follows:

- The consideration transferred for the acquisition corresponds to the cash paid or payable at the time of acquisition corresponding to the number of shares acquired or for which a valid acceptance was

obtained, as adjusted by the effect of cash flow hedge transactions described below. No equity instrument has been issued as part of the transaction.

- As the intention of CMA CGM was to obtain the full control of NOL, which has been fully achieved, Management decided to apply the full goodwill option on NOL's acquisition in accordance with IFRS 3 "Business combinations". The shares acquired after the acquisition date have been 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" in accordance with IFRS 3 "Business combinations" (see Note 4.4), out of EBITDA and Core EBIT. Debt issuance costs amounting to USD 48.6 million related to the acquisition facility have been treated using the effective interest rate method in accordance with IAS 39 "Financial instruments: Recognition and Measurement". As the acquisition facility has been fully repaid by mid-November 2016, the whole amount of debt issuance costs has been recycled as a financial expense.
- Prior to the acquisition date, the Company had purchased a certain number of NOL's shares on the Singapore stock exchange, such shares being treated as financial assets (available for sale) till acquisition date. The revaluation reserve as of acquisition date, amounting to USD 6.9 million, previously recorded in Other Comprehensive Income ("OCI"), has been recycled into the consolidated statement of Profit & Loss.
- Due to the fact that the purchase price was committed to be paid in Singapore dollar (SGD), the Company entered into certain derivative financial instruments prior to the acquisition date in order to fix the USD/SGD exchange rate at the closest date compared to the acquisition date to the extent possible. Such instruments have been treated as cash-flow hedge till acquisition date and the positive revaluation reserve, previously deferred in OCI, has been recycled into the transaction price as a basis adjustment in accordance with IAS 39, for an amount of USD 31.5 million.

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 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 Group's vessels and containers, 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. Such valuation method has been used mainly for unquoted financial debt;
- **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. US Government contract has been individually valued with a specific useful life, as well as the remaining customer list, using an appropriate churn rate.

Status of the purchase price allocation

According to IFRS 3, the measurement period to adjust the purchase price allocation ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

As of June 30 and September 30, 2016, the purchase price allocation related to the acquisition of NOL was provisional, especially because potential customer relationships and brands had not been valued. As of December 31, 2016, the Company reflected in the purchase price allocation new information that were made available, more particularly in connection with items that were not previously valued i.e. customer relationships and brands.

The Company may subsequently fine tune the purchase price allocation, including in relation to customer relationships with an opposite impact on residual goodwill. As a consequence, provisional amounts may be subsequently adjusted to reflect any new information obtained about facts and circumstances that existed as of the

acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date of acquisition.

As at December 31, 2016, the purchase price allocation resulted in the recognition of a goodwill of USD 739.8 million.

This goodwill consists in, among others, the buyer-specific synergies expected as a result of the integration of NOL such as assembled workforce, potential customer relationships which have been excluded as a consequence of churn effect, as well as further potential terminal concession renewals not taken into account in the terminal concession rights recognized in intangible assets.

Contribution of NOL, stand-alone variation and proforma information as if the acquisition date had occurred on January 1, 2016

	Contribution of NOL to the Consolidated Statement of Profit & Loss			Proforma information		CMA CGM stand alone Profit & Loss			Variance
	For the year ended December 31,			For the year ended December 31,		For the year ended December 31,			
	2016	2016	2016	2016	2016	2016	2015		
	Consolidated Statement of Profit & Loss	NOL contribution from acquisition date to December 31, 2016	CMA CGM stand alone Profit & Loss excluding NOL contribution	NOL Proforma Profit & Loss for year-ended December 31, 2016	Proforma Consolidated Statement of Profit & Loss	CMA CGM stand alone Profit & Loss excluding NOL contribution	Published Consolidated Statement of Profit & Loss		
	A	B	C = A (-) B	D	C (+) D	C			
REVENUE	15,977.2	2,611.4	13,365.9	4,666.6	18,032.4	13,365.9	15,674.1	(2,308.2)	
Operating expenses	(15,442.4)	(2,386.2)	(13,056.1)	(4,361.8)	(17,417.9)	(13,056.1)	(14,420.6)	1,364.5	
CMA STA-NOL intercompany operations	-	(135.6)	135.6	(135.6)	-	135.6	-	135.6	
EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES	534.9	89.6	445.3	169.2	614.5	445.3	1,253.5	(808.2)	
EBIT	(99.9)	(66.1)	(33.8)	(230.6)	(264.3)	(33.8)	895.3	(929.1)	
CORE EBIT	28.9	(41.1)	69.9	(127.5)	(57.6)	69.9	910.6	(840.7)	
FINANCIAL RESULT	(262.2)	(77.5)	(184.7)	(202.8)	(387.5)	(184.7)	(223.3)	38.6	
Income taxes	(65.4)	19.4	(84.8)	14.4	(70.4)	(84.8)	(85.4)	0.6	
PROFIT / (LOSS) FOR THE PERIOD	(427.4)	(124.2)	(303.3)	(419.0)	(722.2)	(303.3)	586.7	(889.9)	

In the below notes related to the statement of Profit and Loss, the contribution of NOL is not presented systematically. As a consequence, these Notes should be read in conjunction with the information provided in the table above.

Based on the outlined assumptions, the presented proforma net result does not necessarily equate to the net result that the Group would have generated if the acquisition of NOL had been completed on January 1, 2016. Additionally, commenting on the future development of the Group net result is only possible to a very limited extent due to the one-time factors.

3.1.2 Shipping Alliance

On April 20, 2016, CMA CGM, COSCO Container Lines, Evergreen Line and Orient Overseas Container Line signed a Memorandum of Understanding (“MOU”) to form a new Alliance named OCEAN Alliance enabling each of them to offer competitive products and comprehensive service networks covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-North America East Coast, and Trans-Atlantic trades.

On October 24, 2016, the Federal Maritime Commission (“FMC”) announced it had concluded its review of the proposed Ocean Alliance. With this agreement, FMC said that its members can share vessels, charter and exchange space on each other’s ships, and enter into cooperative working agreements in international trade lanes between the United States and ports in Asia, Northern Europe, the Mediterranean, the Middle East, Canada, Central America, and the Caribbean.

On November 3, 2016, the 3 partners (Cosco, OOCL and Evergreen) signed the OCEAN Alliance agreements in Shanghai. Such alliance has been signed for a 10 year period and plans to begin operations in April 2017.

3.1.3 Terminal & Logistics development

Singapore terminal with Port of Singapore Authority (“PSA”)

As at June 15, 2016, CMA CGM and PSA Singapore Terminals announced the establishment of a joint venture company named CMA CGM – PSA LION TERMINAL PTE.ltd (“CPLT”), owned in proportions of 49% and 51% respectively, to lease and operate four container berths in the port of Singapore. With an estimated annual handling capacity of over TEUs 3 million, the joint venture’s facilities will be used as a dedicated container terminal in the region for the Group and its shipping affiliates, including NOL.

The group’s initial equity contribution for the set-up of the joint venture, amounting to SGD 108.1 million, has been performed in July 2016. An additional amount of equity will have to be subscribed by the Group for an amount of SGD 42.3 million within 6 months of the joint-venture completion date. First phase operations in the terminal started in July on 2 berths.

Based on the analysis of the power of the parties over the relevant activities of the joint venture, Management concluded the Group had a joint control over the terminal. Hence, it has been consolidated under equity method (see Note 7.3) since July 2016.

Kingston Freeport Terminal limited (“KFTL”)

On April 7, 2015, the Company signed an agreement with the Port Authority of Jamaica (“PAJ” or “Jamport”) for a 30-year concession of KFTL. CMA CGM intends to develop KFTL as a strategic hub on the context of the widened Panama canal and the use of larger vessels for the lines operated in the area.

The handover of the terminal’s operations from PAJ to the Company occurred on June 30, 2016, triggering the transfer of certain assets and liabilities against a payment of USD 75 million.

The assets transferred to the Company, as well as assets purchased by KFTL after the handover and capitalized costs, can be summarized as follows:

	In USD million
Assets	
Terminal equipments o/w	103.4
Crane	49.0
Straddle carrier	19.3
Dredging	17.2
Capitalized costs	9.2
Other various equipments	8.7

In order to develop the terminal facilities and operations, the Company has obtained from certain banks a financing amounting to USD 265 million, maturing in June 2031 and bearing variable interest during the construction period (with no principal repayment during this phase) and fixed interest after the construction period. As at December 31, 2016, such financing has been partially drawn for an amount of USD 56.4 million.

The Company is committed to pay fixed annual concession fee amounting to USD 15 million during the concession period, variable concession fees representing 8% of the annual turnover, and has also granted certain commitments to banks, the purpose of which being to secure the lenders regarding (i) the level of gearing of the project during construction phase and (ii) the level of the terminal’s revenue allowing the debt’s repayment.

3.1.4 Rating

On April 1, 2016, Standard & Poor’s (“S&P”) downgraded CMA CGM’s long-term corporate credit rating from B+ to B, mainly due to challenging conditions in overall container shipping sector, with a negative outlook.

3.2 Significant events in 2015

3.2.1 Business combinations

Closing of LCL Logistix

On April 29, 2015, the Company finalized its acquisition of 60% in the company LCL Logistix, one of India's independent third-party logistics leaders. The Company reinforces its position in India and will leverage on LCL Logistix's Indian network as well as its presence in Canada, in the United States and in East Africa to accelerate its development. The investment was made through CMA CGM Logistics France, the wholly owned subsidiary of the Group specialized in forwarding and logistics solutions.

The goodwill related to this acquisition has been recorded and amounts to USD 8.4 million. Non controlling interests have been valued at their proportionate share in the recognized identifiable net assets.

As part of the transaction, the Company entered into certain option agreements with non controlling interests allowing the Group to acquire their shares, and granted a put option to the non controlling interests. These options may be exercised in 3 to 5 years from acquisition date. The put option resulted in the recognition of a liability at its fair value, which is not disclosed as being not material at Group level.

Closing of OPDR GmbH

On July 1, 2015, the Company finalized the acquisition of 100% of OPDR GmbH following the approval of the transaction by the European Commission without any condition.

OPDR is a sea carrier specialized in short sea maritime services and door to door logistics solutions between North Europe, the Canary Islands, the Iberian Peninsula and Morocco.

The goodwill related to this acquisition has been recorded and amounted to USD 15.4 million.

3.2.2 New bond issue and early repayment of 2011 Senior Notes

In June 2015, the Company issued 2021 Senior Notes for an amount of EUR 725 million which have been privately placed with international institutional investors (see Note 6.6.2). The 2021 Senior Notes issue has allowed to call the 2011 Senior Notes.

On July 8, 2015, the Company finalized the early redemption of the 2011 Senior Notes for an amount of USD 534.1 million.

Note 4 - Results for the year

Revenue recognition and related expenses

Revenue comprises the fair value of the consideration received or receivable from the sale of services, net of value-added tax, rebates and discounts after eliminating sales within the Group.

As required by IAS 18 "Revenue", the Group recognizes revenue when (i) the amount of revenue can be measured reliably, (ii) it is probable that future economic benefits will flow to the entity, (iii) the costs incurred, or to be incurred, in respect of the transaction can be measured reliably (iv) the Group has transferred the risks and rewards of ownership to the buyer and (v) specific criteria have been met for each of the Group's activities as described below.

Container shipping

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 revenues and costs directly attributable to containers are reported as deferred income and prepaid expenses (see Note 5.4.3).

Other activities

For other activities, 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.

Significant judgments

For management purposes, the Group reports two operating segments: container shipping activity, which represented approximately 92% of revenue excluding inter-segment elimination during the year ended December 31, 2016, 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, logistics, and transport by rail, road and river.

The NOL acquisition did not have any impact on the analysis of the Group’s reportable segments.

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 allocated to segments.

The segment information for the reportable segments for years ended December 31, 2016 and 2015 is as follows:

	Revenue		EBIT	
	For the year ended December 31,			
	2016	2015	2016	2015
Container shipping segment	15,373.1	15,241.7	6.4	874.2
Other activities	1,046.0	804.5	22.5	36.4
Total core measures	16,419.1	16,046.2	28.9	910.6
Reconciling items & Eliminations	(441.8)	(372.1)	(128.7)	(15.3)
Total consolidated measures	15,977.2	15,674.1	(99.9)	895.3

NOL contribution to the segment information is as follows:

	Revenue		EBIT	
	NOL contribution from acquisition date to December 31, 2016			
	2016	2015	2016	2015
Container shipping segment	2,479.8	n.a.	(28.5)	n.a.
Other activities	145.2	n.a.	(12.6)	n.a.
Total core measures	2,624.9	n.a.	(41.1)	n.a.
Reconciling items & Eliminations	(13.6)	n.a.	(25.0)	n.a.
Total consolidated measures	2,611.4	n.a.	(66.1)	n.a.

The allocation of NOL activities to the above segment information has been prepared on a basis consistent with the Group’s allocation.

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) potential impairment charge in associates and joint ventures (see Note 7.3.2).

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 7.3.

4.2 Operating expenses

4.2.1 Variations of operating expenses

Operating expenses are analyzed as follows:

	For the year ended December 31,		(*) of which NOL contribution from acquisition date to December 31, 2016	CMACGM Stand alone variance
	2016 (*)	2015		
Bunkers and consumables	(1,702.7)	(2,119.1)	(290.8)	707.2
Chartering and slot purchases	(1,986.6)	(2,073.8)	(111.6)	198.9
Handling and steevedoring	(4,457.4)	(3,959.7)	(862.8)	365.1
Inland and feeder transportation	(2,191.6)	(1,895.1)	(397.1)	100.7
Port and canal	(1,193.0)	(1,171.1)	(123.2)	101.3
Container rentals and other logistic expenses	(1,521.8)	(1,295.3)	(161.9)	(64.5)
Employee benefits	(1,495.4)	(1,159.1)	(252.6)	(83.7)
General and administrative other than employee benefits	(595.8)	(571.5)	(65.4)	41.1
Additions to provisions, net of reversals and impairment of inventories and trade receivables	14.3	(17.1)	13.6	17.8
Operating exchange gains / (losses), net	37.9	66.8	1.0	(29.9)
Others	(350.3)	(225.6)	(135.3)	10.6
Operating expenses	(15,442.4)	(14,420.6)	(2,386.2)	1,364.5

Excluding NOL contribution, the overall decrease of operating expenses is due to the decline in bunker prices as well as cost reduction initiatives.

4.2.2 Employee benefits

Employee benefit expenses are analyzed as follows:

	For the year ended December 31,		(*) of which NOL contribution from acquisition date to December 31, 2016	CMA CGM Stand alone variance
	2016 (*)	2015		
Wages and salaries	(1,199.6)	(909.1)	(222.6)	(67.9)
Social security costs	(227.1)	(196.0)	(18.0)	(13.0)
Pension costs (see Note 8.1)	(26.7)	(13.8)	(6.5)	(6.4)
Other expenses	(41.9)	(40.1)	(5.6)	3.7
Employee benefits	(1,495.4)	(1,159.1)	(252.6)	(83.7)

The number of employees of the controlled subsidiaries of the Company is 26,529 as at December 31, 2016 including 5,345 from NOL (20,411 as at December 31, 2015). The total number of employees, including those employed in certain joint-ventures or through international seafarer providers, is 32,479 as at December 31, 2016 including 6,559 from NOL (25,506 as at December 31, 2015).

4.3 Gains 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,		(*) of which NOL contribution from acquisition date to December 31, 2016	CMA CGM Stand alone variance
	2016 (*)	2015		
Disposal of vessels	(21.4)	-	(21.3)	(0.1)
Disposal of containers	16.8	10.0	12.8	(6.1)
Other fixed assets disposal	(3.7)	0.2	0.0	(4.0)
Disposal of subsidiaries	2.2	(0.5)	-	2.7
Gains / (losses) on disposal of property and equipment and subsidiaries	(6.1)	9.8	(8.4)	(7.4)

During the year ended December 31, 2016 and 2015, the Group sold containers through sale and operating lease back (“S&LB”) contracts resulting in:

- an increase in cash and cash equivalents amounting to USD 608.5 million related to S&LB operations and USD 23.8 million for other disposals occurred in 2016 (USD 91.1 million in 2015);
- a gain on disposal amounting to USD 16.8 in 2016 (gain of USD 10.0 million in 2015).

As part of the above S&LB impacts, a specific transaction was completed on almost the whole NOL container fleet, for a sale price of USD 542.9 million, resulting in a gain on disposal of USD 12.8 million. The containers were subsequently leased back by the Company for a period of 2 to 8 years and NOL now taps into CMA CGM Group pool of containers for its operations.

During the year ended December 31, 2016, the Group sold (i) 13 vessels through sale and operating lease back contracts and (ii) scrapped 8 vessels resulting in:

- an increase in cash and cash equivalents amounting to USD 1,113.7 million;
- a (loss) on disposal amounting to USD (21.4) in 2016.

The vessels involved were subsequently leased back by the Company for a period of 7 years.

4.4 Other income and (expenses)

Other income and (expenses) can be analyzed as follows:

	For the year ended December 31,		(*) of which NOL contribution from acquisition date to December 31, 2016	CMA CGM Stand alone variance
	2016 (*)	2015		
Impairment (losses) / reversals of assets	(29.4)	0.2	-	(29.6)
Others	(52.2)	(5.3)	(16.6)	(30.3)
Other income and (expenses)	(81.6)	(5.1)	(16.6)	(59.9)

In 2016:

- the line item “Impairment (losses) / reversals of assets” mainly relates to 2 vessels sold for scrapping during the year, 1 vessels to be sold for scrapping early 2017 (see Note 5.2.1) and to other specific individual assets;
- the line item “Others” mainly corresponds to the advisory and consultancy fees incurred as part of the NOL acquisition and to the reassessment of the dividend guarantee payable to CMHI (see Note 8.1.1).

4.5 NPV benefits related to assets financed by tax leases

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 (see Note 6.6).

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 Note 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,		(*) of which NOL contribution from acquisition date to December 31, 2016	CMA CGM Stand alone variance
	2016 (*)	2015		
Interest expense on borrowings	(420.5)	(277.7)	(80.3)	(62.5)
Interests income on cash and cash equivalents	30.8	25.6	1.9	3.3
Cost of borrowings net of interest income on cash and cash equivalents	(389.7)	(252.1)	(78.4)	(59.2)
Settlements and change in fair value of derivative instruments	(26.9)	(28.6)	(20.5)	22.3
Foreign currency income and expense, net	99.6	86.1	29.1	(15.7)
Other financial income and expense, net	54.8	(28.7)	(7.7)	91.2
Other net financial items	127.6	28.9	0.9	97.8
Financial result	(262.2)	(223.3)	(77.5)	38.6

For the year ended December 31, 2016, “Interest expense on borrowings” includes USD 79.7 million corresponding to the amortization of past issuance costs recognized using the effective interest method, including USD 48.6 million related to NOL acquisition facility (USD 26.8 million for the year ended December 31, 2015). This caption also includes the financial interests related to the NOL acquisition facility (fully repaid in November – see Note 6.6.7).

“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. On a stand-alone basis, the Group also benefited from the settlement of some derivative financial instruments related to the NOL acquisition performed in SGD currency, generating a net gain of USD 20.0 million.

“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). On a stand-alone basis, the exchange gain for the year ended December 31, 2016 is also partly due to the depreciation of the pound sterling, whereas the significant exchange gains in the comparative period in 2015 was mostly related to the depreciation of EUR currency against USD.

In 2016, “Other financial income and expense, net” includes, among others:

- USD 20.3 million of financial income resulting from the exercise of the purchase option on the shares of two Special Purpose Entities in relation to 2 vessels which were previously recognized in the statement of financial position as finance leases;
- USD 30.0 million of non recurring financial income related to specific financial operations containing interest rate bonuses.

In 2015, “Other financial income and expense, net” included, among others, USD 28.1 million of tender and call premiums and USD 11.8 million of past issuance costs being recognized as a consequence of the early repayment of Senior Notes issued in 2011.

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).

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. For this reason, among others, the Company classifies the consequences of tonnage tax regime as current income tax.

	For the year ended December 31,		(*) of which NOL contribution from acquisition date to December 31, 2016	CMA CGM Stand alone variance
	2016 (*)	2015		
Current income tax	(44.7)	(89.2)	29.2	15.3
Deferred tax income / (expense)	(20.7)	3.9	(9.8)	(14.7)
Income Taxes	(65.4)	(85.4)	19.4	0.6

On a stand-alone basis, the “Current income tax” expense for the year ended December 31, 2016 includes USD 1.7 million related to prior year income tax (USD (2.0) million for the year ended December 31, 2015).

NOL contributed to “Income Taxes” presented above for a positive amount of USD 19.4 million.

The reduction in current income tax and the positive income tax at NOL level is 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 activities handled by NOL are subject to tonnage tax regimes in Singapore and in United States, as CMA CGM in France, which can be described as follows: no provision is made for taxation on qualifying shipping income derived from the operation of NOL’s 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, 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 NOL’s subsidiaries and/or branches are subject to income tax in accordance with the local tax laws of their respective countries.

Several 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.

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.

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 2014 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 taxes balances break down as follows:

Deferred tax assets	As at December 31, 2016	As at December 31, 2015
Investment tax credit	0.1	0.2
Tax losses carried forward	7.3	10.5
Retirement benefit obligations	11.7	16.2
Other temporary differences	62.3	6.6
Total gross deferred tax assets	81.4	33.5
Total net deferred tax assets	59.4	33.5
Deferred tax liabilities	As at December 31, 2016	As at December 31, 2015
Revaluation and depreciation of property and equipment	21.0	17.5
Undistributed profits from subsidiaries	32.6	27.6
Other temporary differences	84.6	7.1
Total gross deferred tax liabilities	138.2	52.1
Total net deferred tax liabilities	116.2	52.1
Total net deferred tax assets / (liabilities)	(56.8)	(18.7)

	As at December 31, 2016	As at December 31, 2015
Net deferred tax at the beginning of the year	(18.7)	(18.8)
Changes through Profit & Loss	(20.7)	3.9
Changes through Other Comprehensive Income	(1.8)	(0.4)
Currency translation adjustment	(0.5)	(1.3)
Other variations	(15.2)	(2.0)
Net deferred tax at the end of the year	(56.8)	(18.7)

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 tax relate to the same tax authority. The amount recognized in the statement of financial position corresponds to the net deferred tax assets and liabilities.

In 2016, the lines item “Other variations” and “Other temporary differences” in the table above mainly relate to the acquisition of NOL (see Note 3.1.1).

“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 1,199.3 million as at December 31, 2016 (USD 990.8 million in 2015). The corresponding unrecognized deferred tax asset amounts to USD 412.9 million in 2016 (USD 341.1 million in 2015). 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 5.0 million in 2016 (stable in 2015).

Income tax impacts related to other comprehensive income are presented in the statement of comprehensive income.

Tax consolidation agreements are in place on certain countries in which the Group operates, mostly in France. It allows the Companies of the same Group to combine their taxable profits or loss 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 10.3 million in 2016 (USD 18.5 million in 2015).

Deferred taxes by nature accounted in the other comprehensive income are detailed as follows:

	For the year ended December 31,	
	2016	2015
Cash flow hedges	(3.1)	(0.1)
Currency translation adjustment related to foreign subsidiaries, associates and joint ventures	-	-
Other comprehensive income reclassifiable to Profit and Loss	1.3	(0.3)
Total	(1.8)	(0.4)

4.7.3 Tax proof

	For the year ended	
	December 31, 2016	2015
Profit / (Loss) before tax and excluding share of profit (or loss) of the associates and joint ventures	(339.7)	677.8
Theoretical income tax (tax rate of 34.43% in 2016 / 38% in 2015)	117.0	(257.6)
Income tax expense	(65.4)	(85.4)
Difference between theoretical and effective income tax	(182.3)	172.2
Impact of the tonnage tax regime	(177.8)	61.3
Use or recognition of deferred tax assets previously unrecognized	6.3	6.4
Effect of different tax rates in foreign tax jurisdictions	(12.7)	39.2
Unrecognized tax losses generated by certain activities not liable to tonnage tax	(85.3)	(41.1)
Initial recognition of assets and liabilities exception	19.5	80.2
Other Permanent differences	67.7	26.2
Difference	(182.3)	172.2

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 interest 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, 2016	As at December 31, 2015
Beginning of the period	310.4	289.7
Goodwill from business combinations (see Note 3.1)	740.3	25.6
Other variations	3.5	-
Reclassification to assets held-for-sale (see Note 5.5)	(44.0)	-
Foreign currency translation adjustment	(2.3)	(4.9)
At the end of the period	1,007.9	310.4
<i>of which:</i>		
<i>Allocated to container shipping segment</i>	<i>982.3</i>	<i>296.3</i>
<i>Allocated to other activities</i>	<i>25.5</i>	<i>14.1</i>

In 2015, the line item "Goodwill from business combinations" corresponds to the goodwill recognized as a result of the provisional purchase price allocation realized on LCL Logistix and OPDR GmbH acquisitions (see Note 3.2.1). Regarding LCL Logistix and OPDR GmbH, the one year period following acquisition date lapsed respectively in April and July 2016, and therefore, the purchase price allocation and goodwill are now considered as being final.

In 2016, the line item "Goodwill from business combinations" mostly corresponds to the goodwill recognized as a result of the purchase price allocation performed on NOL acquisition (see Note 3.1.1).

The goodwill allocated to the terminal activities reclassified as held-for-sale has been reclassified into assets held for sale for an amount of USD 44.0 million (see Note 5.5).

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 the purchase price allocation of NOL 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 comprise software and costs capitalized as part of information systems development projects and are analyzed as follows:

	Software		Others	Total
	In use	In-progress		
Cost of Other intangible assets				
As at January 1, 2015	392.6	117.2	4.1	513.8
Acquisitions	6.4	55.8	0.2	62.4
Acquisitions of subsidiaries	0.6	0.1	6.6	7.3
Disposals	(3.3)	-	-	(3.3)
Impairment	-	-	(0.0)	(0.0)
Reclassification	4.7	(4.7)	-	-
Foreign currency translation adjustment	(1.7)	(0.1)	(1.3)	(3.2)
As at December 31, 2015	399.2	168.4	9.5	577.0
Acquisitions	5.2	55.4	1.9	62.5
Acquisitions of subsidiaries (see Note 3.1)	88.8	23.8	1,374.6	1,487.1
Disposals	(3.6)	(1.5)	-	(5.1)
Reclassification to assets held-for-sale (see Note 5.5)	(0.7)	(3.8)	(645.0)	(649.5)
Reclassification	24.1	(22.8)	0.2	1.5
Foreign currency translation adjustment	(1.0)	0.1	(0.6)	(1.5)
As at December 31, 2016	512.0	219.6	740.6	1,472.1

	Software		Others	Total
	In use	In-progress		
Amortization and impairment				
As at January 1, 2015	(290.5)	-	(0.9)	(291.4)
Amortization	(39.9)	-	(1.1)	(41.0)
Acquisitions of subsidiaries	0.1	-	-	0.1
Disposals	3.3	-	-	3.3
Impairment	0.1	-	-	0.1
Reclassification	(0.2)	-	0.2	-
Foreign currency translation adjustment	1.3	-	0.2	1.5
As at December 31, 2015	(325.8)	-	(1.6)	(327.5)
Amortization	(45.0)	-	(32.8)	(77.9)
Disposals	3.4	-	0.0	3.4
Impairment	-	-	0.0	0.0
Reclassification to assets held-for-sale (see Note 5.5)	0.1	-	11.8	11.9
Reclassification	0.2	-	0.0	0.2
Foreign currency translation adjustment	0.8	-	0.2	1.0
As at December 31, 2016	(366.4)	-	(22.4)	(388.8)

Net book value of Other intangible assets	Software		Others	Total
	In use	In-progress		
As at December 31, 2016	145.7	219.6	718.2	1,083.3
As at December 31, 2015	73.4	168.4	7.9	249.5
As at January 1, 2015	102.1	117.2	3.2	222.4

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 in 2013 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 to enhance efficiency and flexibility in an industry that is constantly evolving.

The software in progress recorded as at December 31, 2016 and 2015 mainly corresponds to this project. During the year ended December 31, 2016, the capitalized costs of the future information system amounted to USD 40.7 million (USD 50.8 million during the year ended December 31, 2015).

The amortization schedule of the currently used ERP has been adjusted to its reassessed remaining useful life.

Other intangible assets mainly relate to the intangible assets recognized as part of the purchase price allocation related to NOL acquisition (see Note 3.1.1), out of which USD 406.0 million consist of the customer relationships, USD 202.0 million relate to the APL trademark and USD 116.2 million to terminal concession rights (post reclassification in assets held for sale of terminal concession rights for USD 633.0 million - see Note 5.5).

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 depending on the tax structure of the lease. 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).

Significant estimates: Determination of the vessels useful lives and residual values

The depreciation of vessels is a significant charge 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 exercise's dates in particular) may differ from the original assesment made at inception of the lease contract.

5.2.1 Variation of property and equipment

Property and equipment are analyzed as follows:

	As at December 31, 2016	As at December 31, 2015
Vessels		
Cost	10,200.0	8,298.8
Cumulated depreciation	(2,112.7)	(1,802.4)
	8,087.3	6,496.3
Containers		
Cost	796.1	847.8
Cumulated depreciation	(325.7)	(348.4)
	470.4	499.4
Lands and buildings		
Cost	631.0	624.1
Cumulated depreciation	(151.4)	(141.5)
	479.7	482.6
Other properties and equipments		
Cost	520.4	321.2
Cumulated depreciation	(208.6)	(171.9)
	311.8	149.3
Total		
Cost	12,147.5	10,091.8
Cumulated depreciation	(2,798.3)	(2,464.2)
Property and equipment	9,349.2	7,627.5

Main evolution of property and equipment between the periods presented above are mainly due to the acquisition of NOL (see Note 3.1.1 and below).

As at December 31, 2016, assets under finance leases, tax lease agreements and other similar arrangements included in the above table represented a cost of USD 4,532.0 million (USD 3,373.7 million as at December 31, 2015) and a cumulated depreciation of USD 1,215.8 million (USD 690.5 million as at December 31, 2015).

Variations in the cost of property and equipment for the year ended December 31, 2016 and the year ended December 31, 2015 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at January 1, 2015	5,042.0	2,163.7	292.3	919.9	672.1	282.4	9,372.4
Acquisitions	171.2	5.2	637.2	64.6	1.6	62.0	941.8
Acquisitions of subsidiaries	-	-	-	10.7	16.9	5.4	33.1
Disposals	(1.8)	-	-	(145.6)	-	(7.6)	(155.0)
Disposals of subsidiaries	-	-	-	(0.0)	-	(1.0)	(1.0)
Reclassification	-	-	-	-	(4.7)	2.2	(2.4)
Vessels put into service & refinancing	(428.9)	1,035.0	(606.1)	-	-	-	(0.0)
Foreign currency translation adjustment	(2.8)	(8.3)	-	(1.8)	(61.9)	(22.3)	(97.1)
As at December 31, 2015	4,779.8	3,195.7	323.3	847.8	624.1	321.2	10,091.8
Acquisitions	32.8	19.4	85.6	56.7	0.9	136.8	332.2
Acquisitions of subsidiaries (see Note 3.1)	2,765.3	130.7	-	582.8	46.7	188.8	3,714.3
Disposals	(1,108.4)	(2.2)	-	(688.1)	(20.0)	(34.3)	(1,853.0)
Reclassification	-	-	-	(2.9)	(2.2)	(83.1)	(88.1)
Vessels refinancing & exercise of purchase option	(953.9)	953.9	-	-	-	-	-
Foreign currency translation adjustment	(1.9)	(20.1)	(0.1)	(0.1)	(18.5)	(9.0)	(49.6)
As at December 31, 2016	5,513.8	4,277.3	408.8	796.1	631.0	520.4	12,147.5

As at December 31, 2016 the Group operates 128 vessels owned or under finance lease or equivalent agreements (89 vessels as at December 31, 2015), including 41 vessels owned by NOL.

During the year ended December 31, 2016, the line item “Vessels refinancing & exercise of purchase option” corresponds to the historical cost of certain vessels which have been refinanced through finance leases, the exercise of the purchase option for two vessels (see Note 6.3.1) as follows:

- Sale and financial lease back for certain vessels with a cost of USD 1,301.0 million and USD 454.0 million of cumulated depreciation;
- Purchase option of 2 vessels, originally accounted as financial leases and therefore reclassified in owned vessels, with a historical cost of USD 356.4 million and USD 74.7 million of cumulated depreciation.

In 2016, the line item “Disposals” mainly relates to:

- Sale and operating lease back operations on 13 vessels, representing total net proceeds of USD 1,074.4million, previously held in the balance sheet for an amount of USD 1,001.9 million:
 - the sale price of the assets being above the fair value of the vessels by USD 84.6 million, the difference has been recognized in deferred income and will be recycled in Profit & Loss over the 7 year lease period as a reduction of chartering expenses;
 - the fair value of the assets being below the carrying value at disposal date, the difference has been recognized as a loss on disposal for an amount of USD 12.1 million.
- The sale of 7 vessels for a net proceeds of USD 39.2 million (see Note 4.3 and 4.4);
- Sale and operating lease back operations on containers (see Note 4.3).

In 2015, the line item “Vessels put into service & refinancing” corresponds to the delivery of CMA CGM Kerguelen, Georg Forster, Bougainville, Cayenne, Marseille and St Laurent as well as certain refinancing of owned vessels into finance leases.

Borrowing costs capitalized during the year ended December 31, 2016 amounted to USD 29.5 million (USD 13.7 million for the year ended December 31, 2015).

Acquisition of property and equipment and reconciliation with the Consolidated Statement of Cash Flows

Purchases of property and equipment amounted to USD 332.2 million for the year ended December 31, 2016 (USD 941.8 million for the year ended December 31, 2015), including USD 103.4 million of assets transferred by the conceding authority of KFTL (see Note 3.1.3).

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:

		12 months period ended	
		December 31,	
		2016	2015
Acquisition of assets presented in the above table	a	332.2	941.8
(-) Assets not resulting in a cash outflow (i)	b	74.4	434.2
CAPEX cash from purchases of property and equipment	a (-) b = c	257.7	507.6
CAPEX cash from purchases of intangible assets	d	56.0	55.6
CAPEX cash from business combination	e	63.2	48.7
Total CAPEX as per Consolidated Statement of Cash Flows	c (+) d (+) e	376.9	611.9

- (i) *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 years ended December 31, 2016 & 2015 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at January 1, 2015	(1,194.2)	(329.4)	-	(375.0)	(131.9)	(171.6)	(2,202.1)
Depreciation	(204.0)	(81.2)	-	(38.3)	(19.1)	(23.9)	(366.5)
Disposals	1.8	-	-	64.6	-	7.1	73.4
Disposals of subsidiaries	-	-	-	-	-	0.7	0.7
Refinancing	233.4	(233.4)	-	-	-	-	0.0
Reclassification	-	-	-	-	-	2.4	2.4
Foreign currency translation adjustment	1.3	3.4	-	0.3	9.5	13.4	27.8
As at December 31, 2015	(1,161.8)	(640.6)	-	(348.4)	(141.5)	(171.9)	(2,464.2)
Depreciation	(223.9)	(143.3)	-	(51.5)	(24.5)	(49.9)	(493.1)
Disposals	63.0	2.2	-	72.6	10.2	16.6	164.5
Impairment	(18.7)	-	-	0.0	-	(12.8)	(31.4)
Vessels refinancing & exercise of purchase option	381.6	(381.6)	-	-	-	-	-
Reclassification	-	-	-	1.4	0.5	6.4	8.3
Foreign currency translation adjustment	0.7	9.7	-	0.2	4.0	3.0	17.7
As at December 31, 2016	(959.1)	(1,153.6)	-	(325.7)	(151.4)	(208.6)	(2,798.3)

Including intangible assets (see Note 5.1.2), the total depreciation for the year ended December 31, 2016 amounts to USD 571.0 million (USD 407.7 million for the year ended December 31, 2015).

The line item “Impairment” in 2016 mainly relates to:

- a 1,327 TEUs vessel (sold in June);
- a 1,726 TEUs vessel (sold in October);
- a 1,400 TEU vessel (sold in January 2017).

The net book value of property and equipment at the opening and closing for the years ended December 31, 2016 & 2015 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at December 31, 2016	4,554.7	3,123.7	408.8	470.4	479.7	311.8	9,349.2
As at December 31, 2015	3,617.9	2,555.1	323.3	499.4	482.6	149.3	7,627.6
As at January 1, 2015	3,847.8	1,834.3	292.3	544.9	540.2	110.8	7,170.3

As at December 31, 2016, the carrying amount of property and equipment held as collateral (mainly of financial debts) amounts to USD 7,941.9 million (USD 6,123.5 million as at December 31, 2015).

The net book value of the container fleet as at December 31, 2016 includes USD 152.8 million related to containers under finance leases (USD 94.2 million as at December 31, 2015).

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 408.8 million as at December 31, 2016 (USD 323.3 million as at December 31, 2015).

Regarding the commitments related to ordered vessels, see Note 8.2.1.

The Company has also committed to enter into operating leases upon delivery of certain vessels currently under construction (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.

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, including NOL, 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) 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 5-year period.
- The post-tax discount rates, or Weighted Average Cost of Capital ("WACC"), used for testing purposes are included within the range 8%-14% (9%-14% in 2015) 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% (0% at end of 2015 which was a very prudent assumption – 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, 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 5.4%;
- 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 million, 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 8.8% (i.e. negative perpetual growth rate of 7.8%).

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 IAS 39, write down of trade receivable may be accounted when:

- it is probable that the receivable will not be recovered; and
- the amount of the loss can be reliably measured.

Write down is measured taking into account the receivables' maturities in correlation with their estimated collection rate.

Securitization of receivables

The Company transfers certain receivables of certain shipping agencies by way of a securitization program. The lenders have full recourse in the case of a failure to pay by the debtor. 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).

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, 2016	As at December 31, 2015
Bunkers	279.5	194.9
Other inventories	68.8	56.7
Provision for obsolescence	(0.7)	(0.8)
Inventories	347.6	250.9

NOL contributes to inventories for an amount of USD 97.7 million as at December 31, 2016. Apart from NOL effect, the decrease in the value of bunker inventories is mainly related to the decrease in fuel prices.

5.4.2 Trade receivables and payables

Trade and other receivables are analyzed as follows:

	As at December 31, 2016	As at December 31, 2015
Trade receivables	2,008.6	1,690.0
Less impairment of trade receivables	(88.7)	(84.4)
Trade receivables net	1,919.9	1,605.6
Prepayments	118.3	66.4
Other receivables, net	458.5	301.7
Employee, social and tax receivables	139.0	104.0
Trade and other receivables (*)	2,635.7	2,077.7

(*) 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.

Trade and other payables are analyzed as follows:

	As at December 31, 2016	As at December 31, 2015
Trade payables	1,384.4	1,166.6
Employee, social and tax payables	273.8	187.1
Other payables (mainly accruals for port call expenses, transportation costs, handling services)	1,859.6	1,423.1
Trade and other payables (*)	3,517.9	2,776.8

(*) including current income tax liability

“Other payables” include an amount payable in euros of USD 44.6 million owed to Merit Corporation, a related party (USD 45.8 million as at December 31, 2015). This payable bears interest at 7% per annum and mainly corresponds to dividends declared by the Company in 2007 and 2008. Such liability has been repaid to Merit early 2017.

The working capital can be analyzed as follows:

	As at December 31, 2015	Variations linked to operations	Acquisition of subsidiaries (see Note 3.1)	Currency translation adjustment	Others	As at December 31, 2016
Inventories	250.9	(4.0)	104.5	(1.4)	(2.4)	347.6
Trade and accounts receivable (*)	2,077.7	111.3	580.2	(83.8)	(49.8)	2,635.7
Prepaid expenses	381.5	(35.8)	43.3	(0.9)	(19.0)	369.0
Trade and other payables (**)	(2,776.8)	95.8	(914.8)	78.5	(0.6)	(3,517.9)
Deferred income	(467.9)	(15.6)	(197.7)	(0.2)	(20.4)	(701.9)
Net working capital	(534.5)	151.7	(384.5)	(7.9)	(92.3)	(867.5)

(*) including current income tax asset

(**) including current income tax liability

Trade receivables and payables, including current income tax assets and liabilities, mature as follows:

	As at December 31, 2016	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	2,635.7	1,856.7	484.7	95.8	45.2	37.4	115.9
Trade and other payables	3,517.9	2,725.8	393.9	139.4	92.7	36.7	129.4

5.4.3 Prepaid expenses and deferred income

Prepaid expenses and deferred income mainly include voyages in progress at the Statement of Financial Position date resulting from the revenue recognition accounting principles disclosed in Note 4.

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.

At the end of 2016, the Group decided to classify some of its terminal assets and related liabilities as assets held for sale due to the current status of the disposal project, and the likelihood of achieving the sale in the next 12 months.

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, 2016.

The assets and liabilities related to these terminal activities are as follows:

Goodwill	44,0
Other intangible assets	637,6
Property and equipment	78,1
Cash and cash equivalents	1,9
Other current assets	76,3
TOTAL ASSETS	838,0
Deferred tax liabilities	8,2
Non-current liabilities	12,1
Current liabilities	26,3
TOTAL LIABILITIES	46,6

Such terminal assets contributed to the continuing operations as follows:

- USD 10.9 million in EBITDA
- USD (5.7) million in Core EBIT; and
- USD (3.6) million in Profit / (Loss) for the period.

Core EBIT and Profit / (Loss) for the period include a depreciation expense related to the purchase price allocation amounting to USD (11.8) million.

5.6 Free cash flow

Free cash flow is USD 87.9 million for the year ended December 31, 2016. It is composed of cash flow from operations for USD 323.9 million (of which EBITDA contributed for USD 534.9 million and variation of working capital for USD (151.7) million) and cash flow used for investing activities for USD (236.0) million.

Cash flow from investing activities has been mainly impacted by capital expenditures from purchasing of property and equipment, representing a cash outflow of USD (376.9) million, the consideration paid as part of the acquisition of NOL amounting to USD (2,484.2) million balanced by USD 160.3 million of cash acquired (see Note 3.1.1), the decrease of the escrow accounts used as part of NOL shares acquisition (see Note 6.2.2), as well as the proceeds from disposal of property and equipment for USD 1,769.3 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.

NOL, as a stand-alone Company, had similar risk factors than CMA CGM. As at acquisition date, the fair value of NOL's financial instruments is included in the statement of financial position.

Going forward, NOL is applying CMA CGM's financial risk management policies.

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			Average rate		
	2016	2015	2014	2016	2015	2014
Nymex WTI (1st nearby, in \$ per barrel) *	53.72	36.35	53.27	43.47	48.81	92.91
Brent (1st nearby, in \$ per barrel) *	57.49	37.28	57.33	45.16	53.64	99.45

* Based on the future contract maturing at the closest maturity on each considered date

As at December 31, 2016, the Company hedged approximately 15.9% of expected purchase of bunkers for the next year through a forward fixed price with delivery (10.3% of expected purchase for the year 2016 as at December 31, 2015). These bunker purchases are treated as executory contracts.

As at December 31, 2016, the Group has no outstanding derivative financial instruments relating to bunker cost hedging (same as at December 31, 2015), other than the contracts accounted as executory contracts ("own use").

Based on the fuel consumption for the year ended December 31, 2016, an increase (a decrease) of the fuel prices by USD 10 (in USD per ton) would have had a negative (positive) impact on the Statement of Profit & Loss of approximately USD 58.6 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, 2016	Carrying amount	USD	EUR	CNY	GBP	Others
Trade receivables and prepaid expenses	2,988.5	1,508.0	426.0	67.7	52.0	934.8
Cash and cash equivalents and securities	1,225.0	878.5	69.0	22.6	15.5	239.4
Trade payables and current deferred income	4,161.4	2,250.9	735.6	227.2	115.7	832.0
Borrowings	8,278.2	6,563.0	1,578.2	-	30.5	106.5

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 and as available-for-sale financial assets. 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, 2016 (same as at December 31, 2015).

Cash Flow Interest rate risk

Since 2014, expansionary monetary policies have allowed keeping interest rates at very low levels over the past few years but the trend has reversed in 2016 with a net increase in short-term USD rates and higher yield curves.

Market data:	Closing rate as at December 31,			Annual average rate		
	2016	2015	2014	2016	2015	2014
LIBOR USD 3 M	1.00%	0.61%	0.26%	0.74%	0.32%	0.23%

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, 2016, taking into account the interest rate hedges, the borrowings bearing interest at variable rates represent 58% of total debts against 42% 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, 2016	Nominal amount	Maturity		Fair value of derivatives
		Less than 5 years	More than 5 years	
Interest swaps- cash flow hedge	769.3	541.4	227.9	(42.3)
Interest swaps - not qualifying for cash flow hedge	37.5	37.5	-	(3.9)
Cross currency interest rates swaps - fair value hedge	1,179.9	962.4	217.6	(191.4)
Cross currency interest rates swaps - cash flow hedge	450.2	450.2	-	(50.4)
Total	2,436.9	1,991.5	445.5	(288.0)

The following table presents the sensitivity of the Group's profit before tax and of the Cash Flow reserve as at December 31, 2016 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	11.1	(4.7)	35.2
Singapore Dollar	+100 bps	(16.1)	5.3	(11.3)

* 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 0.6% of revenue in 2016 and 0.5% of revenue in 2015). 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, 2016 and on the interest rate curve as at December 31, 2016:

	2017	2018	2019	2020	2021	Onwards
Interest swaps - Assets (1)	(2.4)	(0.9)	0.0	0.5	0.6	0.7
Cross currency interest rates swaps - Assets	-	-	-	-	-	-
Interest swaps - Liabilities (2)	(21.9)	(17.0)	(12.7)	(9.3)	(6.0)	(2.7)
Cross currency interest rates swaps - Liabilities	(77.0)	(21.6)	(71.8)	(27.2)	(45.7)	(33.0)
Total	(101.3)	(39.5)	(84.5)	(36.0)	(51.1)	(35.0)

(1) derivatives with a positive fair value as of December 31, 2016

(2) derivatives with a negative fair value as of December 31, 2016

The Company's financing arrangements are subject to compliance with the following financial covenants:

- Maximum gearing ratio (Adjusted net debt / Adjusted equity);
- Loan-to-value ratio (financing / market value of related asset);
- Minimum cash balance;

These covenants are based on specific calculations as defined into Company's financing arrangements.

As at and for the year ended December 31, 2016, 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.

Adjusted equity is calculated as the sum of “Total equity” and the remaining value of Bonds and preferred shares redeemable in shares disclosed in borrowings in Note 6.6, less the amount of currency translation adjustment recognized in total equity (included in non-controlling interests).

On the basis of these definitions, adjusted net debt and adjusted equity are calculated as follows:

	Note	As at December 31,	
		2016	2015
Total Borrowings	6.6	8,278.2	5,147.6
(-) Bonds redeemable in shares in Borrowings	6.6	(180.8)	(193.8)
(-) LTV deposits	6.3.1	(14.9)	(22.3)
Adjusted gross debt : A		8,082.5	4,931.5
Cash and cash equivalents as per statement of financial position	6.4	1,211.6	1,224.0
(+) Securities	6.4	13.4	2.8
(-) Restricted cash	6.4	(4.4)	(6.3)
Unrestricted cash and cash equivalents : B		1,220.6	1,220.4
Adjusted net debt : A (-) B		6,861.9	3,711.1

	Note	As at December 31,	
		2016	2015
Total Equity		4,927.6	5,405.5
(+) Bonds redeemable in shares in Borrowings	6.6	180.8	193.8
(-) Currency translation adjustment recognized in total equity		162.8	69.6
Adjusted Equity		5,271.1	5,668.9

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, 2016:

As at December 31, 2016	Level 1	Level 2	Level 3	Total Balance
Assets				
Securities	13.5	-	-	13.5
Derivatives not qualified to hedge accounting	-	0.1	-	0.1
Available-for-sale financial assets	-	-	46.1	46.1
Total Assets	13.5	0.1	46.1	59.6
Liabilities				
Interest swaps - cash flow hedge	-	42.3	-	42.3
Interest swaps - not qualifying to hedge accounting	-	3.9	-	3.9
Cross currency interest rates swaps - fair value hedge	-	191.4	-	191.4
Cross currency interest rates swaps - cash flow hedge	-	50.4	-	50.4
Total Liabilities	-	241.6	-	241.6

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2015:

As at December 31, 2015	Level 1	Level 2	Level 3	Total Balance
Assets				
Securities	2.8	-	-	2.8
Available-for-sale financial assets	11.4	-	82.4	93.7
Total Assets	14.1	-	82.4	96.5
Liabilities				
Derivatives used for hedging	-	62.9	-	62.9
Total Liabilities	-	62.9	-	62.9

The variations of assets included in level 3 are as follows:

		ASSETS
		Available for sale financial assets
Opening balance		82.4
Total gains or losses for the period		
	Foreign Currency impact	(0.3)
Purchases, issues, sales and settlements		
	Purchases	8.7
	Depreciation	(2.4)
	Settlements	(0.2)
	Others	(37.7)
Closing balance		46.1

The "available for sale financial assets" mainly consist of non consolidated investments in various companies. These shareholdings are valued at historical cost based on the fact that it approximates the fair value of such assets.

The line item "Others" is mainly due to the effect of NOL business combination (see Note 6.3).

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". As at December 31, 2016, the Group has no outstanding derivative financial instruments relating to bunker cost hedging (same as at December 31, 2015).

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 or 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".

Derivative financial instruments are analyzed as follows:

	As at December 31, 2016		As at December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Interest swaps - cash flow hedge	0.1	42.3	-	62.9
Interest swaps - not qualifying to hedge accounting	-	3.9	-	-
Cross currency interest rates swaps - fair value hedge	-	191.4	-	-
Cross currency interest rates swaps - cash flow hedge	-	50.4	-	-
Total derivative financial instruments	0.1	288.0	-	62.9
<i>of which non-current portion (greater than 1 year)</i>	<i>0.1</i>	<i>215.5</i>	<i>-</i>	<i>42.7</i>
<i>of which current portion (less than 1 year)</i>	<i>-</i>	<i>72.5</i>	<i>-</i>	<i>20.2</i>

As at December 31, 2016 and December 31, 2015, the Company did not record any transfer between derivative financial instruments' categories.

In order to hedge NOL acquisition price to be paid in SGD (total acquisition price of SGD 3,385.0 million), the Company entered into (i) derivative financial instruments, treated as cash flow hedges, which have been settled in June 2016 (see Note 3.1.1) and (ii) some instruments, not qualifying to cash flow hedges, maturing in December 2016 which were early settled for a net gain of approx. USD 20.0 million.

NOL's derivative financial instruments' portfolio, the fair value of which is included in the table above, can be summarized as follows:

	As at December 31, 2016	
	Assets	Liabilities
Interest swaps - cash flow hedge	0.1	-
Cross currency interest rates swaps - fair value hedge	-	191.4
Cross currency interest rates swaps - cash flow hedge	-	50.4
Total derivative financial instruments	0.1	241.8
<i>of which non-current portion (greater than 1 year)</i>	<i>0.1</i>	<i>183.9</i>
<i>of which current portion (less than 1 year)</i>	<i>-</i>	<i>57.8</i>

6.3 Other non-current financial assets - Securities and other current financial assets

Financial assets are recognized initially at fair value plus directly attributable costs, in the case of investments not at fair value through profit and loss.

The Group classifies its financial assets in the following categories, depending on the purpose for which the investments were acquired:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not to be traded. They are included in non-current assets when maturities are over 12 months after the Statement of Financial Position date.

Loans and receivables are recognized at amortized cost using the effective interest method (discounting effect is deemed not material for trade receivables), less impairment. An impairment of a loan or a receivable is established when there is objective evidence, based on individual analyses, that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment loss is recognized in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

Equity investments in unconsolidated companies and other long-term investments held by the Company are classified as available-for-sale financial assets.

Investments are initially recognized at fair value plus transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. For the Company, this category mainly includes marketable securities and derivative financial instruments that do not qualify for hedge accounting (financial assets held for trading). Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the Statement of Financial Position date.

Changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the Statement of Profit & Loss in the period in which they arise.

Impairment of financial assets (available for sale / loan and receivables)

The Group assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or a group of financial assets is to be impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are to be impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the Statement of Profit & Loss regarding equity instruments cannot be reversed through the income statement.

6.3.1 Other non-current financial assets

Other non-current financial assets are analyzed as follows:

	As at December 31, 2016	As at December 31, 2015
Gross	55.0	88.0
Impairment	(8.9)	(5.6)
Investments in non consolidated companies	46.1	82.4
Gross	101.0	107.7
Impairment	(40.2)	(52.1)
Loans	60.8	55.6
Gross	192.3	174.9
Impairment	-	-
Deposits	192.3	174.9
Gross	21.9	13.3
Impairment	(0.2)	(2.7)
Receivable from associates	21.7	10.6
Gross	229.3	222.2
Impairment	(0.1)	(0.1)
Other financial assets	229.2	222.1
Gross	599.5	606.1
Impairment	(49.5)	(60.3)
Total other non-current financial assets, net	550.0	545.7

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

As at December 31, 2016, this line item mainly consisted of the shares in Rotterdam World Gateway BV for USD 50.0 million in which the Company had a 10% shareholding as well as other entities individually not significant. As NOL had a 20% ownership in Rotterdam World Gateway BV, the newly formed Group exercises a significant influence over this terminal and as such, the related shares were reclassified in associates and joint ventures.

Meanwhile, the other main impact in the variation of investment in non-consolidated companies results from the integration of a non-consolidated investment held by NOL.

Loans

“Loans” mainly relate to funds borrowed by certain terminal joint ventures.

Deposits

Included in “Deposits” are mainly:

- USD 14.9 million as at December 31, 2016 (USD 22.3 million as at December 31, 2015) of cash deposited in escrow accounts in relation to certain loan-to-value provisions in financing agreements; and
- USD 142.9 million as at December 31, 2016 (USD 126.2 million as at December 31, 2015) of cash deposits which do not qualify as cash and cash equivalents.

Other financial assets

As at December 31, 2016, “Other financial assets” mainly include USD 181.1 million (USD 206.4 million as at December 31, 2015) of financial tax benefit to be received at the maturity of the tax financing period (see Note 4.5) and USD 35.5 million of other financial assets held by NOL.

The decrease in financial tax benefit, compared to December 31, 2015, relates to the exercise of the purchase option on the shares of two Special Purpose Entities in relation to 2 vessels which were recognized in the statement of financial position as finance leases.

6.3.2 Securities and other current financial assets

“Securities and other current financial assets” as at December 31, 2016 include securities at fair value for an amount of USD 13.5 million (USD 2.8 million as at December 31, 2015).

The decrease in “Securities and other current financial assets” is mainly linked to the closing of NOL transaction for which the Company deposited in December 2015 the portion of the transaction price which was committed to be financed through available cash (see Note 3.1.1).

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, 2016:

Assets	As at December 31, 2016	Loans and receivables	Available for sale	Financial assets & liabilities at fair value through profit and loss	Derivative instruments
Derivative financial instruments	0.1	-	-	-	0.1
Other financial assets	550.0	503.9	46.1	-	-
Trade and other receivables (*)	2,635.7	2,635.7	-	-	-
Securities and other financial assets (current)	304.8	291.3	-	13.5	-
Cash and cash equivalents	1,211.6	1,211.6	-	-	-
Total financial instruments - Assets	4,702.1	4,642.5	46.1	13.5	0.1

Liabilities	As at December 31, 2016	borrowings at amortized cost	Derivative instruments
Borrowings	8,278.2	8,278.2	-
Derivative financial instruments	288.1	-	288.1
Trade and other payables (**)	3,517.9	3,517.9	-
Total financial instruments - Liabilities	12,084.1	11,796.1	288.1

(*) including current income tax asset

(**) including current income tax liability

6.4 Cash, 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 loan and receivables and valued as described above. Bank overdrafts are presented within borrowings on the Statement of Financial Position.

6.4.1 Cash and cash equivalents position

Cash and cash equivalents can be analyzed as follows:

	As at December 31, 2016	As at December 31, 2015
Cash on hand	640.9	491.2
Short term deposits	566.3	726.4
Restricted cash	4.4	6.3
Cash and cash equivalents as per statement of financial position	1,211.6	1,224.0
Bank overdrafts	(79.5)	(173.1)
Net cash and cash equivalents	1,132.0	1,050.9
Cash reported in assets held-for-sale	1.9	-
Net cash and cash equivalents as per cash flow statement	1,133.9	1,050.9

As at December 31, 2016, NOL contributed to net cash and cash equivalents as per cash flow statement in an amount of USD 184.0 million.

6.4.2 Undrawn committed credit facilities and liquidity position

As at December 31, 2016, the Group has full access to undrawn committed credit facilities amounting to USD 841.0 million granted by various financial institutions, of which the average maturity is around 3.0 years ranging from 1 to 7 years.

Together with the above-mentioned net cash and cash equivalents position excluding restricted cash and including securities disclosed in Note 6.3.2, the total liquidity of the Group amounts to USD 1,982.1 million.

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 preference 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 as per their terms and conditions. The holders of preferred shares are entitled to a priority dividend till the date of the conversion into ordinary shares which is scheduled as at December 31, 2017. As at December 31, 2017, these preferred shares held by Yildirim will automatically be converted into ordinary shares of the Company representing 24% of the Company's ordinary shares on a fully diluted basis.

In June 2013, Bpifrance subscribed for USD 150 million to new 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.

Due to their characteristics and based on the split accounting principles, these above mentioned bonds initially resulted in an increase in the consolidated IFRS equity for USD 331.6 million, the remaining portion of the nominal amount being initially treated as borrowings, corresponding to the net present value of interest payable till the conversion into ordinary shares at maturity (see Note 6.6.4). Following the redemption of the Yildirim bonds into preferred shares, the amount originally recognized as an equity component for USD 275.2 million has been splitted into a share capital increase for USD 65.5 million and a share premium for USD 209.7 million. The portion of these instruments originally recognized in borrowings has not been impacted by the redemption into preferred share given that the characteristics of the priority dividend are similar to the interests of the bonds.

No other share option plans or dilutive equity instruments have been issued in the year 2016 nor 2015.

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, 2016	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, 2016	As at December 31, 2015
Cash flow hedge	(31.8)	(82.5)
Share of other comprehensive income / (Loss) of associates and joint ventures	1.0	(0.6)
Deferred tax on reserve	5.7	7.4
Currency translation adjustments	(157.2)	(65.7)
Total Other Comprehensive Income / (Loss)	(182.3)	(141.4)

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 IAS 39 “Financial instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives. 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 with a negative fair value.

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 amortized 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).

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, 2016	Current portion	Non current portion	Maturity schedule : December 31,				
				2018	2019	2020	2021	Onwards
Senior notes	1,927.0	251.1	1,676.0	290.6	174.2	168.8	953.5	89.0
Bonds and preferred shares redeemable in shares	180.8	128.7	52.1	20.1	15.2	16.7	-	-
Bank borrowings	3,291.2	832.5	2,458.7	597.6	372.5	285.0	241.0	962.7
Obligations under finance leases	1,587.2	234.6	1,352.7	222.7	222.3	255.3	147.0	505.5
Bank overdrafts	79.5	79.5	-	-	-	-	-	-
Securitization program	1,083.1	(0.8)	1,084.0	298.5	785.5	-	-	-
Other borrowings	129.3	101.9	27.4	1.4	22.0	0.8	0.7	2.6
Total	8,278.2	1,627.4	6,650.8	1,430.9	1,591.5	726.5	1,342.1	1,559.8

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 program	Other borrowings	NOL acquisition facility (see Note 6.4.6)	Total
3,345									
Balance as at January 1, 2016	1,087.4	193.8	1,506.1	1,209.9	173.1	874.5	102.8	-	5,147.6
Proceeds from new borrowings, net of issuance costs	-	-	446.9	-	-	299.3	1.6	1,619.5	2,367.3
Repayment of financial borrowings	-	(5.5)	(422.7)	(217.0)	-	(80.0)	(10.4)	(1,652.0)	(2,387.6)
Other increase/decrease in borrowings (non-cash)	9.6	-	16.1	60.8	(93.4)	-	-	(16.2)	(23.0)
Accrued interests and fees amortization	6.0	(7.5)	7.0	18.9	-	1.3	8.6	48.6	83.0
Refinancing of assets, net of issuance costs	-	-	-	384.4	-	-	-	-	384.4
Acquisition of subsidiaries (see Note 3.1 & 6.6.3)	920.9	-	1,784.2	127.5	(0.1)	-	28.2	-	2,860.8
Foreign currency translation adjustments	(96.9)	-	(46.5)	2.6	(0.1)	(12.0)	(1.5)	-	(154.3)
Balance as at December 31, 2016	1,927.0	180.8	3,291.2	1,587.2	79.5	1,083.1	129.3	0.0	8,278.2

The line item “Other increase / decrease in borrowings (non-cash)” 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 are related 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	-	-	2,076.2	1,420.6	-	4.85%
Containers	-	-	96.4	136.0	-	4.83%
Land and buildings	-	-	136.4	3.9	-	0.74%
Handling	-	-	2.3	11.8	-	2.36%
Other tangible assets	-	-	1.9	15.0	-	4.92%
General corporate purposes	1,927.0	180.8	977.9	-	1,292.0	5.05%
Total	1,927.0	180.8	3,291.2	1,587.2	1,292.0	

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, 2016	Current portion	Non current portion	Maturity schedule : December 31,				
				2018	2019	2020	2021	Onwards
Senior notes	2,765.3	466.2	2,299.1	452.1	353.9	299.9	1,053.5	139.8
Bonds and preferred shares redeemable in shares	225.0	162.0	63.0	27.0	18.0	18.0	-	-
Bank borrowings	3,933.7	965.7	2,968.0	694.7	465.7	343.3	285.9	1,178.4
Obligations under finance leases	2,047.3	331.9	1,715.4	308.6	291.2	312.1	185.3	618.2
Bank overdrafts	81.6	81.6	-	-	-	-	-	-
Securitization program	1,150.4	28.8	1,121.6	323.1	798.5	-	-	-
Other borrowings excl. accrued interests	54.9	13.3	41.6	11.5	25.2	1.3	0.7	2.9
Total	10,258.3	2,049.6	8,208.7	1,816.9	1,952.5	974.6	1,525.5	1,939.2

6.6.2 Details of bonds

The Group has 7 unsecured Bonds outstanding which can be detailed as follows:

- SGD 400 million of nominal amount, issued by NOL Limited and maturing in April 2017;
- EUR 300 million of nominal amount, issued by CMA CGM and maturing in December 2018;
- SGD 300 million of nominal amount, issued by NOL Limited and maturing in November 2019;
- 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; Such Notes were issued in June 2015 and the related proceeds were used at that time to early repay USD & EUR unsecured Notes issued in 2011;
- SGD 300 million of nominal amount, issued by NOL Limited and maturing in June 2021;
- USD 116.5 million of nominal amount, issued by APL Limited and maturing in January 2024.

6.6.3 Acquisition of subsidiaries

NOL and subsidiaries' main borrowings are as follows:

- 5 unsecured senior notes of which 4 in SGD (swapped from SGD to USD) and 1 in USD, maturing from 2017 to 2024 and disclosed in Note 6.6.2;
- Some secured vessel loans, mostly bearing variable interest rates, held in USD or swapped from SGD to USD;
- 4 finance lease on vessels, bearing fixed interest rate and maturing in 2028 to 2029;
- Some drawn credit facilities maturing in 2.2 years on average.

None of these financing was subject to early redemption as a consequence of the acquisition by CMA CGM.

6.6.4 Securitization program

This caption includes (i) the receivables securitization program currently drawn for an amount of USD 783.8 million, the amount of which has been decreased by USD 80.0 million for the year ended December 31, 2016, and (ii) the new securitization program implemented to finance NOL freight receivables for an amount of USD 299.3 million. As most of the risks and rewards attached to the receivables have been retained by the Group, the receivables have not been derecognized and such financing has been treated as a financial liability, which matures in 1.5 years and bears variable interest.

During August 2016, the receivables' securitization program drawn for USD 783.8 million has been extended until mid-2019.

6.6.5 Bonds and preferred shares redeemable in shares

As disclosed in Note 6.5, part of the bonds redeemable in shares have been redeemed into preferred shares as at December 31, 2015. The portion of these instruments originally recognized in borrowings has not been impacted by the redemption into preferred shares as the characteristics of the priority dividend attached to the preferred shares are similar to the interests of the bonds redeemable in shares.

The balance of the bonds and preferred shares as at December 31, 2016 breaks down as follows:

- USD 116.8 million representing the interest portion of priority dividend payable till maturity, as a remuneration of the preferred shares redeemable in ordinary shares held by Yildirim;
- USD 63.9 million representing the interest portion of 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.

6.6.6 Other borrowings

As at December 31, 2016, other borrowings include USD 92.0 million of accrued interests (USD 53.1 million as at December 31, 2015).

6.6.7 NOL acquisition facility

NOL acquisition facility drawn in June 2016 for USD 1,652 million, had an initial contractual maturity in December 2016 with early repayment conditions. Besides, the Group had the ability to exercise options to extend the maturity to August 2017 subject to certain conditions.

This facility has been early repaid by mid-November through:

- Sale and lease back operations on containers (see Note 4.3);
- The proceeds from the new freight securitization program (see Note 6.6.4);
- Most but not all of the proceeds from the refinancing of 11 vessels through 7-year operating leases representing total proceeds of USD 881 million; 2 additional vessels have been sold through equivalent transactions, generating additional proceeds of approx. USD 200 million being an additional source of liquidity for the Group.

As a consequence of the above-mentioned transactions, the initial amount of the NOL acquisition facility, drawn in June 2016 for USD 1,652 million, has been fully repaid by mid-November 2016.

6.7 Cash flow from financing activities

Cash flow from financing activities amounting to USD 31.1 million has been temporary impacted by the drawdown of the credit facility related to NOL acquisition for USD 1,619.5 million (net of issuance costs), finally fully repaid during the year ended December 31, 2016. Besides, the financing cash flows consisted in other drawdown of borrowings for USD 748 million, balanced by repayment for USD (736) million, the payment of financial interests for USD (313.7) million and by the refinancing of certain vessels for USD 384.0 million.

Note 7 - Scope of consolidation

As disclosed in Note 3.1.1, the Company has obtained control over NOL and its subsidiaries since June 14, 2016. NOL is composed of 61 legal entities at the closing date of these CFS, out of which 57 are controlled by NOL, 1 is under joint control and 3 on which NOL has a significant influence.

There is no material entity in NOL's scope for which a significant judgment had to be applied by management to determine whether such entity was controlled or not.

7.1 Accounting principles and judgments used for the purpose of 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 IAS 39,
- 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 (accounted for available-for-sale financial assets).

7.2 Judgments linked to structured entities

Freight securitization

The Group entered in late 2013 into a securitization program with certain financial institutions. As part of the program, a structured entity named CMA CGM & ANL Securities BV has been dedicated to purchase the trade receivables of certain shipping carriers. The entity is 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, the entity has 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. The Group recently implemented the same kind of structure to finance NOL receivables (see Note 6.6.4).

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

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.

CMA CGM does not hold the majority of voting rights and has no de facto control despite its large minority shareholding. CMA CGM has obtained early 2014 the nomination of two members to the Board, which is composed of six members; these two individuals representing CMA CGM have no right to vote any decision related to CMA CGM. CMA CGM being a major customer of Global Ship Lease, Inc., the decisions concerning the relationship with CMA CGM are among the most relevant activities of this entity.

The contracts between GSL and CMA CGM are only commercial agreements for vessels chartering and crewing management. These commercial relations don't give any specific power to CMA CGM. GSL successfully initialized a diversification of its customer base during 2014, pursued in 2015 and 2016.

Therefore, Management estimates that CMA CGM currently does not have the control over this investee based on IFRS 10 and that 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, 2016	As at December 31, 2015
Beginning of the period	635.8	686.1
Acquisition of subsidiaries (see Note 3.1.1)	194.0	-
Transfer of carrying value of newly controlled entities	(5.7)	-
New investments in associates and joint ventures	87.6	0.8
Disposal	(1.8)	-
Share of (loss) / profit	(22.3)	(5.8)
Dividend paid or payable to the Company	(19.7)	(31.0)
Other comprehensive income / (expense)	(15.3)	(6.0)
Reclassification from / to other items	46.3	(3.2)
Other	1.5	(5.0)
At the end of the period	900.2	635.8

The line item "Acquisition of subsidiaries" mainly corresponds to minority owned terminals in NOL scope, which have been measured at fair value on acquisition date (see Note 3.1.1). The contribution of NOL's associates and joint ventures as at December 31, 2016, amounts to USD 193.3 million.

The line item "Transfer of carrying value of newly controlled entities" is due to:

- the acquisition of 50% additional stake into CMA Systems, in which the Group previously had a 50% ownership resulting in a joint control. The obtention of the control resulted in no material impact in the Group's CFS;
- the acquisition of 50% additional stake into CMA CGM Korea, in which the Group previously had a 50% ownership resulting in a joint control. The obtention of the control resulted in no material impact in the Group's CFS.

The line item "New investment in associates and joint ventures" mainly corresponds to the participation of 49% in CPLT (see Note 3.1.3) for USD 79.7 million and to the capital injection in Rotterdam World Gateway BV for USD 9.2 million.

The line item "Reclassification from / to other items" mainly consists of shares in Rotterdam World Gateway BV for USD 50.0 million in which the Company had a 10% shareholding, reclassified from other financial assets as a

consequence of NOL acquisition which also has a 20% ownership in Rotterdam World Gateway BV, thus resulting in a significant influence and an overall 30% ownership for the Group.

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 (see below).

During the year ended December 31, 2016, Global Ship Lease recorded:

- an impairment charge amounting to USD 13.1 million (at Group share in Global Ship Lease) due to two vessels for which the charter agreement has been amended;
- an impairment charge amounting to USD 28.0 million (at Group share in Global Ship Lease) due to the reassessment of its value in use as at December 31, 2016.

During the year ended December 31, 2015, Global Ship Lease recorded an impairment charge amounting to USD 20.0 million (at Group share in Global Ship Lease) due to two vessels being reclassified as held for sale.

Except for the contribution of NOL as disclosed above, as at December 31, 2016, the main contributors to investments in associates and joint ventures are (i) Terminal Link Group for USD 383.0 million (USD 390.1 million as at December 31, 2015) and (ii) Global Ship Lease for USD 146.4 million (USD 184.3 million as at December 31, 2015). The fair value of Global Ship Lease quoted shares, at the Company’s share, amounts to approx. USD 37 million as at December 31, 2016 (USD 63.5 million as at December 31, 2015). See Note 7.3.3 and 7.3.4.

7.3.3 Additional disclosures related to associates

in million of USD	GLOBAL SHIP LEASE INC		OTHER ENTITIES	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
% of shareholding	44.41%	44.72%	n.a.	n.a.
% of voting rights	44.41%	44.72%	n.a.	n.a.
Equity method Balance sheet contribution	146.4	184.3	246.9	28.8
Equity method P&L contribution	(36.7)	(13.1)	5.8	8.0
Equity method OCI contribution	-	-	(6.0)	-
Equity method total comprehensive income contribution	(36.7)	(13.1)	(0.2)	8.0
Fair value (for listed entities)	63.5	63.5	n.a.	n.a.
Distributed dividends for CMA CGM	-	4.0	3.0	8.3
Data based on a 100% basis				
Non-current assets	719.3	849.0		
Current assets	56.9	57.6		
Total Assets	776.2	906.6		
Equity	328.9	412.2		
Non-current liabilities	399.4	442.9		
Current liabilities	48.0	51.5		
Total Liabilities	776.3	906.6		
Revenue	166.5	164.9		
Profit / Loss for the year	(82.7)	(29.4)		
Other comprehensive income / Loss	-	-		
Total comprehensive income / Loss	(82.7)	(29.4)		

7.3.4 Additional disclosures related to joint ventures

in million of USD	TERMINAL LINK GROUP		OTHER ENTITIES	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
% 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	383.0	390.1	124.0	32.4
Equity method P&L contribution	(5.5)	(13.1)	14.1	12.5
Equity method OCI contribution	(4.1)	(0.1)	(5.5)	0.2
Equity method total comprehensive income contribution	(9.6)	(13.2)	8.6	12.7
Fair value (for listed entities)	n.a.	n.a.	n.a.	n.a.
Distributed dividends to CMA CGM	-	6.6	16.8	12.2
Data based on a 100% basis				
Non-current assets	868.3	903.6		
Other current assets	35.1	55.4		
Cash & cash equivalents	73.3	38.3		
Total Assets	976.7	997.3		
Equity	756.7	770.5		
Non-current borrowings	117.3	124.9		
Other non-current liabilities	21.9	20.8		
Current borrowings	52.4	48.0		
Other current liabilities	28.6	33.1		
Total Liabilities	976.7	997.3		
Reconciliation of 100% figures to investments in joint ventures				
Equity of the joint venture excluding non controlling interests (100%)	750.9	764.9		
Equity attributable to the joint venturer (49%)	(367.9)	(374.8)		
Other	-	-		
Equity method balance sheet contribution	383.0	390.1		
Revenue				
	121.8	120.8		
Depreciation & amortization	(7.4)	(7.1)		
Financial result	(5.6)	(5.5)		
Income tax	(5.9)	(4.8)		
Profit / Loss) for the year	(10.7)	(25.6)		
Other comprehensive income / Loss)	1.1	(0.1)		
Total comprehensive income / Loss)	(9.5)	(25.7)		
Reconciliation of 100% figures to share of profit / (loss) from joint venture				
Share of profit / (loss) for the year	(10.7)	(25.6)		
Share of profit for the year for the joint venturer (49%)	5.2	12.5		
Other	-	-		
Equity method P&L contribution	(5.5)	(13.1)		

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, 2016, 333 entities are full consolidated or accounted at equity method (259 as at December 31, 2015). 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%
CMA CGM ANTILLES GUYANE	France	100.00%
OPDR GmbH & Co. KG	Germany	100.00%
COMANAV	Morocco	99.50%
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	99.28%
MACANDREWS LTD	United Kingdom	100.00%
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	80.00%
CMA CGM SOUTH AFRICA	South Africa	100.00%
MACANDREWS SA	Spain	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		
ALTERCO	Algeria	58.98%
INTRAMAR SA	France	100.00%
MARSEILLE MANUTENTION	France	100.00%
GMG	France (Guadeloupe)	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%
LCL CANADA LTD	Canada	60.00%
CMA CGM CHINA LOGISTICS CO. LTD	China	100.00%
CMA CGM LOGISTICS FRANCE	France	100.00%
LCL LOGISTIX INDIA PVT LTD	India	60.00%
CC TERMINAL CONTENEURS DAKAR (TCD)	Senegal	100.00%
USL LOGISTICS LLC	United States of America	100.00%
INTERMODAL		
GREENMODAL TRANSPORT	France	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		
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	44.72%
CMA CGM PSA LION TERMINAL	Singapore	49.00%
ROTTERDAM WORLD GATEWAY BV	The Netherlands	28.59%
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

There is no significant related party transaction entered into by NOL and its subsidiaries.

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, new associates and joint ventures acquired as part of NOL acquisition (Laem Chabang International Terminal Co., Qingdao Qianwan United Advance Container Terminal and First Logistics Development (JV) Company).

- Shipping activities which mainly include Global Ship Lease, Inc. a ship-owner listed in the U.S. currently owning a fleet of 18 vessels of which 15 time chartered to CMA CGM under agreements ranging from September 2017 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.
 - Yildirim, incorporated in Turkey, a Company with whom the Company signed two significant transactions in 2011 regarding the issuance of bonds redeemed in preferred shares as at December 31, 2015, and an agreement 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). In 2013, Yildirim subscribed to new bonds mandatorily redeemed into preferred shares as at December 31, 2015 (see Note 6.5).
 - 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 shares issued by the Company (see Note 6.5).
 - 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.
 - A non-profit foundation "Fondation d'Entreprise CMA CGM" which promotes certain cultural activities.
- Others activities which mainly include the following entities in which CMA CGM has a stake:
 - INTTRA, a company whose activity is to develop e-commerce in the container shipping industry,
 - TRAXENS, which is developing a breakthrough technology for "smart" containers.

The related party transactions included in the Statement of Profit & Loss can be analysed as follows:

	Total Related Parties For the year ended December 31,		Terminal activities For the year ended December 31,		Shipping For the year ended December 31,		Agencies For the year ended December 31,		Management / Shareholder's related entities For the year ended December 31,		Others For the year ended December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	8.8	14.6	4.6	5.5	0.6	-	-	4.3	3.4	4.4	0.2	0.4
Operating expenses	(331.7)	(361.3)	(154.8)	(89.3)	(130.3)	(133.2)	(0.7)	(3.5)	(40.4)	(36.8)	(5.5)	(98.5)
Other income and expenses	(57.3)	(35.4)	(16.3)	(15.4)	(41.1)	(20.0)	-	-	-	-	-	-
Financial result	(10.0)	(2.8)	(2.1)	0.3	0.1	4.0	10.5	9.8	(24.4)	(22.7)	5.8	5.8

The Statement of Financial Position positions corresponding to the related parties listed above are:

	Total Related Parties As at December 31,		Terminal activities As at December 31,		Shipping As at December 31,		Agencies As at December 31,		Management / Shareholder's related entities As at December 31,		Others As at December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Non current assets	50.1	79.4	50.0	34.2	-	-	0.1	0.0	0.0	0.0	-	45.0
Current assets	305.2	266.6	31.4	37.8	3.9	3.7	66.7	4.3	16.5	15.8	186.6	205.0
Non current liabilities	304.7	265.0	99.2	70.8	-	-	6.7	-	198.3	193.8	0.4	0.4
Current liabilities	113.3	61.9	16.7	7.5	0.3	0.2	42.6	1.0	52.5	51.4	1.1	1.8

Included in "current liabilities" are the dividends declared and not yet paid to Merit amounting to USD 44.6 million (see Note 5.4.2). Such liability has been repaid to Merit early 2017.

Key management compensations for a total amount of USD 4.5 million for the year ended December 31, 2016 (USD 3.6 million for the year ended December 31, 2015) 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.

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.

Provisions can be analyzed as follows:

	Litigation	Other risks and obligations	Provisions	of which		Employee benefits
				non current portion	current portion	
As at January 1, 2015	83.0	140.6	223.6	206.2	17.4	127.2
Additions for the period	9.7	28.7	38.4			8.5
Reversals during the period (unused)	-	(16.6)	(16.6)			-
Reversals during the period (used)	(8.5)	(35.3)	(43.8)			(10.0)
Acquisition of subsidiaries	-	-	-			9.3
Actuarial (gain) / loss recognized in the OCI	-	-	-			2.0
Foreign currency translation adjustment	(1.1)	(11.7)	(12.8)			(6.1)
As at December 31, 2015	83.1	105.7	188.8	167.9	20.9	131.0
Additions for the period	8.4	63.5	71.9			16.2
Reversals during the period (unused)	(19.4)	(2.4)	(21.7)			(0.1)
Reversals during the period (used)	(17.4)	(35.8)	(53.2)			(12.0)
Acquisition of subsidiaries (see Note 3.1)	71.0	144.3	215.3			55.7
Actuarial (gain) / loss recognized in the OCI	-	-	-			0.1
Foreign currency translation adjustment	0.3	(2.7)	(2.4)			(8.2)
As at December 31, 2016	126.0	272.6	398.6	356.0	42.7	182.6

8.1.1 Provisions for litigation and other risks and obligations

Litigation

The provision for litigation as at December 31, 2016 corresponds to cargo related and other claims incurred in the normal course of business (same as at December 31, 2015). NOL contributed to litigation provisions for an amount of USD 56.7 million which relate to various cargo related claims of similar nature compared to CMA CGM litigation provisions. None of these claims taken individually represents a significant amount.

Other risks and obligations

Provisions for other risks and obligations mainly include 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. Such provision amounts to USD 99.1 million (USD 84.6 million as at December 31, 2015), up USD 14.5 million mainly as a consequence of the reassessment of the present value of Terminal Link dividend distribution capacity, partly compensated by the payment occurred during the year ended December 31, 2016.

This provision is based on the estimated level of Terminal Link dividend distribution capacity which may require a certain level of judgement.

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 indemnities, paid by the Company on retirement (defined benefit plan); and
- Pension payments from social security bodies, financed by contributions from businesses and employees (defined contribution plan).

In accordance with the regulatory environment and collective agreements, the Group has established defined contribution and defined benefit pension plans (company or multi-employer) in favor of employees.

Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations.

Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. 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 employee service in the current and prior financial years. The 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 14.0 million to its defined contribution plans in 2016 (USD 8.4 million in 2015).

Defined benefit plans

Major defined benefit plans can be described as follows:

Retirement Indemnities (France)

French retirement indemnity is a lump sum paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee at the retirement date and is prescribed by collective bargaining agreements (“CBA”). Those agreements are negotiated by Unions' 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 French standard retirement benefits, such as pensions provided by Social Security or complementary funds (ARRCO and AGIRC).

Article 23 (France)

The benefits consist of an annuity payable to a closed group of beneficiaries. All the beneficiaries are retired. This plan is not externalized to an insurer, and the annuities are 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.

Jubilee Awards (France)

The benefits consist of a lump sum payable to employees when they reach different year's career service.

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 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 are taken into account to value the appropriate retirement indemnity of employees concerned.

Retirement Indemnities (Morocco)

Retirement indemnity in our subsidiaries in Morocco is a lump sum paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee at the retirement date and is prescribed by a collective bargaining agreements.

Medical insurance (Morocco)

The benefits provides 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 reimbursement cost is indexed by 2.5% per year in order to reflect the medical consumption and cost inflation.

Retirement Indemnities (The Netherlands)

Retirement indemnity in the Company's subsidiaries in Netherlands is a lump sum paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee at the retirement date and is prescribed by a collective bargaining agreements.

Superannuation Plan (Australia)

Retirement indemnity in certain of the Company's subsidiaries in Australia is a lump sum 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 at the retirement or resignation. This plan is closed to new benefit members.

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.

NOL's defined benefit plans

NOL's employee benefits provision 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.

Actuarial assumptions

The actuarial assumptions used for the principal countries are as follows:

	As at December 31, 2016				As at December 31, 2015		
	Euro Zone	Morocco	Australia	United States (*)	Euro Zone	Morocco	Australia
Discount rate	1.34%	3.25%	3.70%	3.79%	2.10%	4.00%	3.80%
Future salary increase	2.85%	2.50%	4.00%	2.50%	3.28%	2.50%	4.00%
Long-term inflation	1.61%	2.00%	n.a.	2.50%	2.00%	2.00%	n.a.

(*) *New disclosure due to NOL acquisition*

The future salary increase mentioned in the table above includes the impact of inflation.

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 15 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.

Evolution of rates

Due to the diminution of interest rates in the Euro zone, the discount rate being used to evaluate the Company's liability regarding pension and employee benefits were down from 2.10% to 1.34% as at December 31, 2016 compared to December 31, 2015. However, taking into account all the impact recognized in OCI, the overall impact of remeasurement of defined pension plans recorded in other comprehensive income is limited to USD (0.1) 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, 2016	As at December 31, 2015
Liabilities	(342.1)	(163.5)
Assets	159.5	32.5
Net liability	(182.6)	(131.0)
	As at December 31, 2016	As at December 31, 2015
Present value of unfunded obligations	(152.5)	(122.7)
Present value of funded obligations	(189.6)	(40.8)
Fair value of plan assets	159.5	32.5
Net present value of obligations	(182.6)	(131.0)

Variations in the defined benefit obligations over the year are as follows:

	As at December 31, 2016	As at December 31, 2015
Beginning of year	163.5	161.9
Plan amendment - past service cost	(1.8)	0.8
Service cost	14.8	4.8
Interest cost	6.8	4.0
Actuarial losses/(gains)	10.9	0.7
Benefits paid	(32.9)	(8.4)
Employee contributions	0.2	0.2
Expenses Paid	(0.0)	(0.0)
Taxes paid	(0.1)	(0.1)
Premiums paid	(0.0)	(0.0)
Reclassification of liabilities	0.7	0.5
Acquisition / disposal of subsidiaries and other	189.3	8.6
Exchange differences	(9.3)	(9.6)
End of year	342.1	163.5

Plan assets vary as follows:

	As at December 31, 2016	As at December 31, 2015
Beginning of year	32.5	34.7
Interest on assets	3.6	0.8
Actuarial (losses)/gains	12.0	(1.0)
Benefits paid and interest income	(24.7)	(0.4)
Employer contributions	3.4	2.0
Employee contributions	0.2	0.2
Acquisition of subsidiaries and other	134.4	-
Expenses paid	(0.9)	(0.1)
Taxes paid	(0.1)	(0.1)
Premiums paid	(0.0)	(0.0)
Exchange differences	(1.0)	(3.6)
End of the year	159.5	32.5

The plan assets are invested as follows:

	As at December 31,	
	2016	2015
Cash and cash equivalents	5%	3%
Equity instruments	23%	19%
Debt instruments	15%	5%
Real estate	1%	4%
Investment funds	35%	0%
Assets held by insurance company	15%	58%
Other	6%	13%

The amounts recognized in the Statement of Profit & Loss are as follows:

	As at December 31, 2016	As at December 31, 2015
a. Current service cost excluding taxes, expenses, employees contributions and premiums	14.8	4.8
b. Administrative expenses and taxes	0.8	0.1
c. Employees contributions	-	-
d. Past service cost/curtailment	(1.8)	0.8
e. Non-routine settlements	-	-
Total service cost	13.8	5.7
a. Interest on the DBO (gains) / losses	6.8	4.0
b. Interest on Assets gains /(losses)	(3.6)	(0.8)
c. Interest on Assets ceiling (gains) / losses	-	-
d. Interest on reimbursement rights (gains) / losses	-	(0.1)
Total net interest	3.1	3.2
Remeasurements of Other Long Term Benefits	(1.1)	(0.3)
Benefit expense recognized in the income statement	15.8	8.5
Remeasurements (recognized in other comprehensive income)	0.1	2.0
Total defined benefit cost recognized in P&L and OCI	15.9	10.5

The amounts recognized in the Statement of Financial Position in the net liability are as follows:

	As at December 31, 2016	As at December 31, 2015
Net liability as of beginning of year	(131.0)	(127.2)
Benefit expense recognized in the income statement	(15.8)	(8.5)
Remeasurements (recognized in other comprehensive income)	(0.1)	(2.0)
Employer contributions	3.4	2.0
Benefits paid directly	8.2	8.0
Acquisition / disposal of subsidiaries and other	(55.6)	(8.8)
Reclassification of liabilities	-	(0.5)
Credit to reimbursements	-	-
Exchange differences	8.2	6.1
Net liability as of end of year	(182.6)	(131.0)

The contribution of NOL to provision related to employee benefits as at December 31, 2016, amounts to USD 47.6 million as at December 31, 2016, composed of USD 168.3 million of defined benefit obligations and USD 120.7 million of plan assets.

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	On Plan Assets
As at December 31, 2012	(147.6)	27.6	(120.1)	16.4	4.3
As at December 31, 2013	(149.9)	30.9	(119.0)	1.0	1.3
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

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, 2016	Discount rate	Long-term inflation
- 25 basis points	10.3	(15.4)
+25 basis points	(13.4)	0.7

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:

Formal investigation by the European Commission

In May 2011, the European Commission carried out unannounced inspections at the premises of various carriers, including ours, in order to investigate a possible collusion among carriers on prices and capacities and by a decision dated November 21, 2013, initiated antitrust proceedings. CMA CGM, among several other shipping carriers, was part of these investigations and entered then into a commitment process with the European Commission.

After carrying out a market test of the commitments offered by the carriers, the Commission officially announced its decision on July 7, 2016 by which it confirms that the commitments address its concerns.

Such decision that closes the European Commission's formal investigation does provides that (i) the commitments are binding upon the concerned carriers for a period of 3 years starting from 7 December 2016, conclude that (ii) there are no longer grounds for action on the Commission's part and (iii) the proceedings in this case should therefore be brought to an end based on the fact that there was no infringement of the EU antitrust rules.

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 and containers operated under time charters (or bareboat charters) which qualify as operating leases

As at December 31, 2016 the Group operates 327 vessels under time charters (383 as at December 31, 2015).

The due dates of leases payable for 333 vessels delivered or to be delivered under time charters at the Statement of Financial Position date 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, 2016 - not discounted	6,539.9	950.2	3,389.9	1,962.9	236.8
Vessels under operating leases as of December 31, 2016 - discounted	4,693.5	879.0	2,614.9	1,102.6	96.9
Vessels under operating leases as of December 31, 2015 - not discounted	5,351.9	759.5	2,981.4	1,435.7	175.3
Vessels under operating leases as of December 31, 2015 - discounted	3,241.9	634.6	1,951.9	601.7	53.7

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. Running costs, which

typically include crew and technical maintenance, approximate 13% of the total charter commitments as they relate to large vessels with relatively low running costs compared to the capital cost and due to the effect of bareboat commitments.

As at December 31, 2016, the Company is committed to pay bareboat charters in relation to 6 vessels not yet delivered all under long-term bareboat (11 vessels as at December 31, 2015 - 9 vessels under long-term bareboat and 2 vessels under time charts). Such commitments are included in the table above and amount to USD 617.6 million on an undiscounted basis and USD 368.0 million on a discounted basis (respectively USD 1,013 million on an undiscounted basis and USD 539 million on a discounted basis as at December 31, 2015). The delivery of these vessels is scheduled to take place in 2017.

The table above also includes commitments to Global Ship Lease Inc., a related party, for an undiscounted amount of USD 419.7 million as at December 31, 2016 (USD 450 million as at December 31, 2015).

In certain cases, the Group may benefit from non-bargain purchase options to acquire the vessel at the end of the lease term or non-bargain renewing options not taken into account in the above table.

The due dates of the container operating leases held at the Statement of Financial Position date can be analyzed as follows, on an undiscounted basis:

	Total	Less 1 year	1 to 5 years	6 to 10 years	Over 10 years
Containers under operating leases as of December 31, 2016	2,186.1	633.9	1,425.4	126.8	-
Containers under operating leases as of December 31, 2015	1,750.8	500.8	1,119.4	130.5	-

This table includes commitments to Investment and Financing Corp. Ltd., a related party, amounting to USD 55.4 million as at December 31, 2016 (USD 81.7 million as at December 31, 2015).

The total amount of operating lease payments related to vessels and containers was USD 2,292.5 million in 2016 (USD 2,377.5 million in 2015).

Commitments related to ordered vessels

During the year 2016, the Company ordered 4 vessels (see Note 5.2.2) which leads to an orderbook totalling 18 vessels as at December 31, 2016. The orderbook corresponds to three 2,500 TEUs vessels, three 20,600 TEUs vessels, six 14,000 TEUs vessels, two Bangkokmax and four Neo PCRF. Most of the vessels included in this orderbook are under committed financing (see below).

Since the 2015 annual audited CFS, the Company:

- reached agreements with some of its core banks regarding the financing of three 20,600 TEUs vessels and three 14,000 TEUs vessels through tax lease arrangements, for an amount up to 75% of the vessels cost. As the vessels are still under construction, only a small portion of such financings has been drawn to date;
- ordered four 3,300 TEUs neo-PCRF, for a whole amount of USD 116 million, to be delivered in 2018.

NOL has no orderbook outstanding.

The contractual commitments related to the construction of these vessels can be analyzed as follows (in USD million):

	As at December 31, 2016	As at December 31, 2015
Orderbook		
- units	18	14
- Remaining commitments, net of prepayments *	1,052.1	1,001.8
- Committed financings	895.8	49.1
<i>* of which payable in:</i>		
2017	646.5	359.2
2018	405.6	642.6
2019	-	-
2020	-	-
2021	-	-
Total	1,052.1	1,001.8

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 5.2.2). These guarantees relate to the construction of 18 vessels as at December 31, 2016 and amount to USD 364.4 million.

8.2.2 Commitments relating to concession fees

The Group carries out certain stevedoring activities under long-term concession arrangements. The future minimum payments under these arrangements for which the Company issued a guarantee amounts to USD 1,130.8 million as at December 31, 2016 (USD 27.9 million as at December 31, 2015). The increase is fully explained by the integration of NOL which is committed to pay concession fees to several terminals.

8.2.3 Other Financial Commitments

Other financial commitments primarily relate to the following:

Financial Commitments given

	As at December 31, 2016	As at December 31, 2015
Bank guarantees	123.8	98.2
Guarantees on terminal financing	126.2	90.4
Customs guarantees	8.5	8.6
Port authorities and administration	8.5	7.9
Office rented guarantees	124.9	33.3
Others guarantees granted for non-current assets	164.2	81.0
Mortgage on share of associates	4.4	1.5
Pledge	-	121.5
Other	146.9	261.2

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, with the exception of "Other guarantees granted for non-current assets" which primarily relate to the commitment in relation to the new information system at balance sheet date.

As at December 31, 2016, the Company transferred USD 1,319.3 million of trade receivables as collateral under its securitization programs (USD 1,085.8 million as at December 31, 2015).

Financial Commitments received

	As at December 31, 2016	As at December 31, 2015
Guarantees received from independent shipping agents	3.4	4.5
Guarantees received from customers	8.4	10.2
Other financial commitments received	32.0	2.1

8.3 Significant transactions occurred after the date of the Consolidated Statement of Financial Position

CMA CGM Group governance

On February 8, 2017, the Board of Directors appointed Rodolphe Saadé as Chief Executive Officer of the CMA CGM Group. Jacques R. Saadé remains Chairman of the Board of Directors.

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.

KPMG Audit
Division of KPMG S.A.
480 avenue du Prado
CS 90021
13272 Marseille Cedex 08

Deloitte & Associés
Les Docks – Atrium 10.4
10 place de la Joliette
13002 Marseille

CMA CGM S.A.

4 Quai d'Arenc
13002 Marseille

**Statutory Auditors' report
on the consolidated financial statements**

Year ended December 31, 2015

KPMG Audit
Division of KPMG S.A.
480 avenue du Prado CS 90021
13272 Marseille Cedex 08

Deloitte & Associés
Les Docks – Atrium 10.4 10
place de la Joliette
13002 Marseille

CMA CGM S.A.

4 Quai d'Arenc
13002 Marseille

Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2015

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' General Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of CMA CGM S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Note 2.3 “Significant accounting judgments, estimates and assumptions” to the consolidated financial statements discloses the significant accounting judgements, estimates and assumptions adopted by management. These significant estimates mainly relate to judgements and assumptions used for the determination of the operating segments, the accounting for investment premiums related to the financing of vessels with leveraged tax leases, the impairment testing of non-financial assets, the determination of the useful lives and residual values of the vessels, the measurement of deferred tax assets, financial instruments, demurrage receivables and accruals for port call expenses, transportation costs and handling services, the classification of leases, the analysis of interests in associates and joint ventures and the preparation of the consolidation scope.

Our procedures consisted in assessing the data and assumptions underlying these judgements and estimates, reviewing, using sampling techniques, the calculations performed by the company and verifying the appropriateness of disclosures provided in the notes to the consolidated financial statements on the assumptions and options adopted by the company.

As indicated in Note 2.3 to the consolidated financial statements, these estimates are based on assumptions that are by nature uncertain, and actual results may sometimes differ significantly from forecast data used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group’s management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Marseille, March 7, 2016

The Statutory Auditors

French original signed by

KPMG Audit
Division of KPMG SA

Deloitte & Associés

Georges Maregiano
Partner

Vincent Gros
Partner



CONSOLIDATED FINANCIAL STATEMENTS

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Year ended December 31, 2015

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Consolidated Statement of Profit & Loss

(in USD million, except for earnings per share)

	Note	For the year ended December 31,	
		2015	2014
REVENUE	4.1	15,674.1	16,739.1
Operating expenses	4.2	(14,420.6)	(15,449.3)
EBITDA BEFORE GAINS/ (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES		1,253.5	1,289.7
Gains/ (losses) on disposal of property and equipment and subsidiaries	4.4	9.8	27.9
Depreciation and amortization of non-current assets	5.2.1	(407.5)	(401.1)
Other income and expenses	4.5	(5.1)	(83.5)
Net present value (NPV) benefits related to assets financed by tax leases	4.6	50.4	78.9
EBIT BEFORE SHARE OF INCOME/ (LOSS) FROM ASSOCIATES AND JOINT VENTURES		901.1	911.9
Share of income / (loss) from associates and joint ventures	7.3.2	(5.8)	5.7
EBIT	4.1	895.3	917.6
CORE EBIT	4.1	910.6	973.2
Interests expense on borrowings		(277.7)	(310.2)
Interests income on cash and cash equivalent		25.6	32.0
Other net financial items		28.9	56.3
FINANCIAL RESULT	4.7	(223.3)	(221.9)
PROFIT BEFORE TAX		672.0	695.7
Income taxes	4.8.1	(85.4)	(84.1)
PROFIT FOR THE YEAR		586.7	611.6
of which:			
Non-controlling interests		19.9	28.0
OWNERS OF THE PARENT COMPANY		566.7	583.6
<i>Basic and diluted Earnings Per Share (EPS) attributable to the owners of the parent company (in USD)</i>	6.5	37.5	38.6

Consolidated Statement of Comprehensive Income

(in USD million)

	For the year ended December 31,	
	2015	2014
PROFIT FOR THE YEAR	586.7	611.6
Other comprehensive income reclassifiable to Profit and Loss		
Cash flow hedges:		
Gains / (losses) arising during the year	16.5	5.6
Recycling to the income statement	2.1	2.1
Currency translation adjustment related to foreign subsidiaries, associates and joint ventures	(78.3)	(75.9)
Share of other comprehensive income of associates and joint ventures	0.6	(0.5)
Tax on other comprehensive income reclassifiable to Profit and Loss (*)	(0.1)	0.2
Other comprehensive income non reclassifiable to Profit and Loss		
Remeasurement of defined benefit pension plans	(2.0)	(13.3)
Remeasurement of defined benefit pension plans of associates and joint ventures	(0.5)	(0.8)
Tax on other comprehensive income non reclassifiable to Profit and Loss (*)	(0.3)	2.2
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX	(62.0)	(80.4)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX	524.7	531.2
of which:		
Non-controlling interests	19.2	26.4
Owners of the parent company	505.5	504.8

(*) The income tax related to each component of other comprehensive income is disclosed in Note 4.8.2

Consolidated Statement of Financial Position - Assets

(in USD million)

	Note	As at December 31, 2015	As at December 31, 2014
Goodwill	5.1.1	310.4	289.7
Other intangible assets	5.1.2	249.5	222.4
INTANGIBLE ASSETS		559.9	512.1
Vessels	5.2.1	6,496.3	5,974.4
Containers	5.2.1	499.4	544.9
Lands and buildings	5.2.1	482.6	540.2
Other properties and equipments	5.2.1	149.3	110.8
PROPERTY AND EQUIPMENT	5.2.1	7,627.5	7,170.3
Deferred tax assets	4.8.2	33.5	34.2
Investments in associates and joint ventures	7.3.2	635.8	686.1
Non-current derivative financial instruments	6.2	-	3.0
Other non-current financial assets	6.3.1	545.7	657.3
NON-CURRENT ASSETS		9,402.4	9,063.0
Inventories	5.4.1	250.9	384.4
Trade and other receivables	5.4.2	2,059.2	2,382.7
Current income tax asset	5.4.2	18.5	15.6
Current derivative financial instruments	6.2	-	3.9
Securities and other current financial assets	6.3.2	938.7	77.1
Cash and cash equivalents	6.4	1,224.0	2,186.5
Prepaid expenses	5.4.2 & 5.4.3	381.5	249.4
Assets classified as held-for-sale		-	0.5
CURRENT ASSETS		4,872.8	5,300.1
TOTAL ASSETS		14,275.3	14,363.1

Consolidated Statement of Financial Position - Liabilities & Equity

(in USD million)

	Note	As at December 31, 2015	As at December 31, 2014
Share capital		234.7	169.2
Reserves and retained earnings		4,555.4	4,202.4
Profit of the year attributable to the equity owners of the parent company		566.7	583.6
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		5,356.8	4,955.2
Non-controlling interests		48.7	40.1
TOTAL EQUITY		5,405.5	4,995.3
Non-current borrowings	6.6.1	4,414.0	4,409.4
Non-current derivative financial instruments	6.2	42.7	55.2
Deferred tax liabilities	4.8.2	52.1	53.0
Provisions and retirement benefit obligations	8.1	296.6	331.1
Non-current deferred income	5.4.2 & 5.4.3	42.7	3.6
NON-CURRENT LIABILITIES		4,848.2	4,852.3
Current borrowings	6.6.1	733.6	1,070.7
Current derivative financial instruments	6.2	20.2	32.9
Current portion of provisions	8.1	23.1	19.7
Trade and other payables	5.4.2	2,756.6	2,720.2
Current income tax liability	5.4.2	20.2	28.0
Current deferred income	5.4.2 & 5.4.3	467.9	644.0
Liabilities associated with assets classified as held-for-sale		-	-
CURRENT LIABILITIES		4,021.6	4,515.5
TOTAL LIABILITIES & EQUITY		14,275.3	14,363.1

Consolidated Statement of changes in Equity

(in USD million)

	Attributable to the equity owners of the parent				TOTAL	Non-controlling interests	Total Equity
	Share capital (*)	Reserves, retained earnings and Profit for the year					
		Bonds redeemable in shares (**)	Premium, legal reserves, Profit for the year and other comprehensive income non reclassifiable to profit and loss	Other comprehensive income reclassifiable to profit and loss			
Balance as at January 1, 2014	169.2	331.6	4,007.7	(16.6)	4,491.9	49.2	4,541.1
Profit for the year	-	-	583.6	-	583.6	28.0	611.6
Other comprehensive income / (expense), net of tax	-	-	(12.5)	(66.3)	(78.8)	(1.6)	(80.4)
Total comprehensive income / (expense) for the year	-	-	571.1	(66.3)	504.8	26.4	531.2
Transaction with non-controlling interests	-	-	(2.0)	0.5	(1.5)	(8.4)	(9.9)
Dividends	-	-	(40.0)	-	(40.0)	(27.1)	(67.1)
Balance as at December 31, 2014	169.2	331.6	4,536.8	(82.4)	4,955.2	40.1	4,995.3
Balance as at January 1, 2015	169.2	331.6	4,536.8	(82.4)	4,955.2	40.1	4,995.3
Profit for the year	-	-	566.7	-	566.7	19.9	586.7
Other comprehensive income / (expense), net of tax	-	-	(2.0)	(59.2)	(61.2)	(0.8)	(62.0)
Total comprehensive income / (expense) for the year	-	-	564.7	(59.2)	505.5	19.2	524.7
Transaction with non-controlling interests	-	-	(24.1)	0.2	(23.9)	8.6	(15.3)
Equity component of bonds redeemable in shares (**)	65.5	(275.2)	209.7	-	0.0	-	0.0
Dividends	-	-	(80.0)	-	(80.0)	(19.2)	(99.2)
Total transactions with Shareholders	65.5	(275.2)	105.5	0.2	(103.9)	(10.6)	(114.5)
Balance as at December 31, 2015	234.7	56.5	5,207.1	(141.4)	5,356.8	48.7	5,405.5

(*) The share capital is composed of 14,205,221 shares (see Note 6.5).

(**) See Note 6.5.

Consolidated Statement of Cash Flows

(in USD million)

		For the year ended December 31,	
		2015	2014
Profit for the year		586.7	611.6
Reconciliation of profit for the period to cash generated from operations :			
- Depreciation and amortization	5.2.1	407.5	401.1
- Net present value (NPV) benefits related to assets financed by tax leases	4.6	(50.4)	(78.9)
- Other income and expense	4.5	5.1	83.5
- Increase / (Decrease) in provisions		13.9	9.9
- Loss / (Gains) on disposals of property and equipment and subsidiaries	4.4	(9.8)	(27.9)
- Share of (Income) / Loss from associates and joint ventures	7.3.2	5.8	(5.7)
- Interest expenses on net borrowings		278.0	292.7
- Income tax	4.8.1	85.4	84.1
- Other non cash items		32.9	(42.0)
Changes in working capital	5.3.1 & 5.4.2	122.7	(159.0)
Cash flow from operating activities before tax		1,477.8	1,169.4
- Income tax paid		(96.0)	(68.8)
Cash flow from operating activities net of tax		1,381.8	1,100.6
Purchases of intangible assets	5.2.1	(55.6)	(53.2)
Purchases / disposals of subsidiaries, net of cash acquired / divested	5.2.1	(48.7)	5.4
Purchases of property and equipment	5.2.1	(507.6)	(314.5)
Proceeds from disposal of property and equipment		92.5	193.9
Proceeds from disposal of assets classified as held-for-sale		-	50.0
Dividends received from associates and joint ventures	7.3.2	24.4	13.5
Cash flow resulting from other financial assets	6.3.2	(952.0)	50.9
Variation in securities		9.8	209.6
Net cash (used for) / provided by investing activities		(1,437.2)	155.6
Free Cash Flow	5.5	(55.4)	1,256.2
Dividends paid to the owners of the parent company and non-controlling interest		(99.1)	(64.9)
Proceeds from borrowings, net of issuance costs	6.6.1	938.5	309.4
Repayments of borrowings	6.6.1	(1,212.2)	(577.0)
Principal repayments on finance leases	6.6.1	(121.7)	(135.5)
Decrease in liabilities associated with assets held-for-sale		-	(29.5)
Interest paid on net borrowings		(258.6)	(302.0)
Refinancing of assets		132.2	-
Other cash flow from financing activities		32.1	(16.4)
Net cash (used for) / provided by financing activities	6.7	(588.8)	(815.9)
Effect of exchange rate changes on cash and cash equivalents and bank overdrafts		(46.6)	(28.1)
Net increase / (decrease) in cash and cash equivalents and bank overdrafts		(690.8)	412.2
Cash and cash equivalents and bank overdrafts at the beginning of the year		1,741.7	1,329.6
Cash and cash equivalents as per balance sheet		1,224.0	2,186.5
Bank overdrafts		(173.1)	444.8
Cash and cash equivalents and bank overdrafts at the end of the year	6.4	1,050.9	1,741.7
Net increase / (decrease) in cash and cash equivalents and bank overdrafts		(690.8)	412.2
Supplementary information: non cash investing or financing activities:			
- Assets acquired through finance lease or equivalents	5.2.1	434.2	22
Supplementary information:			
- Interests received		24.8	32.5
- Interests paid		(258.6)	(334.5)

Notes to the Consolidated Financial Statements

In the light of the recommendations issued by the French regulator Autorité des Marchés Financiers (“AMF”) and international accounting regulation authorities, CMA CGM has revised the framework and structure of its 2015 Consolidated Financial Statements (“CFS”) to improve their clarity and relevance. The most important change is described as an introduction of Note 2 below. Certain acronyms used in these CFS have been defined in the glossary presented in Note 9.

Note 1 - Corporate information

The 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, 2015 were approved by the Board of Directors on March 7, 2016.

The Group is headquartered in France and is the third largest container shipping company in the world. The Group operates primarily in the international containerized transportation of goods. Its activities also include container terminal operations and transport by rail, road and river.

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

As part of the evolution of these CFS described above, the major part of accounting policies have been included in other accompanying Notes with the exception of below 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 available-for-sale financial assets, securities and derivative financial instruments 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: www.ec.europa.eu/internal_market/accounting/ias/index_en.htm

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 S.A.;
- 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. Dollars (USD), which is also the currency of the primary economic environment in which CMA CGM S.A. operates (the “functional currency”). The functional currency of the entities operating in shipping activities is U.S. Dollars. 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 the Group entities operating in other activities, the functional currency is generally the local currency in the country in which such activities are performed.

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, 2014, except as outlined in the paragraphs below.

2.2.1 Adoption of new and amended IFRS and IFRIC interpretations from January 1, 2015

IFRIC 21: Levies

The IASB issued IFRIC Interpretation 21 Levies, which clarifies the accounting for levies imposed by governments. The scope of the interpretation is broad and covers all levies, except outflows that are in the scope of IAS 12 Income Taxes and penalties for breaches of legislation. This interpretation did not have a material impact on the Company's financial position and performance, and thus, the comparative information has not been restated.

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions

The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments did not have a material impact on the Company's financial position and performance.

Amendments to IAS 1: Disclosure initiatives

These amendments consider proposals to see how entities applying IFRS can improve and simplify disclosures within existing disclosure requirements through exercise of judgment by Management. The EU has endorsed these amendments on December 15, 2015 with an application date on January 1, 2016. However, as stated above, the Group has extensively revised its CFS and consequently, these amendments have been early applied.

Annual improvements to IFRS 2011-2013

As part of these improvements, the Board made amendments to a total of 9 standards, with main changes being made on the standard of "Business Combinations" and "Fair value measurement". The adoption of these amendments did not have a material impact on the Company's financial position and performance.

2.2.2 New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2015, endorsed by the European Union and not early adopted

The following new or amended Standards are not expected to have a material impact on the Group's CFS:

Annual improvements to IFRS 2012-2014

Amendments to IFRS 11: Accounting for acquisition of interests in joint operations

Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization

Amendments to IAS 27: Equity accounting in individual financial statements

2.2.3 New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2015 and not yet endorsed by the European Union

IFRS 9: Financial instruments

IFRS 9 was issued by the IASB in July 2014 with an effective date on January 1, 2018. This new standard, published in July 2014, 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 is currently assessing the impact that this new standard may have on the annual CFS.

IFRS 15: Revenue from contracts with customers

IFRS 15 was issued in May 2014 by the IASB on the recognition of revenue from contracts with customers. In September 2015, the IASB deferred the effective date of IFRS 15 by one year to January 1, 2018. This standard has not yet been adopted by the EU.

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 will also result 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.

The Company will pursue an in-depth analysis of the requirements of the new standard. At this stage, Management preliminarily considers that it should not materially impact the current accounting method for revenue recognition.

The following new or amended Standards are not expected to have a significant impact on the Group's CFS:

IFRS 14: Regulatory Deferral Accounts

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

2.2.4 Other IASB projects

Leases

The IASB released an exposure draft in June 2010, followed by a second exposure draft in May 2013, regarding the accounting for leases, which may have a significant impact on the Company's Statement of Financial Position and Statement of Profit & Loss as it may end the distinction between operating leases and finance leases. The IASB issued the new standard in January 2016 and decided to require entities to apply the new Leases Standard for annual periods beginning on or after 1 January 2019. The effective date of the revised standard also depends on the European Union endorsement process.

This new lease standard would lead to the recognition as a liability in the Statement of Financial Position of certain lease commitments currently disclosed as commitments in the Notes to the CFS. Certain operating lease expenses currently recorded within operating expenses would be split into a depreciation expense of an intangible asset and a financial expense, except for the running costs which would remain treated as an operating expense.

At this stage, Management has not yet estimated in detail the potential financial impacts and business implications, including its strategy in terms of balance between owned and leases vessels and containers. Management also has not yet decided the transition option to be applied at application date.

Minimum lease payments related to the Company's vessels and containers under operating leases are presented within Note 8.2.1 Commitments on vessels and containers.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of financial statements 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, at the reporting date.

The main judgments, estimates and assumptions are as follows and have been disclosed in the following Notes and have been highlighted in green:

- Judgments used for the purpose of determining the operating segments (see Note 4.1);
- Judgements and estimates used for the accounting of NPV benefits related to assets financed by tax leases (see Note 4.6);
- Deferred taxes (see Note 4.8.2);
- 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 contract between operating lease and finance lease (see Note 6.6);
- Judgments used for the purpose of determining the consolidation scope (see Note 7.1);and
- Significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures (see Note 7.3.1).

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.

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 operational 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 USD are as follows:

	Closing rate		Average rate	
	2015	2014	2015	2014
Euro	0.91853	0.82366	0.90095	0.75353
British pound sterling	0.67411	0.64155	0.65425	0.60721
Australian Dollar	1.36833	1.22140	1.33056	1.10902
Moroccan dirham	9.89905	9.03393	9.76052	8.42847

Note 3 - Significant events occurred during the year

3.1 Significant events in 2015

3.1.1 Business combinations

NOL proposed acquisition

On December 7, 2015, the Company announced a pre-conditional voluntary general cash offer for Neptune Orient Lines (“NOL”), Southeast Asia’s largest container shipping company, subject to the approval from antitrust authorities. NOL’s majority shareholders (Temasek and its affiliates) have irrevocably undertaken to tender all of their shares in acceptance of the offer.

Upon satisfaction of the pre-conditions, namely China, EU and US, which is targeted to occur around mid 2016, CMA CGM will launch a tender offer at a price of SGD 1.30 per NOL share, representing an amount of approximately USD 2.4 billion as of December 31, 2015 (based on applicable SGD-USD rate of exchange). The proposed acquisition is expected to be financed via a combination of (i) a USD 1,652 million dedicated undrawn acquisition facility committed by a syndicate of international banks and (ii) USD 750 million of the Group’s own cash. In December, 2015, in order to secure the availability of the above mentioned financing, the Company has deposited in escrow account an amount of USD 772 million.

Closing of LCL Logistix

On April 29, 2015, the Company finalized its acquisition of 60% in the company LCL Logistix, one of India’s independent third-party logistics leaders. The Company reinforces its position in India and will leverage on LCL Logistix’s Indian network as well as its presence in Canada, in the United States and in East Africa to accelerate its development. The investment was made through CMA CGM Logistics France, the wholly owned subsidiary of the Group specialized in forwarding and logistics solutions.

The preliminary goodwill related to this acquisition has been recorded and amounts to USD 8.4 million. Non controlling interests have been valued at their proportionate share in the recognized identifiable net assets.

As part of the transaction, the Company entered into certain option agreements with non controlling interests allowing the Group to acquire their shares, and granted a put option to the non controlling interests. These options may be exercised in 3 to 5 years from acquisition date. The put option resulted in the recognition of a liability at its fair value, which is not disclosed as being not material at Group level.

Closing of OPDR GmbH

On July 1, 2015, the Company finalized the acquisition of 100% of OPDR GmbH following the approval of the transaction by the European Commission without any condition.

OPDR is a sea carrier specialized in short sea maritime services and door to door logistics solutions between North Europe, the Canary Islands, the Iberian Peninsula and Morocco.

The preliminary goodwill related to this acquisition has been recorded and amounted to USD 17.2 million at acquisition date.

3.1.2 Terminal development

Closing of Kingston

On April 7, 2015, the Company signed an agreement with the Port Authority of Jamaica (“Jamport”) for a 30-year concession of Kingston Container Terminal. Kingston is a strategic location regarding the widening of the Panama Canal, expected to be completed in 2016, which will allow to deploy larger vessels up to 12,600 TEU. As part of this agreement, the Company committed to pay a certain level of fixed and variable concession fees.

As of December 31, 2015, the handover date has not yet been occurred and, as a consequence, this operation does not have a material impact in these CFS.

Kribi

On August 31, 2015, the consortium formed by the French companies - CMA CGM and Bolloré - and the Chinese Group CHEC (China Harbour Engineering Company) won the bid process initiated by the Cameroonian government for the 25 years concession of the container terminal.

Vessels from all companies, up to 8,000 TEU capacity will be able to call this 1.4 million TEU capacity container terminal. When finished, it will be composed of a 700 meter length wharf and a 32 hectare platform made for 16 meters draught. A first 350 meter length wharf will be operational within a few months.

Once the set-up is finalized which should occur in 2016, the Company will hold a significant influence over this terminal which will be equity accounted for in due time.

3.1.3 Vessel fleet and orderbook

The deliveries in the year ended December 31, 2015 of three 17,722 TEU vessels and three 2,100 TEU GuyanaMax vessels, as well as the orderbook updated as at December 31, 2015 have been detailed in the Note 5.2.2 Group fleet development.

3.1.4 New bond issue and early repayment of 2006 and 2011 Senior Notes

In June 2015, the Company issued 2021 Senior Notes for an amount of EUR 725 million which have been privately placed with international institutional investors. The 2021 Senior Notes issue has allowed to call the 2011 Senior Notes.

On July 8, 2015, the Company finalized the early redemption of the 2011 Senior Notes for an amount of USD 534.1 million.

The characteristics of the 2021 Senior Notes as well as the early redemption of the 2011 Senior Notes have been detailed in the Note 6.6 New bond issue and early repayment of Notes.

3.1.5 Rating

On May 12, 2015, the international rating agency Moody's revised the Group's corporate credit rating upwards from B2 "positive outlook" to B1 "stable outlook". On June 17, 2015, the same agency revised its outlook to "positive".

On December 7, 2015, following the announcement of NOL proposed acquisition (see Note 3.1.1), Moody's maintained its B1 corporate rating with a "stable outlook" and Standard & Poor's maintained the B+ corporate rating, with a "negative outlook".

3.2 Significant events in 2014

3.2.1 Terminal development

Lekki

As at January 28, 2014, the Company signed an agreement with ICTSI to acquire a 25% stake of Lekki International Container Terminal Services LFTZ Enterprise, in Nigeria, thus obtaining significant influence. This Company is in charge of equipping and operating a new terminal facility with an ultimate capacity of 2.5 million TEU. This terminal is expected to start operations in 2017. Such investment will be subsequently treated as an investment in associates, which is still not the case as at December 31, 2015.

Mundra

On July 7, 2014, the Company, through its fully owned subsidiary CMA Terminals, and Adani Ports and Special Economic Zone ("APSEZ") have announced the creation of a joint venture in Mundra, India, to operate the port's new fourth container terminal. Both partners each hold a 50% stake in the newly-created company, resulting in a joint control. The joint venture will develop and operate a 1.3 million TEU deep water container terminal in Mundra's new South Basin port area. Such investment, in which the Company injected some minor capital contributions at this stage, is presented within associates and joint ventures.

Note 4 - Results for the year

Revenue recognition and related expenses

Revenue comprises the fair value of the consideration received or receivable from the sale of services, net of value-added tax, rebates and discounts after eliminating sales within the Group.

As required by IAS 18 “Revenue”, the Group recognizes revenue when (i) the amount of revenue can be measured reliably, (ii) it is probable that future economic benefits will flow to the entity, (iii) the costs incurred, or to be incurred, in respect of the transaction can be measured reliably (iv) the Group has transferred the risks and rewards of ownership to the buyer and (v) specific criteria have been met for each of the Group’s activities as described below.

Container shipping

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 revenues and costs directly attributable to containers are reported as deferred income and prepaid expenses (see Note 5.3.3).

Other activities

For other activities, 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.

Significant judgments

For management purposes, the Group reports two operating segments: container shipping activity, which represented approximately 95% of revenue excluding inter-segment elimination during the year ended December 31, 2015, 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, logistics, and transport by rail, road and river.

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 allocated to segments.

The segment information for the reportable segments for the year 2015 and 2014 is as follows:

	Revenue		EBIT	
	For the year ended December 31,			
	2015	2014	2015	2014
Container shipping segment	15,241.7	16,370.0	894.2	955.5
Other activities	804.5	778.4	16.4	17.6
Total core measures	16,046.2	17,148.4	910.6	973.1
Reconciling items & Eliminations	(372.1)	(409.3)	(15.3)	(55.5)
Total consolidated measures	15,674.1	16,739.1	895.3	917.6

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 4.4), (ii) other income and expenses (see Note 4.5) and (iii) the impairment charge in associates and joint ventures (see Note 7.3.2).

Since most of the Company’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 7.3.

4.2 Operating expenses

Operating expenses are analyzed as follows:

	For the year ended December 31,	
	2015	2014
Bunkers and consumables	(2,119.1)	(3,493.9)
Chartering and slots purchases	(2,073.8)	(1,805.0)
Handling and stevedoring	(3,959.7)	(3,879.4)
Inland and feeder transportation	(1,895.1)	(1,802.7)
Port and canal	(1,171.1)	(1,183.5)
Container rentals and other logistic expenses	(1,295.3)	(1,296.4)
Employee benefits	(1,159.1)	(1,201.9)
General and administrative other than employee benefits	(571.5)	(602.0)
Additions to provisions, net of reversals and impairment of inventories and trade receivables	(17.1)	(11.1)
Operating exchange gains / (losses), net	66.8	53.4
Others	(225.6)	(226.8)
Operating expenses	(14,420.6)	(15,449.3)

The overall decrease of operating expenses is mainly due to the decline in bunker prices and to the depreciation of the EUR currency which favorably impacted the evolution of certain expenses partly denominated in EUR, mainly such as “Handling and stevedoring”, “Inland and feeder transportation”, “Employee benefits” and “General and administrative, other than employee benefits”.

This decrease has been partly compensated by the effect of increased carried volumes impacting mostly “Handling and stevedoring” costs as well as “Inland and feeder transportation costs”.

4.3 Employee benefits

Employee benefit expenses are analyzed as follows:

	For the year ended December 31,	
	2015	2014
Wages and salaries	(909.1)	(930.3)
Social security costs	(196.0)	(211.5)
Pension costs	(13.8)	(20.7)
Other expenses	(40.1)	(39.4)
Employee benefits	(1,159.1)	(1,201.9)

The number of employees of the controlled subsidiaries of the Company is 20,411 as at December 31, 2015 (18,249 as at December 31, 2014). The total number of employees, including those employed in certain joint-ventures or through international seafarer providers, is 25,506 as at December 31, 2015 (22,750 as at December 31, 2014).

4.4 Gains 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 have been presented in Note 6.6.

Gains / (losses) on disposal of property and equipment and subsidiaries consist of the following:

	For the year ended December 31,	
	2015	2014
Disposal of vessels	-	2.2
Disposal of containers	10.0	26.0
Other fixed assets disposal	0.2	0.8
Disposal of subsidiaries	(0.5)	(1.2)
Gains / (losses) on disposal of property and equipment and subsidiaries	9.8	27.9

In 2015 and 2014, the Company sold certain containers through sale and operating lease back contracts resulting in:

- an increase in cash and cash equivalents amounting to USD 91.1 million in 2015 (187.9 million in 2014);
- a gain on disposal amounting to USD 10.0 in 2015 (USD 26.0 million in 2014).

The commitments resulting from these sale and operating lease back transactions are disclosed in Note 8.2.1.

4.5 Other income and expenses

Other income and expenses can be analyzed as follows:

	For the year ended December 31,	
	2015	2014
(Impairment losses of assets) / reversal of impairment of assets	0.2	(35.1)
Others	(5.3)	(48.4)
Other income and (expenses)	(5.1)	(83.5)

In 2014:

- “Impairment of assets” mainly relates to the impairment of individual specific intangible and tangible assets;
- the line item “Other” mainly corresponds to the remeasurement of the estimated present value of the dividend guarantee payable to CMHI, which acquired 49% of Terminal Link from the Group in June 2013.

Due to circumstantial limitations to pay dividends in certain terminals and the delay in the ramp-up of others, the Company considered it appropriate to increase the liability for an amount of USD 42.1 million.

4.6 NPV benefits related to assets financed by tax leases

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 (see Note 6.6).

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 benefit related to assets” which range from 5 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 financial assets” (see Note 6.3) progressively over the tax financing period and the corresponding income is recorded under the heading “NPV benefit related to assets”.

4.7 Financial result

Accounting principles related to borrowings and cash and cash equivalents have been presented in Note 6.6 and 6.4.

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,	
	2015	2014
Interest expense on borrowings	(277.7)	(310.2)
Interests income on cash and cash equivalents	25.6	32.0
Cost of borrowings net of interest income on cash and cash equivalents	(252.1)	(278.2)
Settlements and change in fair value of derivative instruments	(28.6)	(28.8)
Foreign currency income and expense, net	86.1	70.3
Other financial income and expense, net	(28.7)	14.8
Other net financial items	28.9	56.3
Financial result	(223.3)	(221.9)

“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 gain / (losses) on financial operations due to the translation of borrowings and financial instruments denominated in currencies different from USD (mainly transactions in EUR). In the year ended December 31, 2015 and 2014, the appreciation of the USD versus EUR rate resulted in significant exchange gains.

“Other financial income and expense, net” include, among others, USD 27.1 million of call premium and USD 11.8 million of past issuance costs being recognized as a consequence of the early repayment of Senior Notes issued in 2011 (see Note 6.6.2).

4.8 Income and deferred taxes

4.8.1 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).

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. For this reason, among others, the Company classifies the consequences of tonnage tax regime as current income tax.

	For the year ended	
	December 31,	
	2015	2014
Current income tax	(89.2)	(75.2)
Deferred tax income / (expense)	3.9	(8.9)
Income Taxes	(85.4)	(84.1)

The “current income tax” expense for the year ended December 31, 2015 includes USD (2.0) million related to prior year income tax (USD 0.8 million for the year 2014).

4.8.2 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.

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 2014 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 taxes balances break down as follows:

Deferred tax assets	As at December 31, 2015	As at December 31, 2014
Investment tax credit	0.2	0.1
Tax losses carried forward	10.5	11.2
Retirement benefit obligations	16.2	14.9
Other temporary differences	6.6	8.0
Total deferred tax assets	33.5	34.2
Deferred tax liabilities	As at December 31, 2015	As at December 31, 2014
Revaluation and depreciation of property and equipment	17.5	16.4
Undistributed profits from subsidiaries	27.6	28.7
Other temporary differences	7.1	7.9
Total deferred tax liabilities	52.1	53.0
Total net deferred tax assets / (liabilities)	(18.7)	(18.8)
	As at December 31, 2015	As at December 31, 2014
Net deferred tax at the beginning of the year	(18.8)	(10.6)
Changes through Profit & Loss	3.9	(8.9)
Changes through Other Comprehensive Income	(0.4)	2.2
Currency translation adjustment	(1.3)	(2.1)
Acquisition of subsidiaries	(2.0)	0.6
Net deferred tax at the end of the year	(18.7)	(18.8)

“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 990.8 million as at December 31, 2015 (USD 1,083.3 million in 2014). The corresponding unrecognized deferred tax asset amounts to USD 341.1 million in 2014 (USD 373.0 million in 2014). The unused tax losses can be carried forward indefinitely.

The level of deferred tax liabilities recognized in relation to undistributed profits from subsidiaries remained stable in 2015 (as in 2014).

Income tax impacts related to other comprehensive income are presented in the statement of comprehensive income.

Tax consolidation agreements are in place on certain countries in which the Group operates, mostly in France. It allows the Companies of the same Group to combine their taxable profits or loss 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 18.5 million in 2015.

Deferred taxes by nature accounted in the other comprehensive income are detailed as follows:

	For the year ended December 31,	
	2015	2014
Cash flow hedges:	(0.1)	0.2
Currency translation adjustment related to foreign subsidiaries, associates and joint ventures	-	-
Remeasurement of defined benefit pension plans	(0.3)	2.2
Total	(0.4)	2.4

4.8.3 Tax proof

	For the year ended December 31,	
	2015	2014
Profit / (Loss) before tax and share of profit (or loss) of the associates and joint ventures	677.8	690.0
Theoretical income tax (tax rate of 38%)	(257.6)	(262.2)
Income tax expense	(85.4)	(84.1)
Difference between theoretical and effective income tax	172.2	178.1
Impact of the tonnage tax regime	61.3	158.8
Use or recognition of deferred tax assets previously unrecognized	6.4	6.7
Effect of different tax rates in foreign tax jurisdictions	39.2	42.2
Unrecognized tax losses generated by certain entities not liable to tonnage tax	(41.1)	(74.0)
Terminal activities reorganization in 2013 (fair value adjustment and gain on disposal)	-	-
Reassessment of previously recognized deferred tax assets and liabilities	0.9	(10.3)
Impact of dividends	(32.3)	(37.2)
Initial recognition of assets and liabilities exception	80.2	10.9
Other Permanent differences	57.5	80.9
Difference	172.2	178.1

The line item « Reassessment of previously recognized deferred tax assets and liabilities » corresponds to the adjustments made to the amount of (i) tax losses carried forward following a revision of foreseeable taxable profit and (ii) deferred tax liabilities recognized in relation to undistributed profits from subsidiaries.

The line item « Effect of functional currency » corresponds to the translation differences between tax base and carrying value, pertaining to entities included in French tax consolidation of which most of the activities are included in the tonnage tax regime.

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 transferred, the liabilities incurred 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 interest 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, 2015	As at December 31, 2014
Beginning of the year	289.7	299.8
Goodwill from acquisitions of the year	25.6	-
Impairment	-	(5.9)
Foreign currency translation adjustment	(4.9)	(4.2)
At the end of the year	310.4	289.7
<i>of which:</i>		
<i>Allocated to container shipping segment</i>	<i>296.3</i>	<i>283.6</i>
<i>Allocated to other activities</i>	<i>14.1</i>	<i>6.1</i>

The line item “Goodwill from acquisitions of the year” corresponds to the goodwill recognized as a result of the preliminary purchase price allocation realized on LCL Logistix and OPDR GmbH acquisitions (see Note 3.1.1). Such purchase price allocations are not presented in detail as being not material at Group level.

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”.

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 seven years based on the estimated useful life.

Other intangible assets comprise software and costs capitalized as part of information systems development projects and are analyzed as follows:

	Software		Others	Total
	In use	In-progress		
Cost of Other intangible assets				
As at January 1, 2014	376.6	61.4	31.6	469.5
Acquisitions	5.9	71.4	1.1	78.4
Disposals	(3.5)	-	-	(3.5)
Impairment	-	-	(28.8)	(28.8)
Reclassification	15.5	(15.5)	0.8	0.8
Foreign currency translation adjustment	(1.9)	(0.1)	(0.6)	(2.6)
As at December 31, 2014	392.6	117.2	4.1	513.8
Acquisitions	6.4	55.8	0.2	62.4
Acquisition of subsidiaries	0.6	0.1	6.6	7.3
Disposals	(3.3)	-	-	(3.3)
Reclassification	4.7	(4.7)	-	-
Foreign currency translation adjustment	(1.7)	(0.1)	(1.3)	(3.2)
As at December 31, 2015	399.2	168.4	9.5	577.0

	Software		Others	Total
	In use	In-progress		
Amortization and impairment				
As at January 1, 2014	(253.7)	-	(11.8)	(265.5)
Amortization	(40.9)	-	(2.4)	(43.3)
Disposals	3.5	-	-	3.5
Impairment	-	-	13.2	13.2
Reclassification	(0.5)	-	-	(0.5)
Foreign currency translation adjustment	1.1	-	0.1	1.2
As at December 31, 2014	(290.5)	-	(0.9)	(291.4)
Amortization	(39.9)	-	(1.1)	(41.0)
Disposals	3.3	-	-	3.3
Impairment	0.1	-	-	0.1
Reclassification	(0.2)	-	0.2	-
Foreign currency translation adjustment	1.3	-	0.2	1.5
As at December 31, 2015	(325.8)	-	(1.6)	(327.5)
Net book value of Other intangible assets				
	Software		Others	Total
	In use	In-progress		
As at December 31, 2015	73.4	168.4	7.9	249.5
As at December 31, 2014	102.1	117.2	3.2	222.4
As at January 1, 2014	122.9	61.4	19.8	204.0

High-performance information systems are critical within the 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 within all Group shipping entities.

Through a strategic partnership with SAP, the Company decided in 2013 to invest in a new innovative information system. It will enable the Group to develop an information system specifically designed to container shipping, it aims to enhance efficiency and flexibility in an industry that is constantly evolving. The software in progress recorded as at December 31, 2015 and 2014 mainly correspond to this project.

Other intangible assets mainly correspond to the currently used information systems and to the new information system currently being developed. During the year ended December 31, 2015, the capitalized costs of the future information system amounted to USD50.8 million (USD 65.3 millions during the year ended December 31, 2014).

The amortization schedule of the currently used ERP has been adjusted to its reassessed remaining useful life.

The line items “Impairment” of other intangible assets included, for the year ended December 31, 2014, the impairment of the full value of certain previously recognized rights on chartering contracts which may no longer be recovered due to the low level of market chartering prices.

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.

See Note 6.6. for the lease classification principles.

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.

Significant estimates: Determination of the vessels useful lives and residual values

The depreciation of vessels is a significant charge 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.

The Company revised the estimates applied to its container fleet and increased the useful life of its dry container fleet from 12 to 13 years while minor changes also occurred on the residual values. As a whole, the impact of the changes in estimates is not significant and has been applied prospectively from January 1, 2015.

5.2.1 Variation of property and equipment

Property and equipment are analyzed as follows:

	As at December 31, 2015	As at December 31, 2014
Vessels		
Cost	8,298.8	7,498.0
Cumulated depreciation	(1,802.4)	(1,523.6)
	6,496.3	5,974.4
Containers		
Cost	856.5	919.9
Cumulated depreciation	(357.1)	(375.0)
	499.4	544.9
Lands and buildings		
Cost	624.1	672.1
Cumulated depreciation	(141.5)	(131.9)
	482.6	540.2
Other properties and equipments		
Cost	321.2	282.4
Cumulated depreciation	(171.9)	(171.6)
	149.3	110.8
Total		
Cost	10,100.5	9,372.4
Cumulated depreciation	(2,473.0)	(2,202.1)
Property and equipment	7,627.5	7,170.3

As at December 31, 2015, assets under finance leases, tax lease agreements and other similar arrangements included in the above table represented a cost of USD 3,373.7 million (USD 2,418.6 million as at December 31, 2014) and a cumulated depreciation of USD 690.5million (USD 423.1 million as at December 31, 2014).

Variations in the cost of property and equipment for the year ended December 31, 2015 and the year ended December 31, 2014 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at January 1, 2014	4,632.0	2,584.8	181.0	998.3	739.5	295.4	9,431.0
Acquisitions	23.2	2.1	116.5	147.8	1.4	26.2	317.2
Acquisitions of subsidiaries	-	-	-	-	1.1	4.0	5.1
Disposals	(21.2)	(0.1)	-	(224.9)	(0.1)	(13.6)	(259.9)
Reclassification	5.2	-	(5.2)	-	-	-	-
Reclassification to assets held-for-sale	(5.9)	-	-	-	-	-	(5.9)
Exercise of purchase option on finance leases	411.4	(411.4)	-	-	-	-	-
Foreign currency translation adjustment	(2.7)	(11.7)	-	(1.3)	(69.8)	(29.6)	(115.1)
As at December 31, 2014	5,042.0	2,163.7	292.3	919.9	672.1	282.4	9,372.4
Acquisitions	171.2	5.2	637.2	64.6	1.6	62.0	941.8
Acquisitions of subsidiaries	-	-	-	10.7	16.9	5.4	33.1
Disposals	(1.8)	-	-	(145.6)	-	(7.6)	(155.0)
Disposals of subsidiaries	-	-	-	(0.0)	-	(1.0)	(1.0)
Reclassification	-	-	-	-	(4.7)	2.2	(2.4)
Vessels put into service & refinancing	(428.9)	1,035.0	(606.1)	-	-	-	-
Foreign currency translation adjustment	(2.8)	(8.3)	-	(1.8)	(61.9)	(22.3)	(97.1)
As at December 31, 2015	4,779.8	3,195.7	323.3	847.8	624.1	321.2	10,091.8

As at December 31, 2015 the Company operates 89 vessels owned or under finance lease or equivalent agreements (79 vessels as at December 31, 2014).

In 2015, the line item “Vessels put into service & refinancing” corresponds to the delivery of CMA CGM Kerguelen, Georg Forster, Bougainville, Cayenne, Marseille and St Laurent (see below) as well as certain refinancing of owned vessels into finance leases.

In 2014, the line item “Exercise of purchase option” is linked to the transfer from leased to owned vessels of the cost of three vessels for USD 411.4 million following the exercise of the purchase option included in the related finance lease.

Borrowing costs capitalized in the year ended December 31, 2015 amounted to USD 13.7 million (USD 11.9 million for the year ended December 31, 2014).

Acquisition of property and equipment and reconciliation with the Consolidated Statement of Cash Flows

Purchases of property and equipment amounted to USD 941.8 million for the year ended December 31, 2015 (USD 317.2 million for the year ended December 31, 2014).

On July 24, 2015, the Company exercised some purchase options on four vessels, which were operated under long term operating lease agreements, for an amount of USD 158.6 million recognized as vessels in property and equipment (see Note 6.3.1).

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:

Acquisition of assets presented in the above table	a	941.8
(-) CAPEX non cash / financed	b	434.2
CAPEX cash from purchases of property and equipment	a (-) b = c	507.6
CAPEX cash from purchases of intangible assets	d	55.6
CAPEX cash from business combination	e	48.7
Total CAPEX as per Consolidated Statement of Cash Flows	c (+) d (+) e	611.9

Variations in the accumulated depreciation for the year ended December 31, 2015 and the year ended December 31, 2014 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at January 1, 2014	(953.7)	(323.6)	-	(393.2)	(119.1)	(176.0)	(1,965.6)
Depreciation	(185.5)	(82.6)	-	(45.2)	(22.9)	(21.6)	(357.8)
Acquisitions of subsidiaries	-	-	-	-	(0.8)	(1.9)	(2.7)
Disposals	16.8	-	-	63.0	-	12.6	92.4
Impairment	(6.0)	-	-	-	-	-	(6.0)
Reclassification to assets held-for-sale	5.4	-	-	-	-	-	5.4
Exercise of purchase option on finance leases	(72.1)	72.1	-	-	-	-	-
Foreign currency translation adjustment	0.9	4.7	-	0.4	10.9	15.3	32.2
As at December 31, 2014	(1,194.2)	(329.4)	-	(375.0)	(131.9)	(171.6)	(2,202.1)
Depreciation	(204.0)	(81.2)	-	(38.3)	(19.1)	(23.9)	(366.5)
Disposals	1.8	-	-	64.6	-	7.1	73.4
Disposals of subsidiaries	-	-	-	-	-	0.7	0.7
Refinancing	233.4	(233.4)	-	-	-	-	-
Reclassification	-	-	-	-	-	2.4	2.4
Foreign currency translation adjustment	1.3	3.4	-	0.3	9.5	13.4	27.8
As at December 31, 2015	(1,161.8)	(640.6)	-	(348.4)	(141.5)	(171.9)	(2,464.2)

Including intangible assets, the total depreciation for the year ended December 31, 2015 amounts to USD 407.7 million (USD 401.1 million for the year ended December 31, 2014).

The net book value of property and equipment at the opening and closing of each year presented are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at December 31, 2015	3,617.9	2,555.1	323.3	499.2	482.6	149.3	7,627.4
As at December 31, 2014	3,847.8	1,834.3	292.3	544.9	540.2	110.8	7,170.3
As at January 1, 2014	3,678.3	2,261.2	181.0	605.1	620.4	119.4	7,465.4

As at December 31, 2015, the carrying amount of property and equipment held as collateral of financial debts amounts to USD 6,123.5 million (USD 6,407.2 million as at December 31, 2014).

The net book value of the containers as at December 31, 2015 includes USD 94.2 million related to containers under finance leases (USD 124.3 million as at December 31, 2014).

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 323.3 million as at December 31, 2015 (USD 292.3 million as at December 31, 2014).

Regarding the commitments related to ordered vessels, see Note 8.2.1.

The Company has also committed to enter into operating leases upon delivery of certain vessels currently under construction (see Note 8.2.1).

Delivery of Kerguelen, Georg Forster and Bougainville

In March, June and August 2015, respectively, the Group received the largest vessels of its current owned fleet, three 17,722 TEU containerships named CMA CGM Kerguelen, CMA CGM Georg Forster and CMA CGM Bougainville. These vessels join the fleet linking Europe to Asia. The delivery of the vessels has been financed through the drawdown of a secured debt for two vessels and through a leverage tax lease qualified as finance lease for the third one, each financing amounting to USD 110.9 million per vessel, resulting in no major cash impact for the Group.

Delivery of Cayenne, Marseille and Saint Laurent

In the third quarter of 2015, the Company took delivery of three 2,100 TEU GuyanaMax vessels named CMA CGM Cayenne, CMA CGM Marseille, and CMA CGM Saint Laurent, through the drawdown of secured debts for a total amount of USD 76.5 million, with no major cash impact for the Group. These vessels include 530 reefer containers plugs.

Financing of ICE CLASS

On March 30, 2015, the Group signed a 12-year financing arrangement in relation to the construction of three 2,500 TEU vessels for a total amount of USD 76.6 million. A partial drawdown of such secured debts occurred for a total amount of USD 27.6 million, the remaining debt will be drawn at vessels’ delivery dates and will cover almost the whole residual payments to the shipyards.

Ordering of three 20,600 TEU vessels

On April 2, 2015, the Company signed a settlement agreement with a shipyard, by which the parties have agreed (i) to settle all their disputes arising out of certain shipbuilding contracts entered into on 2007 and 2008 and consider that the settlement achieved is in the mutual interests of the parties, and (ii) to formalize a new order of three 20,600 TEU vessels to be delivered in 2017. The financing of this order is currently under active discussions with banks. The prepayments paid in the year amounted to USD 126.0 million.

Ordering of six 14,000 TEU vessels

On May 29, 2015, the Company ordered six 14,000 TEU containerships to be delivered between end 2016 and 2017. The Company is currently in active discussion for external financings, which could result for certain of these vessels to be chartered under long-term bareboat agreements. The prepayments paid in the year amounted to USD 136.1 million.

Ordering of two Bangkokmax vessels

In November 2015, the Company ordered two Bangkokmax vessels to be delivered in 2016 for which external financing is currently under discussion. The prepayments paid in the year amounted to USD 15.2 million.

Orderbook summary

As a result of the above, as at December 31, 2015, the Company has 14 vessels in its orderbook, corresponding to three 2,500 TEU vessels, three 20,600 TEU vessels, six 14,000 TEU vessels (it is expected that at least three out of these six vessels will ultimately be financed through long term chartering bareboat, out of the statement of financial position) and two Bangkokmax.

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.

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 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) 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 5-year period.
- The post-tax discount rates, or Weighted Average Cost of Capital (“WACC”), used for testing purposes are included within the range 9%-14% (10% to 12.0% in 2014) 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 zero which is a prudent assumption.

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 1,517.3 million, 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 6%.

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 IAS 39, write down of trade receivable may be accounted when:

- it is probable that the receivable will not be recovered; and
- the amount of the loss can be reliably measured.

Write down is measured taking into account the receivables' maturities in correlation with their estimated collection rate.

Securitization of receivables

The Company transfers certain receivables of certain shipping agencies by way of a securitization program. The lenders have full recourse in the case of a failure to pay by the debtor. 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.

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, 2015	As at December 31, 2014
Bunkers	194.9	347.3
Other inventories	56.7	37.8
Provision for obsolescence	(0.8)	(0.7)
Inventories	250.9	384.4

The decrease in the value of bunker inventories is related to the decrease in fuel prices.

5.4.2 Trade receivables and payables

Trade and other receivables are analyzed as follows:

	As at December 31, 2015	As at December 31, 2014
Trade receivables	1,690.0	1,958.7
Less impairment of trade receivables	(84.4)	(82.9)
Trade receivables net	1,605.6	1,875.8
Prepayments	66.4	77.1
Other receivables, net	301.7	344.3
Employee, social and tax receivables	104.0	101.1
Trade and other receivables (*)	2,077.7	2,398.3

(*) including current income tax asset

“Other receivables, net” mainly include accrued income estimated due to the delays between the provision of services and the receipt of the final invoices from shipping agents and customers or suppliers throughout the world.

Trade and other payables are analyzed as follows:

	As at December 31, 2015	As at December 31, 2014
Trade payables	1,166.6	1,043.2
Employee, social and tax payables	187.1	194.1
Other payables (mainly accruals for port call expenses, transportation costs, handling services)	1,423.1	1,510.9
Trade and other payables (*)	2,776.8	2,748.2

(*) including current income tax liability

“Other payables” include an amount payable in euros of USD 45.8 million owed to Merit Corporation, a related party (USD 49.2 million as at December 31, 2014). This payable bears interest at 7% per annum and mainly corresponds to dividends declared by the Company in 2007 and 2008 but which have not been paid yet.

The working capital can be analyzed as follows:

	As at December 31, 2014	Variations linked to operations	Currency translation adjustment	Others	As at December 31, 2015
Inventories	384.4	(133.2)	(2.1)	1.8	250.9
Trade and accounts receivable (*)	2,398.3	(222.3)	(139.6)	41.3	2,077.7
Prepaid expenses	249.4	114.8	(1.2)	18.6	381.5
Trade and other payables (**)	(2,748.2)	(63.7)	105.4	(70.2)	(2,776.8)
Deferred income	(644.0)	181.7	(0.3)	(5.3)	(467.9)
Net working capital	(360.1)	(122.7)	(37.8)	(13.9)	(534.5)

(*) including current income tax asset

(**) including current income tax liability

The column “Others” is mainly composed of the acquisition of LCL Logistix and OPDR GmbH.

Trade receivables and payables, including current income tax assets and liabilities, matures as follows:

	As at December 31, 2015	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	2,077.7	1,563.3	348.9	60.3	30.6	19.6	55.1
Trade and other payables	2,776.8	2,197.6	306.6	121.9	58.1	19.8	72.7

5.4.3 Prepaid expenses and deferred income

Prepaid expenses and deferred income mainly include voyages in progress at the Statement of Financial Position date resulting from the revenue recognition accounting principles disclosed in Note 4.

5.5 Free cash flow

Free cash flow reaches USD (55.4) million for the year ended December 31, 2015. It is composed of cash flow from operations for USD 1,381.8 million (of which EBITDA contributed for USD1,253.5 million) and cash flow used for investing activities for USD (1,437.2) million.

Cash flow from investing activities has been mainly impacted by capital expenditures, representing a cash outflow of USD (507.6) million (see Note 5.2.1) and by the variation in other financial assets for USD (952.0) million (of which USD (772.0) million related to the escrow accounts deposited as part of the NOL proposed acquisition)

Note 6 - Capital structure and financial debt

6.1 Financial risk management objectives & policies

The Group's activities expose it to 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.

6.1.1 Market risk

Bunker costs risk

The Company 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 Company analyzes its exposure to price fluctuations on a continual basis.

The fuel prices over the last three years are as follows:

Market data as at :	Closing rate			Average rate		
	2015	2014	2013	2015	2014	2013
Nymex WTI (1st nearby, in \$ per barrel)*	36.35	53.27	98.42	48.81	92.91	98.05
Brent (1st nearby, in \$ per barrel)*	37.28	57.33	110.80	53.64	99.45	108.68

* Based on the future contract maturing at the closest maturity on each considered date

As at December 31, 2015, the Company hedged approximately 10.3% of expected purchase of bunkers for the next year through a forward fixed price with delivery (6.8% of expected purchase for the year 2015 as at December 31, 2014). These bunker purchases are treated as executory contracts.

As at December 31, 2015, the Group has no outstanding derivative financial instruments relating to bunker cost hedging (same as at December 31, 2014).

Based on the fuel consumption for the year ended December 31, 2015, an increase (a decrease) of the fuel prices by USD 10 (in USD per ton) would have had a negative (positive) impact on the Statement of Profit & Loss of approximately USD 62.2 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 and the Pound Sterling currency fluctuations regarding its operational transactions, and to the Euro currency fluctuations regarding its 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.

As at December 31, 2015	Carrying amount	USD	EUR	CNY	GBP	Others
Trade receivables and prepaid expenses	2,440.8	1,134.2	598.8	65.9	128.0	513.9
Cash and cash equivalents and securities	1,226.8	905.1	116.9	11.6	17.0	176.2
Trade payables and current deferred income	3,224.4	1,999.5	473.4	207.4	128.0	416.1
Borrowings	5,147.6	3,308.1	1,757.6	-	32.8	49.1

This exposure is mitigated to a certain extent by the currency mix of operating revenues and expenses. The Company may conclude certain derivative transactions to hedge specific risks.

In addition, as at December 31, 2015, the Company entered into short-term deposit instruments containing interest rate bonuses in order to improve the average interest rates on its cash deposits. The value of these instruments may fluctuate depending on the level of the EUR/USD exchange rate. The nominal amount as at December 31, 2015 amounts to USD 21.8 million, which is recognized at fair value in derivative financial instruments.

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 and as available-for-sale financial assets. To manage the price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group exposure to equity securities price risk is not significant as at December 31, 2015.

Cash Flow Interest rate risk

Since 2014, expansionary monetary policies have allowed keeping interest rates at very low levels.

Market data:	Closing rate as at December 31,			Annual average rate		
	2015	2014	2013	2015	2014	2013
LIBORUSD 3 M	0.61%	0.26%	0.25%	0.32%	0.23%	0.27%

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, 2015, taking into account the interest rate hedges, the borrowings bearing interest at variable rates represent 52% of total debts against 48% 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, 2015	Nominal amount	Maturity		Fair value of derivatives
		Less than 5 years	More than 5 years	
Interest swaps- cash flow hedge	476.9	282.4	194.5	(62.9)
Total	476.9	282.4	194.5	(62.9)

The following table presents the sensitivity of the Group's profit before tax and of the Cash Flow reserve as at December 31, 2015 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	(3.1)	2.8	18.2
Euro	+100 bps	-	0.0	-
Japanese Yen	+100 bps	-	(0.3)	-

* 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 2015 and 0.5% of revenue in 2014). 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, 2015 and on the interest rate curve as at December 31, 2015:

	2016	2017	2018	2019	2020	Onwards
Interest swaps - Liabilities*	(23.2)	(17.6)	(13.6)	(10.3)	(7.8)	(8.0)
Total	(23.2)	(17.6)	(13.6)	(10.3)	(7.8)	(8.0)

* derivatives with a negative fair value as of December 31, 2015

The Company's financing arrangements are subject to compliance with the main following covenants:

- Maximum gearing ratio (Adjusted net debt / Adjusted equity);
- Loan-to-value ratio (financing / market value of related asset);
- Minimum cash balance;
- Maximum long-term chartering commitments;
- Maximum capital expenditures.

These covenants are based on specific calculations as defined into Company's financing arrangements.

As at and for the year ended December 31, 2015, 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 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.

Adjusted equity is calculated as the sum of "Total equity" and the remaining value of Bonds redeemable in shares disclosed in borrowings in Note 6.6, less the amount of currency translation adjustment recognized in total equity (included in non-controlling interests).

On the basis of these definitions, adjusted net debt and adjusted equity are calculated as follows:

	Note	As at December 31	
		2015	2014
Total Borrowings	6.6	5,147.6	5,480.1
(-) Bonds redeemable in shares in Borrowings	6.6	(193.8)	(259.3)
(-) LTV deposits	6.3.1	(22.3)	(143.9)
Adjusted gross debt - A		4,931.5	5,076.9
Cash and cash equivalents as per statement of financial position	6.4	1,224.0	2,186.5
(+) Securities	6.3.2	2.8	13.4
(-) Restricted cash	6.4	(6.3)	(11.8)
Unrestricted cash and cash equivalents - B		1,220.4	2,188.1
Adjusted net debt - A (-) B		3,711.1	2,888.8

	Note	As at December 31	
		2015	2014
Total Equity		5,405.5	4,995.3
(+) Bonds redeemable in shares in Borrowings	6.6	193.8	259.3
(-) Currency translation adjustment recognized in total equity		69.6	7.4
Adjusted Equity		5,668.9	5,262.0

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:

- (i) level 1: fair value based on the exchange rate/price quoted on the active market for identical instruments;
- (ii) 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;
- (iii) 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, 2015:

As at December 31, 2015	Level 1	Level 2	Level 3	Total Balance
Assets				
Securities	2.8	-	-	2.8
Available-for-sale financial assets	11.4	-	82.4	93.7
Total Assets	14.1	-	82.4	96.5
Liabilities				
Derivatives used for hedging	-	62.9	-	62.9
Total Liabilities	-	62.9	-	62.9

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2014:

As at December 31, 2014	Level 1	Level 2	Level 3	Total Balance
Assets				
Securities	13.4	-	-	13.4
Derivatives not qualified to hedge accounting	-	6.9	-	6.9
Available-for-sale financial assets	-	-	76.8	76.8
Total Assets	13.4	6.9	76.8	97.1
Liabilities				
Derivatives not qualified to hedge accounting	-	7.1	-	7.1
Derivatives used for hedging	-	81.0	-	81.0
Total Liabilities	-	88.1	-	88.1

The variations of assets included in level 3 are as follows:

ASSETS	
Available for sale financial assets	
Opening balance	76.8
Total gains or losses for the period	
Foreign Currency impact	(1.2)
Purchases, issues, sales and settlements	
Purchases	8.7
Settlements	(1.6)
Other	(0.4)
Closing balance	82.4

The "available for sale financial assets" mainly consist of non consolidated investments in various companies. These shareholdings are valued at historical cost based on the fact that it approximates the fair value of such assets.

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". As at December 31, 2015, the Group has no outstanding derivative financial instruments relating to bunker cost hedging (same as at December 31, 2014).

The gain or loss relating to the effective portion of interest rate swaps hedging fixed 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.

- 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 or 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".

Derivative financial instruments are analyzed as follows:

	As at December 31, 2015		As at December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Interest swaps - cash flow hedge	-	62.9	-	81.0
Interest swaps - not qualifying to hedge accounting	-	-	6.8	7.1
Currency forward contracts	-	-	0.1	-
Total derivative financial instruments	-	62.9	6.9	88.1
<i>of which non-current portion (greater than 1 year)</i>	-	42.7	3.0	55.2
<i>of which current portion (less than 1 year)</i>	-	20.2	3.9	32.9

In 2015 and in 2014, the Company did not record any transfer between derivative financial instruments categories.

6.3 Other non-current financial assets - Securities and other current financial assets

Financial assets are recognized initially at fair value plus directly attributable costs, in the case of investments not at fair value through profit and loss.

The Group classifies its financial assets in the following categories, depending on the purpose for which the investments were acquired:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not to be traded. They are included in non-current assets when maturities are over 12 months after the Statement of Financial Position date.

Loans and receivables are recognized at amortized cost using the effective interest method (discounting effect is deemed not material for trade receivables), less impairment. An impairment of a loan or a receivable is established when there is objective evidence, based on individual analyses, that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment loss is recognized in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

Equity investments in unconsolidated companies and other long-term investments held by the Company are classified as available-for-sale financial assets.

Investments are initially recognized at fair value plus transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. For the Company, this category mainly includes marketable securities and derivative financial instruments that do not qualify for hedge accounting (financial assets held for trading). Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the Statement of Financial Position date.

Changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the Statement of Profit & Loss in the period in which they arise.

Impairment of financial assets (available for sale / loan and receivables)

The Group assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or a group of financial assets is to be impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are to be impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the Statement of Profit & Loss regarding equity instruments cannot be reversed through the income statement.

6.3.1 Other non-current financial assets

Other non-current financial assets are analyzed as follows:

	As at December 31, 2015	As at December 31, 2014
Gross	88.0	82.8
Impairment	(5.6)	(6.0)
Investments in non consolidated companies	82.4	76.8
Gross	107.7	111.2
Impairment	(52.1)	(59.4)
Loans	55.6	51.8
Gross	174.9	319.7
Impairment	-	-
Deposits	174.9	319.7
Gross	13.3	16.3
Impairment	(2.7)	-
Receivable from associates	10.6	16.3
Gross	222.2	361.4
Impairment	(0.1)	(168.7)
Other financial assets	222.1	192.7
Gross	606.1	891.4
Impairment	(60.3)	(234.1)
Total other non-current financial assets, net	545.7	657.3

Change in loans and deposits is presented within “Cash flow resulting from other financial assets” in the consolidated statement of cash flows.

Investments in non consolidated companies

This line item mainly consists of shares in Rotterdam World Gateway BV for USD 50.0 million in which the Company has a 10% shareholding as well as other entities individually not significant.

Loans

“Loans” mainly relates to funds borrowed by certain terminal joint venture.

Deposits

Included in “Deposits” are mainly:

- USD 22.3 million as at December 31, 2015 (USD 143.9 million as at December 31, 2014) of cash deposited in escrow accounts in relation to certain loan-to-value provisions in financing agreements (see below); and
- USD 126.2 million as at December 31, 2015 (USD 105.3 million as at December 31, 2014) of cash deposits which do not qualify as cash and cash equivalents.

On July 24, 2015, the Company exercised some purchase options on four vessels, which were operated under long term operating lease agreements, for an amount of USD 158.6 million recognized as vessels in property and equipment. As part of the transaction, the Company simultaneously received back some funds that were deposited in the lessor’s accounts as part of loan-to-value provisions and initial equity investments originally made by the Company, for a total of USD 106.4 million which reduced the corresponding assets in the Consolidated Statement of Financial Position. The Company also paid some additional costs amounting to USD 6.4 million accounted for as a financial expense.

The whole transaction resulted in a net cash outflow of USD 58.6 million.

In addition, the Company early purchased 12 vessels which were already recognized in the statement of financial position as assets under finance lease. The purchase option resulted in a financial debt repayment amounting to USD 54.9 million compensated by the release of a loan-to-value deposit of USD 56.0 million.

Other financial assets

As at December 31, 2015, “Other financial assets” mainly include USD 206.4 million (USD 178.8 million as at December 31, 2014) of financial tax benefit to be received at the maturity of the tax financing period (see Note 4.6).

As at December 31, 2014, “Other financial assets” also included the prepayments paid and other capitalized costs related to vessel orders cancelled for a total amount of USD 168.1 million. The full amount of such prepayments was impaired. Following a settlement agreement with the shipyard, such prepayment and related impairment have been reversed in the year ended December 31, 2015 (see Note 5.2.1).

6.3.2 Securities and other current financial assets

“Securities and other current financial assets” as at December 31, 2015 include securities at fair value for an amount of USD 2.8 million (USD 13.4 million as at December 31, 2014) and other current financial assets for an amount of USD 935.9 million (USD 63.7 million as at December 31, 2014).

Other current financial assets as of December 31, 2015 includes USD 772.0 million related to the cash deposited in escrow account as part of the NOL proposed acquisition disclosed in Note 3.1.1 Business combinations.

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, 2015:

Assets	As at December 31, 2015	Loans and receivables	Available for sale	Financial assets & liabilities at fair value through profit and loss	Derivative instruments
Non-current derivative financial instruments	-	-	-	-	-
Other non-current financial assets	545.7	463.4	82.3	-	-
Trade and other receivables(*)	2,077.7	2,077.7	-	-	-
Current derivative financial instruments	-	-	-	-	-
Securities and other current financial assets	938.7	924.5	11.4	2.8	-
Cash and cash equivalents	1,224.0	1,224.0	-	-	-
Total financial instruments - Assets	4,786.1	4,689.7	93.7	2.8	-

Liabilities	As at December 31, 2015	borrowings at amortized cost	Derivative instruments
Non-current borrowings	4,414.0	4,414.0	-
Non-current derivative financial instruments	42.7	-	42.7
Current borrowings	733.6	733.6	-
Current derivative financial instruments	20.2	-	20.2
Trade and other payables(**)	2,776.8	2,776.8	-
Total financial instruments - Liabilities	7,987.4	7,924.4	62.9

(*) including current income tax asset

(**) including current income tax liability

6.4 Cash and cash equivalents

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 loan and receivables and valued as described above. Bank overdrafts are presented within borrowings on the Statement of Financial Position.

Cash and cash equivalents can be analyzed as follows:

	As at December 31, 2015	As at December 31, 2014
Cash on hand	491.2	921.0
Short term deposits	726.4	1,253.7
Restricted cash	6.3	11.8
Cash and cash equivalents as per statement of financial position	1,224.0	2,186.5
Bank overdrafts	(173.1)	(444.8)
Net cash and cash equivalents as per cash flow statement	1,050.9	1,741.7

The decrease in “Cash and cash equivalents as per statement of financial position” is mainly due to the cash deposited in escrow accounts as part of the NOL proposed acquisition (see Note 3.1.1).

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 preference 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 as per their terms and conditions. The holders of preferred shares are entitled to a priority dividend till the date of the conversion into ordinary shares which is scheduled as at December 31, 2017. As at December 31, 2017, these preferred shares held by Yildirim will automatically be converted into ordinary shares of the Company representing 24% of the Company’s ordinary shares on a fully diluted basis.

In June 2013, Bpifrance subscribed for USD 150 million to new 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.

Due to their characteristics and based on the split accounting principles, these above mentioned bonds initially resulted in an increase in the consolidated equity for USD 331.6 million, the remaining portion of the nominal amount being initially treated as borrowings, corresponding to the net present value of interest payable till the conversion into ordinary shares at maturity (see Note 6.6.4). Following the redemption of the Yildirim bonds into preferred shares, the amount originally recognized as an equity component for USD 275.2 million has been splitted into a share capital increase for USD 65.5 million and a share premium for USD 209.7 million. The portion of these instruments originally recognized in borrowings has not been affected by the redemption into preferred share given that the characteristics of the priority dividend are similar to the interests of the bonds.

No other share option plans or dilutive equity instruments have been issued in the year 2015 nor 2014.

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, 2015	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 reclassifiable to profit and loss break down as follows:

	As at December 31, 2015	As at December 31, 2014
Cash flow hedge	(82.5)	(101.1)
Share of other comprehensive income of associates and joint ventures	(0.6)	(0.5)
Deferred tax on reserve	7.4	7.5
Currency translation adjustments	(65.7)	11.7
Total Other Comprehensive Income	(141.4)	(82.4)

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 IAS 39 “Financial instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives. 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 with a negative fair value.

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 amortized 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

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 depending on the tax structure of the lease. 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.

Significant judgments and estimates

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 exercise's dates in particular) may differ from the original assessment made at inception of the lease contract.

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, 2015	Current portion	Non current portion	Maturity schedule : December 31,				
				2017	2018	2019	2020	Onwards
Senior notes	1,087.4	(6.0)	1,093.4	(6.2)	319.8	(3.6)	(3.9)	787.2
Bonds and preferred shares redeemable in shares	193.8	69.7	124.1	78.4	13.8	15.2	16.7	-
Bank borrowings	1,506.1	255.5	1,250.6	181.6	204.1	159.3	162.9	542.7
Obligations under finance leases	1,209.9	174.1	1,035.8	153.0	155.9	149.9	160.5	416.6
Bank overdrafts	173.1	173.1	-	-	-	-	-	-
Securitization program	874.5	(1.9)	876.4	876.4	-	-	-	-
Other borrowings	102.8	68.9	33.8	2.0	1.8	25.7	0.8	3.5
Total	5,147.6	733.6	4,414.0	1,285.1	695.4	346.5	337.0	1,750.1

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 program	Other borrowings	Total
Balance as at January 1, 2015	1,163.2	259.3	1,813.7	898.0	444.8	845.2	55.9	5,480.1
Proceeds from new borrowings, net of issuance costs	789.2	-	93.9	-	-	55.1	0.3	938.5
Repayment of financial borrowings	(792.4)	(62.6)	(352.9)	(121.7)	-	-	(4.2)	(1,333.9)
Other increase/decrease in borrowings (non-cash)	-	-	126.9	142.6	(281.6)	-	7.4	(4.8)
Accrued interests and fees amortization	16.3	(2.9)	9.1	13.2	-	1.8	20.2	57.8
Refinancing of assets	-	-	(157.2)	289.5	-	-	-	132.3
Reclassification	-	-	4.5	(4.5)	-	-	-	(0.0)
Acquisition (disposal) of subsidiaries	-	-	4.2	-	10.7	-	24.4	39.2
Foreign currency translation adjustments	(88.8)	-	(36.1)	(7.1)	(0.7)	(27.6)	(1.3)	(161.6)
Balance as at December 31, 2015	1,087.4	193.8	1,506.1	1,209.9	173.1	874.5	102.8	5,147.6

The line item "other increase / decrease in borrowings (non-cash)" 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) reduction in overdraft has an opposite impact in cash and cash equivalents.

The line item "refinancing of assets" corresponds to the refinancing of existing assets and resulted in a net cash inflow of USD 137.5 million for the year ended December 31, 2015.

Borrowings are related 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 before hedging and amortized cost
Vessels	-	-	1,184.4	1,099.3	-	4.59%
Containers	-	-	92.9	78.0	-	4.63%
Land and buildings	-	-	158.0	5.5	-	1.01%
Handling	-	-	-	4.2	-	4.46%
Other tangible assets	-	-	3.1	23.1	-	4.85%
General corporate purposes	1,087.4	193.8	67.7	-	1,150.4	5.65%
Total	1,087.4	193.8	1,506.1	1,209.9	1,150.4	

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, 2015	Current portion	Non current portion	Maturity schedule : December 31,				
				2017	2018	2019	2020	Onwards
Senior note	1,544.4	96.0	1,448.3	89.8	416.4	61.2	61.2	819.9
Bonds and preferred shares redeemable in shares	234.0	90.0	144.0	90.0	18.0	18.0	18.0	-
Bank borrowings	1,816.5	309.6	1,506.8	233.7	249.4	196.7	193.4	633.7
Obligations under finance leases	1,659.5	235.9	1,423.6	242.2	235.1	213.9	217.0	515.4
Bank overdrafts	175.9	175.9	-	-	-	-	-	-
Securitization program	916.5	21.1	895.5	895.5	-	-	-	-
Other borrowings	346.5	19.8	326.7	280.5	8.2	33.0	1.0	4.0
Total	6,693.4	948.4	5,745.0	1,831.6	927.0	522.8	490.6	1,972.9

6.6.2 New bond issue and early repayment of Notes

Issuance of EUR unsecured Bond and early repayment of 2011 Senior Notes

On June 8, 2015, the Company issued a 5.5-year unsecured bond amounting to EUR 550.0 million, maturing in January 2021 and bearing a 7.75% coupon. The cash received by the Company amounted to USD 596.6 million at transaction date, net of issuance premium and costs.

On June 12, 2015, the Company issued additional Notes amounting to EUR 175.0 million, with similar characteristics. The cash received by the Company amounted to USD 194.2 million at transaction date, net of issuance premium and costs.

The total net proceeds, including additional issuance costs of USD 1.6 million, amount to USD 789.2 million.

Together with available cash, the proceeds were used to early repay USD & EUR unsecured Notes issued in 2011 and due in 2017 for USD Notes and 2019 for EUR Notes. Some of the 2011 Notes were repurchased through a tender offer on June 8, 2015 for an amount of USD 196.6 million and the remaining Notes have been repurchased on July 8, 2015 for an amount of USD 513.2 million through a call exercise (excluding call premiums).

Early repayment of 2006 asset-backed Notes

On May 19, 2015, the Company launched a consent solicitation and cash tender offer for all of the outstanding 5.562% corporate asset-backed secured Notes due 2021 at a price of 106% of the principal amount. 100% of the holders participated to the tender offer and hence resulting in an aggregate payment of USD 74.4 million on June 3, 2015, including accrued interests and redemption premiums.

The total repayment for the year ended December 31, 2015 for the 2006 asset-backed Notes, including recurring repayment before the full early redemption, amounted to USD 82.6 million. The total repayment under 2011 Senior Notes and 2006 asset-backed Notes amounted to USD 792.4 million as presented in the above table related to variation in borrowings.

6.6.3 Securitization program

The amount of the financing under the securitization program has been increased by USD 55.1 million during the year. The Company has the ability to increase this facility up to USD 1 billion (see Note 8.2.3 for the commitments related to this program).

6.6.4 Bonds and preferred shares redeemable in shares

As disclosed in Note 6.5, part of the bonds redeemable in shares have been redeemed into preferred shares as at December 31, 2015. The portion of these instruments originally recognized in borrowings has not been impacted by the redemption into preferred shares as the characteristics of the priority dividend attached to the preferred shares are similar to the interests of the bonds redeemable in shares.

As a consequence of the coupon payments on bonds redeemable in 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.

6.6.5 Other borrowings

As at December 31, 2015, other borrowings include USD 53.1 million of accrued interests (USD 32.9 million as at December 31, 2014).

6.7 Cash flow from financing activities

Cash flow from financing activities amounts USD (588.9) million mainly due to the net repayment of financial debt for USD (395.4) million, the payment of financial interests and other financial expenses for USD (258.6) million and the payment of dividends for USD (99.1) million.

On March 31, 2015, the Company paid an interim dividend to its shareholders for an amount of USD 40.0 million.

Following a decision of the General Meeting of June 10, 2015, the Company paid a complementary dividend of USD 40.0 million.

Note 7 - Scope of consolidation

7.1 Accounting principles and judgments used for the purpose of 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 IAS 39,
- 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 (accounted for available-for-sale financial assets).

7.2 Judgments linked to structured entities

Freight securitization

The Group entered in late 2013 into a securitization program with certain financial institutions. As part of the program, a structured entity named CMA CGM & ANL Securities BV has been dedicated to purchase the trade receivables of certain shipping carriers. The entity is 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, the entity has been consolidated since inception. In terms of liquidity risk management, see Note 6.1.3 for Group policies and Note 6.6 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

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.

CMA CGM does not hold the majority of voting rights and has no de facto control despite its large minority shareholding. CMA CGM has obtained early 2014 the nomination of two members to the Board, which is composed of six members; these two individuals representing CMA CGM have no right to vote any decision related to CMA CGM. CMA CGM being a major customer of Global Ship Lease, Inc., the decisions concerning the relationship with CMA CGM are among the most relevant activities of this entity.

The contracts between GSL and CMA CGM are only commercial agreements for vessels chartering and crewing management. These commercial relations don't give any specific power to CMA CGM. GSL successfully initialized a diversification of its customer base during 2014, pursued in 2015.

Therefore, Management estimates that CMA CGM currently does not have the control over this investee based on IFRS 10 and that 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 - Variation of the Consolidated Statement of Financial Position

Investments in associates and joint ventures are presented as follows:

	As at December 31, 2015	As at December 31, 2014
Beginning of the year	686.1	722.7
Transfer of carrying value of newly controlled entities	-	(5.8)
New investments in associates and joint ventures	0.8	7.1
Disposal	-	(0.8)
Share of (loss) / profit	(5.8)	5.7
Dividend paid or payable to the Company	(31.0)	(20.3)
Other comprehensive income / (expense)	(0.1)	(1.1)
Reclassification from / to other items	(3.2)	1.1
Foreign currency translation adjustment	(11.0)	(22.5)
At the end of the year	635.8	686.1

The line item “share of (loss) / profit” corresponds to the Company’s share in the profit or loss of its associates and joint ventures.

As at December 31, 2015, the main contributors to investments in associates and joint ventures are (i) Terminal Link Group for USD 390.1 million (USD 421.0 million as at December 31, 2014) and (ii) Global Ship Lease for USD 184.3 million (USD 201.5 million as at December 31, 2014).

In 2015, Global Ship Lease recorded an impairment charge amounting to USD 20.0 million (at Group share in Global Ship Lease) due to two vessels being reclassified as held for sale.

7.3.3 Additional disclosures related to associates

in million of USD	GLOBAL SHIP LEASE INC		OTHER ENTITIES	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
% of shareholding	44.72%	44.72%	n.a.	n.a.
% of voting rights	44.72%	44.72%	n.a.	n.a.
Equity method Balance sheet contribution	184.3	201.5	28.8	28.9
Equity method P&L contribution	(13.1)	2.7	8.0	4.4
Equity method OCI contribution	-	-	-	-
Equity method total comprehensive income contribution	(13.1)	2.7	8.0	4.4
Fair value (for listed entities)	63.5	109.9	n.a.	n.a.
Distributed dividends for CMA CGM	4.0	-	8.3	4.4
Data based on a 100% basis				
Non-current assets	849.0	865.7		
Current assets	57.6	17.5		
Total Assets	906.6	883.2		
Equity	412.2	450.5		
Non-current liabilities	442.9	412.7		
Current liabilities	51.5	20.0		
Total Liabilities	906.6	883.2		
Revenue	164.9	138.6		
Profit for the year	(29.4)	6.1		
Other comprehensive income	-	-		
Total comprehensive income	(29.4)	6.1		

Additional disclosures related to joint ventures

in million of USD	TERMINAL LINK GROUP		OTHER ENTITIES	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
% 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	390.1	421.0	32.4	34.8
Equity method P&L contribution	(13.1)	(6.4)	12.5	5.2
Equity method OCI contribution	(0.1)	(1.1)	0.2	(0.2)
Equity method total comprehensive income contribution	(13.2)	(7.5)	12.7	5.0
Fair value (for listed entities)	n.a.	n.a.	n.a.	n.a.
Distributed dividends to CMA CGM	6.6	3.5	12.2	9.2
Data based on a 100% basis				
Non-current assets	903.6	988.1		
Other current assets	55.4	36.8		
Cash & cash equivalents	38.3	39.6		
Total Assets	997.3	1,064.5		
Equity	770.5	831.4		
Non-current borrowings	124.9	143.6		
Other non-current liabilities	20.8	19.4		
Current borrowings	48.0	38.9		
Other current liabilities	33.1	31.2		
Total Liabilities	997.3	1,064.5		
Reconciliation of 100% figures to investments in joint ventures				
Equity of the joint venture excluding non controlling interests (100%)	764.9	825.5		
Equity attributable to the joint venturer (49%)	(374.8)	(404.5)		
Other	-	-		
Equity method balance sheet contribution	390.1	421.0		
Revenue				
Revenue	120.8	120.2		
Depreciation & amortization	(7.1)	(8.0)		
Financial result	(5.5)	(6.1)		
Income tax	(4.8)	(5.6)		
Profit for the year	(25.6)	(12.5)		
Other comprehensive income	(0.1)	(2.2)		
Total comprehensive income	(25.7)	(14.7)		
Reconciliation of 100% figures to share of profit / (loss) from joint venture				
Share of profit / (loss) for the year	(25.6)	(12.5)		
Share of profit for the year for the joint venturer (49%)	12.5	6.1		
Other	-	-		
Equity method P&L contribution	(13.1)	(6.4)		

7.4 List of companies or subgroups included in the consolidation scope

As at December 31, 2015, the scope of consolidation comprises the following companies or sub-groups:

Legal Entity	Country	Direct and indirect percentage of interest
CMA CGM SA (parent company)	France	
Consolidation method - Full		
SHIPPING		
ACOMAR	Morocco	99.50%
ANL CONTAINERLINELTD	Australia	100.00%
ANL SINGAPORE	Sngapore	100.00%
ATLASNAVIGATION	Morocco	99.50%
CHENG LIENAVIGATION CO, LTD	Taiwan	99.28%
CMA CGM ANTILLES GUYANE	France	100.00%
CMA CGM INTERNATIONAL SHIPPING PTE LTD	Sngapore	100.00%
CMA CGM SHIPS	Morocco	99.72%
CMA CGM UK SHIPPING	United Kingdom	100.00%
CMA SHIPSSAS	France	100.00%
CMA SHIPSSINGAPORE	Sngapore	100.00%
CMA SHIPSUK	United Kingdom	100.00%
CNCLINELTD	Taiwan	99.28%
COMANAV	Morocco	99.50%
DELMAS(UK) LTD	United Kingdom	100.00%
DELMAS SHIPPING SOUTH AFRICA	South Africa	100.00%
DEXTRAMAR	Morocco	99.72%
KAILASMARINE	France	100.00%
MACANDREWSLTD	United Kingdom	100.00%
MARBARMARITIME	Morocco	99.50%
OPDR GmbH & Co. KG	Germany	100.00%
SNC ALIZE 1954	France	100.00%
SNC ALIZE 1955	France	100.00%
SNC ALIZE 1956	France	100.00%
SNC ALIZE 1957	France	100.00%
SNC ALIZE 1992	France	100.00%
SNC ALIZE 1993	France	100.00%
SNC ALIZE 1994	France	100.00%
SNC ALIZE 1995	France	100.00%
SNC ALIZE 1996	France	100.00%
SNC ALIZE 1997	France	100.00%
SNC ALIZE 1998	France	100.00%
SNC ALIZE 1999	France	100.00%
SNC ARENC BAIL 1	France	100.00%
SNC ATLANTIC 1815	France	100.00%
SNC ATLANTIC 1816	France	100.00%
SNC BALTIC 259	France	100.00%
SNC BALTIC 260	France	100.00%
SNC BALTIC 261	France	100.00%
SNC CORTE REAL BAIL	France	100.00%
SNC CYPRES BAIL 1	France	100.00%
SNC GUYANE 4092	France	100.00%
SNC GUYANE 4093	France	100.00%
SNC GUYANE 4094	France	100.00%
SNC MAGELLAN BAIL	France	100.00%
SNC MUSCA BAIL	France	100.00%

Legal Entity	Country	Direct and indirect percentage of interest
AGENCIES		
AFRICAN AGENCY	France	51,00%
ANL (CHINA) Limited-HK	Hong Kong	100,00%
ANL (CHINA) Limited-PRC	China	100,00%
ANL AGENCIES PNG LTD	Papua New Guinea	51,00%
ANL EUROPE BV	The Netherlands	100,00%
CMA CGM & ANL PHILIPPINES INC	The Philippines	100,00%
CMA CGM ABU DHABI	United Arab Emirates	65,00%
CMA CGM AGENCES France	France	100,00%
CMA CGM AGENCIES INDIA Pvt Ltd	India	100,00%
CMA CGM ALGERIE	Algeria	79,80%
CMA CGM AMERICA LLC	United States of America	100,00%
CMA CGM AND ANL HONG KONG	Hong Kong	100,00%
ASIA GLOBAL CONNECTION SDN BHD	Malaysia	100,00%
CMA CGM AND ANL SINGAPORE	Singapore	100,00%
CMA CGM AND ANL TAIWAN LTD	Taiwan	100,00%
CMA CGM ANL (New Zealand) Ltd	New Zealand	100,00%
CMA CGM ANL DUBAI	United Arab Emirates	65,00%
CMA CGM ARGENTINA SA	Argentina	100,00%
CMA CGM AUSTRALIA	Australia	100,00%
CMA CGM BELGIUM	Belgium	100,00%
CMA CGM BOLIVIA	Bolivia	99,95%
CMA CGM BRAZIL	Brazil	100,00%
CMA CGM CAMBODIA	Cambodia	100,00%
CMA CGM CANADA	Canada	100,00%
CMA CGM CENTRAL ASIA	Kazakhstan	60,00%
CMA CGM CHILE SA	Chile	100,00%
CMA CGM CHINA	China	100,00%
CMA CGM COLOMBIA	Colombia	100,00%
CMA CGM COSTA RICA	Costa Rica	100,00%
CMA CGM CROATIA	Croatia	100,00%
CMA CGM DELMAS NIGERIA	Nigeria	66,70%
CMA CGM DEUTSCHLAND	Germany	100,00%
CMA CGM DOMINICANA	Dominicana	51,00%
CMA CGM EAST AND SOUTH INDIA	India	100,00%
CMA CGM ECUADOR	Ecuador	99,90%
CMA CGM EGYPT	Egypt	100,00%
CMA CGM ESTONIA LTD	Estonia	100,00%
CMA CGM FINLAND	Finland	100,00%
CMA CGM GLOBAL INDIA	India	51,00%
CMA CGM GREECE	Greece	100,00%
CMA CGM HOLLAND BV	The Netherlands	100,00%
CMA CGM HUNGARY	Hungary	100,00%
CMA CGM IBERICA	Spain	100,00%
CMA CGM IRELAND	Ireland	100,00%
CMA CGM ITALY	Italy	100,00%
CMA CGM JAMAICA LTD	Jamaica	100,00%
CMA CGM JAPAN	Japan	100,00%
CMA CGM KENYA	Kenya	65,00%
CMA CGM LATVIA Ltd	Latvia	100,00%
CMA CGM MADAGASCAR	Madagascar	100,00%
CMA CGM MALAYSIA SDN BHD	Malaysia	100,00%
CMA CGM MAROC	Morocco	80,00%
CMA CGM MEXICO	Mexico	100,00%
CMA CGM MOZAMBIQUE	Mozambique	65,00%
CMA CGM NAMIBIA	Namibia	100,00%
CMA CGM NOUMEA	France (Nouvelle-Calédonie)	100,00%
CMA CGM PAKISTAN (PVT) LTD	Pakistan	60,00%
CMA CGM PANAMA	Panama	100,00%
CMA CGM PAPEETE	France (French Polynesia)	100,00%
CMA CGM PERU SA	Peru	100,00%
CMA CGM POLSKA LTD	Poland	100,00%
CMA CGM PORT SAID NAVIGATION	Egypt	100,00%
CMA CGM PORTUGAL	Portugal	60,00%

Legal Entity	Country	Direct and indirect percentage of interest
AGENCIES		
CMA CGM REUNION	France (Réunion)	100,00%
CMA CGM ROMANIA	Romania	51,00%
CMA CGM RUSSIA	Russia	100,00%
CMA CGM SCANDINAVIA - AS Norway	Norway	100,00%
CMA CGM SCANDINAVIA AS – Denmark	Denmark	100,00%
CMA CGM SCANDINAVIA AS - Sverige	Sweden	100,00%
CMA CGM SERBIA	Serbia	100,00%
CMA CGM SHIPPING AGENCIES UKRAINE	Ukraine	100,00%
CMA CGM SLOVENIA	Slovenia	100,00%
CMA CGM ST LUCIA LTD	Saint Lucia	100,00%
CMA CGM ST MARTEEN	The Netherlands	51,00%
CMA CGM STH AFRICA	South Africa	100,00%
CMA CGM SUDAN	Sudan	100,00%
CMA CGM TRINIDAD	Trinidad-et-Tobago	100,00%
CMA CGM TUNISIA	Tunisia	50,00%
CMA CGM TURKEY	Turkey	95,00%
CMA CGM UKRAINE	Ukraine	55,00%
CMA CGM URUGUAY	Uruguay	100,00%
CMA CGM VENEZUELA	Venezuela	100,00%
COMARINE	Morocco	89,92%
COMPAGNIE GENERALE DE L'ATLANTIQUE	France	100,00%
DELMAS BENIN	Benin	51,00%
DELMAS CAMEROUN	Cameroun	51,00%
DELMAS CONGO	Congo	50,80%
DELMAS COTE D'IVOIRE	Ivory Coast	65,00%
DELMAS GABON	Gabon	50,80%
DELMAS GHANA	Ghana	63,90%
DELMAS RDC	Democratic Republic of the Congo	51,00%
DELMAS SENEGAL	Senegal	50,90%
DELMAS TOGO	Togo	50,80%
DEXTRA MAGHREB	Morocco	99,49%
France MARITIME AGENCY	Mauritius	100,00%
MAC ANDREWS NETHERLANDS BV	The Netherlands	100,00%
MAC ANDREWS SA	Spain	100,00%
SOMARIG	France (Guyane)	100,00%
SUDCARGOS ALGERIE SPA	Algeria	51,70%
UAB CMA CGM LIETUVA	Lithuania	100,00%
HANDLING		
ALTERCO	Algeria	58,98%
CGA AND CIE SAS	France	100,00%
CMA TERMINALS	France	100,00%
GMG	France (Guadeloupe)	100,00%
GMM	France (Martinique)	100,00%
INTRAMAR SA	France	100,00%
INTRAMAR STS	France	100,00%
LATTAKIA INT. CONT. TERMINAL LLC	Syria	51,00%
MANUCO	Morocco	99,50%
MARSEILLE MANUTENTION	France	100,00%
UDEMAG	Morocco	94,67%
CONTAINERS (MAINTENANCE & REPAIRS)		
ANL CONTAINER HIRE AND SALES PTY LTD	Australia	91,00%
ANL CONTAINER PARK PTY LTD	Australia	100,00%
PROGECO BELGIUM NV	Belgium	100,00%
PROGECO DEUTSCHLAND GMBH	Germany	100,00%
PROGECO DO BRAZIL	Brazil	100,00%
PROGECO France	France	100,00%
PROGECO HOLLAND BV	The Netherlands	100,00%

Legal Entity	Country	Direct and indirect percentage of interest
LOGISTICS & SUPPLY CHAIN		
ANL LOGISTICS PTY LTD	Australia	100.00%
CMA CGM CHINA LOGISTICS CO, LTD	China	100.00%
CMA CGM LOG France	France	100.00%
CMA CGM LOGISTICS(Asia) LTD	Hong Kong	100.00%
CMA CGM LOGISTICS AMERICA	United States of America	100.00%
CMA CGM LOGISTICS EGYPT	Egypt	100.00%
CMA CGM LOGISTICS	France	100.00%
CMA CGM LOGISTICS N.V BELGIUM	Belgium	100.00%
LCL CANADA LTD	Canada	60.00%
LCL LOGISTIX HK LTD	Hong Kong	60.00%
LCL LOGISTIX INDIA PVT LTD	India	60.00%
Magellan Logistics Tanzania Ltd	Tanzania	47.76%
USL Logistics LLC	United States of America	100.00%
INTERMODAL		
GREENMODAL TRANSPORT	France	100.00%
RAIL LINK ALGERIA	Algeria	55.00%
REAL ESTATE		
CMA CGM HOLLAND PYRAMIDS BV	The Netherlands	100.00%
CMA CGM IMMO SCI	France	100.00%
CMA CGM PYRAMIDES France	France	100.00%
CMA CGM PYRAMIDS EGYPT	Egypt	100.00%
CMA CGM PYRAMIDS Malaysia	Malaysia	100.00%
CMA CGM PYRAMIDS Norfolk	United States of America	100.00%
CMA CGM PYRAMIDS UKRAINE	Ukraine	100.00%
CMA CGM PYRAMIDS USA LLC	United States of America	100.00%
PT PYRAMIDES Indonesia	Indonesia	98.50%
SCI 408 PRADO	France	100.00%
SCI Tour D'Arenc	France	100.00%
SPA CMA CGM Construction	Algeria	99.94%
TOURISM		
MAC ANDREWS NAVIGACAO & TRANSITOS	Portugal	100.00%
MAC ANDREWS TOUR SA	Spain	100.00%
SYTRAV	France	100.00%
THE TRAVELLERS CLUB	France	100.00%
INSURANCE		
ARB INTERNATIONAL HOLDINGS LTD	United Kingdom	100.00%
ARB INTERNATIONAL LIMITED	United Kingdom	100.00%
FINANCIAL HOLDING		
7267746 CANADA INC	Canada	48.24%
CMA CGM HOLDING BV	The Netherlands	100.00%
CMA CGM OVERSEAS (Taiwan) INVESTMENT LTD	Taiwan	100.00%
CMA CGM OVERSEAS INVESTMENT Holland BV	The Netherlands	100.00%
CMA CGM PARTICIPATIONS	France	100.00%
CMA CGM UK HOLDING	United Kingdom	100.00%
CMA CGM AGENCIES WORLDWIDE	France	100.00%
CMA TERMINALS CALIFORNIA	United States of America	100.00%
CMA TERMINALS HOLDING	France	100.00%
OTHER ACTIVITIES		
CMA CGM & ANL Securities BV	The Netherlands	99.99%
CMA CGM GLOBAL AGENCY Pte Ltd	Singapore	100.00%
CMA CGM Shared Service Center India	India	100.00%
CMA SKY LINK Ltd	United Kingdom	100.00%
CMA CGM Shared Services Center Lanka	Sri Lanka	100.00%
SKY LINK France	France	100.00%

Legal Entity	Country	Direct and indirect percentage of interest
Consolidation method - Equity		
Associates and joint ventures are disclosed in the table below		
TERMINAL LINK GROUP	France	51,00%
AMEYA LOGISTICS PRIVATE LTD	India	50,00%
BROOKLYN KIEV PORT LTD	Ukraine	50,00%
CMA CGM KOREA	South Korea	50,00%
CMA MUNDRA TERMINAL Pvt Ltd	India	50,00%
CMA SYSTEMS	France	50,00%
OTHL	Cyprus	50,00%
CMA CGM BANGLADESH SHIPPING LTD	Bangladesh	49,00%
CMA CGM JORDAN	Jordan	49,00%
CMA CGM KUWAIT	Kuwait	49,00%
OCEAN GATE TERMINALS PVT LTD	India	30,60%
OSCO	Ukraine	46,80%
INTERRAF	Ukraine	45,00%
GLOBAL SHIP LEASE	Marshall Islands	44,72%
CMA CGM LANKA	Sri Lanka	40,00%
CMA CGM QATAR	Qatar	40,00%
GEMALINK	Vietnam	25,00%
PROGECO BILBAO SA	Spain	30,00%
DAMIETTE INTERNATIONAL PORT	Egypt	20,00%
PACIFIC MARITIME SERVICE	United States of America	10,00%

7.5 Related party transactions

For the purposes of this note, the following related parties have been identified:

- Terminal activities which mainly include Terminal Link and its subsidiaries.
- Shipping activities which mainly include Global Ship Lease, Inc. a ship-owner listed in the U.S. currently owning a fleet of 18 vessels of which 15 time chartered to CMA CGM under agreements ranging from September 2017 till October 2025.
- Shipping agencies which mainly include CMA CGM Korea, CMA CGM Qatar.
- 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.
 - Yildirim, incorporated in Turkey, a Company with whom the Company signed two significant transactions in 2011 regarding the issuance of bonds redeemed in preferred shares as at December 31, 2015, and an agreement 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). In 2013, Yildirim subscribed to new bonds mandatorily redeemed into preferred shares as at December 31, 2015 (see Note 6.6.4).
 - 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 shares issued by the Company (see Note 6.6.4).
 - 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.
 - A non-profit foundation "Fondation d'Entreprise CMA CGM" which promotes certain cultural activities.

- Others activities which mainly include the following entities in which CMA CGM has a stake:
 - CMA CGM Systems (“CCS”), a joint venture with IBM, whose object is to manage the development of business software and to provide IT support to the Group,
 - INTTRA, a company whose activity is to develop e-commerce in the container shipping industry,
 - TRAXENS, which is developing a breakthrough technology for “smart” containers.

The related party transactions included in the Statement of Profit & Loss can be analysed as follows:

	Total Related Parties As at December 31,		Terminal activities As at December 31,		Shipping As at December 31,		Agencies As at December 31,		Management / Shareholder's related entities As at December 31,		Others As at December 31,	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Operating Income	13.1	8.8	5.5	3.8	-	-	4.3	2.9	4.4	1.5	0.4	0.6
Operating Expense	(361.3)	(393.7)	(89.3)	(99.4)	(133.2)	(135.9)	(3.5)	(3.4)	(36.8)	(37.1)	(98.5)	(117.8)
Other income and expenses and impairment	-	(20.0)	-	(4.4)	-	(15.6)	-	-	-	-	-	-
Financial Result	(2.9)	(36.7)	0.3	(8.0)	4.0	(7.9)	9.8	3.4	(22.7)	(31.6)	5.8	7.4

The Statement of Financial Position positions corresponding to the related parties listed above are:

	Total Related Parties As at December 31,		Terminal activities As at December 31,		Shipping As at December 31,		Agencies As at December 31,		Management / Shareholder's related entities As at December 31,		Others As at December 31,	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Non current assets	79.4	70.1	34.2	34.4	-	-	-	-	-	-	45.0	35.5
Current assets	63.4	65.0	37.8	32.1	3.7	3.6	4.3	6.4	15.8	16.7	1.8	6.2
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Non current liabilities	194.2	259.7	70.8	103.3	-	-	-	-	193.8	259.3	0.4	0.4
Current liabilities	61.9	58.2	7.5	1.0	0.2	1.2	1.0	0.3	51.4	54.7	1.8	1.0

Included in “current liabilities” are the dividends declared and not yet paid to Merit amounting to USD 45.8 million (see Note 5.4.2).

Key management compensations for a total amount of USD 3.6 million as at December 31, 2015 (USD 3.0 million as at December 31, 2014) are included in “Employee benefits” in the Consolidated Statement of Profit & Loss.

Note 8 - Other Notes

8.1 Provisions, retirement benefit obligations and contingent liabilities

The Group recognizes provisions when:

- the Group 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.

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.

Provisions are analyzed as follows:

	Employee benefits	Litigation	Other risks and obligations	Total	of which non current portion	current portion
As at January 1, 2014	119.0	80.4	141.9	341.3	315.8	25.5
Additions for the year	16.5	16.6	65.6	98.7		
Reversals during the year (unused)	(0.5)	-	(0.6)	(1.1)		
Reversals during the year (used)	(10.2)	(12.5)	(55.2)	(77.9)		
Reclassification to / from other liabilities	4.2	-	-	4.2		
Actuarial gain / loss recognized in the OCI	13.3	-	-	13.3		
Foreign currency translation adjustment	(15.1)	(1.5)	(11.1)	(27.7)		
As at December 31, 2014	127.2	83.0	140.6	350.8	331.1	19.7
Additions for the period	8.5	9.7	28.7	47.0		
Reversals during the period (unused)	-	-	(16.6)	(16.6)		
Reversals during the period (used)	(10.0)	(8.5)	(35.3)	(53.7)		
Acquisition of subsidiaries	9.3	-	-	9.3		
Actuarial (gain) / loss recognized in the OCI	2.0	-	-	2.0		
Foreign currency translation adjustment	(6.1)	(1.1)	(11.7)	(18.9)		
As at December 31, 2015	131.0	83.1	105.7	319.8	296.6	23.1

8.1.1 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 indemnities, paid by the Company on retirement (defined benefit plan); and
- Pension payments from social security bodies, financed by contributions from businesses and employees (defined contribution plan).

In accordance with the regulatory environment and collective agreements, the Group has established defined contribution and defined benefit pension plans (company or multi-employer) in favor of employees.

Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations.

Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation of payment of the contributions.

The Group contributed USD 8.4 million to its defined contribution plans in 2015 (USD 8.6 million in 2014).

Defined benefit plans

Major defined benefit plans can be described as follows:

Retirement Indemnities (France)

French retirement indemnity is a lump sum paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee at the retirement date and is prescribed by collective bargaining agreements ("CBA"). Those agreements are negotiated by Unions' 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 French standard retirement benefits, such as pensions provided by Social Security or complementary funds (ARRCO and AGIRC).

Article 23 (France)

The benefits consist of an annuity payable to a closed group of beneficiaries. All the beneficiaries are retired. This plan is not externalized to an insurer, and the annuities are 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.

Jubilee Awards (France)

The benefits consist of a lump sum payable to employees when they reach different year's career service.

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 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 are taken into account to value the appropriate retirement indemnity of employees concerned.

Retirement Indemnities (Morocco)

Retirement indemnity in our subsidiaries in Morocco is a lump sum paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee at the retirement date and is prescribed by a collective bargaining agreements.

Medical insurance (Morocco)

The benefits provides 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 reimbursement cost is indexed by 4% yearly in order to reflect the medical consumption and cost inflation.

Retirement Indemnities (The Netherlands)

Retirement indemnity in the Company's subsidiaries in Netherlands is a lump sum paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee at the retirement date and is prescribed by a collective bargaining agreements.

From January 1, 2014 these pension plans have been amended, due to the normal retirement age being increase from 65 to 67 years. The effect on these amendments is reported as a past service cost.

Superannuation Plan (Australia)

Retirement indemnity in certain of the Company's subsidiaries in Australia is a lump sum 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 at the retirement or resignation. This plan is closed to new benefit members.

Annual Leave plans (Australia)

These unfunded plans provide a right to annual leave to employees depending of the length of service.

Long Service Leave plans (Australia)

These unfunded plans provide a right to long service leave to employees depending of the length of service varying by state.

Actuarial assumptions

The actuarial assumptions used for the principal countries are as follows:

	As at December 31, 2015			As at December 31, 2014		
	Euro Zone	Morocco	Australia	Euro Zone	Morocco	Australia
Discount rate	2.10%	4.00%	3.80%	2.05%	4.41%	3.00%
Future salary increase	3.28%	2.50%	4.00%	3.10%	2.50%	4.00%
Long-term inflation	2.00%	2.00%	n.a.	2.00%	2.00%	n.a.

The future salary increase mentioned in the table above includes the impact of inflation.

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 15 years).

Australia: The Company used a corporate bonds average rate reflecting the average duration of plans (around 5 years).

Evolution of rates

Due to the overall stability of interest rates in the Euro zone, the discount rate being used to evaluate the Company's liability regarding pension and employee benefits were stable as at December 31, 2015 compared to December 31, 2014 resulting in no major impact being recorded in other comprehensive income.

Variation of obligations, plan assets and provisions

Amounts in the Statement of Financial Position are as follows:

	As at December 31, 2015	As at December 31, 2014
Liabilities	(163.5)	(161.9)
Assets	32.5	34.7
Net liability	(131.0)	(127.2)

The amounts recognized in the Statement of Financial Position are determined as follows:

	As at December 31, 2015	As at December 31, 2014
Present value of unfunded obligations	(122.7)	(117.9)
Present value of funded obligations	(40.8)	(44.0)
Fair value of plan assets	32.5	34.7
Net present value of obligations	(131.0)	(127.2)

Variations in the defined benefit obligations over the year are as follows:

	As at December 31, 2015	As at December 31, 2014
Beginning of year	161.9	149.9
Plan amendment - past service cost	0.8	(1.1)
Service cost	4.8	9.7
Interest cost	4.0	4.9
Actuarial losses/(gains)	0.7	21.7
Benefits paid	(8.4)	(8.5)
Employee contributions	0.2	0.3
Expenses Paid	(0.0)	(0.0)
Taxes paid	(0.1)	(0.1)
Premiums paid	(0.0)	(0.0)
Reclassification of liabilities	0.5	0.1
Acquisition / disposal of subsidiaries and other	8.6	3.9
Exchange differences	(9.6)	(18.7)
End of year	163.5	161.9

Plan assets vary as follows:

	As at December 31, 2015	As at December 31, 2014
Beginning of year	34.7	30.9
Expected return on plan assets	0.8	1.1
Actuarial (losses)/gains	(1.0)	4.8
Benefits paid	(0.4)	(0.2)
Employer contributions	2.0	2.0
Employee contributions	0.2	0.3
Taxes paid	(0.1)	(0.1)
Premiums paid	(0.1)	(0.1)
Acquisition of subsidiaries and other	(0.0)	(0.0)
Exchange differences	(3.6)	(3.8)
End of the year	32.5	34.7

The plan assets are invested as follows:

	As at December 31,	
	2015	2014
Cash and cash equivalents	3%	2%
Equity instruments	19%	20%
Debt instruments	5%	4%
Real estate	4%	3%
Assets held by insurance company	58%	59%
Other	13%	12%

The amounts recognized in the Statement of Profit & Loss are as follows:

	As at December 31, 2015	As at December 31, 2014
a. Current service cost excluding taxes, expenses, employees contributions and premiums	4.8	9.7
b. Administrative expenses and taxes	0.1	0.1
c. Employees contributions	-	-
d. Past service cost/curtailment	0.8	(1.1)
e. Non-routine settlements	-	-
Total service cost	5.7	8.7
a. Interest on the DBO (gains) / losses	4.0	4.9
b. Interest on Assets gains /(losses)	(0.8)	(1.1)
c. Interest on Assets ceiling (gains) / losses	-	-
d. Interest on reimbursement rights (gains) / losses	(0.1)	(0.1)
Total net interest	3.2	3.7
Remeasurements of Other Long Term Benefits	(0.3)	3.6
Benefit expense recognized in the income statement	8.5	15.9
Remeasurements (recognized in other comprehensive income)	2.0	13.3
Total defined benefit cost recognized in P&L and OCI	10.5	29.1

The amounts recognized in the Statement of Financial Position in the net liability are as follows:

	As at December 31, 2015	As at December 31, 2014
Net liability as of beginning of year	(127.2)	(119.0)
Benefit expense recognized in the income statement	(8.5)	(15.9)
Remeasurements (recognized in other comprehensive income)	(2.0)	(13.2)
Employer contributions	2.0	2.8
Benefits paid directly	8.0	7.4
Acquisition / disposal of subsidiaries and other	(8.8)	(4.2)
Reclassification of liabilities	(0.5)	-
Exchange differences	6.1	15.0
Net liability as of end of year	(131.0)	(127.2)

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:

	Defined Benefit Obligation	Plan Assets	Funded Status	Actuarial (Gains) and Losses	
				On Defined Benefit Obligation	On Plan Assets
As at December 31, 2011	(149.6)	20.8	(128.8)	14.1	(1.7)
As at December 31, 2012	(147.6)	27.6	(120.1)	16.4	4.3
As at December 31, 2013	(149.9)	30.9	(119.0)	1.0	1.3
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)

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, 2015	Discount rate	Long-term inflation
- 25 basis points	4.9	(0.7)
+25 basis points	(5.3)	0.7

8.1.2 Provisions for litigation and other risks and obligations

Litigation

The provision for litigation as at December 31, 2015 corresponds to cargo related and other claims incurred in the normal course of business (same as at December 31, 2014). None of these claims taken individually represents a significant amount.

Other risks and obligations

Provisions for other risks and obligations mainly include 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, which amounts to USD 84.6 million (USD 103.3 million as at December 31, 2014), down USD 18.7 million mainly as a consequence of the payment occurred in 2015.

8.1.3 Contingent liabilities

The Company is involved in a number of legal and tax disputes in certain countries. Some of these may involve significant amounts, the outcome of which being subject to a high level of uncertainty.

The main contingent liabilities are as follows:

Formal investigation by the European Commission

On November 22, 2013, the European Commission issued a press release stating that it will open a formal investigation towards the shipping sector.

CMA CGM, among several other shipping companies, is part of these investigations and entered then into a commitment process with the European Commission, subject to a market test which should take place in the coming months.

The management of the Company has no reason to believe that CMA CGM has behaved in any manner not in accordance with EU competition law and fully cooperates with the European Commission.

Legal proceedings initiated by Mistral (Holding) SAL

In September 2000, a settlement agreement was signed between Mr Jacques R. Saadé and Mr Johnny Saadé, personally and on behalf of their respective companies ending many years of dispute and legal proceedings related to the sale by Mistral (Holding) SAL of its interest in CMA CGM S.A.

As from 2004, Mr Johnny Saadé, CEO of Mistral (Holding) SAL has initiated various civil and commercial legal proceedings before Lebanese and French courts to seek a ruling that the above mentioned settlement agreement was null and void. All such actions have been rejected by civil and commercial jurisdictions in France and by civil courts in Beirut, Lebanon, up to their highest level of jurisdiction.

In 2013, Mistral (Holding) SAL has decided to initiate new legal proceedings before the courts in Syria, notwithstanding any link to the territory of Syria. Judgments, which ignored previous contrary decisions rendered in Lebanon and France, were rendered in 2013 and 2014 in favour of Mistral (Holding) SAL by the Syrian Courts.

On May 14, 2015, the Plenary Assembly (“Assemblée Plénière”) of the Syrian Supreme Court (i) decided the annulment of the judgment rendered on December 14, 2014 by the Syrian Court of Cassation against Mr. Jacques Saadé, CMA CGM SA, Merit Corporation SAL and the other defendants (ii) rejected irrevocably the original legal action from Mistral on the basis of lack of legal ground.

This decision is consistent with legal advices obtained by the Company and confirms the previous accounting position taken, no provision being recorded in the annual CFS as at December 31, 2015.

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 and containers operated under time charters which qualify as operating leases

As at December 31, 2015 the Company operates 383 vessels under time charters (367 as at December 31, 2014).

The due dates of leases payable for 394 vessels delivered or to be delivered under time charters at the Statement of Financial Position date can be analysed as follows:

	Total	Less 1 year	1 to 5 years	6 to 10 years	Over 10 years
Vessels under time charts payments as of December 31, 2015 - not discounted	5,351.9	759.5	2,981.4	1,435.7	175.3
Vessels under time charts payments as of December 31, 2015 - discounted	3,241.9	634.6	1,951.9	601.7	53.7
Vessels under time charts payments as of December 31, 2014 - not discounted	5,823.9	616.9	3,152.3	1,658.5	396.2
Vessels under time charts payments as of December 31, 2014 - discounted	3,692.4	563.9	2,236.5	763.0	129.0

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. Running costs which typically include crew and technical maintenance approximate 17% of the total charter commitments as they relate to large vessels with relatively low running costs compared to the capital cost. Running costs for the year 2015 account for approximately 53% of the Group's chartering expenses based on the current fleet under charter in which long term chartering of larger vessels are equally weighted than a short term charter of a small vessel.

As at December 31, 2015, the Company is committed to pay bareboat charters in relation to 11 vessels not yet delivered, comprising 9 vessels under long-term bareboat and 2 vessels under time charts (27 vessels as at December 31, 2014). Such commitments are included in the table above and amount to USD 1,013 million on an undiscounted basis and USD 539 million on a discounted basis (respectively USD 2,821 million on an undiscounted basis and USD 1,592 million on a discounted basis as at December 31, 2014). The delivery of these vessels is scheduled to take place in 2016.

The table above also includes commitments to Global Ship Lease Inc., a related party, for an undiscounted amount of USD 450 million as at December 31, 2015 (USD 500 million as at December 31, 2014).

In certain cases, the Group may benefit from non-bargain purchase options to acquire the vessel at the end of the lease term or non-bargain renewing options not taken into account in the above table.

The due dates of the container operating leases held at the Statement of Financial Position date can be analyzed as follows:

	Total	Less 1 year	1 to 5 years	6 to 10 years	Over 10 years
Containers under time charts payments as of December 31, 2015	1,750.8	500.8	1,119.4	130.5	-
Containers under time charts payments as of December 31, 2014	1,976.6	502.2	1,280.5	193.9	-

This table includes commitments to Investment and Financing Corp. Ltd., a related party, amounting to USD 81.7 million as at December 31, 2015 (USD 108.2 million as at December 31, 2014).

The total amount of operating lease payments related to vessels and containers was USD 2,377.5 million in 2015 (USD 2,127.2 million in 2014).

Commitments related to ordered vessels

During the year 2015, the Company ordered 11 vessels and took delivery of 6 vessels (see Note 5.2.2) which leads to an orderbook totalling 14 vessels.

As at December 31, 2015, the total orderbook corresponds to three 20,600 TEU container vessels to be delivered in 2017, three 2,500 TEU vessels to be delivered in 2016 (two vessels) and 2017 (one vessel), six 14,000 TEU container vessels scheduled for delivery between end 2016 and 2017 as well as two Bangkokmax to be delivered in 2016. Financing has been obtained for the three 2,500 TEU vessels for an amount of USD 76.6 million of which USD 27.6 million have been used as at December 31, 2015.

The Company is currently under negotiations with counterparties in order to provide external financings for the eleven other vessels ordered. In this context, it is expected that at least three out of the six 14,000 TEU vessels will ultimately be financed through long term chartering bareboat, hence out of the statement of financial position.

The contractual commitments related to the construction of these vessels can be analyzed as follows (in USD million):

	As at December 31, 2015	As at December 31, 2014
Orderbook		
- units	14	9
- Remaining commitments, net of prepayments *	1,001.8	396.5
- Committed financings	49.1	274.6
<i>* of which payable in:</i>		
2015	-	302.3
2016	359.2	94.2
2017	642.6	-
2018	-	-
2019	-	-
Total	1,001.8	396.5

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 5.2.2). These guarantees relate to the construction of 14 vessels as at December 31, 2015.

8.2.2 Commitments relating to concession fees

The Company carries out certain stevedoring activities under long-term concession arrangements with governmental bodies. The share of the future minimum discounted payments under these arrangements for which the Company issued a guarantee amounts to USD 27.9 million as at December 31, 2015 (USD 24.2million as at December 31, 2014).

8.2.3 Other Financial Commitments

Other financial commitments primarily relate to the following:

Financial Commitments given

	As at December 31, 2015	As at December 31, 2014
Bank guarantees	98.2	105.0
Guarantees on terminal financing	90.4	101.8
Customs guarantees	8.6	10.3
Port authorities and administration	7.9	12.6
Office rented guarantees	33.3	33.0
Others guarantees granted for non-current assets	81.0	133.4
Mortgage on share of associates	1.5	1.7
Pledge	121.5	658.7
Other	261.2	334.3

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, with the exception of “Other guarantees granted for non-current assets” which primarily relate to the commitment in relation to the new information system at balance sheet date.

As at December 31, 2015, the Company transferred USD 1,085.8 million of trade receivables as collateral under its securitization program (USD 1,183.2 million as at December 31, 2014).

As disclosed in Note 3.1 regarding NOL proposed acquisition, the Company has signed an acquisition facility of USD 1,652 million with international banks. If and when this acquisition facility is drawn, the Company will grant to the banks providing the facility some guarantees in the form of pledges of the shares it owns in certain of its subsidiaries. The estimated value of these shares as at December 31, 2015 is approximately USD 1,467 million.

Financial Commitments received

	As at December 31, 2015	As at December 31, 2014
Guarantees received from independent shipping agents	4.5	5.6
Guarantees received from customers	10.2	12.2
Other financial commitments received	2.1	2.3

8.3 Significant transactions occurred after the date of the Statement of Financial Position

In February 2016, CMA CGM inaugurated in Los Angeles the 18,000 TEU vessel Benjamin Franklin which will be deployed on the US trade, pursuing CMA CGM development in the US maritime transport market.

The Benjamin Franklin is the largest container vessel ever calling a US port.

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.

NEPTUNE ORIENT LINES LIMITED
(Incorporated in Singapore. Registration Number: 196800632D)

AND ITS SUBSIDIARIES

SPECIAL PURPOSE

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 DECEMBER 2016

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Directors' Statement

For the Financial Year Ended 30 December 2016

The Directors present their statement to CMA CGM S.A., together with the audited consolidated financial statements of Neptune Orient Lines Limited (“NOL” or the “Company”) and its subsidiaries (collectively, the “Group”), for the financial year ended 30 December 2016 and the statements of financial position and changes in equity of the Company as at 30 December 2016, expressed in United States Dollars.

In the opinion of the Directors,

- (a) the consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company as set out on pages 8 to 110 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 30 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The Directors of the Company in office at the date of this statement are:

Rodolphe Saadé (<i>Executive Chairman</i>)	(Appointed on 9 June 2016)
Nicolas Pierre Yves Sartini (<i>Chief Executive Officer</i>)	(Appointed on 9 June 2016)
Serge Corbel	(Appointed on 9 June 2016)
Lars Christian Kastrup	(Appointed on 9 June 2016)
Jean-Yves Michel Duval	(Appointed on 6 September 2016)
Jean-Philippe Lucien Thenoz	(Appointed on 6 September 2016)
Thierry Marcel Billion	(Appointed on 6 September 2016)

On behalf of the Directors

Nicolas Pierre Yves Sartini
Director

Serge Corbel
Director

Singapore, 30 June 2017

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Independent Auditor's Report for Inclusion in the Offering Memorandum

To CMA CGM S.A. and Neptune Orient Lines Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Neptune Orient Lines Limited (the "Company") and its subsidiaries (the "Group"), the statement of financial position of the Company and the statement of changes in equity of the Company are properly drawn up in accordance with Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 December 2016 and of the consolidated financial performance, consolidated changes in equity of the Group and consolidated cash flows of the Group and changes in equity of the Company for the financial year ended 30 December 2016.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement for the financial year ended 30 December 2016;
- the consolidated statement of comprehensive income for the financial year ended 30 December 2016;
- the consolidated statement of financial position of the Group as at 30 December 2016;
- the statement of financial position of the Company as at 30 December 2016;
- the consolidated statement of changes in equity for the financial year ended 30 December 2016;
- the statement of changes in equity of the Company for the financial year ended 30 December 2016;
- the consolidated statement of cash flows of the Group for the financial year ended 30 December 2016; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Emphasis of Matter

In accordance with our engagement contract dated 27 June 2017, we audited the consolidated financial statements of the Company and the Group for the financial year ended 30 December 2016, as part of CMA CGM S.A.'s (the "Issuer") proposed offering of senior notes (the "Purpose"). The consolidated financial statements of the Company and the Group for the year ended 30 December 2016 are prepared for inclusion in the Offering Memorandum of the Issuer for the Purpose mentioned. As a result, the consolidated financial statements of the Company and the Group may not be suitable for another purpose.

The consolidated financial statements of the Company and the Group for the year ended 25 December 2015 ("2015 financial statements"), were audited by another auditor, who expressed an unmodified opinion on those statements on 3 March 2016. The adjustments described in Note 37 in the accompanying financial statements that were applied to amend the 2015 financial statements were not audited by that other auditor.

Our opinion is not modified in respect of these matters

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 30 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key Audit Matter</i>	<i>How our audit addressed the Key Audit Matter</i>
<p>Impairment assessment of goodwill (Refer to Notes 2.8, 2.13, 3 and 19)</p> <p>Impairment assessment of property, plant and equipment (Refer to Notes 2.5, 3 and 16)</p> <p>As at 30 December 2016, the goodwill arising from the acquisition of American President Lines, Ltd. (“APL”) and the carrying value of property, plant and equipment (“PPE”) attributable to the Liner cash-generating unit (“CGU”) amounted to US\$112 million and US\$2.9 billion respectively.</p> <p>Management has evaluated the appropriateness of carrying values of goodwill and PPE. In assessing the impairment of goodwill, management compared the carrying amount of the CGU to its recoverable amount to determine whether there is any impairment loss. The recoverable amount of the CGU was determined as its value-in-use (“VIU”).</p> <p>For PPE, management is required to assess at each balance sheet date, whether there is any objective evidence or indication that the PPE may be impaired. As the Liner business has been loss making for several years, and continues to be in a loss making position this year, management has performed an impairment test in conjunction with the annual impairment test for goodwill.</p> <p>We focused on this area because of the significant judgements required in estimating the key inputs used in determining the VIU, such as the expected future cash flows, long term growth rate, and discount rate.</p> <p>Management has performed the impairment test and concluded that the goodwill and PPE are not impaired.</p>	<p>We evaluated the reasonableness of management’s estimate of expected future cash flows by taking into consideration past performance, projections of growth in terms of demand for container shipping capacity and freight rates, as well as future market conditions and developments.</p> <p>With the assistance of our valuation specialists, we assessed the reasonableness of the long term growth rate and discount rate used by management. We found the estimates of future cash flows and the rates used to be reasonable.</p> <p>We performed sensitivity analysis to assess the impact on the recoverable amount of the CGU by reasonable possible changes to the long term growth rate, discount rate and key assumptions. We found that the reasonable possible changes in these inputs did not result in impairment loss.</p>

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Our Audit Approach (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Classification of sold and leased back vessels (Refer to Notes 2.17, 3, 16 and 25)</p> <p>During the financial year, the Group derecognised 13 vessels with carrying amount of US\$1.5 billion subsequent to their sale for proceeds of US\$1.1 billion. These vessels were leased back for 7 years on an average cost of US\$11 million annually.</p> <p>In assessing whether these transactions pertain to finance or operating leases, management has prepared analyses to determine the classification of these leases. The leases could be classified as finance or operating leases depending on various criteria as set out in FRS 17.</p> <p>We focused on this area because certain criteria involved significant judgements and estimates, particularly in the area of determining the fair values at the inception date. Management has ascertained the fair values as the market values of sold vessels at the inception date and compared these fair values against the present value of minimum lease payments (“PVMLP”).</p> <p>Management ascertained these market values through published ship broker reports as well as independent ship broker quotations based on average weekly values during the lease inception month. Management viewed this as a more reasonable approach rather than a point-in-time value as there were very few vessel transactions and the industry was going through a very uncertain period with news of a major industry player being in serious financial trouble.</p> <p>Management has determined that the sale-and-leaseback of the vessels are operating leases and do not represent finance leases.</p>	<p>We reviewed management’s assessment of the classification of these leases.</p> <p>We have challenged the appropriateness of management’s judgement in using the average weekly values as the fair values at lease inception for the PVMLP test. We have also reviewed the fair values used by the management in performing this assessment as well as assessed the reliability of the shipbrokers. We have also assessed the other areas of the analyses and found them to be reasonable.</p>
<p>Valuation of the investment in Rotterdam World Gateway B.V.(“RWG”) (Refer to Notes 2.4, 2.13, 3 and 14)</p> <p>As at 30 December 2016, the carrying value of investment in RWG, an associate in the books of the Group amounted to US\$57 million. This investment is accounted for using equity accounting.</p> <p>In assessing whether the carrying value of this investment is recoverable, management has prepared a discounted cash flow analysis to determine the recoverable amount of this investment based on VIU.</p> <p>We focused on this area as the associate had been making losses for the past few years, and continues to be in a loss making position this year. The carrying value of this investment may not be recoverable in full. There were significant judgements required in estimating the key inputs used in determining the VIU, such as the expected future cash flows, long term growth rate, and discount rate.</p> <p>Management has determined that the recoverable amount is in excess of the carrying value and the investment is not impaired.</p>	<p>We evaluated the reasonableness of management’s estimate of expected future cash flows by taking into consideration past performance, projections of growth in terms of utilisation rate of the terminal, as well as future market conditions and developments.</p> <p>With the assistance of our valuation specialists, we assessed the reasonableness of the long term growth rate and discount rate used by management. We found the estimates of future cash flows and the rates used to be reasonable.</p> <p>We performed sensitivity analysis to assess the impact on the recoverable amount of the investment by reasonable possible changes to the long term growth rate, discount rate and key assumptions. We found that the reasonable possible changes in these inputs did not result in impairment loss.</p>

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
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Our Audit Approach (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of provision for onerous contracts (Refer to Notes 2.20, 3 and 24)</p> <p>The Group recognised onerous contracts provisions for two separate contracts. As at 30 December 2016, these provisions had carrying values amounting to US\$120.9 million.</p> <p>We focused on this area as the determination of the provision amounts were subject to significant estimations.</p> <p>For the first contract relating to the repositioning of empty containers, the Group has a commitment to use a third party service provider (“service provider”) to move empty containers through different routes annually. After the acquisition of the Group by CMA CGM S.A (“CMA”), substantially all the containers owned by the Group were sold. Thereafter, all containers required by the Group were provided and managed by CMA. As the Group no longer owns or manages containers, this contract has become onerous and has given rise to an onerous commitment of US\$69.4 million. CMA requires certain quantity of empty containers to be repositioned over various routes which can be fulfilled by the service provider. Hence the Group will receive payment from CMA for the repositioning of empty container boxes by the service provider and this will be used to offset the Group’s cost of fulfilling the contract. The significant estimation relates to the number of empty container boxes that CMA requires to be re-positioned and the amount involved, thereby mitigating the Group’s cost of fulfilling the onerous contract.</p> <p>Management has obtained CMA’s requirement for repositioning of empty containers as well as the rates that CMA would pay the Group for such services.</p> <p>For the second contract relating to a 10-year lease arrangement at a terminal for an area to carry out equipment maintenance work that has given rise to an onerous commitment of US\$51.5 million as at 30 December 2016 (2015: US\$57.3 million), the significant judgement was whether the contract was already onerous at its inception in 2014. Management assessed that the economic value derived from the lease had not been commensurate with the annual rental since the inception in 2014 and concluded that a prior year adjustment be made for this provision.</p> <p>In addition, the contract allows the Group to sublease the space to a third party. Management has performed a formal assessment and concluded that it was not possible to sublet the area as there was no real economic value to the third party on the sub-lease arrangement. Hence, there was a need to provide for this onerous contract with a term of ten years through 2024.</p>	<p>We reviewed management’s onerous contracts assessment papers as well as all relevant contracts involved. We performed an independent review of management’s assessment of economic benefits and unavoidable cost of meeting the obligations under the contracts, including the discounted cash flow analyses to determine the present values of the long term obligations.</p> <p>We have challenged the appropriateness of management’s estimates in arriving at the provision amounts.</p> <p>We found the management’s assessments, estimates and judgements used in their analyses to be reasonable.</p>

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Our Audit Approach (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of the investments in subsidiaries (Refer to Notes 2.10, 2.13, 3 and 13)</p> <p>As at 30 December 2016, the carrying value of investments in subsidiaries in the books of the Company amounted to US\$775 million and are carried at cost.</p> <p>We focused on this area due to the size of the carrying value of the investments that made up a significant portion of the Company's assets. As the Liner business had been loss making for several years, and continues to be in a loss making position this year, the carrying value of the investments may not be recoverable in full.</p> <p>Management has determined that the carrying values of investments in liner business subsidiaries at the Company level are recoverable and no impairment charge was necessary based on VIU assessment.</p>	<p>We evaluated management's impairment assessment by considering the reasonableness of management's estimate of expected future cash flows by taking into consideration past performance, projections of growth in terms of demand for container shipping capacity and freight rates, as well as future market conditions and developments.</p> <p>With the assistance of our valuation specialists, we assessed the reasonableness of the long term growth rate and discount rate used by management. We found the estimates of future cash flows and the rates used to be reasonable.</p> <p>We performed sensitivity analysis to assess the impact on the recoverable amount of the CGU by reasonable possible changes to the long term growth rate, discount rate and key assumptions. We found that the reasonable possible changes in these inputs did not result in impairment loss.</p>

Other Information

Management is responsible for the other information. The other information refers to the "Management Discussion and Analysis" section but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The Company has prepared a separate set of consolidated financial statements for the year ended 30 December 2016 in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and FRSs on which we issued a separate auditor's report to the members of the Company dated 13 April 2017.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
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unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeoh Oon Jin.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 30 June 2017

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Consolidated Income Statement

For the Financial Year Ended 30 December 2016

		Group	
	Note	2016 US\$'000	2015 US\$'000 (Restated)
<u>Continuing operations</u>			
Revenue	4	4,642,204	5,382,596
Cost of sales	5	(4,475,978)	(5,020,914)
Gross profit		166,226	361,682
Other (losses)/gains (net)			
- Miscellaneous	4	(551,900)	31,376
- Finance and investment income	4	14,830	6,653
Expenses			
- Administrative	5	(449,430)	(424,651)
- Finance	6	(124,848)	(129,043)
- Other operating	5	(256,518)	(55,834)
Share of results of associated companies	14	(3,766)	(5,055)
Share of results of joint venture	15	2,279	2,632
Loss before tax from continuing operations		(1,203,127)	(212,240)
Tax credit/(expense)	8	10,649	(1,170)
Loss from continuing operations, net of tax		(1,192,478)	(213,410)
<u>Discontinued operations</u>			
Profit from discontinued operations, net of tax	12(c)	--	929,946
Net (loss)/profit for the financial year		(1,192,478)	716,536
Net (loss)/profit attributable to:			
Equity holders of the Company			
- From continuing operations		(1,196,225)	(214,979)
- From discontinued operations		--	927,642
		(1,196,225)	712,663
Non-controlling interest			
- From continuing operations		3,747	1,569
- From discontinued operations		--	2,304
		3,747	3,873
		(1,192,478)	716,536

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

The accompanying notes form an integral part of these financial statements.

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Consolidated Statement of Comprehensive Income

For the Financial Year Ended 30 December 2016

		Group	
	Note	2016 US\$'000	2015 US\$'000 (Restated)
Net (loss)/profit for the financial year		(1,192,478)	716,536
Other comprehensive income:			
<u>Continuing operations</u>			
<u>Items that will not be reclassified to profit or loss:</u>			
Re-measurement of net defined benefit obligations	29	6,204	1,792
Tax on pension re-measurement	8	(1,530)	421
		4,674	2,213
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Fair value gain/(loss) on cash flow hedges		2,853	(55,424)
Fair value loss on cash flow hedges transferred to the income statement		27,833	78,671
Share of other comprehensive income of associated company	14	(28)	785
Currency translation differences		(6,453)	(10,341)
Reclassification of foreign currency translation reserve on disposal/liquidation of subsidiaries and associated company	13,14	19,761	1,959
		43,966	15,650
<u>Discontinued operations</u>			
<u>Items that will not be reclassified to profit or loss:</u>			
Re-measurement of net defined benefit obligations	29	--	(116)
		--	(116)
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Fair value loss on cash flow hedges		--	(141)
Fair value gain on cash flow hedges transferred to the income statement		--	(349)
Reclassification of hedging reserve on disposal of subsidiaries	12	--	119
Fair value gain on available-for-sale financial assets		--	36
Reclassification of fair value reserve on disposal of subsidiaries	12	--	8
Currency translation differences		--	(513)
Reclassification of foreign currency translation reserve on disposal of subsidiaries	12	--	(1,614)
		--	(2,454)
Other comprehensive income for the financial year, net of tax		48,640	15,293

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Total comprehensive income for the financial year	<u>(1,143,838)</u>	<u>731,829</u>
Total comprehensive income attributable to:		
Equity holders of the Company		
- From continuing operations	(1,147,525)	(197,028)
- From discontinued operations	--	925,235
	<u>(1,147,525)</u>	<u>728,207</u>
Non-controlling interest		
- From continuing operations	3,687	1,481
- From discontinued operations	--	2,141
	<u>3,687</u>	<u>3,622</u>
	<u>(1,143,838)</u>	<u>731,829</u>

The accompanying notes form an integral part of these financial statements.

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Statements of Financial Position

As at 30 December 2016

		Group			Company	
		2016	2015	27 December 2014	2016	2015
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
		(Restated)	(Restated)	(Restated)		
ASSETS						
Current Assets						
Cash and cash equivalents	9	184,192	229,907	1,225,771	52,483	46,433
Trade and other receivables	10	2,522,841	520,458	1,080,359	5,191,087	4,415,043
Available-for-sale financial assets		--	--	24,516	--	--
Inventories at cost		97,699	91,720	175,244	--	--
Derivative financial instruments	11	--	435	726	--	--
Assets of group companies classified as held-for-sale	12	169,428	41,073	--	--	--
Assets classified as held-for-sale	12	6,215	--	--	--	--
Other current assets	10	61,286	76,265	97,865	5,681	4,664
Total current assets		3,041,661	959,858	2,604,481	5,249,251	4,466,140
Non-current Assets						
Investments in subsidiaries	13	--	--	--	775,232	775,212
Investments in associated companies	14	114,652	107,462	160,835	--	--
Investment in joint venture	15	18,682	21,970	21,220	--	--
Property, plant and equipment	16	2,927,857	5,590,142	6,012,433	7,847	8,870
Deferred charges	17	2,412	3,509	5,387	1,772	3,509
Intangible assets	18	9,000	12,277	31,100	1,455	2,172
Land use rights		--	--	817	--	--
Goodwill arising on consolidation	19	112,131	121,036	158,068	--	--
Deferred tax assets	8	30,569	39,773	42,575	--	--
Derivative financial instruments	11	61	--	--	--	--
Other non-current assets	20	41,171	47,368	57,367	132,481	125,256
Total non-current assets		3,256,535	5,943,537	6,489,802	918,787	915,019
Total Assets		6,298,196	6,903,395	9,094,283	6,168,038	5,381,159
LIABILITIES						
Current Liabilities						
Trade and other payables	22	782,792	854,661	1,178,233	612,803	100,410
Current tax liabilities		33,162	78,509	132,448	2,719	2,794
Borrowings	23	883,284	572,551	615,095	753,404	350,000
Provisions	24	55,077	38,983	49,378	513	605
Deferred income	25	12,295	205	5,156	--	--
Derivative financial instruments	11	57,833	11,034	30,363	57,833	--
Liabilities of group companies classified as held-for-sale	12	46,632	15,988	--	--	--
Other current liabilities	22	185,533	140,532	226,949	--	--
Total current liabilities		2,056,608	1,712,463	2,237,622	1,427,272	453,809
Non-current Liabilities						
Borrowings	23	2,501,706	2,309,811	4,676,308	872,311	960,421
Provisions	24	179,807	196,123	245,399	--	--
Deferred income	25	71,987	581	1,566	--	--
Deferred tax liabilities	8	3,718	2,717	6,431	2,361	686
Derivative financial instruments	11	183,962	233,267	160,357	90,405	150,397
Other non-current liabilities	26	12,719	18,503	26,809	--	--
Total non-current liabilities		2,953,899	2,761,002	5,116,870	965,077	1,111,504

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Total Liabilities	<u>5,010,507</u>	<u>4,473,465</u>	<u>7,354,492</u>	<u>2,392,349</u>	<u>1,565,313</u>
Net Assets	<u>1,287,689</u>	<u>2,429,930</u>	<u>1,739,791</u>	<u>3,775,689</u>	<u>3,815,846</u>

The accompanying notes form an integral part of these financial statements.

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Statements of Financial Position (continued)

As at 30 December 2016

		Group			Company	
	Note	2016	2015	27	2016	2015
		US\$'000	US\$'000	December	US\$'000	US\$'000
			(Restated)	2014		
				US\$'000		
				(Restated)		
EQUITY						
Share capital	28	1,842,696	1,840,260	1,834,341	1,842,696	1,840,260
Treasury shares	28	(5,216)	(5,216)	(5,216)	(5,216)	(5,216)
		<u>1,837,480</u>	<u>1,835,044</u>	<u>1,829,125</u>	<u>1,837,480</u>	<u>1,835,044</u>
Shares held by employee benefit trust	28	--	(4,326)	(5,719)	--	--
Treasury shares reserve		(1,195)	(1,195)	(1,195)	(1,195)	(1,195)
Foreign currency translation reserve		(22,236)	(35,611)	(25,357)	--	--
(Accumulated losses)/Retained earnings		(494,723)	678,722	(39,330)	1,939,508	1,956,477
Share-based compensation reserve		--	44,424	44,582	--	44,424
Hedging reserve		(6,236)	(36,894)	(60,555)	(104)	(18,904)
Fair value reserve		--	--	(26)	--	--
Pension re-measurement reserve		(47,960)	(64,561)	(67,484)	--	--
Statutory reserve		1,882	1,785	6,085	--	--
Other reserve		--	(5,672)	1,901	--	--
Capital and reserves attributable to equity holders of the Company						
		1,267,012	2,411,716	1,682,027	3,775,689	3,815,846
Non-controlling interest		20,677	18,214	57,764	--	--
Total Equity		<u>1,287,689</u>	<u>2,429,930</u>	<u>1,739,791</u>	<u>3,775,689</u>	<u>3,815,846</u>
Net current assets/(liabilities)		985,053	(752,605)	366,859	3,821,979	4,012,331

The accompanying notes form an integral part of these financial statements.

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 December 2016

Group

Capital and reserves attributable to equity holders of the Company

Note	Share capital US\$'000	Treasury shares US\$'000	Shares held by employee benefit trust US\$'000	Treasury shares reserve US\$'000	Foreign currency translation reserve US\$'000	(Accumulated losses)/ Retained earnings US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Pension re-measure- ment reserve US\$'000	Statutory reserve US\$'000	Other reserve US\$'000	Total US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
2016														
Balance as at 26 December 2015	1,840,280	(5,216)	(4,326)	(1,195)	(35,611)	678,722	44,424	(36,894)	(64,361)	1,785	(5,672)	2,411,716	18,214	2,429,930
(Loss)/Profit for the financial year	--	--	--	--	--	(1,196,225)	--	--	--	--	--	(1,196,225)	3,747	(1,192,478)
Other comprehensive income for the financial year	--	--	--	--	13,375	--	--	30,658	4,667	--	--	48,700	(60)	48,640
Total comprehensive income for the financial year	--	--	--	--	13,375	(1,196,225)	--	30,658	4,667	--	--	(1,147,525)	3,687	(1,143,838)
Dividends to non-controlling interest	--	--	--	--	--	--	--	--	--	--	--	--	(1,058)	(1,058)
Employee equity compensation schemes: - value of employee services	--	--	--	--	--	--	12,774	--	--	--	--	12,774	--	12,774
- new shares issued	2,436	--	--	--	--	--	(474)	--	--	--	--	1,962	--	1,962
Settlement of employee equity compensation schemes	--	--	--	--	--	--	(16,338)	--	--	--	--	(16,338)	--	(16,338)
Sale of shares by employee benefit trust	--	--	4,326	--	--	--	--	--	--	--	--	4,326	--	4,326
Disposal of subsidiaries	--	--	--	--	--	(5,672)	--	--	--	--	5,672	--	(166)	(166)
Share of statutory reserves of associated company	--	--	--	--	--	--	--	--	--	97	--	97	--	97
Transfer from share-based compensation reserve to retained earnings	--	--	--	--	--	40,386	(40,386)	--	--	--	--	--	--	--
Actuarial losses on post-retirement benefits transferred to retained earnings upon termination of post-retirement benefits plan, net of tax	--	--	--	--	--	(11,934)	--	--	11,934	--	--	--	--	--
Total transactions with owners, recognised directly in equity	2,436	--	4,326	--	--	22,780	(44,424)	--	11,934	97	5,672	2,821	(1,224)	1,397
Balance as at 30 December 2016	1,842,696	(5,216)	--	(1,195)	(22,236)	(494,723)	--	(6,236)	(47,960)	1,882	--	1,267,012	20,677	1,287,689

The accompanying notes form an integral part of these financial statements.

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Consolidated Statement of Changes in Equity (continued)

For the Financial Year Ended 30 December 2016

Group

Capital and reserves attributable to equity holders of the Company

Note	Share capital US\$'000	Treasury shares US\$'000	Shares held by employee benefit trust US\$'000	Treasury shares reserve US\$'000	Foreign currency translation reserve US\$'000	(Accumulated losses)/ Retained earnings US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Fair value reserve US\$'000	Pension re-measurement reserve US\$'000	Statutory reserve US\$'000	Other reserve US\$'000	Total US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
2015															
Balance as at 27 December 2014 (previously reported)	1,834,341	(5,216)	(5,719)	(1,195)	(25,357)	28,756	44,582	(60,555)	(26)	(67,484)	6,085	1,901	1,750,113	57,764	1,807,877
Effect of prior year adjustment	--	--	--	--	--	(68,086)	--	--	--	--	--	--	(68,086)	--	(68,086)
Balance as at 27 December 2014, as restated	1,834,341	(5,216)	(5,719)	(1,195)	(25,357)	(39,330)	44,582	(60,555)	(26)	(67,484)	6,085	1,901	1,682,027	57,764	1,739,791
Profit for the financial year	--	--	--	--	--	712,663	--	--	--	--	--	--	712,663	3,873	716,536
Other comprehensive income for the financial year	--	--	--	--	(10,254)	--	--	23,661	26	2,111	--	--	15,544	(251)	15,293
Total comprehensive income for the financial year	--	--	--	--	(10,254)	712,663	--	23,661	26	2,111	--	--	728,207	3,622	731,829
Dividends to non-controlling interest	--	--	--	--	--	--	--	--	--	--	--	--	--	(12,202)	(12,202)
Employee equity compensation schemes: - value of employee services - new shares issued	--	--	--	--	--	--	5,561	--	--	--	--	--	5,561	--	5,561
Sale of shares by employee benefit trust	5,919	--	--	--	--	--	(5,719)	--	--	--	--	--	200	--	200
Disposal of subsidiaries	--	--	1,393	--	--	--	--	--	--	--	--	--	1,393	--	1,393
Acquisition of non-controlling interest without a change in control	--	--	--	--	--	5,389	--	--	--	812	(4,300)	(1,901)	--	(30,734)	(30,734)
Capital contribution by non-controlling interest	--	--	--	--	--	--	--	--	--	--	--	(5,672)	(5,672)	(4,313)	(9,985)
Return of capital contribution to non-controlling interest	--	--	--	--	--	--	--	--	--	--	--	--	--	4,324	4,324
Total transactions with owners, recognised directly in equity	5,919	--	1,393	--	--	5,389	(158)	--	--	812	(4,300)	(7,573)	1,482	(43,172)	(41,690)
Balance as at 25 December 2015	1,840,260	(5,216)	(4,326)	(1,195)	(35,611)	678,722	44,424	(36,894)	--	(64,561)	1,785	(5,672)	2,411,716	18,214	2,429,930

The accompanying notes form an integral part of these financial statements.

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Statement of Changes in Equity

For the Financial Year Ended 30 December 2016

Company

	Note	Share capital US\$'000	Treasury shares US\$'000	Treasury shares reserve US\$'000	Retained earnings US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Total equity US\$'000
2016								
Balance as at 26 December 2015		1,840,260	(5,216)	(1,195)	1,956,477	44,424	(18,904)	3,815,846
Employee equity compensation schemes:								
- value of employee service		--	--	--	--	12,774	--	12,774
- new shares issued	28	2,436	--	--	--	(474)	--	1,962
Settlement of employee equity compensation schemes		--	--	--	--	(16,338)	--	(16,338)
Transfer from share-based compensation reserve to retained earnings		--	--	--	40,386	(40,386)	--	--
Total comprehensive income for the financial year		--	--	--	(57,355)	--	18,800	(38,555)
Balance as at 30 December 2016		1,842,696	(5,216)	(1,195)	1,939,508	--	(104)	3,775,689
2015								
Balance as at 27 December 2014		1,834,341	(5,216)	(1,195)	1,120,724	44,582	(27,200)	2,966,036
Employee equity compensation schemes:								
- value of employee services		--	--	--	--	5,561	--	5,561
- new shares issued	28	5,919	--	--	--	(5,719)	--	200
Total comprehensive income for the financial year		--	--	--	835,753	--	8,296	844,049
Balance as at 25 December 2015		1,840,260	(5,216)	(1,195)	1,956,477	44,424	(18,904)	3,815,846

The accompanying notes form an integral part of these financial statements.

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Consolidated Statement of Cash Flows

For the Financial Year Ended 30 December 2016

	Group	
	2016	2015
	US\$'000	US\$'000
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax from continuing operations	(1,203,127)	(212,240)
Profit before tax from discontinued operations (Note 12)	--	933,093
Adjustments for:		
Depreciation and amortisation	336,914	383,454
Fair value gain on financial instruments	(9,265)	(7,262)
Deferred charge expense	1,867	1,927
Deferred revenue	45,001	(80,094)
Interest expense	122,844	120,010
Interest income	(13,998)	(5,452)
Share-based compensation costs	12,774	4,193
Net write-off of inventories	694	34
Fair value loss on shares held by employee benefit trust	164	1,555
Loss on disposal of shares held by employee benefit trust	772	--
Net loss/(profit) on disposal of property, plant and equipment	572,973	(6,809)
Net profit on disposal/liquidation of subsidiaries	(1,557)	(892,479)
Net profit on disposal of other assets	(360)	(1,843)
Net profit on disposal of an associated company	(471)	--
Fair value gain on interest retained in a former subsidiary	--	(974)
Dividend income from other investment	(832)	(1,564)
Net provision for impairment of assets	126,161	--
Net provision for liabilities	49,076	14,368
Share of results of associated companies	3,766	3,531
Share of results of joint venture	(2,279)	(2,632)
Unrealised currency translation loss	(1,288)	2,190
Operating cash flow before working capital changes	39,829	253,006
Changes in operating assets and liabilities		
Receivables and other assets	(66,646)	245,808
Inventories	(10,881)	83,277
Payables	(11,200)	(96,874)
Provisions	(30,233)	(57,059)
Cash generated from operations	(79,131)	428,158
Interest paid	(117,794)	(126,690)
Interest received	4,612	10,447
Net taxes paid	(16,380)	(35,041)
Net cash (outflow)/inflow from operating activities	(208,693)	276,874
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional interest in a subsidiary, net of cash acquired (Note 13)	--	(9,985)
Investment in associated companies	(6,262)	(11,923)
Net proceeds from loans receivables	22	5
Loans to immediate holding company	(1,987,107)	--
Loan to an associated company	(1,739)	(4,127)
Dividends received from joint venture	2,867	762
Dividends received from other investment	832	1,564
Purchase of property, plant and equipment	(49,560)	(110,465)

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Purchase of available-for-sale financial assets	--	(7,372)
Purchase of intangible assets	(4,269)	(2,062)
Proceeds from disposal of subsidiaries, net of cash disposed of (Note 12 and 13)	(4,857)	1,119,747
Proceeds from disposal of property, plant and equipment	1,686,531	38,414
Proceeds from disposal of other assets	879	10,884
Net cash (outflow)/inflow from investing activities	<u>(362,663)</u>	<u>1,025,442</u>

The accompanying notes form an integral part of these financial statements.

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

Consolidated Statement of Cash Flows (continued)

For the Financial Year Ended 30 December 2016

	Group	
	2016	2015
	US\$'000	US\$'000
		(Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,139,830	999,643
Net cash (outflow)/inflow contributed by employee benefit trust	(47)	60
Dividends paid to non-controlling interest	(1,058)	(10,263)
Return of capital contribution to non-controlling interest	--	(247)
Proceeds from issue of new ordinary shares	1,962	200
Repayment of borrowings	(598,651)	(3,285,110)
Payment of costs incurred in connection with long-term financing	(770)	(49)
Payment of employee equity compensation schemes	(16,338)	--
Net cash inflow/(outflow) from financing activities	<u>524,928</u>	<u>(2,295,766)</u>
Net Decrease in Cash and Cash Equivalents	(46,428)	(993,450)
Cash and Cash Equivalents at Beginning of Financial Year	232,321	1,225,771
Cash and Cash Equivalents at End of Financial Year	<u>185,893</u>	<u>232,321</u>
Cash and Cash Equivalents from continuing operations (Note 9)	184,192	229,907
Cash and Cash Equivalents classified as held-for-sale (Note 12)	1,701	2,414
Cash and Cash Equivalents at End of Financial Year	<u>185,893</u>	<u>232,321</u>

The accompanying notes form an integral part of these financial statements.

NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore) AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the Financial Year Ended 30 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The Company is incorporated and domiciled in Singapore. The Company was delisted from the Mainboard of the SGX-ST on 6 September 2016. The address of its registered office is as follows:

9 North Buona Vista Drive, #14-01, The Metropolis, Singapore 138588.

The principal activities of the Company are those of investment holding and the ownership and charter of vessels, as well as participation in ventures related to these activities and the principal activities of its subsidiaries.

The principal activities of the subsidiaries are:

- i) investment holding and the ownership and charter of vessels and other related assets;
- ii) the provision of transportation services for containerised cargo in the global markets, including but not limited to port to port, intermodal and origin/destination services; and
- iii) the provision of other related and complementary services including ship management.

The Group also engages in other incidental activities such as the disposals of vessels, containers and related assets as well as non-core properties and assets from time to time.

There have been no significant changes in the nature of these activities during the financial year.

The financial year of 2016 started on 26 December 2015 and ended on 30 December 2016 (2015: 27 December 2014 to 25 December 2015) as the Group and the Company adopted the last Friday of every calendar year to be their accounting year-end date.

With effect from 9 June 2016, the Company's immediate holding company was changed from Temasek Holdings (Private) Limited, a company incorporated in Singapore to CMA CGM S.A., a company incorporated in Marseille, France. The Company's ultimate holding company is Merit Corporation, a company incorporated in Lebanon.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Despite the Group incurring a loss of US\$1.2 billion in the financial year ended 30 December 2016, the Group was in a net current assets position of US\$985.1 million as at 30 December 2016. As at 30 December 2016, the Group had sufficient undrawn financing facilities committed from large reputable financial institutions to meet its commitments as well as to repay any debts as and when they fall due. The immediate holding company has also confirmed its intention to provide continuing financial support so that the Group is able to pay its debts as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 3.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year except for the adoption of new interpretations and amendments to published standards discussed as follows:

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
AND ITS SUBSIDIARIES**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2016

On 26 December 2015, the Group and the Company adopted the new or revised FRS, which are effective for the Group's financial year beginning 26 December 2015.

The following are the FRS that are relevant to the Group and the Company:

Amendments to FRS 1	Presentation of Financial Statements (Disclosure Initiative)
Amendments to FRS 19	Employee Benefits

The adoption of the above FRS did not result in substantial changes to the Group's accounting policies and did not have any significant impact on the financial position and results of the Group and the Company.

2.2 Revenue recognition

Revenue for the Group is earned from the provision of the Group's services after eliminating sales within the Group, and is recognised at the fair value of consideration received or receivable for the rendering of services, net of discount and value-added tax.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that future economic benefits will flow to the entity and when the specific criteria for each of the Group's activities are met as follows:

(a) Rendering of service – Liner services

Revenue from liner services is recognised on an accrual basis, using the percentage-of-completion method, which is based on the proportion of transit time completed at financial year end date for each bill of lading.

(b) Rendering of service – Logistics services

The majority of revenue from logistics services is derived from the storage, handling and transportation of customer products. Such revenue is recognised when the services are provided. For shipments in transit, revenue is recognised on an accrual basis, using the percentage-of-completion method. Recognition of handling revenue is deferred until completion of the handling activity. Revenue is also recognised from fees earned upon the performance of certain logistics outsourcing activities, such as freight forwarding and customs clearance services. In this capacity, Logistics business unit acts, in substance, as an agent or broker on behalf of its customers.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental/charter hire income

Rental income from operating leases of owned and leased assets is recognised on a straight-line basis over the lease term.

(e) Interest income

Interest income is recognised on a time-proportion basis, using the effective interest method.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they

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are intended to compensate, on a systematic basis. Government grants relating to income are deducted in reporting the related expenses.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting

(a) Subsidiaries

(i) *Consolidation*

Subsidiaries are entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the parent company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

A list of the Group's significant subsidiaries is shown in Note 39.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations of the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred or assumed and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to Note 2.8 for the subsequent accounting policy on goodwill.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of

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that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.10 for the accounting policy in respect of investments in subsidiaries in the separate financial statements of the Company.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding of between and including 20% and 50% of the voting rights.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any. Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

Acquisition-related costs are capitalised as incurred.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associated companies or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associated companies or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies or joint ventures and its carrying value and recognises the amount in profit or loss.

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

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The most recently available audited financial statements of the associated companies and joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are non-coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting year. Where necessary, adjustments are made to align the accounting policies with those of the Group.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

There are no significant associated companies or joint ventures in the Group.

Please refer to Note 2.10 for the accounting policy of the Company in respect of investments in associated companies and joint ventures in the separate financial statements of the Company.

2.5 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.13). The cost of property, plant and equipment includes its purchase price and any cost that is 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, including borrowing costs incurred for the assets under construction. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next drydocking are identified. The cost of these components is depreciated over the period to the next estimated drydocking date. Costs incurred on subsequent drydocking of vessels are capitalised and depreciated over the period to the next drydocking date. When significant drydocking costs recur prior to the expiry of the depreciation period, the remaining costs of the previous drydocking are written off in the month of the subsequent drydocking.

(b) Depreciation

No depreciation is provided on freehold land. Depreciation on freehold buildings and leasehold land and buildings is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives or their lease terms, if shorter. The estimated useful lives are as follows:

Freehold buildings	20 – 32 years
Leasehold land and buildings (including leasehold improvements)	1 – 30 years

No depreciation is provided on assets under construction.

Depreciation on vessels in operation is calculated to reduce the cost of such assets to their estimated scrap value. The depreciable amount is allocated over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vessels	10 – 25 years
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Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives. The estimated useful lives are as follows:

Plant & machinery and operating equipment	4 – 20 years
Computers and software	3 – 10 years
Motor vehicles, office equipment, furniture, fixtures and fittings	2 – 10 years

The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are recognised prospectively in the income statement.

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(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item, in excess of the originally assessed standard of performance, will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the income statement when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement within “other (loss)/gains (net) – miscellaneous”.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss on a time-proportion basis using the effective interest method. Borrowing costs are capitalised if they are directly attributable to the acquisition and construction of a qualifying asset. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and the borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale. All other borrowings costs are expensed in the period they occur.

2.7 Deferred charges

Deferred charges relate to costs incurred in connection with long-term financing facilities which are deferred and amortised on a straight-line basis over the tenure of the financing facilities.

2.8 Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as goodwill arising on consolidation and carried at cost less accumulated impairment losses (Note 2.13).

Goodwill on acquisitions of joint ventures and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired.

Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

2.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2.13).

(a) System technology and software

Where system technology and software is not an integral part of the related hardware, it is treated as an intangible asset. Computer software that is an integral part of the related hardware is treated as part of the hardware and classified as property, plant and equipment (Note 2.5).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its original specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Software costs which are assessed as having no continuing economic value are expensed off when incurred.

(b) Terminal berthing rights

This represents amounts paid to obtain absolute berthing priority rights for a contractual period of 20 years at one of the terminal facilities.

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Intangible assets are amortised using the straight-line method over their estimated useful lives, which are as follows:

System technology and software	3 – 5 years
Terminal berthing rights	20 years

The amortisation period and amortisation method of intangible assets, other than goodwill, are reviewed at each financial year end. The effects of any revision of the amortisation period or amortisation method are recognised prospectively in the income statement.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost less accumulated impairment losses (Note 2.13) in the Company's statement of financial position.

On disposal of investments in subsidiaries, associated companies and joint ventures, the difference between net disposal proceeds and the carrying amounts of the investments is recognised in the income statement.

2.11 Assets classified as held-for-sale and discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations;
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except those maturing later than 12 months after the financial year end which are classified as non-current assets.

The Group classifies the following financial assets on the statement of financial position as loans and receivables:

- Cash and cash equivalents
- Trade and other receivables
- Loan to an associated company
- Loans receivable
- Deposits
- Insurance recoverables

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have ended or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the consideration received and the carrying amount is recognised in the income statement. Any cumulative amount in the fair value reserve relating to that asset is transferred to the income statement.

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(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

(e) Impairment

The Group assesses at each financial year end whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as significant financial difficulties or probability of insolvency of the debtor, default or significant delay in payments, historical write-off statistics and potential credit risks.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the allowance for impairment is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior years. The amount of reversal is recognised in the income statement.

2.13 Impairment of non-financial assets

(a) Goodwill arising on consolidation

Goodwill arising on consolidation is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill arising on consolidation, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised in the income statement when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is recognised in the income statement and shall not be reversed in a subsequent period.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment of non-financial assets (continued)

(b) Intangible assets

Property, plant and equipment

Investments in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment, and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

2.14 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

Financial guarantees are subsequently amortised to the income statement over the period of the borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank on the Company's statement of financial position.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings which are due to be settled within twelve months after the financial year end are presented as current borrowings in the statement of financial position. Other borrowings due to be settled more than twelve months after the financial year end are presented as non-current borrowings in the statement of financial position. The presentation of current and non-current borrowings takes into

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consideration the expected timing of repayments as well as the contractual final maturity dates of the borrowings.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Accounting for leases

- (a) When a Group entity is the lessee:

The Group leases certain property, plant and equipment from third parties.

(i) *Finance leases*

Leases of property, plant and equipment where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and borrowings respectively at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the income statement on a basis that reflects a constant periodic rate of interest on the finance lease liability.

The property, plant and equipment acquired under finance leases are depreciated over the useful lives of the assets in accordance with the Group's depreciation policy.

(ii) *Operating leases*

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Rental expenses incurred for certain operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the leases. The difference between the actual lease payment and the amount taken to the income statement is capitalised as deferred lease payables.

Contingent rent is the portion of the lease payments that is not fixed in amount but is based on a factor other than just the passage of time, for example, market interest rates. Contingent rent is recognised as an expense in the income statement when incurred.

Profits on sale and leaseback transactions which constitute operating leases are recognised immediately in the income statement when such sale and leaseback transactions are established at fair value. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

- (b) When a Group entity is the lessor:

The Group leases certain assets under operating leases to third parties.

Assets owned by the Group that are leased out under operating leases are included in property, plant and equipment and are stated at cost less accumulated depreciation and accumulated impairment losses. Rental expenses of leased-in assets which are subsequently leased out to third parties are recognised in the income statement on a straight-line basis over the period of the lease.

Rental income (net of any incentives given to lessees) is recognised in the income statement on a straight-line basis over the lease term. The difference between the actual lease receipt and the amount taken to the income statement is capitalised as deferred lease receivables.

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Contingent rent is the portion of the lease receipts that is not fixed in amount but is based on a factor other than just the passage of time, for example, market interest rates. Contingent rent is recognised as income in the income statement when earned.

2.18 Inventories

Inventories mainly comprise bunkers and consumable stores. Inventories are stated at the lower of cost and net realisable value. Cost is derived on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Taxes

Current taxes for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the financial year end.

No provision is made for taxation on qualifying shipping income derived from the operation of the Group's vessels which is exempt from taxation under Section 13A of the Singapore Income Tax Act and the Singapore's Maritime Sector Incentive Approved International Shipping Enterprise Scheme. In the United States of America ("US") in which the Group operates, income arising from liner activities are subject to a tonnage-based tax system under which the computation of tax is based on the tonnages of the qualifying vessel fleet.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- where the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting profit nor taxable profit or loss;
- in respect of temporary differences associated with investments in subsidiaries, associated companies and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- in respect of deductible temporary differences and carry-forward of unutilised tax credits and unutilised tax losses, if it is not probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unutilised tax credits and unutilised tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each financial year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured:

- (a) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the financial year end; and
- (b) based on the tax consequence that would follow from the manner in which the Group expects, at the financial year end, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from fair value gain and loss on available-for-sale financial assets and cash flow hedges that are recognised directly in equity are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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 fiscal authority.

2.20 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If it is no longer probable that an outflow of economic resource will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are measured at the present value of the expenditure using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The details and methodology for estimating the amount of provision required are set out in Note 24.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits

(a) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the financial year end.

(b) Post-employment benefit plans

The Group operates both defined benefit and defined contribution post-employment benefit plans.

(i) *Defined benefit plans*

The Group has defined benefit plans which generally call for benefits to be paid to eligible employees of certain subsidiaries at retirement, based on either the “cash balance” credited to each employee’s account, or years of credited service and pensionable compensation. Participants entitled to a “cash balance” will receive past accruals credited to their account, but are no longer receiving additional annual accruals. The Group’s general policy is to fund pension costs at no less than the statutory requirement.

In addition, certain subsidiaries in the Group contribute to a number of collectively bargained, multi-employer plans that provide pension benefits to certain union-represented employees. These contributions are determined in accordance with the provisions of negotiated labour contracts.

For defined benefit plans, pension costs are assessed using the projected unit credit method: Net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligations (measured as the present value of the estimated future cash outflows using interest rates of corporate securities which have terms to maturity approximating the terms of the related liability) reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan. When pension obligations exceed plan assets, the balance is classified as non-current liability. When plan assets exceed pension obligations, the balance is classified as non-current asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Current service costs, net interest costs, past service costs and gains or losses on non-routine settlements are recognised in profit or loss.

(ii) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities. The Group 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 employee service in the current and prior financial years.

The Group pays contributions to publicly and privately administered post-employment benefit plans on a mandatory, contracted or voluntary basis. The contributions are recognised as employee benefit expense in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(c) Share-based compensation

(i) *Employee Share Option Plan*

Share options under the NOL Share Option Plan (“NOL SOP”) were granted to Directors and employees of the Group. The grant of NOL SOP to non-executive directors had ceased with effect from the financial year ended 28 December 2007. The exercise price of the options was determined based on the average closing market price of the shares for the three trading days immediately preceding the grant date. Individual awards to employees took into consideration the job level, performance and leadership potential of the employee. Pursuant to the terms of the NOL SOP, share options will vest after a specified number of years from the grant date. The NOL SOP was terminated following the adoption of the NOL Restricted Share Plan 2010 (“NOL RSP 2010”) by the shareholders of the Company at an Extraordinary General Meeting (“EGM”) held on 30 August 2010.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in share-based compensation reserve. The total amount to be recognised over the vesting period is determined by reference to the fair value of the share options at the date of the grant and the number of share options expected to become exercisable by vesting date. Non-market vesting conditions are included in the estimation of the number of options that are expected to become exercisable on vesting date. At every financial year end, the Group revises its estimates of the number of share options that are expected to become exercisable on vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to share-based compensation reserve over the remaining vesting period.

When the share options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share-based compensation reserve is credited to share capital when new ordinary shares are issued. Where treasury shares are re-issued pursuant to the NOL SOP, the cost of the treasury shares is reversed from the treasury shares account against the proceeds received (net of any directly attributable transaction costs) and the related balances previously recognised in the share-based compensation reserve. The resulting realised gain or loss on re-issue, net of any directly attributable incremental transaction costs and related tax, is taken to the treasury shares reserve of the Company.

Where the terms of the NOL SOP are modified, the expense that is not yet recognised is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised over the remaining vesting period for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification.

(ii) *Restricted Share Plan*

Awards of restricted shares to Directors and employees of the Group under the NOL RSP 2010 take into consideration the Group’s financial performance, and the employee’s job level, job performance, length of service (pro-rated for employees without full year of service) and contribution to the success and development of the Group. The above criteria will not apply to non-executive directors as such awards, if given, will form part of the directors’ remuneration in lieu of cash. Pursuant to the terms of the NOL RSP 2010, the restricted shares will, except in certain special circumstances as approved by the Executive Resource & Compensation Committee (“ERCC”), vest after a specified number of years from the award date. The NOL RSP 2010 was terminated following the acquisition of controlling interests in the Company by CMA CGM S.A. on 9 June 2016.

The fair value of the services from employees received in exchange for the award of the shares under the NOL RSP 2010 is recognised as an expense in the income statement with a corresponding increase in share-based compensation reserve. The total amount to be recognised over the vesting period is determined by reference to the fair value of the shares

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awarded under the NOL RSP 2010 at the date of the award and the number of shares expected to be vested by vesting date. Non-market vesting conditions are included in the estimation of the number of shares awarded under the NOL RSP 2010 that are expected to vest on vesting date. At every financial year end, the Group revises its estimates of the number of shares awarded under the NOL RSP 2010 that are expected to vest on vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to share-based compensation reserve over the remaining vesting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(c) Share-based compensation (continued)

(ii) *Restricted Share Plan (continued)*

When shares awarded under the NOL RSP 2010 are vested, the balance previously recognised in the share-based compensation reserve is credited to the share capital account when new ordinary shares are issued. Where treasury shares are re-issued pursuant to the NOL RSP 2010, the cost of the treasury shares is reversed from the treasury shares account against the related balances previously recognised in the share-based compensation reserve. The resulting realised gain or loss on re-issue, net of any directly attributable incremental transaction costs and related tax, is taken to the treasury shares reserve of the Company.

Where the terms of the NOL RSP 2010 are modified, the expense that is not yet recognised is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised over the remaining vesting period for any increase in the total fair value of the RSP awards due to the modification, as measured at the date of the modification.

(iii) *Performance Share Plan*

Performance shares under the NOL Performance Share Plan 2004 (“NOL PSP 2004”) were awarded to key executives conditional upon the Group meeting or exceeding a prescribed financial target condition during the performance period, and also conditional on the participants meeting their performance conditions. Pursuant to the terms of the NOL PSP 2004, performance shares would vest after a specified number of years from the end of the performance period. The NOL PSP 2004 was terminated following the adoption of the NOL Performance Share Plan 2010 (“NOL PSP 2010”) by the shareholders of the Company at an EGM held on 30 August 2010. The NOL PSP 2010 was terminated following the acquisition of controlling interests in the Company by CMA CGM S.A. on 9 June 2016.

Awards of performance shares to key executives under the NOL PSP 2010 take into account the employee’s individual performance, job level and length of service (pro-rated for employees without full year of service). The performance shares will only vest over a specified number of years conditional upon the Group attaining certain performance conditions in future years.

The fair value of the employee services received in exchange for the award of the performance shares under both the NOL PSP 2004 and NOL PSP 2010 is recognised as an expense in the income statement with a corresponding increase in share-based compensation reserve. The total amount to be recognised over the vesting period is determined by reference to the fair value of the performance shares at the date of the award and the number of performance shares expected to be vested by vesting date. Non-market vesting conditions are included in the estimation of the number of performance shares that are expected to vest on vesting date. At every financial year end, the Group revises its estimates of the number of performance shares that are expected to vest on vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to share-based compensation reserve over the remaining vesting period.

When the performance shares are vested, the balance previously recognised in the share-based compensation reserve is credited to the share capital account when new ordinary shares are issued. Where treasury shares are re-issued pursuant to the NOL PSP 2004 and NOL PSP 2010, the cost of the treasury shares is reversed from the treasury shares account against the related balances previously recognised in the share-based compensation reserve. The resulting realised gain or loss on re-issue, net of any directly attributable incremental transaction costs and related tax, is taken to the treasury shares reserve of the Company.

Where the terms of the NOL PSP 2004 and NOL PSP 2010 are modified, the expense that is not yet recognised is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised over the remaining vesting period for any increase

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in the total fair value of the performance shares due to the modification, as measured at the date of the modification.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(c) Share-based compensation (continued)

(iv) *Staff Share Ownership Scheme*

The Group offers the Staff Share Ownership Scheme to all eligible Singapore employees. Certain companies in the Group will make corresponding contributions of S\$0.50 for every S\$1.00 contributed by the employees, up to a maximum of S\$250 per month for each employee. All contributions collected will be credited to an employee benefit trust fund which will be used to buy the shares of the Company and for issuance of units to the employees. Cash is paid to employees when they exercise the right to redeem the units or upon full withdrawal from the scheme, which may occur whilst in employment or on their last day of service with the Group. The redemption of units or withdrawal from the scheme is subject to the terms and conditions under the Staff Share Ownership Scheme. The value of the units to be redeemed is based on the weighted average share price for the first three business days immediately following the date of receipt of notification by the Company to the trustee of the redemption or the last day of service of the employees.

The scheme has ceased to accept new members with effect from 1 July 2014 and has also ceased to make corresponding contributions of S\$0.50 for every S\$1.00 contributed by the employees since 1 July 2015. The scheme was terminated following the acquisition of controlling interests in the Company by CMA CGM S.A. on 9 June 2016.

Contributions made by the Group are recognised in the income statement as expense when incurred.

The Group consolidates the employee benefit trust set up for the purpose of the Company's share-based compensation arrangement under the Staff Share Ownership Scheme in accordance with INT FRS 12. Arising from the consolidation of the trust, the Company's shares held by the employee benefit trust are accounted for as part of equity in accordance with FRS 32.

(d) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of FRS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company and its significant subsidiaries (listed under Note 39) is United States Dollars (“USD”). The financial statements of the Company and the Group are presented in USD and have been rounded to the nearest thousand as indicated.

(b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates at the financial year end are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within “finance expenses”. All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other operating expenses”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities’ financial statements

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group’s presentation currency are translated into the Group’s presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of the financial year;
- (ii) Income and expenses are translated at average exchange rate (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in the foreign currency translation reserve within equity. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing exchange rate at the end of the financial year.

2.23 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

For purposes of hedge accounting, hedges are classified as:

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- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset, liability or unrecognised firm commitment that is attributable to a particular risk; or
- cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is not more than 12 months.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Derivative financial instruments and hedging activities (continued)

(a) Fair value hedge

The Group has entered into cross currency interest rate swaps to convert its S\$ fixed rate liability to US\$ floating rate liability. Under the cross currency interest rate swaps, the Group agreed with the swap counterparties to exchange S\$ for US\$ at the start date of the swaps and vice versa at repayment and maturity dates. In addition, the Group will exchange US\$ interest amounts for S\$ interest amounts with the swap counterparties, at specified intervals during the tenure of the cross currency interest rate swaps, calculated by reference to the respective contracted notional principal amounts.

The fair value changes on the effective portion of derivatives that are designated and qualify as fair value hedges are recognised 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 recognised separately in the income statement.

The change in the fair value of a hedging derivative is recognised in income statement in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the income statement in finance costs.

(b) Cash flow hedge

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The Group also entered into cross currency interest rate swaps to convert its S\$ fixed rate liability to US\$ fixed rate liability. Under the cross currency interest rate swaps, the Group agreed with the swap counterparties to exchange S\$ for US\$ at the start date of the swaps and vice versa at the maturity date. In addition, the Group will exchange US\$ interest amounts for S\$ interest amounts with the swap counterparties, at specified intervals during the tenure of the cross currency interest rate swaps, calculated by reference to the respective contracted notional principal amounts.

The fair value changes on the effective portion of derivatives that are designated and qualify as cash flow hedges are recognised in the hedging reserve within equity and transferred to the income statement in finance costs in the periods when the hedged items affect the income statement. The fair value changes relating to the ineffective portion are recognised immediately in the income statement in finance costs.

(c) Non-hedging instruments

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised immediately in the income statement.

2.24 Fair value estimation of assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the financial year end. The quoted market prices used for financial assets held by the Group are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year end. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows analysis, are also used to determine the fair values for the financial instruments.

The fair values of foreign exchange forward contracts, bunker swaps, interest rate swaps and cross currency interest rate swaps are obtained from a number of reputable financial institutions.

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The fair values of financial assets and liabilities carried at amortised cost approximate their carrying amounts except as disclosed in the financial statements.

The fair value of non-financial asset is based on contracted sale price and/or comparable market transactions that considered historical sales prices of similar assets that have been transacted in the open market.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management of the Group. The senior management are responsible for allocating resources and assessing performance of the operating segments. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Cash and cash equivalents

For purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with banks that are readily convertible to known amounts of cash, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position.

2.27 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares (treasury shares), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of the treasury shares is deducted against the share capital account if the shares are purchased out of the capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or re-issued pursuant to the NOL SOP, NOL PSP 2004, NOL RSP 2010 and NOL PSP 2010, the cost of the treasury shares is reversed from the treasury shares account against the proceeds received and the related balances previously recognised in the share-based compensation reserve. The resulting realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related tax, is taken to the treasury shares reserve of the Company.

2.28 Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

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3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(i) Impairment of goodwill and property, plant and equipment attributed to the Group's liner business

The Group assesses whether there are any indicators of impairment for goodwill and property, plant and equipment attributed to the Group's liner business at each financial year end. Goodwill is tested for impairment annually and at other times when such indicators arise. Property, plant and equipment is tested for impairment when there is any objective evidence or indication that the carrying amounts may not be recoverable.

Recoverable amount is defined as the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. When value-in-use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by management covering a specified period and a perpetual rate of growth thereafter. Terminal value is computed using Gordon's growth methodology where the estimated growth rate does not exceed the long-term average growth rate for the relevant industry. Details of the key assumptions applied in the impairment assessment of goodwill and property, plant and equipment are given in Note 19.

(ii) Impairment of investment in an associated company

The Group assesses whether there are any indicators of impairment for its investments in its associated companies at each financial year end. As at 30 December 2016, the carrying amount of investment in an associated company, Rotterdam World Gateway B.V. ("RWG"), in the books of the Group amounted to US\$57.0 million. In assessing whether the carrying amount of this investment is recoverable, the Group uses the value-in-use calculation based on discounted cash flow projections from financial budgets approved by RWG's management covering a five-year period and a perpetual rate of growth of approximately 1% per annum thereafter. Terminal value is computed using Gordon's growth methodology where the estimated growth rate does not exceed the long-term average growth rate for the terminal industry. Details of the key assumptions applied in the impairment assessment are given in Note 14.

(iii) Determination of lease classification between operating and finance leases

The Group has entered into sale and leaseback arrangement for its vessels. The Group evaluated the terms and conditions of the arrangements and assessed that the lease term does not constitute a substantial portion of the economic life of the vessels and the present value of the minimum lease payments is not substantially all of the fair value of the leased vessels. In determining the present value of the minimum lease payments, the Group uses discounted cash flow projections based on the charter hire expenses over the lease period. The discounted cash flow calculation was estimated based on the annual charter hire expenses and the estimated market value of the vessels at the end of the lease period. The fair value of the vessels was derived based on the average weekly market values during the month of lease inception published by an independent ship broker. The Group also assessed the nature of the potential purchase or renewal options and concluded that the sale and leaseback arrangements are classified as operating leases. The commitments resulting from the sale and operating leaseback transactions are disclosed in Note 31(b).

(iv) Impairment of investments in Liner subsidiaries

The Company assesses at each financial year end whether there is objective evidence that the investments in subsidiaries are impaired. The investments in subsidiaries are carried at cost. In assessing whether the carrying amounts of these investments are recoverable, the Group uses the same value-in-use calculation as that mentioned in Note 3(i) above. Details of the key assumptions applied in the impairment assessment are given in Note 19.

(v) Provision for onerous contracts

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the probable outflow of resources, and a reliable estimate can be made of the amount of the obligation.

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Present obligations arising under onerous contracts are recognised and measured as provisions. Onerous contracts are considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received under the contract. As at 30 December 2016, the provision for onerous contracts amounts to US\$120.9 million (2015: US\$57.4 million (restated)) and relates mainly to two separate contracts relating to (a) repositioning of empty containers and (b) an operating lease for an area in a terminal for which no economic benefits are expected. Refer to Note 24(iii) and 37 for the estimates and judgements made by the Group.

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4. REVENUE AND OTHER (LOSSES)/GAINS (NET)

	Note	Group 2016 US\$'000	2015 US\$'000
Revenue:			
Revenue from services rendered	(a)	4,642,204	5,382,596
Other miscellaneous (losses)/gains (net):			
Net (loss)/profit on disposal of property, plant and equipment	(b)	(572,973)	6,905
Net (loss)/profit on disposal of intangible assets		(81)	13
Net profit on disposal of long-term investments		441	1,830
Net profit on disposal/liquidation of subsidiaries (Note 13)		1,557	4,100
Net profit on disposal of an associated company (Note 14)		471	--
Fair value gain on interest retained in a former subsidiary (Note 14)		--	974
Amortisation of deferred income (Note 25)		1,131	4,797
Income from provision of shared services support function	(c)	11,179	8,816
Others		6,375	3,941
		(551,900)	31,376
Finance and investment income:			
Dividend income		832	1,564
Interest income from deposits and interest-bearing securities		3,395	5,003
Interest income from immediate holding company		9,664	--
Interest income from associated company		407	--
Other interest income		532	86
		14,830	6,653
Revenue and other (losses)/gains (net)		4,105,134	5,420,625

Note:

- (a) Included in revenue from services rendered was sublease charter hire income of US\$11.2 million (2015: US\$13.5 million).
- (b) 2016 amount included US\$469.4 million (2015: Nil) from loss on disposal of vessels sold through sale and operating leaseback contracts. The commitments resulting from the sale and operating leaseback transactions are disclosed in Note 31 (b).
- (c) Income from provision of shared services support function relates to income from provision of financial and accounting services, documentation services, and other related support services in connection with its customers' business operations. Included in income from provision of shared services support function was US\$1.1 million (2015: Nil) for shared services rendered to immediate holding company.

The Group's business is organised and managed separately according to the nature of the services provided. Please refer to Note 34, which presents revenue and operating results of operating segments for the financial year ended 25 December 2015 and information on assets and liabilities of the operating segments as at that date.

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5. EXPENSES BY FUNCTION

(a) Cost of sales

	Group	
	2016	2015
	US\$'000	US\$'000
		(Restated)
Depreciation of property, plant and equipment (Note 16)	306,963	354,995
Amortisation of intangible assets (Note 18)	--	390
Total depreciation and amortisation	306,963	355,385
Employee benefits (Note 7)	112,898	114,423
Cost of inventories	419,215	598,296
Net write-off of inventories	694	34
Fair value loss on cash flow hedges, transferred from equity		
- bunker swaps	7,840	22,346
Fair value loss on ineffective cash flow hedges		
- bunker swaps	3	116
Total cost of inventories	427,752	620,792
Global cargo transportation expenses	3,172,262	3,339,741
Government subsidy	(31,613)	(27,713)
Fair value loss on cash flow hedges, transferred from equity		
- foreign exchange forward contracts	2,887	23,488
Total global cargo transportation expenses	3,143,536	3,335,516
Net (write-back of)/provision for insurance, litigation and other claims (Note 24)	(1,101)	16,895
Rental expenses – operating leases	485,930	577,903
Total	4,475,978	5,020,914

(b) Administrative expenses

	Group	
	2016	2015
	US\$'000	US\$'000
Employee benefits (Note 7)	294,383	290,353
Rental expenses – operating leases	17,173	20,123
Office expenses	22,708	23,741
Outsourcing costs	56,344	65,838
Professional fees	47,019	21,589
Others	11,803	3,007
Total	449,430	424,651

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(c) Other operating expenses

	Group	
	2016	2015
	US\$'000	US\$'000
Depreciation of property, plant and equipment (Note 16)	27,560	27,930
Amortisation of intangible assets (Note 18)	3,522	3,908
Net provision for impairment of trade and other receivables	14,153	31,420
Impairment loss on property, plant and equipment (Note 16)	126,161	--
Total depreciation, amortisation and impairment	171,396	63,258
Net foreign exchange loss	3,028	7,384
Net write-back of provision for insurance, litigation and other claims (Note 24)	--	(8,623)
Net provision for/(write-back of) onerous contracts (Note 24)	69,510	(154)
Bad debts written off	3,193	--
Write-back of tax related penalties	(3,891)	(6,200)
Others	13,282	169
Total	256,518	55,834

6. FINANCE EXPENSES

	Group	
	2016	2015
	US\$'000	US\$'000
		(Restated)
Interest expense:		
- Finance leases	17,386	19,620
- Loans	101,079	93,682
- Fair value loss on cash flow hedges, transferred from equity		
- interest rate swaps	4,030	6,642
- Others	349	9
Total interest expense	122,844	119,953
Financing fees	6,346	9,983
Finance expenses accreted on onerous contracts (Note 24)	3,028	3,580
Amortisation of deferred charges (Note 17)	1,867	1,927
Net foreign exchange gain	(37,913)	(81,913)
Fair value loss on cash flow hedges, transferred from equity		
- cross currency interest rate swaps	13,076	24,990
Fair value loss on fair value hedges (effective)		
- cross currency interest rate swaps	24,744	59,016
	(93)	2,093
Fair value gain on fair value hedges (ineffective)		
- cross currency interest rate swaps	(7,839)	(7,751)
Fair value gain on cash flow hedges (ineffective)		
- interest rate swaps	(1,305)	(742)
	124,848	129,043

7. EMPLOYEE BENEFITS

	Group	
	2016	2015
	US\$'000	US\$'000
Wages, salaries and bonus	385,588	371,219
Employer's contribution to defined contribution plans	25,051	23,840

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Net benefit expense relating to defined benefit plans (Note 29(b))	5,293	5,622
Write-back of provision for net defined pension plan obligations (Note 29(b))	(34,249)	--
Share-based compensation costs		
- equity-settled	12,774	3,882
Net provision/(write-back of) for restructuring and termination costs	11,888	(1,342)
Fair value loss on shares held by employee benefit trust	164	1,555
Loss on disposal of shares held by employee benefit trust	772	--
	<u>407,281</u>	<u>404,776</u>

Employee benefits included in the income statement was categorised as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Cost of sales (Note 5(a))	112,898	114,423
Administrative expenses (Note 5(b))	294,383	290,353
	<u>407,281</u>	<u>404,776</u>

Disclosures on employee benefits are found in Note 29.

8. TAX (CREDIT)/EXPENSE

	Group	
	2016	2015
	US\$'000	US\$'000
(a) Income and Tonnage Tax Expense		
Tax expense attributable to current financial year's results was made up of:		
Current tax		
Singapore	2,756	3,525
Foreign	18,594	29,491
	<u>21,350</u>	<u>33,016</u>
Deferred tax (Note (i))	18,924	58
	<u>40,274</u>	<u>33,074</u>
(Over)/Under provision in respect of prior financial years:		
Current tax	(48,411)	(29,078)
Deferred tax	(2,581)	212
Total income tax (credit)/expense	<u>(10,718)</u>	<u>4,208</u>
Tonnage tax expense	69	109
Total tax (credit)/expense	<u>(10,649)</u>	<u>4,317</u>
Tax (credit)/expense is attributable to:		
Continuing operations	(10,649)	1,170
Discontinued operations (Note 12)	--	3,147
	<u>(10,649)</u>	<u>4,317</u>

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Note:

- (i) The deferred tax amount in 2016 included a deferred tax asset reversal of US\$6.9 million arising from termination of post-retirement benefit plan in the US (Note 29(b)).

The income tax (credit)/expense for the financial year differed from the amount that would arise using the Singapore standard rate of tax due to the following factors:

	Group	
	2016	2015
	US\$'000	US\$'000
		(Restated)
Loss before tax from continuing operations	(1,203,127)	(212,240)
Profit before tax from discontinued operations (Note 12(c))	--	933,093
Less:		
Share of results of associated companies and joint venture, net of tax	1,487	899
(Loss)/Profit before tax and share of results of associated companies and joint venture	<u>(1,201,640)</u>	<u>721,752</u>
Tax calculated at a tax rate of 17%	(204,279)	122,698
Effects of different tax rates in other countries	30,703	19,238
Exempt shipping losses	207,582	32,326
Income not subject to tax	(13,594)	(152,717)
Expenses not deductible for tax purposes	18,598	5,874
Incremental tax in certain foreign jurisdictions	596	4,603
Utilisation of previously unrecognised tax losses	--	(112)
Deferred tax assets not recognised	--	1,041
Over provision in respect of prior years	(50,992)	(28,866)
Others	668	123
	<u>(10,718)</u>	<u>4,208</u>

Despite the Group making losses (before any capital gains), tax expense was incurred mainly due to certain entities in the Group generating tax-assessable income in the jurisdictions in which they operate or are subject to tonnage tax where applicable.

Subject to the business activities engaged by the entities and the jurisdictions in which these entities operate in, special tax rules may become applicable. For example, income arising from qualifying liner activities is subject to tonnage-based tax in the US, under which the computation of tax is based on the tonnages of the qualifying vessel fleet.

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8. TAX (CREDIT)/EXPENSE (continued)

(b) Deferred Taxes

Disclosure of deferred tax effect relating to each component of other comprehensive income:

Group	Before tax US\$'000	Tax expense US\$'000	Net of tax US\$'000
2016			
Cash flow hedges	30,686	--	30,686
Share of other comprehensive income of associated company	(28)	--	(28)
Currency translation differences (excluding non-controlling interest's share of translation differences)	(6,38)	--	(6,386)
Net defined benefit obligations (excluding non-controlling interest's share of net defined benefit obligations)	6,197	(1,530)	4,667
	30,469	(1,530)	28,939
2015			
Cash flow hedges	22,757	--	22,757
Available-for-sale financial asset (excluding non-controlling interest's share of available-for-sale financial asset)	18	--	18
Share of other comprehensive income of associated company	785	--	785
Currency translation differences (excluding non-controlling interest's share of translation differences)	(10,59)	--	(10,599)
Net defined benefit obligations (excluding non-controlling interest's share of net defined benefit obligations)	1,690	421	2,111
	14,651	421	15,072

Movements in the Group's deferred tax liabilities and assets (prior to offsetting of balances within the same tax jurisdiction) were as follows:

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Deferred tax liabilities arising from:

As at 30 December 2016	Accelerated tax depreciation US\$'000	Unremitted foreign sourced income US\$'000	Business combination activities US\$'000	Others US\$'000	Total US\$'000
Balance at beginning of financial year	12,424	2,600	5,161	4,525	24,710
Tax charged/(credited) to					
- income statement	4,795	1,034	(553)	6,024	11,300
Reclass to deferred tax assets	--	--	--	(3,167)	(3,167)
Reclassification to liabilities of group companies classified as held-for-sale (Note 12)	(14,626)	--	--	--	(14,626)
Balance at end of financial year	2,593	3,634	4,608	7,382	18,217
As at 25 December 2015	Accelerated tax depreciation US\$'000	Unremitted foreign sourced income US\$'000	Business combination activities US\$'000	Others US\$'000	Total US\$'000
Balance at beginning of financial year	18,933	2,316	5,705	2,564	29,518
Tax charged/(credited) to					
- income statement	407	284		3,006	3,153
Disposal of subsidiaries (Note 12 and 13)		--	--	(1,266)	(8,182)
Foreign currency translation	--	--	--	221	221
Balance at end of financial year	12,424	2,600	5,161	4,525	24,710

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8. TAX (CREDIT)/EXPENSE (continued)

(b) Deferred Taxes (continued)

Deferred tax liabilities arise from business combination activities when the cost of business combinations is allocated by recognising the identifiable assets acquired and/or liabilities assumed at their fair values, but no equivalent adjustment is made for tax purposes.

Group

Deferred tax assets arising from:

As at 30 December 2016	Provisions US\$'000	Unutilised tax losses and unabsorbed capital allowances US\$'000	Re-measur- ement of net defined benefit obligations US\$'000	Others US\$'000	Total US\$'000
Balance at beginning of financial year	(22,542)	(20)	(30,606)	(8,598)	(61,766)
Tax charged/(credited) to					
- income statement	2,123	(8,157)	11,329	(252)	5,043
- equity	--	--	1,530	--	1,530
Disposal of a subsidiary (Note 13)	--	--	13	324	337
Reclass from deferred tax liabilities	--	--	3,167	--	3,167
Reclassification to liabilities of group companies classified as held-for-sale (Note 12)	4,944	--	--	1,519	6,463
Foreign currency translation	--	--	--	158	158
Balance at end of financial year	(15,475)	(8,177)	(14,567)	(6,849)	(45,068)

As at 25 December 2015	Provisions US\$'000	Unutilised tax losses and unabsorbed capital allowances US\$'000	Re-measur- ement of net defined benefit obligations US\$'000	Others US\$'000	Total US\$'000
Balance at beginning of financial year	(29,201)	(6,247)	(30,214)	--	(65,662)
Tax charged/(credited) to					
- income statement	497	5,278	--	(8,658)	(2,883)
- equity	--	--	(376)	(45)	(421)
Disposal of subsidiaries (Note 12 and 13)	6,162	946	--	36	7,144
Foreign currency translation	--	3	(16)	69	56
Balance at end of financial year	(22,542)	(20)	(30,606)	(8,598)	(61,766)

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Deferred tax liabilities arising from unremitted foreign sourced income	2016 US\$'000	2015 US\$'000
Balance at beginning of financial year	686	628
Tax charged to income statement	1,675	58
Balance at end of financial year	<u>2,361</u>	<u>686</u>

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
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8. TAX (CREDIT)/EXPENSE (continued)

(b) Deferred Taxes (continued)

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 fiscal authority. The following amounts, determined after appropriate offsetting, were shown in the statements of financial position:

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets	(30,569)	(39,773)	--	--
Deferred tax liabilities	3,718	2,717	2,361	686

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Fixed deposits	12,335	54,683	--	--
Demand deposits	29,047	801	25,000	--
Bank and cash balances	142,810	174,423	27,483	46,433
	184,192	229,907	52,483	46,433

Please refer to Note 12(c) and 13 for the effects of disposal of subsidiaries on the cash flows of the Group.

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10. CURRENT ASSETS

	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
(a) Trade and Other Receivables					
Trade receivables	(i)	414,775	418,874	--	--
Other receivables and recoverables	(i)	110,240	95,017	5,204	7,186
Amounts due from subsidiaries (non-trade)		--	--	4,018,517	4,376,396
Loans to immediate holding company	(ii)	1,981,094	--	1,110,314	--
Loans to subsidiaries	(iii)	--	--	41,661	25,000
Accrued interest from immediate holding company		9,653	--	8,738	--
Accrued interest from associated company		390	--	--	--
Accrued interest from subsidiary		--	--	162	--
Accrued interest receivables		6,689	6,567	6,491	6,461
		<u>2,522,841</u>	<u>520,458</u>	<u>5,191,087</u>	<u>4,415,043</u>

Amounts in the table above are stated net of impairment provision, if any.

Included in trade receivables and other receivables and recoverables of the Group and Company as at end of the financial years were the following amounts owing from:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Immediate holding company	11,015	--	--	--
Subsidiaries, associated companies and joint ventures of immediate holding company	27,308	24	--	--
Joint venture	2,784	321	336	321
	<u>41,107</u>	<u>345</u>	<u>336</u>	<u>321</u>

Notes:

(i) Trade receivables, other receivables and recoverables

Net impairment loss on trade receivables, other receivables and recoverables of US\$14.2 million (2015: US\$32.0 million) was recognised as an expense and included in "other operating expenses".

Trade receivables include the full freight revenue for voyages, which corresponds to the contractual rights stipulated in the standard Bill of Lading and is inclusive of the freight charges collectable at destination for Free on Board shipments that have not reached destination as at year end.

Details of the aging analysis of trade receivables are separately disclosed in Note 32 (b).

(ii) Loans to immediate holding company

The Company has extended the following loans to its immediate holding company:

- Loan of US\$1,056.4 million under a revolving facility of US\$2.0 billion. The loan is unsecured, bears interest at London Interbank Offer Rate ("LIBOR") + 3% p.a. and repayable at any point in time within the tenor of 2 years; and
- Loan of S\$78.1 million (US\$53.9 million). The loan is unsecured, bears interest at Singapore Offer Rate ("SOR") + 1.75% p.a. and repayable at any point in time within the tenor of 2 years.

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A subsidiary of the Company has also extended a loan of US\$870.8 million to the immediate holding company under a revolving facility of US\$950.0 million. The loan is unsecured, bears interest at Applicable Federal Rate (“AFR”) and repayable at any point in time within the tenor of 2 years.

(iii) *Loans to subsidiaries*

The Company has extended the following loans to its subsidiaries:

- Loan of US\$25.0 million (2015: US\$25.0 million). The loan is unsecured, interest-free and repayable on demand; and
- Loan of US\$16.7 million to APL Securities S.A.R.L., a special purpose entity formed by the Company under a receivables securitization programme (Note 23). Under this programme, the Company subscribes to the sub-ordinated notes issued by APL Securities S.A.R.L.. The loan bears interest at LIBOR + 2.5% p.a. and repayable on a monthly basis.

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10. CURRENT ASSETS (continued)

(b) Other Current Assets

Other current assets of the Group amounting to US\$61.3 million (2015: US\$76.3 million (restated); 2014: US\$97.9 million (restated)) comprised prepaid charter-hire expenses, which are taken to the income statement on a straight-line basis over the charter-hire period. Also included in the Group's other current assets were prepayments and advances, which are taken to the income statement as and when the associated economic benefits are utilised or expired.

Other current assets of the Company amounting to US\$5.7 million (2015: US\$4.7 million) comprised mainly short-term deposits and prepayments.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Note	2016 Fair values		2015 Fair values	
		Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
(a) Current					
Cash flow hedges					
- Bunker swaps	(i)	--	--	--	(7,440)
- Foreign exchange forward contracts	(ii)	--	--	402	(3,491)
Fair value hedges					
- Foreign exchange forward contracts	(ii)	--	--	33	(103)
- Cross currency interest rate swaps	(iv)	--	(57,833)	--	--
		--	(57,833)	435	(11,034)
(b) Non-current					
Cash flow hedges					
- Cross currency interest rate swaps	(iv)	--	(50,351)	--	(56,077)
- Interest rate swaps	(iii)	61	--	--	(2,651)
Fair value hedges					
- Cross currency interest rate swaps	(iv)	--	(133,611)	--	(174,539)
		61	(183,962)	--	(233,267)
Total		61	(241,795)	435	(244,301)

Company	Note	2016 Fair values		2015 Fair values	
		Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
(a) Current					
Fair value hedges					
- Cross currency interest rate swaps	(iv)	--	(57,833)	--	--
(b) Non-current					
Cash flow hedges					
- Cross currency interest rate swaps	(iv)	--	(50,351)	--	(56,077)
Fair value hedges					
- Cross currency interest rate swaps	(iv)	--	(40,054)	--	(94,320)
		--	(90,405)	--	(150,397)
Total		--	(148,238)	--	(150,397)

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For derivative financial instruments, the estimated amounts of fair values are obtained from a number of reputable financial institutions.

(i) *Bunker swaps*

Bunker swap contracts allow the swap buyer to swap floating price to fixed price for bunker purchases. As at 30 December 2016, the notional amount of outstanding bunker swap contracts was Nil (2015: US\$24.7 million), with maturity dates of not more than one year.

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11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(ii) *Foreign exchange forward contracts*

Foreign exchange forward contracts are contracts to buy or sell foreign currencies at agreed exchange rates for settlement on agreed future dates. As at 30 December 2016, the notional amounts of the outstanding foreign exchange forward contracts were Nil (2015: US\$256.2 million), with maturity dates of not more than one year.

(iii) *Interest rate swaps*

Interest rate swap contracts allow the swap buyer to swap floating interest rates to fixed interest rates. As at 30 December 2016, the Group has interest rate swap contracts with notional amount of US\$259.7 million (2015: US\$287.3 million) where it receives floating interest rate equal to LIBOR and pays fixed interest rates ranging from 1.99% to 2.05%. These interest rate swap contracts will mature in 2022. Fair value gains and losses on the interest rate swaps recognised in the other comprehensive income are reclassified to profit and loss as part of interest expense over the period of the borrowings.

(iv) *Cross currency interest rate swaps*

Concurrent with the issuance of Medium Term Notes (“MTN”) of S\$1.3 billion (2015: S\$1.3 billion), the Company entered into cross currency interest rate swaps with total notional contract amount of US\$1.0 billion (2015: US\$1.0 billion).

Under the cross currency interest rate swaps, the Company agreed with the swap counterparties to exchange S\$ for US\$ at the start date of the swaps and vice versa at the repayment and maturity dates. In addition, the Company will exchange US\$ interest amounts for S\$ interest amounts with the swap counterparties, at specified intervals during the tenure of the cross currency interest rate swaps, calculated by reference to the respective contracted notional principal amounts. The cumulative fair value changes of the risk hedged was included in the carrying value of the MTN. The cross currency interest rate swaps will mature between 2017 to 2021.

Details of the cross currency interest rate swaps in relation to the issuance of the MTNs are as follows:

Cash flow hedges

- a) Cross currency interest rate swaps of a similar duration to convert the 10-Year S\$ fixed rate liability of S\$280.0 million (2015: S\$280.0 million) to US\$ fixed rate liability of US\$206.6 million (2015: US\$206.6 million);
- b) Cross currency interest rate swaps of a similar duration to convert the 10-Year S\$ fixed rate liability of S\$300.0 million (2015: S\$300.0 million) to US\$ fixed rate liability of US\$243.6 million (2015: US\$243.6 million);

The fair value gains and losses on the cross currency interest rate swaps recognised in the other comprehensive income are reclassified to profit and loss over the period of the borrowings and on maturity of the borrowings.

Fair value hedges

- a) Cross currency interest rate swaps of a similar duration to convert the 5-Year S\$ fixed rate liability of S\$400.0 million (2015: S\$400.0 million) to US\$ floating rate liability of US\$320.4 million (2015: US\$320.4 million); and
- b) Cross currency interest rate swaps of a similar duration to convert the 7-Year S\$ fixed rate liability of S\$300.0 million (2015: S\$300.0 million) to US\$ floating rate liability of US\$245.7 million (2015: US\$245.7 million).

Concurrent with the drawdown of an Islamic unsecured loan, the Company entered into a cross currency interest rate swap with notional contract amount of US\$81.0 million (2015: US\$81.0 million) to convert the S\$ fixed rate liability of S\$100.0 million (2015: S\$100.0 million) to US\$ floating rate liability of US\$81.0 million (2015:

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US\$81.0 million). The cross currency interest rate swap will mature in 2017 and is accounted for as fair value hedge.

In addition, concurrent with the drawdown of certain secured loans, a subsidiary of the Company entered into cross currency interest rate swaps to convert the S\$ floating rate liability to US\$ floating rate liability. As at 30 December 2016, the notional amount of outstanding cross currency interest rate swaps was US\$617.6 million (2015: US\$669.8 million) against an underlying S\$ floating rate liability of S\$773.3 million (2015: S\$838.6 million). The cross currency interest rate swaps will mature between 2019 to 2025 and are accounted for as fair value hedges.

For fair value hedges, the change in the fair value of the cross currency interest rate swaps is recognised in income statement in finance costs. The change in the fair value of the liabilities attributable to the risk hedged is recorded as a part of the carrying value of the liabilities and is also recognised in the income statement in finance costs.

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12. ASSETS AND LIABILITIES OF GROUP COMPANIES CLASSIFIED AS HELD-FOR-SALE, ASSETS CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

(a) Assets and liabilities of group companies classified as held-for-sale

During the financial year ended 30 December 2016, a wholly-owned subsidiary of the Company committed to a plan to sell its wholly-owned subsidiary, Eagle Marine Services, Ltd (“EMS”) and had initiated actions to locate a buyer. EMS owns certain property, plant and equipment that supports the business of the Group and hence is not considered a discontinued operation.

As at 30 December 2016, the assets and liabilities of EMS have been presented in the Statement of Financial Position as “Assets of group companies classified as held-for-sale” and “Liabilities of group companies classified as held-for-sale” respectively.

	Group US\$'000
Cash and cash equivalents	1,701
Trade and other receivables	64,522
Inventories at cost	4,208
Other current assets	7,611
Property, plant and equipment (Note 16)	78,873
Intangible assets (Note 18)	3,603
Goodwill arising on consolidation (Note 19)	8,905
Other non-current assets	5
	<hr/>
Assets of group companies classified as held-for-sale	169,428
	<hr/>
Trade and other payables	26,338
Deferred tax liabilities (Note 8)	8,163
Provisions (Note 24)	12,131
	<hr/>
Liabilities of group companies classified as held-for-sale	46,632
	<hr/>
Net assets of group companies classified as held-for-sale	122,796

During the financial year ended 25 December 2015, a wholly-owned subsidiary of the Group, NOL Liner (Pte.) Ltd (“NLPL”) entered into an agreement for the sale of the entire interest of its subsidiary, India Infrastructure & Logistics Private Limited (“IILPL”) and its associate, APL Logistics Vascor Automotive Private Limited (“Vascor India”).

As at 25 December 2015, the assets and liabilities of IILPL have been presented in the Statement of Financial Position as “Assets of group companies classified as held-for-sale” and “Liabilities of group companies classified as held-for-sale” respectively. The disposal of IILPL was completed on 15 January 2016 (Note 13).

	Group US\$'000
Cash and cash equivalents	2,414
Trade and other receivables	6,547
Other current assets	5,603
Property, plant and equipment (Note 16)	14,080
Intangible assets (Note 18)	4,336
	<hr/>
Assets of group companies classified as held-for-sale	32,980
	<hr/>
Trade and other payables	3,914
Current tax liabilities	84
Borrowings	11,965
Other non-current liabilities	25
	<hr/>

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Liabilities of group companies classified as held-for-sale	<u>15,988</u>
Net assets of group companies classified as held-for-sale	<u>16,992</u>

12. ASSETS AND LIABILITIES OF GROUP COMPANIES CLASSIFIED AS HELD-FOR-SALE, ASSETS CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (continued)

(a) Assets and liabilities of group companies classified as held-for-sale (continued)

As at 25 December 2015, the Group's investment in associate, Vascor India, has been presented in the Statement of Financial Position as "Assets of group companies classified as held-for-sale".

	Group US\$'000
Investment in associated company (Note 14)	<u>8,093</u>

The disposal of Vascor India was completed on 11 March 2016 (Note 14).

(b) Assets classified as held-for-sale

During the financial year ended 30 December 2016, NLPL entered into an agreement for the sale of a vessel for a cash consideration of US\$6.2 million. The Group has recognised an impairment charge of US\$19.2 million to reduce the carrying amount of the vessel to its selling price. The vessel and its related assets were disposed of in January 2017.

As at 30 December 2016, the vessel and its related assets have been presented in the Statement of Financial Position as "Assets classified as held-for-sale".

	Group US\$'000
Property, plant and equipment (Note 16)	6,190
Intangible assets (Note 18)	25
Assets classified as held-for-sale	<u>6,215</u>

(c) Discontinued operations

On 17 February 2015, the Company entered into a sale and purchase agreement with Kintetsu World Express, Inc. ("KWE") for the sale (the "Transaction") of the Company's Logistics business, APL Logistics Ltd to KWE for an aggregate purchase price of US\$1.2 billion. The Company effected the Transaction by selling all its shares in APL Logistics Ltd to KWE.

On 29 May 2015, the Company completed the sale of the Logistics business to KWE for a cash consideration of US\$1.2 billion, subject to adjustments for the net cash and net working capital of APL Logistics Ltd and its subsidiaries as at the completion date. These adjustments were finalised and the Group recorded a gain on disposal of the Logistics business of US\$888.4 million.

The result of the Logistics business were consolidated as part of the Group's financial results till 29 May 2015 and are presented separately in the income statement as "Discontinued operations".

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Income statement disclosures

The results of the Logistics business for the financial year ended 25 December 2015 (up to 29 May 2015) as follows:

	Group US\$'000
Revenue (Note 34)	638,759
Expenses	(596,611)
Other gains (net)	2,566
Gain on disposal of subsidiaries	888,379
Profit before tax from discontinued operations	<u>933,093</u>
Tax expense (Note 8)	(3,147)
Profit from discontinued operations, net of tax	<u><u>929,946</u></u>

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12. ASSETS AND LIABILITIES OF GROUP COMPANIES CLASSIFIED AS HELD-FOR-SALE, ASSETS CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (continued)

(c) Discontinued operations (continued)

Statement of financial position disclosures

The value of assets and liabilities of the Logistics business recorded in the consolidated financial statements as at 29 May 2015, and the effects of the disposal were as follows:

	Group US\$'000
Cash and cash equivalents	77,171
Trade and other receivables	316,022
Available-for-sale financial assets	24,355
Inventories at cost	213
Derivative financial instruments	183
Other current assets	20,262
Investment in associated company	52,756
Property, plant and equipment (Note 16)	78,827
Intangible assets (Note 18)	11,792
Land use rights	824
Goodwill arising from consolidation (Note 19)	41,184
Deferred tax assets (Note 8)	2,756
Other non-current assets	5,596
Total assets	631,941
Trade and other payables	229,858
Current tax liabilities	22,724
Borrowings	31,852
Provisions	15,650
Deferred income (Note 25)	1,225
Derivative financial instruments	301
Other current liabilities	6,324
Deferred tax liabilities (Note 8)	3,830
Other non-current liabilities	2,196
Total liabilities	313,960
	Group US\$'000
Net assets derecognised	317,981
Less: Non-controlling interests	(39,034)
Net assets disposed of	278,947

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Statement of cash flows disclosures

The cash flows attributable to the Logistics business are as follows:

	Group 2015 US\$'000
Operating cash inflows	13,667
Investing cash outflows	(13,518)
Financing cash inflows	25,910
Total cash inflows	<u>26,059</u>
	Effects on cash flows of the Group 2015 US\$'000
Cash consideration	1,238,000
Less: Transaction and transaction related costs paid/payable	(46,841)
Less: Cash and cash equivalents of subsidiaries	<u>(77,171)</u>
Net cash inflow on disposal of subsidiaries	<u>1,113,988</u>

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12. ASSETS AND LIABILITIES OF GROUP COMPANIES CLASSIFIED AS HELD-FOR-SALE, ASSETS CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (continued)

(c) Discontinued operations (continued)

	Group 2015 US\$'000
Cash consideration	1,238,000
Less: Net assets disposed of	(278,947)
Less: Transaction and transaction related costs	(72,161)
Add: Reclassification of foreign currency translation reserve, hedging reserve and fair value reserve from equity on disposal of subsidiaries	1,487
Gain on disposal	<u>888,379</u>

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 US\$'000	2015 US\$'000
Unquoted equity shares, at cost	775,232	775,212
Provision for impairment in value	--	--
	<u>775,232</u>	<u>775,212</u>

As a global liner group, there are operations by subsidiaries in certain countries which impose foreign exchange controls such that payment of dividends declared or principal repayment in respect of foreign currency-denominated obligations is subject to the approval of the government authority.

Disposal/liquidation of subsidiaries

On 15 January 2016, NLPL completed the sale of its interest in IILPL to APL Logistics Ltd for an aggregate consideration of US\$38.7 million. The consideration of the sale was satisfied by way of set-off against US\$38.7 million owing from NLPL to APL Logistics Ltd as part of the Transaction (Note 12(c)).

The value of assets and liabilities of IILPL recorded in the consolidated financial statements as at the date of disposal, and the effects of the disposal were as follows:

	Group US\$'000
Cash and cash equivalents	2,414
Trade and other receivables	6,631
Other current assets	5,603
Property, plant and equipment	14,080
Intangible assets	4,336
Total assets	<u>33,064</u>
Trade and other payables	3,916
Current tax liabilities	84
Borrowings	11,965
Other non-current liabilities	25
Total liabilities	<u>15,990</u>
Net assets disposed of	<u>17,074</u>

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	Effects on cash flows of the Group US\$'000
Consideration	38,700
Less: Amount owing from NLPL to APL Logistics Ltd	(38,700)
Less: Cash and cash equivalents of subsidiary	<u>(2,414)</u>
Net cash outflow on disposal of subsidiary	<u>(2,414)</u>

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
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13. INVESTMENTS IN SUBSIDIARIES (continued)

Disposal/liquidation of subsidiaries (continued)

	Group US\$'000
Consideration	38,700
Less: Net assets disposed of	(17,074)
Add: Reclassification of foreign currency translation reserve from equity on disposal of subsidiary	<u>(7,252)</u>
Gain on disposal (Note 4)	<u>14,374</u>
Reclassification of other reserve to retained earnings on disposal of subsidiary	<u>(5,672)</u>

During the financial year ended 30 December 2016, the Group liquidated its wholly-owned dormant subsidiary, Chenab Investments Ltd and disposed of 55.29% of its 100% interest in APL (India) Private Limited, for a cash consideration of US\$12.9 million. APL (India) Private Limited ceased to be a subsidiary of the Group and becomes an associated company of the Group.

The value of assets and liabilities of these subsidiaries recorded in the consolidated financial statements as at the date of disposal/liquidation, and the effects of the disposal/liquidation were as follows:

	Group US\$'000
Cash and cash equivalents	15,296
Trade and other receivables	8,527
Other current assets	3,096
Property, plant and equipment (Note 16)	1,105
Deferred tax assets (Note 8)	337
Other non-current assets	605
Total assets	<u>28,966</u>
Trade and other payables	963
Current tax liabilities	3,656
Provisions	461
Total liabilities	<u>5,080</u>
Net assets disposed of	<u>23,886</u>

	Effects on cash flows of the Group US\$'000
Cash consideration	12,853
Less: Cash and cash equivalents of subsidiary	<u>(15,296)</u>
Net cash outflow on disposal of subsidiary	<u>(2,443)</u>

	Group US\$'000
Cash consideration	12,853
Less: Net assets disposed of	(23,886)
Add: Fair value of interest retained	10,394
Add: Reclassification of foreign currency translation reserve from equity on liquidation of subsidiary	<u>(12,178)</u>

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Loss on disposal/liquidation (Note 4)

(12,817)

The fair value loss on measurement of the retained interest in APL (India) Private Limited amounting to US\$0.3 million was included in “other (losses)/gains (net) – miscellaneous” in the income statement.

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13. INVESTMENTS IN SUBSIDIARIES (continued)

Disposal/liquidation of subsidiaries (continued)

During the financial year ended 25 December 2015, the Group disposed of its interests in APL Lanka (Private) Limited, for a cash consideration of US\$16.8 million and liquidated its wholly-owned dormant subsidiary, NOL Singapore Agency (Pte) Ltd.

The value of assets and liabilities of these subsidiaries recorded in the consolidated financial statements as at the date of disposal/liquidation, and the effects of the disposal/liquidation were as follows:

	Group US\$'000
Cash and cash equivalents	3,101
Trade and other receivables	60
Other current assets	27
Property, plant and equipment (Note 16)	45
Deferred tax assets (Note 8)	36
Other non-current assets	19
Total assets	3,288
Trade and other payables	65
Current tax liabilities	640
Other non-current liabilities	127
Total liabilities	832
Net assets derecognised	2,456
Less: Non-controlling interest	8,300
Net assets disposed of	10,756
	Effects on cash flows of the Group US\$'000
Cash consideration	16,815
Less: Consideration receivable	(7,955)
Less: Cash and cash equivalents of subsidiary	(3,101)
Net cash inflow on disposal of subsidiary	5,759
	Group US\$'000
Cash consideration	16,815
Less: Net assets disposed of	(10,756)
Add: Reclassification of foreign currency translation reserve from equity on liquidation of subsidiary	(1,959)
Gain on disposal/liquidation	4,100

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
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13. INVESTMENTS IN SUBSIDIARIES (continued)

Acquisition of additional interest in a subsidiary

On 30 December 2014, APL Logistics Ltd acquired the remaining 24% equity interest in IILPL from its non-controlling interest for a cash consideration of US\$10.0 million. IILPL is an India based company that operates freight rail train services in India. As a result of this acquisition, IILPL became a wholly-owned subsidiary of APL Logistics Ltd.

The carrying value of the net assets of IILPL as at 30 December 2014 was US\$17.6 million and the carrying value of the additional interest acquired was US\$4.3 million. The difference of US\$5.7 million between the consideration and the carrying value of the additional interest acquired has been recognised as “Other reserve” within equity.

The following summarises the effect of the change in the Group’s ownership interest in IILPL on the equity attributable to owners of the Company:

	Group US\$’000
Consideration paid on acquisition of non-controlling interest	9,985
Decrease in equity attributable to non-controlling interest	(4,313)
	<hr/>
Decrease in equity attributable to equity holders of the Company	<u>5,672</u>

Acquisition of business

On 10 February 2015, a wholly-owned subsidiary of the Group entered into an arrangement with CFR Rinkens, LLC, a California limited liability company (“CFR”), for the purpose of transporting vehicles via rail within the United States of America, Mexico and Canada. The subsidiary, named APLL/CFR AD Holdings, LLC, a Delaware limited liability company is owned 51% by the Group and 49% by CFR. The total initial capital contributions by the Group and CFR collectively equals approximately US\$9 million, which include US\$0.2 million (Note 16) of property, plant and equipment contributed by CFR. As a result, goodwill of US\$4.2 million (Note 19) and capital contribution by non-controlling interest of US\$4.3 million were recognised.

Details of the significant subsidiaries of the Group are set out in Note 39.

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14. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2016	2015
	US\$'000	US\$'000
Unquoted equity shares, at cost	141,173	133,170
Goodwill on incorporation of an associated company	4,006	4,006
Share of post-acquisition reserves:		
Balance at beginning of financial year	(21,621)	37,807
Share of results after tax		
- continuing operations	(3,766)	(5,055)
- discontinued operations	--	1,524
Share of other comprehensive income of associated company		
- continuing operations	(28)	785
Share of other reserves of associated company	97	--
Foreign currency translation	(6,011)	(7,701)
Disposal of subsidiaries	--	(48,981)
Disposal	802	--
Balance at end of financial year	(30,527)	(21,621)
Reclassification to assets of group companies classified as held-for-sale (Note 12)	--	(8,093)
	114,652	107,462

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14. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

On 29 May 2015, upon completion of the disposal of APL Logistics Ltd, 50.05% of the shareholding in Vascor India, an India based company that transports automobiles in containers in India, is held indirectly by APL Logistics Ltd and other third parties. The Group holds the remaining 49.95% interest in Vascor India through NOL Liner (Pte.) Ltd. Vascor India ceased to be a subsidiary of the Group and became an associated company of the Group.

The effects of the loss of control of Vascor India were as follows:

	Group US\$'000
Purchase consideration	6,000
Less: Non-controlling interest	(5,026)
Fair value gain on interest retained in a former subsidiary (Note 4)	<u>974</u>

As at 25 December 2015, the Group's investment in associate, Vascor India, has been presented in the Statement of Financial Position as "Assets of group companies classified as held-for-sale".

On 11 March 2016, NLPL completed the sale of its remaining 49.95% interest in Vascor India to APL Logistics Ltd for an aggregate consideration of US\$8.6 million. The consideration of the sale was satisfied by way of set-off against US\$8.6 million owing from NLPL to APL Logistics Ltd. The effects of the disposal were as follows:

	Group US\$'000
Consideration	8,650
Less: Investment in associated company	(7,848)
Add: Reclassification of foreign currency translation reserve from equity on disposal of associated company	<u>(331)</u>
Gain on disposal (Note 4)	<u>471</u>

Impairment Assessment for Rotterdam World Gateway B.V. ("RWG")

In assessing whether the carrying amount of the investment in RWG is recoverable, the Group uses the value-in-use calculation based on discounted cash flow projections from financial budgets approved by RWG's management covering a five-year period and a perpetual rate of growth thereafter.

The terminal value is computed based on Gordon's growth methodology using a constant growth rate of approximately 1% per annum. The estimated growth rate does not exceed the long-term average growth rate for the terminal industry.

Discount rate of approximately 7% per annum is used to determine the recoverable amount of the business. The discount rate represents current market assessments of the time value of money and individual risks specific to the terminal business which has not been incorporated in the cash flow estimates. The discount rate calculation was estimated based on the industry average weighted average cost of capital derived using the capital asset pricing model.

The summarised financial information of the associated companies was as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Revenue	119,993	63,065
Net loss after tax	(17,429)	(29,580)
Total assets	952,418	975,115
Total liabilities	<u>(499,348)</u>	<u>(517,450)</u>

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As a global liner group, there are operations by associated companies in certain countries which impose foreign exchange controls such that payment of dividends declared or principal repayment in respect of foreign currency-denominated obligations is subject to the approval of the government authority. These operations are not significant to the Group or the Company.

There are no significant associated companies in the Group.

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15. INVESTMENT IN JOINT VENTURE

	Group	
	2016	2015
	US\$'000	US\$'000
Unquoted equity shares, at cost	10,402	10,402
Share of post-acquisition reserves:		
Balance at beginning of financial year	11,568	10,818
Share of results after tax		
- continuing operations	2,279	2,632
Dividends received/receivable	(5,315)	(762)
Foreign currency translation	(252)	(1,120)
Balance at end of financial year	8,280	11,568
	<u>18,682</u>	<u>21,970</u>

The Group's share of results after tax of the joint venture was as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Revenue	14,580	14,850
Cost of sales	(5,500)	(5,810)
Other expenses	(6,801)	(6,408)
Net profit after tax	<u>2,279</u>	<u>2,632</u>

The Group's share of assets and liabilities of the joint venture comprised:

	Group	
	2016	2015
	US\$'000	US\$'000
Non-current assets	14,065	14,334
Current assets	9,386	10,638
Non-current liabilities	--	(628)
Current liabilities	(4,769)	(2,374)
Net assets	<u>18,682</u>	<u>21,970</u>

The joint venture operates in Vietnam which impose controls such that payment of dividends declared or principal repayment in respect of foreign currency-denominated obligations is subject to the approval of the government authority. The operations of this joint venture are not significant to the Group.

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
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16. PROPERTY, PLANT AND EQUIPMENT

Group

	Vessels in operation	Freehold land and buildings	Leasehold land and buildings	Plant & machinery and operating equipment	Computers and software	Others	Total
2016	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost							
Beginning of financial year	5,902,147	32,136	80,130	1,793,141	368,312	27,221	8,203,087
Additions	10,722	--	473	19,169	28,789	306	59,459
Disposal of a subsidiary (Note 13)	--	--	--	--	(2,063)	(2,695)	(4,758)
Disposals	(2,133,928)	(14)	(12,759)	(1,261,166)	(13,901)	(2,078)	(3,423,846)
Reclassification	230	--	(570)	243	36	61	--
Reclassification to assets of group companies classified as held-for-sale (Note 12)	--	--	(3,386)	(214,595)	(16,405)	(1,506)	(235,892)
Reclassification to assets classified as held-for-sale (Note 12)	(75,790)	--	--	(10,984)	(31)	--	(86,805)
Reclassification to intangible assets (Note 18)	--	--	--	--	(7)	--	(7)
Foreign currency translation	--	--	(254)	--	(329)	(17)	(600)
End of financial year	3,703,381	32,122	63,634	325,808	364,401	21,292	4,510,638
Accumulated depreciation and accumulated impairment losses							
Beginning of financial year	1,411,629	3,722	61,519	955,314	156,628	24,133	2,612,945
Depreciation charged during the financial year (Note 5)	212,445	482	4,851	93,233	22,462	1,050	334,523
Impairment charged during the financial year (Note 5)	19,237	--	--	--	106,850	74	126,161
Disposal of a subsidiary (Note 13)	--	--	--	--	(1,819)	(1,834)	(3,653)
Disposals	(536,729)	--	(12,576)	(684,039)	(13,593)	(2,032)	(1,248,969)
Reclassification	--	--	(93)	83	1	9	--
Reclassification to assets of group companies classified as held-for-sale (Note 12)	--	--	(1,938)	(138,421)	(15,154)	(1,506)	(157,019)
Reclassification to assets classified as held-for-sale (Note 12)	(70,176)	--	--	(10,421)	(18)	--	(80,615)
Foreign currency translation	--	--	(236)	--	(356)	--	(592)
End of financial year	1,036,406	4,204	51,527	215,749	255,001	19,894	1,582,781
Net book value							
End of financial year	2,666,975	27,918	12,107	110,059	109,400	1,398	2,927,857

Others consisted of motor vehicles, office equipment, furniture, fixture and fittings.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Vessels in operation	Freehold land and buildings	Leasehold land and buildings	Plant & machinery and operating equipment	Computers and software	Others	Total
2015	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost							
Beginning of financial year	5,890,535	38,431	96,356	1,937,465	420,503	53,547	8,436,837
Additions	11,612	2,510	2,413	46,933	46,686	311	110,465
Acquisition of business (Note 13)	--	--	--	175	--	--	175
Additions via finance lease	--	--	--	777	--	--	777
Disposal of subsidiaries (Note 12 and 13)	--	(5,051)	(13,688)	(56,326)	(59,308)	(15,362)	(149,735)
Disposals	--	--	(4,655)	(120,922)	(38,911)	(10,606)	(175,094)
Reclassification	--	--	280	(7)	168	(441)	--
Reclassification to assets of group companies classified as held-for-sale (Note 12)	--	(3,625)	--	(14,081)	(180)	(95)	(17,981)
Foreign currency translation	--	(129)	(576)	(873)	(646)	(133)	(2,357)
End of financial year	5,902,147	32,136	80,130	1,793,141	368,312	27,221	8,203,087

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Accumulated depreciation and accumulated impairment losses

Beginning of financial year	1,185,638	4,058	70,085	943,719	177,388	43,516	2,424,404
Depreciation charged during the financial year							
- continuing operations (Note 5)	225,991	484	5,192	127,706	22,518	1,034	382,925
- discontinued operations	--	2	132	478	293	95	1,000
Disposal of subsidiaries (Note 12 and 13)	--	(916)	(9,538)	(24,388)	(25,984)	(10,037)	(70,863)
Disposals	-	--	(4,043)	(88,162)	(16,896)	(10,434)	(119,535)
Reclassification to assets of group companies classified as held-for-sale (Note 12)	-	--	--	(3,693)	(135)	(73)	(3,901)
Foreign currency translation	--	94	(309)	(346)	(556)	32	(1,085)
End of financial year	<u>1,411,629</u>	<u>3,722</u>	<u>61,519</u>	<u>955,314</u>	<u>156,628</u>	<u>24,133</u>	<u>2,612,945</u>
Net book value							
End of financial year	<u>4,490,518</u>	<u>28,414</u>	<u>18,611</u>	<u>837,827</u>	<u>211,684</u>	<u>3,088</u>	<u>5,590,142</u>

Others consisted of motor vehicles, office equipment, furniture, fixture and fittings.

For impairment assessment purposes, management considers the entire fleet of vessels and other equipment as one single CGU. These assets operate as one integrated network in the delivery of transportation services. Please refer to Note 19 for impairment analysis.

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

2016	Leasehold land and buildings US\$'000	Computers and software US\$'000	Others US\$'000	Total US\$'000
Cost				
Beginning of financial year	9,023	8,508	194	17,725
Additions	167	391	8	566
Reclassification	(104)	34	70	--
End of financial year	<u>9,086</u>	<u>8,933</u>	<u>272</u>	<u>18,291</u>
Accumulated depreciation and accumulated impairment losses				
Beginning of financial year	2,087	6,638	130	8,855
Depreciation charged during the financial year	695	838	56	1,589
Reclassification	(11)	--	11	--
End of financial year	<u>2,771</u>	<u>7,476</u>	<u>197</u>	<u>10,444</u>
Net book value				
End of financial year	<u>6,315</u>	<u>1,457</u>	<u>75</u>	<u>7,847</u>
2015	Leasehold land and buildings US\$'000	Computers and software US\$'000	Others US\$'000	Total US\$'000
Cost				
Beginning of financial year	10,792	8,219	7,564	26,575
Additions	425	304	22	751
Transfer from a subsidiary	--	2	--	2
Disposals	(2,194)	(17)	(7,392)	(9,603)
End of financial year	<u>9,023</u>	<u>8,508</u>	<u>194</u>	<u>17,725</u>
Accumulated depreciation and accumulated impairment losses				
Beginning of financial year	3,403	5,876	7,444	16,723
Depreciation charged during the financial year	695	779	28	1,502
Disposals	(2,011)	(17)	(7,342)	(9,370)
End of financial year	<u>2,087</u>	<u>6,638</u>	<u>130</u>	<u>8,855</u>
Net book value				
End of financial year	<u>6,936</u>	<u>1,870</u>	<u>64</u>	<u>8,870</u>

Others consisted of motor vehicles, office equipment, furniture, fixture and fittings.

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) As at the financial year end, the net book value of vessels of the Group under finance lease agreements amounted to US\$223.5 million (2015: US\$235.2 million). Net book value of other property, plant and equipment of the Group, such as equipment and motor vehicles, under finance lease agreements as at 30 December 2016 amounted to US\$9.7 million (2015: US\$11.3 million).

Finance leases and instalment arrangements for acquisitions of property, plant and equipment are disclosed under Note 27 to the financial statements.

- (b) As at the financial year end, the net book value of vessels of the Group charged by way of legal mortgages to banks for term loans (Note 23) amounted to US\$1,681.3 million (2015: US\$1,795.5 million).

Securities provided by way of charges on vessels of the Group include assignments, in applicable circumstances, of insurance claims.

- (c) The following shows the net book value of vessels of the Group that are chartered/leased out to third parties and related parties under operating leases as at end of the financial year:

	Group 2016 US\$'000	2015 US\$'000
Cost	447,572	528,749
Accumulated depreciation	(71,889)	(41,608)
Net book value	<u>375,683</u>	<u>487,141</u>

The depreciation charge for vessels chartered out under operating leases in 2016 is US\$18.9 million (2015: US\$22.1 million).

- (d) The net book value of vessels sold through sale and operating leaseback contracts amounted to US\$1,459.2 million. The commitments resulting from the sale and operating leaseback transactions are disclosed in Note 31 (b).

17. DEFERRED CHARGES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Balance at beginning of financial year	3,509	5,387	3,509	5,387
Additions during the financial year	770	49	--	49
Amount amortised during the financial year - continuing operations (Note 6)	(1,867)	(1,927)	(1,737)	(1,927)
Balance at end of financial year	<u>2,412</u>	<u>3,509</u>	<u>1,772</u>	<u>3,509</u>

Deferred charges relate to costs incurred in connection with long-term financing facilities which are deferred and amortised on a straight-line basis over the tenure of the financing facilities.

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18. INTANGIBLE ASSETS

Group

2016	System technology and software US\$'000	Terminal berthing rights US\$'000	Total US\$'000
Cost			
Beginning of financial year	27,229	14,000	41,229
Additions	4,269	--	4,269
Disposals	(1,092)	--	(1,092)
Reclassification from property, plant and equipment (Note 16)	7	--	7
Reclassification to assets of group companies classified as held-for-sale (Note 12)	(3,772)	--	(3,772)
Reclassification to assets classified as held-for-sale (Note 12)	(50)	--	(50)
Foreign currency translation	(5)	--	(5)
End of financial year	<u>26,586</u>	<u>14,000</u>	<u>40,586</u>
Accumulated amortisation and accumulated impairment losses			
Beginning of financial year	20,777	8,175	28,952
Amount amortised during the financial year (Note 5)	2,784	738	3,522
Disposals	(689)	--	(689)
Reclassification to assets of group companies classified as held-for-sale (Note 12)	(169)	--	(169)
Reclassification to assets classified as held-for-sale (Note 12)	(25)	--	(25)
Foreign currency translation	(5)	--	(5)
End of financial year	<u>22,673</u>	<u>8,913</u>	<u>31,586</u>
Net book value			
End of financial year	<u>3,913</u>	<u>5,087</u>	<u>9,000</u>

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18. INTANGIBLE ASSETS (continued)

Group	System technology and software US\$'000	Terminal berthing rights US\$'000	Licence fee US\$'000	Customer relationships US\$'000	Non- compete agreement US\$'000	Total US\$'000
2015						
Cost						
Beginning of financial year	53,754	14,000	8,669	9,307	104	85,834
Additions	2,062	--	--	--	--	2,062
Disposal of subsidiaries (Note 12)	(27,381)	--	(783)	(9,307)	(104)	(37,575)
Disposals	(920)	--	--	--	--	(920)
Reclassification to assets of group companies classified as held-for-sale (Note 12)	(233)	--	(7,572)	--	--	(7,805)
Foreign currency translation	(53)	--	(314)	--	--	(367)
End of financial year	27,229	14,000	--	--	--	41,229
Accumulated amortisation and accumulated impairment losses						
Beginning of financial year	43,088	7,451	3,001	1,181	13	54,734
Amount amortised during the financial year						
- continuing operations (Note 5)	3,184	724	390	--	--	4,298
- discontinued operations	137	--	--	72	2	211
Disposals	(811)	--	--	--	--	(811)
Disposal of subsidiaries (Note 12)	(24,503)	--	(12)	(1,253)	(15)	(25,783)
Reclassification to assets of group companies classified as held-for-sale (Note 12)	(219)	--	(3,250)	--	--	(3,469)
Foreign currency translation	(99)	--	(129)	--	--	(228)
End of financial year	20,777	8,175	--	--	--	28,952
Net book value						
End of financial year	6,452	5,825	--	--	--	12,277

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18. INTANGIBLE ASSETS (continued)

Company	System technology and software	
	2016 US\$'000	2015 US\$'000
Cost		
Beginning of financial year	4,524	3,937
Additions	67	587
End of financial year	<u>4,591</u>	<u>4,524</u>
Accumulated amortisation and accumulated impairment losses		
Beginning of financial year	2,352	1,613
Amount amortised during the financial year	784	739
End of financial year	<u>3,136</u>	<u>2,352</u>
Net book value		
End of financial year	<u>1,455</u>	<u>2,172</u>

Amortisation of intangible assets included in the income statement was categorised as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Cost of sales		
- continuing operations (Note 5(a))	--	390
- discontinued operations	--	74
Other operating expenses		
- continuing operations (Note 5(c))	3,522	3,908
- discontinued operations	--	137
Total	<u>3,522</u>	<u>4,509</u>

19. GOODWILL ARISING ON CONSOLIDATION

	Group	
	2016 US\$'000	2015 US\$'000
Beginning of financial year	121,036	158,068
Acquisition of business (Note 13)	--	4,152
Disposal of subsidiaries (Note 12)	--	(41,184)
Reclassification to assets of group companies classified as held-for-sale (Note 12)	(8,905)	--
End of financial year	<u>112,131</u>	<u>121,036</u>

Impairment test for goodwill

Goodwill is attributed to the Group's liner business CGU. This CGU includes property, plant and equipment of the liner business of US\$2.9 billion.

The recoverable amount of the liner business is the higher of the fair value less cost to sell and value-in-use.

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2016 impairment assessment

The value-in-use calculations use discounted cash flow projections based on financial budgets approved by management covering a five-year period and a perpetual rate of growth thereafter. Management has considered in its business plan 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.

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19. GOODWILL ARISING ON CONSOLIDATION (continued)

Impairment test for goodwill (continued)

2016 impairment assessment (continued)

The terminal value of the liner business is computed based on Gordon's growth methodology using a constant growth rate of 1% per annum. The estimated growth rate does not exceed the long-term average growth rate for the industry in which the liner business operates.

Discount rate of approximately 8% per annum is used to determine the recoverable amount of the liner business. The discount rate represents current market assessments of the time value of money and individual risks specific to the liner business which has not been incorporated in the cash flow estimates. The discount rate calculation was estimated based on the industry average weighted average cost of capital derived using the capital asset pricing model.

2015 impairment assessment

The value-in-use calculations use discounted cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated to perpetuity based on certain assumptions provided below using estimated rate of growth. Management has considered in its business plan that the shipping industry remains volatile and freight rates are expected to remain under pressure with overcapacity.

Cash flows beyond the five-year period considers factors like past macroeconomic events, global trade forecasts, macroeconomic cycle, and industry information. It is estimated based on past experience of normal shipping cycles and a severe recession in a span of 40 years, specifically using certain historical events which had major negative impact on the macro economy as reference points. The Group has built in a ratio of 32 normal shipping cycle years: 8 recession years normalised to 2020 forecasted fleet capacity in its estimation of cash flows beyond the five-year period. Historical operating cash flows from 1999 to 2008 is used as a proxy to derive the average free cash flow in a normal shipping cycle and that from 2009 to 2013 is used as a proxy to derive the average free cash flow in a severe recession. The terminal value operating cash flows computed using this basis is broadly supported by the historical average operating cash flows achievement.

The terminal value of the liner business is computed based on Gordon's growth methodology using a constant growth rate of 2% per annum. The estimated growth rate does not exceed the long-term average growth rate for the industry in which the liner business operates.

Discount rate of 7% per annum is used to determine the recoverable amount of the liner business. The discount rate represents current market assessments of the time value of money and individual risks specific to the liner business which has not been incorporated in the cash flow estimates. The discount rate calculation was estimated based on the industry average weighted average cost of capital derived using the capital asset pricing model.

As at 25 December 2015, the recoverable amount of the liner business (which is determined to be its value-in-use) exceeds its carrying amount by US\$1.5 billion. Reasonably possible changes to the following key assumptions used in management's assessment of recoverable amount (holding other assumptions unchanged) will result in changes in the amount at which the recoverable amount exceeds the carrying amount ("surplus") as follows:

	Discount Rate		Growth Rate		Shipping Cycle Ratio	
	+1%	-1%	+1%	-1%	35:5	30:10
2015	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
(Decrease)/Increase in the surplus	(1,405,100)	2,129,203	3,042,920	(1,933,134)	2,032,830	(1,355,220)

As at 25 December 2015, had key assumptions been changed as follows (holding other assumptions unchanged), the recoverable amount of the liner business will be equal to its carrying amount:

- increase in discount rate of 1.2%
- decrease in growth rate of 0.8%
- shipping cycle years ratio of 29 normal shipping cycle years: 11 recession years

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20. OTHER NON-CURRENT ASSETS

	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Loan to an associated company	(a)	5,866	4,127	--	--
Loans receivable (net of impairment provision) (Note 21)		104	126	--	--
Long-term deposits	(b)	8,032	8,217	--	--
Net defined benefit pension plan assets (Note 29)		--	24	--	--
Long-term investments		14,422	14,079	--	59
Insurance recoverables		12,747	20,596	--	--
Amount due from a subsidiary (non-trade)	(c)	--	--	132,481	125,197
Others		--	199	--	--
		41,171	47,368	132,481	125,256

Notes:

- (a) Loan to an associated company is unsecured, bears interest at 7.375% per annum for the first 6 months and subsequently 5.375% per annum (2015: non interest-bearing) and is to be settled in cash. The loan is not expected to be repaid within the next 12 months.
- (b) Long-term deposits comprise mainly deposits placed with port and terminal authorities for operating in terminals. These deposits are refundable on cessation of operations.
- (c) Amount due from a subsidiary is non-trade related, unsecured, non interest-bearing and is not expected to be repaid within the next 12 months. The amount is expected to be converted to equity contribution.

21. LOANS RECEIVABLE

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Loans receivable	1,247	1,269	1,143	1,143
Provision for impairment loss	(1,143)	(1,143)	(1,143)	(1,143)
Amount receivables after 12 months (Note 20)	104	126	--	--

22. CURRENT LIABILITIES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
(a) Trade and Other Payables				
Trade payables and accrued operating expenses	698,142	757,806	14,850	27,283
Accrued interest payable	27,732	23,387	16,446	14,202
Sundry payables	56,918	73,468	895	541
Amounts due to subsidiaries (non-trade)	--	--	580,612	58,384
	782,792	854,661	612,803	100,410

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22. CURRENT LIABILITIES (continued)

Included in trade payables and accrued operating expenses of the Group and Company as at end of the financial years were the following amounts owing to:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Immediate holding company	65,889	--	695	--
Subsidiaries, associated companies and joint ventures of immediate holding company	7,402	15,133	--	--
Joint venture	625	926	625	926
Associated company	202	2,725	--	--
	<u>74,118</u>	<u>18,784</u>	<u>1,320</u>	<u>926</u>

(b) Other Current Liabilities

Other current liabilities relate mainly to deferred revenue, which arises from the percentage-of-completion method for revenue recognition.

23. BORROWINGS

	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
(a) Current					
Secured:					
Borrowings	(i)	118,074	112,708	--	--
Finance lease liabilities (Note 27)		11,806	11,139	--	--
		<u>129,880</u>	<u>123,847</u>	<u>--</u>	<u>--</u>
Unsecured:					
Borrowings	(ii)	478,363	448,704	478,363	350,000
Medium Term Notes	(iii)	275,041	--	275,041	--
		<u>753,404</u>	<u>448,704</u>	<u>753,404</u>	<u>350,000</u>
Total current borrowings		<u>883,284</u>	<u>572,551</u>	<u>753,404</u>	<u>350,000</u>

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23. BORROWINGS (continued)

	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
(b) Non-current					
Secured:					
Borrowings	(i)	983,370	992,696	--	--
Finance lease liabilities (Note 27)		243,825	255,323	--	--
Senior Notes under Securitization Programme	(iv)	299,333	--	--	--
		<u>1,526,528</u>	<u>1,248,019</u>	<u>--</u>	<u>--</u>
Unsecured:					
Borrowings	(ii)	273,862	68,985	273,862	68,985
Medium Term Notes	(iii)	598,449	891,436	598,449	891,436
Senior Debentures due 2024	(v)	102,867	101,371	--	--
		<u>975,178</u>	<u>1,061,792</u>	<u>872,311</u>	<u>960,421</u>
Total non-current borrowings		<u>2,501,706</u>	<u>2,309,811</u>	<u>872,311</u>	<u>960,421</u>
Total borrowings		<u>3,384,990</u>	<u>2,882,362</u>	<u>1,625,715</u>	<u>1,310,421</u>

Notes:

(i) *Secured borrowings*

The loans are secured mainly on vessels (Note 16) and repayable in instalments pursuant to their respective loan agreements.

Concurrent with the drawdown of certain secured loans, a subsidiary of the Company entered into cross currency interest rate swaps to convert the S\$ floating rate liability to US\$ floating rate liability. As at 30 December 2016, the notional amount of outstanding cross currency interest rate swaps was US\$617.6 million (2015: US\$669.8 million) against an underlying S\$ floating rate liability of S\$773.3 million (2015: S\$838.6 million).

(ii) *Unsecured borrowings*

These loans are repayable upon maturity of contracts pursuant to their respective loan agreements.

Concurrent with the drawdown of an Islamic unsecured loan of S\$100.0 million (2015: S\$100.0 million), the Company entered into a cross currency interest rate swap with notional contract amount of US\$81.0 million (2015: US\$81.0 million) to convert the S\$ fixed rate liability of S\$100.0 million (2015: S\$100.0 million) to US\$ floating rate liability of US\$81.0 million (2015: US\$81.0 million).

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23. BORROWINGS (continued)

Notes (continued):

(iii) Medium Term Notes

The total facility drawn down under the Euro MTN Programme as at 30 December 2016 is S\$1.3 billion (2015: S\$1.3 billion), consisting of:

- a) S\$280.0 million (2015: S\$280.0 million) 10-Year Fixed Rate Notes Due 2020. The S\$280.0 million MTN will mature on 9 September 2020 and bear an interest of 4.65% per annum payable semi-annually. The purpose of the issue was to partially finance the 2010 order of 12 new container ships which were delivered between 2012 and 2014;
- b) S\$300.0 million (2015: S\$300.0 million) 10-Year Fixed Rate Notes Due 2021. The S\$300.0 million MTN will mature on 22 June 2021 and bear an interest of 4.40% per annum payable semi-annually. The purpose of the issue was to partially finance the 2011 order of 12 new container ships which were delivered between 2013 and 2014;
- c) S\$400.0 million (2015: S\$400.0 million) 5-Year Fixed Rate Notes Due 2017. The S\$400.0 million MTN will mature on 26 April 2017 and bear an interest of 4.25% per annum payable semi-annually. The purpose of the issue was to partially finance general corporate funding purposes and investments; and
- d) S\$300.0 million (2015: S\$300.0 million) 7-Year Fixed Rate Notes Due 2019. The S\$300.0 million MTN will mature on 8 November 2019 and bear an interest of 4.40% per annum payable semi-annually. The purpose of the issue was to partially finance general corporate funding purposes and investments.

Concurrent with the issuance of MTN of S\$1.3 billion (2015: S\$1.3 billion), the Company entered into the following cross currency interest rate swaps with total notional contract amount of US\$1.0 billion (2015: US\$1.0 billion):

- a) Cross currency interest rate swaps of a similar duration to convert the 10-Year S\$ fixed rate liability of S\$280.0 million (2015: S\$280.0 million) to US\$ fixed rate liability of US\$206.6 million (2015: US\$206.6 million);
- b) Cross currency interest rate swaps of a similar duration to convert the 10-Year S\$ fixed rate liability of S\$300.0 million (2015: S\$300.0 million) to US\$ fixed rate liability of US\$243.6 million (2015: US\$243.6 million);
- c) Cross currency interest rate swaps of a similar duration to convert the 5-Year S\$ fixed rate liability of S\$400.0 million (2015: S\$400.0 million) to US\$ floating rate liability of US\$320.4 million (2015: US\$320.4 million); and
- d) Cross currency interest rate swaps of a similar duration to convert the 7-Year S\$ fixed rate liability of S\$300.0 million (2015: S\$300.0 million) to US\$ floating rate liability of US\$245.7 million (2015: US\$245.7 million).

Under the cross currency interest rate swaps, the Company agreed with the swap counterparties to exchange S\$ for US\$ at the start date of the swaps and vice versa at the repayment and maturity dates. In addition, the Company will exchange US\$ interest amounts for S\$ interest amounts with the swap counterparties, at specified intervals during the tenure of the cross currency interest rate swaps, calculated by reference to the respective contracted notional principal amounts (Note 11). The cumulative fair value changes of the risk hedged was included in the carrying value of the MTN.

(iv) Senior Notes under Securitization Programme

On 29 September 2016, certain wholly-owned subsidiaries of the Company entered into agreements under a Receivables Securitization Programme to sell all qualifying trade receivables as and when generated to APL Securities S.A.R.L., a special purpose entity formed by the Company to purchase the receivables from the subsidiaries. The financing agreement of the Receivables Securitization

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Programme involved repackaging these receivables into beneficial interest instruments with priority of repayments: Senior and Subordinated Notes. The Receivables Securitization Programme has a limit of US\$350.0 million and will expire on 30 March 2018. As at the end of the financial year, the amount of collateralised trade receivables was US\$316.0 million.

(v) *Senior Debentures due 2024*

A subsidiary of the Company, APL Limited, issued 8% Senior Debentures in 1994. Coupon payments are due semi-annually. The Senior Debentures have an effective interest rate of 10.60% (2015: 10.60%) per annum. The agreement on the Senior Debentures contains, among other restrictions, a covenant that limits APL Limited's ability to allow liens on assets. The Company does not provide a parent guarantee on the performance of the Senior Debentures.

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23. BORROWINGS (continued)

(c) Carrying amounts and fair values information

The fair values of borrowings at the financial year end are based on expected future cash flows, discounted using borrowing rates which would be available to the Group and the Company at the financial year end, or where obtainable, an estimate from reputable financial institutions.

The following fair values are for disclosure purposes only and were not recognised in the financial statements.

The estimated fair values of the Group's and the Company's borrowings approximated their carrying amounts as shown in the statements of financial position except for certain borrowings disclosed as follows:

Group	Carrying amounts		Fair values	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Senior Debentures due 2024	102,867	101,371	73,845	83,396
Medium Term Notes	399,997	413,073	281,793	312,968
Company	Carrying amounts		Fair values	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Medium Term Notes	399,997	413,073	281,793	312,968

The fair values of the Medium Term Notes exclude the fair values of the cross currency interest rate swaps. The fair values of the cross currency interest rate swaps are disclosed in Note 32 (f).

(d) Maturity profile of borrowings

The current borrowings are repayable within the next 12 months.

The maturity profiles of non-current borrowings of the Group were as follows:

Group

As at 30 December 2016	Secured borrowings	Unsecured borrowings	Secured finance lease liabilities	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in:				
2018	410,485	273,862	12,554	696,901
2019	168,400	198,452	12,755	379,607
2020	107,650	193,094	13,562	314,306
2021	100,295	206,903	14,385	321,583
Thereafter	495,873	102,867	190,569	789,309
	1,282,703	975,178	243,825	2,501,706

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As at 25 December 2015	Secured borrowings US\$'000	Unsecured borrowings US\$'000	Secured finance lease liabilities US\$'000	Total US\$'000
Amount repayable in:				
2017	105,716	347,473	11,751	464,940
2018	96,386	--	12,498	108,884
2019	155,460	199,875	12,715	368,050
2020	92,884	199,407	13,539	305,830
Thereafter	542,250	315,037	204,820	1,062,107
	<u>992,696</u>	<u>1,061,792</u>	<u>255,323</u>	<u>2,309,811</u>

The secured borrowings and finance lease liabilities are secured mainly on vessels.

23. BORROWINGS (continued)

(d) Maturity profile of borrowings (continued)

The maturity profiles of non-current borrowings of the Company were as follows:

Company

As at 30 December 2016	Unsecured borrowings US\$'000
Amount repayable in:	
2018	273,862
2019	198,452
2020	193,094
2021	206,903
Thereafter	--
	<u>872,311</u>
As at 25 December 2015	Unsecured borrowings US\$'000
Amount repayable in:	
2017	347,473
2018	--
2019	199,875
2020	199,407
Thereafter	213,666
	<u>960,421</u>

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(e) Effective interest rates

The effective interest rates as at the financial year end, after taking into account the effects of hedging, were as follows:

	Group	
	2016	2015
	% per annum	% per annum
Secured borrowings	1.41 – 3.55	0.72 – 3.55
Unsecured borrowings ¹⁸	0.69 – 10.60	0.37 – 10.60
Finance lease liabilities ¹⁹	6.70	6.70

¹⁸ Unsecured borrowings comprise Senior Debentures due 2024, Medium Term Notes and other unsecured borrowings.

¹⁹ The finance lease liabilities relate to long-term charter of vessels with original tenure of up to 20 years. There are other relatively insignificant leases for assets, such as plant and machinery equipment, with effective interest rates ranging from 2.00% to 6.00% (2015: 2.00% to 6.00%) per annum.

After taking into account the effects of hedging, the exposure of borrowings of the Group to interest rate changes and the periods in which the borrowings ‘repriced’ or mature, whichever is earlier, were as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Variable rates		
- Repriced within one year	2,366,788	1,814,109
Fixed rates		
- Mature within one year	39,447	38,780
- Mature between two to five years	563,815	360,471
- Mature after five years	414,940	669,002
	3,384,990	2,882,362

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24. PROVISIONS

	Note	Group			Company	
		2016 US\$'000	2015 US\$'000 (Restated)	27 December 2014 US\$'000 (Restated)	2016 US\$'000	2015 US\$'000
(a) Current						
Provision for restructuring and termination costs	(i)	9,866	3,756	12,775	513	605
Provision for insurance, litigation and other claims	(ii)	19,434	26,147	27,445	--	--
Provision for onerous contracts	(iii)	25,777	9,080	9,158	--	--
		<u>55,077</u>	<u>38,983</u>	<u>49,378</u>	<u>513</u>	<u>605</u>
(b) Non-current						
Provision for net defined benefit pension plan obligations (Note 29)		47,217	86,915	94,298	--	--
Provision for insurance, litigation and other claims	(ii)	37,460	60,923	97,228	--	--
Provision for onerous contracts	(iii)	95,130	48,285	53,873	--	--
		<u>179,807</u>	<u>196,123</u>	<u>245,399</u>	<u>--</u>	<u>--</u>

Notes:

(i) <i>Movements in provision for restructuring and termination costs were as follows:</i>	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Balance at beginning of financial year	3,756	12,775	605	1,881
Provision made during the financial year				
- continuing operations	14,210	9,379	569	666
- discontinued operations	--	505	--	--
Provision utilised during the financial year	(5,731)	(8,409)	(609)	(945)
Provision written back during the financial year				
- continuing operations	(2,322)	(9,868)	--	(920)
Disposal of subsidiaries	--	(512)	--	--
Foreign currency translation	(47)	(114)	(52)	(77)
Balance at end of financial year	<u>9,866</u>	<u>3,756</u>	<u>513</u>	<u>605</u>

Restructuring and termination provisions relate mainly to employee termination payments and lease termination penalties. They are recognised in the financial year in which the Group has a legal and constructive obligation to pay. Costs related to the on-going activities of the Group are not provided in advance.

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24. PROVISIONS (continued)

Notes (continued):

(ii) <i>Movements in provision for insurance, litigation and other claims were as follows:</i>	Group	
	2016 US\$'000	2015 US\$'000
Balance at beginning of financial year	87,070	124,673
Provision made during the financial year		
- continuing operations (Note 5)	16,353	26,135
- discontinued operations	--	5,635
Provision utilised during the financial year	(16,716)	(38,466)
Provision written back during the financial year		
- continuing operations (Note 5)	(17,454)	(17,863)
- discontinued operations	--	(2,129)
Disposal of subsidiaries	--	(11,142)
Foreign currency translation	(228)	227
Reclassification to liabilities of group companies classified as held-for-sale (Note 12)	(12,131)	--
Balance at end of financial year	56,894	87,070

Insurance provision covers mainly cargo claims, asbestos claims, protection and indemnity claims, workmen compensation and general liabilities.

Other than the provisions made above, the Group may be liable for claims initiated by third parties and/or government authorities in various jurisdictions in which the Group carries out its business operations. Based upon information presently available and advice by the Group's legal counsel, management believes that it has made adequate provisions for known claims, where necessary. As the Group is not able to determine with certainty the ultimate outcome of these claims, it is not possible to estimate the amount of additional losses, if any.

(iii) <i>Movements in provision for onerous contracts were as follows:</i>	Note	Group		
		2016 US\$'000	2015 US\$'000 (Restated)	2014 US\$'000 (Restated)
Balance at beginning of financial year, as previously stated		57,365	286	1,928
Effect of prior year adjustment (Note 37)		--	62,745	--
Balance at beginning of financial year, as restated		57,365	63,031	1,928
Provision made during the financial year				
- continuing operations (Note 5)	(a), (b)	69,510	--	70,431
Finance expenses accreted on onerous contracts				
- continuing operations (Note 6)		3,028	3,580	1,584
Provision utilised during the financial year		(8,996)	(9,092)	(10,594)
Provision written back during the financial year				
- continuing operations (Note 5)		--	(154)	(318)
Balance at end of financial year		120,907	57,365	63,031

Notes:

- (a) During the financial year ended 30 December 2016, arising from the restructuring of operational activities that the Group undertook after the acquisition by CMA CGM S.A., substantially all the containers owned by the Group were sold. Thereafter, all containers required by the Group were provided and managed by CMA CGM S.A.. Accordingly, a contract that involves the repositioning of containers by a service provider through various routes on an annual basis had become onerous and a provision of US\$69.4 million was made. The provision amount was computed based on the unavoidable costs of meeting the obligations under the contract after offsetting the total estimated costs

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mitigated by payments to be received from CMA CGM S.A. for repositioning of containers on certain routes as required by CMA CGM S.A..

- (b) Refer to Note 37 for details of the provision for onerous contracts recognised in the financial year ended 26 December 2014.

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25. DEFERRED INCOME

	Group	
	2016	2015
	US\$'000	US\$'000
Balance at beginning of financial year	786	6,722
Additions during the financial year	84,627	271
Amount amortised during the financial year		
- continuing operations (Note 4)	(1,131)	(4,797)
- discontinued operations	--	(185)
Disposal of subsidiaries (Note 12)	--	(1,225)
Balance at end of financial year	84,282	786
Less: Current portion	(12,295)	(205)
Non-current portion	71,987	581

Deferred income relates mainly to the deferred gain on sale and operating leaseback of assets (refer to Note 2.17). During the financial year ended 30 December 2016, the Group entered into 7-year sale and leaseback contracts in relation to 13 vessels, resulting in a deferred gain of US\$84.6 million.

26. OTHER NON-CURRENT LIABILITIES

		Group	
	Note	2016	2015
		US\$'000	US\$'000
Deferred lease payables	(i)	857	2,408
Others	(ii)	11,862	16,095
		12,719	18,503

Notes:

- (i) Rental expenses incurred for certain operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the leases. The difference between the actual lease payment and the amount taken to the income statement is capitalised as deferred lease payables.

Deferred lease payables are amortised and taken to the income statement on a straight-line basis over the remaining tenure of the lease.

- (ii) Other non-current liabilities includes deferred vendor incentive and long-term asset retirement obligations.

Deferred vendor incentive relates to a contract incentive received from a vendor that is amortised and taken to the income statement over the term of the contract.

Long-term asset retirement obligations represent the estimated costs of reinstating various leased spaces to their original condition at the expiration of the leases.

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27. FINANCE LEASE LIABILITIES

Finance lease liabilities (secured) were related mainly to vessels acquired under finance leases.

As at 30 December 2016

Future Lease Payments	Group US\$'000
Amount repayable in one year or less	28,198
Amount repayable in:	
2018	28,198
2019	27,604
2020	27,568
2021	27,495
Thereafter	250,143
Minimum lease payments	389,206
Less: Future finance charges	(133,575)
Total finance lease liabilities	255,631
Representing finance lease liabilities:	
Not later than one year (Note 23)	11,806
Later than one year but not later than five years (Note 23)	53,256
Later than five years (Note 23)	190,569
Total finance lease liabilities	255,631

As at 25 December 2015

Future Lease Payments	Group US\$'000
Amount repayable in one year or less	28,225
Amount repayable in:	
2017	28,135
2018	28,135
2019	27,561
2020	27,542
Thereafter	277,498
Minimum lease payments	417,096
Less: Future finance charges	(150,634)
Total finance lease liabilities	266,462
Representing finance lease liabilities:	
Not later than one year (Note 23)	11,139
Later than one year but not later than five years (Note 23)	50,503
Later than five years (Note 23)	204,820
Total finance lease liabilities	266,462

These leases terminate at various dates and some of the lease agreements provide options to purchase the leased assets at specified values.

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28. SHARE CAPITAL, TREASURY SHARES AND SHARES HELD BY EMPLOYEE BENEFIT TRUST

	Number of shares			Amount		
	Issued share capital	Treasury shares	Shares held by employee benefit trust	Share capital US\$'000	Treasury shares US\$'000	Shares held by employee benefit trust US\$'000
2016						
Balance at beginning of financial year	2,603,127,242	(1,726,717)	(4,136,851)	1,840,260	(5,216)	(4,326)
Employee equity compensation schemes						
- new shares issued	2,436,979	--	--	2,436	--	--
Sale of shares by employee benefit trust	--	--	4,136,851	--	--	4,326
Balance at end of financial year	<u>2,605,564,221</u>	<u>(1,726,717)</u>	<u>--</u>	<u>1,842,696</u>	<u>(5,216)</u>	<u>--</u>
2015						
Balance at beginning of financial year	2,595,548,209	(1,726,717)	(5,716,851)	1,834,341	(5,216)	(5,719)
Employee equity compensation schemes						
- new shares issued	7,579,033	--	--	5,919	--	--
Sale of shares by employee benefit trust	--	--	1,580,000	--	--	1,393
Balance at end of financial year	<u>2,603,127,242</u>	<u>(1,726,717)</u>	<u>(4,136,851)</u>	<u>1,840,260</u>	<u>(5,216)</u>	<u>(4,326)</u>

All issued shares are fully paid. The ordinary shares have no par value.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares (except treasury shares) carry one vote per share.

(a) Share options, restricted shares and performance shares

During the financial year ended 30 December 2016, the Company issued 2,436,979 (2015: 264,200) new ordinary shares to the participants of the NOL SOP who exercised their options to purchase ordinary shares at the subscription price of S\$1.05 per share.

During the financial year ended 30 December 2016, no new ordinary shares (2015: 7,314,833) were issued to fulfil the Company's obligation under the NOL RSP 2010 and NOL PSP 2010.

The newly issued shares rank pari passu in all respects with the previously issued shares.

(b) Treasury shares

During both the financial years, no shares were purchased for the purposes of fulfilling the Company's obligations under the NOL SOP, NOL PSP 2004, NOL RSP 2010 and NOL PSP 2010. In addition, no treasury shares were re-issued by the Company pursuant to the NOL SOP, NOL PSP 2004, NOL RSP 2010 and NOL PSP 2010.

(c) Shares held by employee benefit trust

The Company has set up an employee benefit trust fund whose purpose is to purchase and hold the Company's shares acquired from the Singapore Exchange for issuance of units to employees under the Staff Share Ownership Scheme.

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29. EMPLOYEE BENEFITS

(a) Equity Compensation Benefits

The Group offers the following employee equity compensation plans:

- (i) Employee Share Option Plan (terminated with effect from 30 August 2010)
- (ii) Performance Share Plan 2004 (terminated with effect from 30 August 2010)
- (iii) Restricted Share Plan 2010 (with effect from 30 August 2010 and terminated with effect from 9 June 2016)
- (iv) Performance Share Plan 2010 (with effect from 30 August 2010 and terminated with effect from 9 June 2016)
- (v) Staff Share Ownership Scheme (terminated with effect from 9 June 2016)

(i) Employee Share Option Plan

Share options under the NOL SOP were granted to Directors and employees of the Group. The exercise price of the options was determined based on the average closing market price of the shares for the three trading days immediately preceding the grant date. Individual awards to employees took into consideration the job level, performance and leadership potential of the employee. Pursuant to the terms of the NOL SOP, share options would vest after a specified number of years from the grant date.

Details of options under the NOL SOP during the financial year ended 30 December 2016 were as follows:

Share Options	(a)	(b)	(c)	(d)	Total
Date option granted	13/3/06 ²¹	12/3/07 ²²	22/2/08 ²³	20/2/09 ²⁴	
Exercise period					
From	13/3/07	12/3/08	22/2/09	20/2/10	
To	12/3/16	11/3/17	21/2/18	19/2/19	
Exercise price per option					
- Before Rights Issue	S\$2.20	S\$3.32	S\$3.62	S\$1.15	
- After Rights Issue ²⁰	S\$2.10	S\$3.22	S\$3.52	S\$1.05	
Number of options outstanding as at 25 December 2015	8,402,061	3,245,470	4,219,875	7,778,126	23,645,532
During the financial year					
- Options exercised	--	--	--	(2,436,979)	(2,436,979)
- Options cancelled ²⁵	(239,628)	(3,245,470)	(4,219,875)	(5,341,147)	(13,046,120)
- Options expired	(8,162,433)	--	--	--	(8,162,433)
Balance as at 30 December 2016	--	--	--	--	--

No share options were granted in 2016 for the financial year ended 25 December 2015 as the NOL SOP was terminated on 30 August 2010.

²⁰ In accordance with the rules of the NOL SOP and the advice of the independent financial advisor, adjustments had been made to the exercise prices and the number of shares comprised in the outstanding share options under the NOL SOP as a result of the Rights Issue. Exercise prices of the outstanding share options were reduced by S\$0.10 except for 1,226,000 share options granted to a Director.

²¹ From the date of grant, one-third of the share options granted have each vested on 13 March 2007, 13 March 2008 and 13 March 2009.

²² From the date of grant, one-third of the share options granted have each vested on 12 March 2008, 12 March 2009 and 12 March 2010.

²³ From the date of grant, one-third of the share options granted have each vested on 22 February 2009, 22 February 2010 and 22 February 2011.

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- ²⁴ From the date of grant, one-third of the share options granted have each vested on 20 February 2010, 20 February 2011 and 20 February 2012.
- ²⁵ Following the acquisition of controlling interests in the Company by CMA CGM S.A. on 9 June 2016, 12,324,971 share options under the NOL SOP were cancelled.

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29. EMPLOYEE BENEFITS (continued)

(a) Equity Compensation Benefits (continued)

(i) Employee Share Option Plan (continued)

Details of movement and weighted average exercise prices of the NOL SOP were as follows:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance as at beginning of financial year	23,645,532	S\$2.16	34,371,729	S\$2.13
During the financial year				
- Options exercised	(2,436,979)	S\$1.05	(264,200)	S\$1.05
- Options cancelled	(13,046,120)	S\$2.41	(6,777,107)	S\$2.14
- Options expired	(8,162,433)	S\$2.10	(3,684,890)	S\$1.96
Balance as at end of financial year	--	S\$NIL	23,645,532	S\$2.16
Exercisable as at end of financial year	--	S\$NIL	23,645,532	S\$2.16

The weighted average share price at the date of exercise for options exercised was S\$1.27 (2015: S\$1.18). The range of exercise prices for options outstanding as at 25 December 2015 was from S\$1.05 to S\$3.52. The weighted average remaining contractual life for these options was 1.7 years.

The NOL SOP was terminated following the adoption of the NOL RSP 2010 by the shareholders of the Company at an EGM held on 30 August 2010. Options granted and outstanding prior to the termination of the NOL SOP will continue to be valid and subject to the terms and conditions of the NOL SOP.

Following the acquisition of controlling interests in the Company by CMA CGM S.A. on 9 June 2016, the remaining outstanding share options were cancelled.

(ii) Performance Share Plan 2004

Performance shares under the NOL PSP 2004 were awarded to key executives conditional upon the Group meeting or exceeding a prescribed financial target condition during the performance period, and also conditional on the participants meeting their performance conditions. Pursuant to the terms of the NOL PSP 2004, performance shares would vest after a specified number of years from the end of the performance period.

The NOL PSP 2004 was terminated following the adoption of the NOL PSP 2010 by the shareholders of the Company at the EGM held on 30 August 2010. Performance shares awarded and unvested prior to the termination of the NOL PSP 2004 will continue to be valid and subject to the terms and conditions of the NOL PSP 2004.

No performance shares were awarded in 2016 for the financial year ended 25 December 2015 as the NOL PSP 2004 was terminated on 30 August 2010.

There were no outstanding performance shares under the NOL PSP 2004 as at 30 December 2016 and 25 December 2015.

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29. EMPLOYEE BENEFITS (continued)

(a) Equity Compensation Benefits (continued)

(iii) Restricted Share Plan 2010

Awards of restricted shares to the Directors and employees of the Group under the NOL RSP 2010 approved at an EGM held on 30 August 2010 take into consideration the Group's financial performance as well as the employee's job level, job performance, length of service (pro-rated for employees without full year of service) and contribution to the success and development of the Group. The above criteria will not apply to non-executive directors as such awards, if given, will form part of the directors' remuneration in lieu of cash. Pursuant to the terms of the NOL RSP 2010, the restricted shares will, except in certain special circumstances as approved by the ERCC, vest after a specified number of years from the award date.

Details of restricted shares under the NOL RSP 2010 during the financial year ended 30 December 2016 were as follows:

Restricted Shares	(a)	(b)	(c)	(d)	Total
Date of award	1/4/13 ²⁶	1/4/14 ²⁷	1/4/15 ²⁸	1/4/16 ²⁹	
Performance period					
From	31/12/11	29/12/12	28/12/13	27/12/14	
To	28/12/12	27/12/13	26/12/14	25/12/15	
Number of shares outstanding as at 25 December 2015	603,240	2,535,466	5,223,443	--	8,362,149
During the financial year					
- Shares awarded	--	--	--	4,931,000	4,931,000
- Shares cancelled	(23,670)	(132,950)	(354,809)	(127,528)	(638,957)
- Shares vested ³⁰	(579,570)	(2,402,516)	(4,868,634)	(4,803,472)	(12,654,192)
Balance as at 30 December 2016	--	--	--	--	--

²⁶ From the date of award, 827,661 restricted shares awarded have vested on 1 April 2013, 1,642,919 restricted shares awarded have vested on 1 April 2014, 1,464,287 restricted shares awarded have vested on 1 April 2015, 158,353 restricted shares awarded have vested on 15 June 2015* and 579,570 restricted shares awarded have vested in cash on 1 April 2016.

²⁷ From the date of award, 1,970,739 restricted shares awarded have vested on 1 April 2015, 1,145,606 restricted shares awarded have vested on 15 June 2015*, 7,334 restricted shares awarded have vested on 23 October 2015*, 1,227,549 restricted shares awarded have vested in cash on 1 April 2016 and 1,174,967 restricted shares awarded have vested in cash on 9 June 2016.

²⁸ From the date of award, 1,766,000 restricted shares awarded have vested on 15 June 2015*, 16,000 restricted shares awarded have vested on 24 July 2015*, 1,673,347 restricted shares awarded have vested in cash on 1 April 2016 and 3,195,287 restricted shares awarded have vested in cash on 9 June 2016.

²⁹ From the date of award, 4,803,472 restricted shares awarded have vested in cash on 9 June 2016.

³⁰ Following the acquisition of controlling interests in the Company by CMA CGM S.A. on 9 June 2016, 9,173,726 restricted shares outstanding as at 9 June 2016 under the NOL RSP 2010 were vested in cash.

* Vesting approved by ERCC due to the sale of Logistics business unit.

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The weighted average fair value of the restricted shares awarded under the NOL RSP 2010 during the financial year ended 30 December 2016 was S\$1.30 (2015: S\$1.01).

The fair value of the NOL RSP 2010 awarded on 1 April 2016 was determined based on the pre-conditional voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by CMA CGM S.A. as announced by CMA CGM S.A. on 7 December 2015.

Following the acquisition of controlling interests in the Company by CMA CGM S.A. on 9 June 2016, the remaining outstanding restricted shares were vested in cash.

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29. EMPLOYEE BENEFITS (continued)

(a) Equity Compensation Benefits (continued)

(iv) Performance Share Plan 2010

Awards of performance shares to key executives under the NOL PSP 2010 approved at an EGM held on 30 August 2010 take into account the employee's individual performance, job level and length of service (pro-rated for employees without full year of service). The performance shares will only vest over a specified number of years conditional upon the Group attaining certain performance conditions in future years.

Details of performance shares during the financial year ended 30 December 2016 were as follows:

Performance Shares	(a)	(b)	(c)	(d)	Total
Date of award	1/4/13 ³¹	1/4/14 ³²	1/4/15 ³³	1/4/16 ³⁴	
Performance period					
From	31/12/11	29/12/12	28/12/13	27/12/14	
To	28/12/12	27/12/13	26/12/14	25/12/15	
Number of shares					
outstanding as at					
25 December 2015	844,484	2,461,458	4,140,805	--	7,446,747
During the financial					
year					
- Shares awarded	--	--	--	3,392,000	3,392,000
- Shares vested ³⁵	(186,843)	(653,036)	(1,140,700)	(1,017,600)	(2,998,179)
- Shares cancelled ³⁵	(657,641)	(1,808,422)	(3,000,105)	(2,374,400)	(7,840,568)
Balance as at					
30 December 2016	--	--	--	--	--

³¹ Excluding performance shares cancelled from the date of award, 253,584 performance shares awarded have vested on 2 June 2014, 235,916 performance shares awarded have vested on 8 May 2015 and 186,843 performance shares awarded have vested in cash on 3 May 2016.

³² Excluding performance shares cancelled from the date of award, 362,752 performance shares awarded have vested on 8 May 2015, 296,836 performance shares awarded have vested in cash on 3 May 2016 and 356,200 performance shares have vested in cash on 9 June 2016.

³³ Excluding performance shares cancelled from the date of award, 335,500 performance shares awarded have vested in cash on 3 May 2016 and 805,200 performance shares awarded have vested in cash on 9 June 2016.

³⁴ From the date of award, 1,017,600 performance shares awarded have vested in cash on 9 June 2016.

³⁵ Following the acquisition of controlling interests in the Company by CMA CGM S.A. on 9 June 2016, 2,179,000 performance shares outstanding as at 9 June 2016 were vested in cash and the remaining 5,084,355 outstanding performance shares were cancelled.

The weighted average fair value of the performance shares awarded under the NOL PSP 2010 during the financial year ended 30 December 2016 was S\$1.30 (2015: S\$1.01).

The fair value of the NOL PSP 2010 awarded on 1 April 2016 was determined based on the pre-conditional voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by CMA CGM S.A. as announced by CMA CGM S.A. on 7 December 2015.

Following the acquisition of controlling interests in the Company by CMA CGM S.A. on 9 June 2016, 2,179,000 performance shares outstanding as at 9 June 2016 were vested in cash and the remaining 5,084,355 outstanding performance shares were cancelled.

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29. EMPLOYEE BENEFITS (continued)

(a) Equity Compensation Benefits (continued)

(v) Staff Share Ownership Scheme

The Group offers the Staff Share Ownership Scheme to all eligible Singapore employees. Certain companies in the Group will make corresponding contributions of S\$0.50 for every S\$1.00 contributed by the employees, up to a maximum of S\$250 per month for each employee. All contributions collected will be credited to an employee benefit trust fund which will be used to buy the shares of the Company for issuance of units to the employees. Cash is paid to employees when they exercise the right to redeem the units or upon full withdrawal from the scheme, which may occur whilst in employment or on their last day of service with the Group. The redemption of units or withdrawal from the scheme is subject to the terms and conditions under the Staff Share Ownership Scheme. The Group consolidates the trust and the Company's shares held by the employee benefit trust are accounted for as part of equity in accordance with FRS 32.

The scheme has ceased to accept new members with effect from 1 July 2014 and has also ceased making corresponding contributions of S\$0.50 for every S\$1.00 contributed by the employees with effect from 1 July 2015.

The number of shares held by employee benefit trust as at 30 December 2016 and 25 December 2015 is disclosed in Note 28.

Following the acquisition of controlling interest in the Company by CMA CGM S.A. on 9 June 2016, the scheme has been terminated. The remaining number of shares held by the scheme as at 9 June 2016 has been sold by the employee benefit trust and the sale proceeds was paid to the employees.

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29. EMPLOYEE BENEFITS (continued)

(b) Post-Employment Defined Benefit Plans

The Group has several defined benefit plans covering eligible employees of certain subsidiaries. Defined benefits for employees are generally based on the final pensionable salary and years of service. In addition, certain subsidiaries in the Group contribute to a number of collectively bargained, multi-employer plans that provide pension benefits to certain union-represented employees. These contributions are determined in accordance with the provisions of negotiated labor contracts.

The Group also shares the cost of its health care benefits with eligible retired employees of certain subsidiaries and recognises the cost of providing health care and other benefits to retirees over the term of employee service and throughout retirement.

The following tables summarised the components of net benefit expense and the funded status recognised in the consolidated financial statements.

Net Benefit Expense

	Defined benefit plans		Post-retirement benefits	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Current service cost	1,981	3,311	278	216
Net interest expense on benefit obligations	1,462	1,965	304	1,755
Plan administration costs	1,422	934	--	--
Curtailment loss/(gain)	25	--	--	(2,183)
Past service cost	(179)	--	--	--
Settlement effects	--	--	(34,249)	--
	4,711	6,210	(33,667)	(212)
Net benefit expense:				
Continuing operations (Note 7)	4,711	5,834	(33,667)	(212)
Discontinued operations	--	376	--	--
	4,711	6,210	(33,667)	(212)

During the financial year ended 30 December 2016, the Group terminated the post-retirement benefits plan of certain retired employees except for union-represented employees. The termination of the plan had resulted in a pre-tax gain of US\$34.2 million (Note 7) and a reversal of deferred tax asset of US\$6.9 million (Note 8(b)) in the income statement for the financial year ended 30 December 2016. The cumulative actuarial losses on the post-retirement benefits plan of US\$11.9 million, net of tax, which was recognised in other comprehensive income and accumulated in the pension re-measurement reserve, was transferred to the retained earnings.

Re-measurement of Net Defined Benefit Obligations

	Defined benefit plans		Post-retirement benefits	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Re-measurement:				
- Loss/(Gain) arising from change in actuarial assumptions	828	(4,903)	(16)	(560)
- (Gain)/Loss arising from change in experience adjustments	(4,082)	(1,324)	(127)	1,024
- Return on plan assets	(2,874)	4,321	--	--
Foreign currency translation	67	(234)	--	--
	(6,061)	(2,140)	(143)	464

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Re-measurement of net defined benefit obligations:				
Continuing operations	(6,061)	(2,256)	(143)	464
Discontinued operations	--	116	--	--
	<u>(6,061)</u>	<u>(2,140)</u>	<u>(143)</u>	<u>464</u>

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29. EMPLOYEE BENEFITS (continued)

(b) Post-Employment Defined Benefit Plans (continued)

Net Benefit (Asset)/Liability	Defined benefit plans		Post-retirement benefits	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Present value of funded benefit obligations	143,165	173,540	--	--
Fair value of plan assets	(120,717)	(146,176)	--	--
	22,448	27,364	--	--
Present value of unfunded benefit obligations	17,219	16,555	7,550	42,972
Net benefit liability	39,667	43,919	7,550	42,972
Represented by:				
Non-current asset (Note 20)	--	(24)	--	--
Non-current liability (Note 24)	39,667	43,943	7,550	42,972
Net benefit liability	39,667	43,919	7,550	42,972

The changes in the present value of defined benefit obligations were as follows:

Present Value of Defined Benefit Obligations	Defined benefit plans		Post-retirement benefits	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Present value of defined benefit obligations at beginning of financial year	190,095	210,842	42,972	46,193
Current service cost	1,981	3,311	278	216
Interest expense	6,746	8,712	304	1,755
Re-measurement:				
- Loss/(Gain) arising from change in actuarial assumptions	828	(4,903)	(16)	(560)
- (Gain)/Loss arising from change in experience adjustments	(4,082)	(1,324)	(127)	1,024
Curtailed gain	(631)	--	--	(2,183)
Settlements	--	--	(34,249)	--
Benefits paid	(33,570)	(20,229)	(1,612)	(3,473)
Foreign currency translation	(69)	(1,235)	--	--
Disposal of subsidiaries	(735)	(5,079)	--	--
Past service cost	(179)	--	--	--
Present value of defined benefit obligations at end of financial year	160,384	190,095	7,550	42,972

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29. EMPLOYEE BENEFITS (continued)

(b) Post-Employment Defined Benefit Plans (continued)

The changes in the fair value of plan assets were as follows:

Fair Value of Plan Assets

	Defined benefit plans		Post-retirement benefits	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Fair value of plan assets at beginning of financial year	146,176	162,764	--	--
Interest income	5,284	6,747	--	--
Plan administration costs	(1,422)	(934)	--	--
Re-measurement:				
- Return on plan assets	2,874	(4,321)	--	--
Employer contributions	2,268	3,351	1,612	3,473
Curtailement loss	(656)	--	--	--
Benefits paid	(33,570)	(19,967)	(1,612)	(3,473)
Foreign currency translation	29	(381)	--	--
Disposal of subsidiaries	(266)	(1,083)	--	--
Fair value of plan assets at end of financial year	120,717	146,176	--	--

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29. EMPLOYEE BENEFITS (continued)

(b) Post-Employment Defined Benefit Plans (continued)

The fair value of plan assets by each asset class is as follows:

	2016	2015
	US\$'000	US\$'000
Investment Funds		
BlackRock Alpha Tilts CIT Fund	17,543	20,547
Harding Loevner Mutual Fund	19,165	27,379
Royce Small Cap Value Mutual Fund	5,419	5,544
Wells Fargo Small Cap Growth Mutual Fund	4,712	6,892
Columbus Core Plus Bond CIT Fund	32,203	--
Others	1,001	379
	<u>80,043</u>	<u>60,741</u>
Equity Securities		
Consumer Goods and Services	3,970	5,878
Information & Technology	6,071	9,571
Healthcare	3,839	6,933
Financial Institution & Insurance	7,314	5,502
Media	3,113	2,795
Transportation	1,218	1,056
Energy	2,382	1,477
Food & Beverage	--	855
Others	826	2,166
	<u>28,733</u>	<u>36,233</u>
Debt Securities		
Treasury Bonds	167	13,661
Government debt securities	50	2,286
AAA rated debt securities	28	5,475
AA rated debt securities	--	669
A rated debt securities	--	5,212
BBB rated debt securities	--	6,528
BB rated debt securities	--	1,641
Unrated debt securities	--	213
Asset-backed securities	--	1,056
Collateralized Pass Throughs	--	1,716
	<u>245</u>	<u>38,457</u>
Cash and cash equivalents	11,696	10,745
Total	<u>120,717</u>	<u>146,176</u>

Majority of the investment funds, equity and debt instruments held have quoted prices in active markets.

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29. EMPLOYEE BENEFITS (continued)

(b) Post-Employment Defined Benefit Plans (continued)

The principal actuarial assumptions used in determining defined benefit obligations and post-retirement benefit obligations for the Group's plans were shown below:

Defined Benefit Plans	2016	2015
	%	%
Weighted average discount rate	3.5	3.6
Rate of increase in compensation levels	2.7	2.7
Expected long-term rate of return on plan assets	6.4	6.4

The long-term rate of return on plan assets is based on the expected ten year annualised rate of return projected by external financial consultants, taking into consideration the Group's target asset allocation, capital market assumptions and expenses. While the capital market assumptions are forward looking, they are anchored on modelling and analysis of historical returns.

Post-retirement Benefits	2016	2015
	%	%
Weighted average discount rate	3.9	3.8
Rate of increase in cost of post-retirement benefits	8.5	6.5

The rate of increase in cost of post-retirement benefits was assumed to reduce to 4.5% by 2025 and thereafter.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligations as of the end of the financial year, assuming all other assumptions were held constant:

	Weighted average Increase/Decrease		2016	
	Defined benefit plans	Post-retirement benefits	Defined benefit plans	Post-retirement benefits
	%	%	US\$'000	US\$'000
Discount rate	+0.9	+1.0	145,129	6,873
	-0.9	-1.0	179,625	8,417
Rate of increase in compensation levels	+0.9	N/A	164,437	N/A
	-0.9	N/A	156,755	N/A
Rate of increase in cost of post-retirement benefits	N/A	+1.0	N/A	8,347
	N/A	-1.0	N/A	6,919

	Weighted average Increase/Decrease		2015	
	Defined benefit plans	Post-retirement benefits	Defined benefit plans	Post-retirement benefits
	%	%	US\$'000	US\$'000
Discount rate	+0.9	+1.0	172,646	38,711
	-0.9	-1.0	211,441	48,166
Rate of increase in compensation levels	+0.9	N/A	194,605	N/A
	-0.9	N/A	186,076	N/A
Rate of increase in cost of post-retirement benefits	N/A	+1.0	N/A	47,833
	N/A	-1.0	N/A	38,905

N/A: Not Applicable

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29. EMPLOYEE BENEFITS (continued)

(b) Post-Employment Defined Benefit Plans (continued)

The Group's investment strategy is to manage plan assets with a long-term perspective to ensure that there are sufficient assets to support benefit payments to participants over the life of the plans. The investment strategy is a Total Return strategy and is not meant to explicitly hedge the liabilities. Majority of the plan assets are invested in equity securities because equity portfolios have historically provided higher returns than debt portfolios over extended time horizons and are expected to do so in the future. Correspondingly, equity investments also entail greater risk than debt investments. To mitigate the risk of loss in the plans' equity portfolio, the Group invests in a broad range of equity types. Equity diversification includes large-capitalisation and small-capitalisation companies, growth-oriented and value-oriented investments, and US and non-US securities.

The Group's current weighted average target asset allocation consists of 66% (2015: 66%) of equity instruments and 34% (2015: 34%) of other investments.

The expected contributions to be paid in the next financial year for defined benefit plans and post-retirement benefits participated by the Group's employees are US\$2.1 million (2015: US\$2.5 million) and US\$1.6 million (2015: US\$1.6 million).

The weighted average duration of the defined benefit plans and post-retirement benefits at the end of the financial year is 12.3 years (2015: 11.6 years) and 10.4 years (2015: 14.9 years) respectively.

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30. CONTINGENT LIABILITIES

Protection and Indemnity Insurance

Protection and Indemnity (“P&I”) insurance has been arranged to cover the legal liability of the Group for its shipping operations. Vessels operated by the Group are entered in P&I Clubs which are mutual protection and indemnity associations. In addition, these clubs are also members of the International Group of P&I Clubs. A member of the mutual association is subject to calls payable to the associations based on the member’s claims records as well as the claim records of all other members in the International Group of P&I Clubs. In a mutual association, premiums are paid as advance calls during the policy year and these premiums form a basic fund out of which claims and other outgoings are met. This fund is invested and any income earned is added to it. This fund is supplemented, if necessary, by calls made after the end of the policy year so that when the policy year is finally closed, there is neither profit nor loss. A contingent liability exists for the Group to the extent that the aggregate claims records of all the members of the associations show significant deterioration which may result in additional calls and substantial increase in reinsurance costs on the members, the quantum of which is not readily ascertainable until the associations advise members of such increases in premiums and/or reinsurance costs.

Litigation and Claims

Other than those for which provisions were made in the consolidated financial statements, the Group may be liable for claims initiated by third parties and/or government authorities in various jurisdictions in which the Group carries out its business operations.

Based upon information presently available and advice by the Group’s legal counsel, management believes that it has made adequate provisions for known claims, where necessary. As the Group is not able to determine with certainty the ultimate outcome of these claims, it is not possible to estimate the amount of additional losses, if any.

Pension Plan Obligations

The Group has not undertaken, and does not presently intend, to withdraw from any multi-employer plans to which it contributes, nor are there any known intentions to terminate the plans. Under the Multi-Employer Pension Plan Amendments Act of 1980 in the US, should either event occur with respect to a plan, the Group may be liable for its proportionate share of the plan’s unfunded vested benefits. Based on the most current information available from the plan actuaries, the estimated share of these unfunded vested benefits attributable to operations of the Group as of 30 December 2016 and 25 December 2015 were US\$176.1 million and US\$201.2 million respectively.

Employment Agreements

The Group had entered into employment agreements with certain of its executive officers. Each of the agreements provides for certain payments to the officer upon termination of employment by the Group other than as a result of death, disability (in most cases), or justified cause, as defined. In addition, the agreements with certain senior executives provide for certain payments to the officer if the officer terminates his or her employment under certain circumstances following a change in control of certain legal entities of the Group. The estimated maximum future commitment under the foregoing termination provisions of these employment agreements, in the aggregate, was US\$0.6 million as at 30 December 2016 (2015: US\$2.0 million).

Tax Exposures

The Group may become contingently liable for assessments by the tax authorities for its operational activities.

The U.S. Internal Revenue Service (“the IRS”) audited the 2007 to 2012 US federal income tax returns of APL Limited and subsidiaries within the Group and proposed certain adjustments. The Group requested the case be referred to the IRS Office of Appeals. In September 2016, the Group and the IRS reached a mutual settlement for the 2007 to 2012 US federal income tax returns. The outcome of the appeals is highly favorable to the Group where the quantum of the tax settlement for the six years at issue was significantly below the income tax liabilities previously provided for. In February 2017, the IRS commenced an audit of the 2013 to 2015 US federal income tax returns of APL Limited and subsidiaries within the Group. Considering all available facts and circumstances and the best estimates of whether additional taxes will be due, management believes the Group has adequately provided for any potential liabilities should there be any adverse assessments raised against the Group.

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30. CONTINGENT LIABILITIES (continued)

Guarantees

The Company had contingent liabilities in respect of:

	Note	Company 2016 US\$'000	2015 US\$'000
i) Drawdown bank loans		1,206,388	1,288,626
ii) Performance guarantees provided to vendors and lessors for default payments	(a)	944,786	1,106,492
iii) Guarantees issued by financial institutions		24,065	35,003
		2,175,239	2,430,121

Note:

- (a) This represents the estimated maximum guarantees provided by the Company to the vendors and lessors for the subsidiaries' default payment primarily on capital expenditure and leasing of vessels and terminal. The guarantee amount will reduce accordingly upon progressive and lease payments made by the subsidiaries.

Certain subsidiaries of the Company had given corporate guarantees to external parties in the ordinary course of business, insuring them from loss or damage due to non-performance by other subsidiaries or by the affiliates of the Group. Under certain circumstances or at the request of the external parties, performance guarantees were given by financial institutions and insurance companies, without recourse to the Company. This arrangement guarantees payment to the third parties in case the subsidiaries default on payment. The aggregate amount of such types of guarantees given by the financial institutions and insurance companies (without recourse to the Company) amounted to US\$9.7 million (2015: US\$10.9 million) for the financial year ended 30 December 2016.

The Company had also provided US\$401.2 million (2015: US\$668.7 million) guarantees for credit facilities granted to subsidiaries which were unutilised as at the financial year end.

The Group is a party to other various inquiries, administrative proceedings, litigation and other matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, based upon information presently available, and in light of legal and other defenses and insurance coverage and other potential sources of payment available to the Group, management believes that the final outcome of these matters will not have a material adverse impact on the Group's consolidated financial position or operations.

31. COMMITMENTS

(a) Capital Commitments

Capital expenditure contracted for as at the financial year end but not recognised in the financial statements were analysed as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Capital commitments in respect of property, plant and equipment	303	38,015	3	317

As at 30 December 2016 and 25 December 2015, the Group and the Company had an uncalled capital contribution commitment in respect of its investment in an associated company. The outstanding commitment existed to the extent that the request for additional funds by the associated company for its business and its

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container terminal project might result in additional calls on its shareholders, the quantum of which is not ascertainable at the present time.

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31. COMMITMENTS (continued)

(b) Operating Lease Commitments – Where the Group and Company are Lessees

The future aggregate minimum lease payable under non-cancellable operating leases of the Group were analysed as follows:

Group

As at 30 December 2016	Vessels US\$'000	Terminals US\$'000	Others US\$'000	Total US\$'000
Amount repayable in one year or less	277,997	61,279	24,517	363,793
Amount repayable in:				
2018	255,637	51,625	18,822	326,084
2019	251,532	51,625	17,004	320,161
2020	206,046	51,625	13,996	271,667
2021	187,166	49,173	10,064	246,403
Thereafter	359,829	887,394	18,914	1,266,137
	1,538,207	1,151,721	103,317	2,794,245

As at 25 December 2015	Vessels US\$'000	Containers US\$'000	Terminals US\$'000	Chassis US\$'000	Others US\$'000	Total US\$'000
Amount repayable in one year or less	172,157	15,004	56,789	679	34,228	278,857
Amount repayable in:						
2017	123,442	6,804	47,837	--	24,312	202,395
2018	116,626	5,274	40,056	--	18,688	180,644
2019	113,003	2,533	40,056	--	17,244	172,836
2020	69,455	2,533	40,056	--	14,020	126,064
Thereafter	142,909	4,014	240,337	--	30,167	417,427
	737,592	36,162	465,131	679	138,659	1,378,223

The main operating lease arrangements entered into by the Group as a lessee were related to long-term non-cancellable lease agreements for vessels. These leases have different terms and terminate at various dates. Specific clauses like rental escalation, renewal rights and purchase options can be found in some of these lease agreements.

Operating lease commitments included under others relate mainly to inland container yards, housing rental, office space and land.

The payable to related parties of the Group related to operating lease commitments amounted to US\$8.0 million (2015: Nil).

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31. COMMITMENTS (continued)

(b) Operating Lease Commitments – Where the Group and Company are Lessees (continued)

The future aggregate minimum lease payable under non-cancellable operating leases of the Company were analysed as follows:

Company

As at 30 December 2016	Office space US\$'000
Amount repayable in one year or less	5,030
Amount repayable in:	
2018	5,030
2019	5,030
2020	2,502
	17,592

As at 25 December 2015	Office space US\$'000
Amount repayable in one year or less	5,195
Amount repayable in:	
2017	5,195
2018	5,195
2019	5,195
2020	2,584
	23,364

(c) Operating Lease Commitments – Where the Group and Company are Lessors

(i) For Leased-in Assets

The future minimum lease payments receivable under non-cancellable sub-leases relating to a lease-in and a simultaneous lease-out arrangement of the Group were as follows:

Group

As at 30 December 2016	Vessels US\$'000	Others US\$'000	Total US\$'000
Amount receivable in one year or less	12,631	1,812	14,443
Amount receivable in:			
2018	--	1,097	1,097
2019	--	1,063	1,063
2020	--	532	532
	12,631	4,504	17,135

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As at 25 December 2015	Vessels US\$'000	Others US\$'000	Total US\$'000
Amount receivable in one year or less	3,800	6,861	10,661
Amount receivable in:			
2017	--	1,852	1,852
2018	--	1,138	1,138
2019	--	1,099	1,099
2020	--	549	549
	3,800	11,499	15,299

The receivable from related parties of the Group related to a lease-in and a simultaneous lease-out arrangement of the Group amounted to US\$7.5 million (2015: Nil).

Operating lease commitments included under others were related mainly to office space.

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31. COMMITMENTS (continued)

(c) Operating Lease Commitments – Where the Group and Company are Lessors (continued)

(i) For Leased-in Assets (continued)

The future minimum lease payments receivable under non-cancellable sub-leases relating to a lease-in and a simultaneous lease-out arrangement of the Company were as follows:

Company

As at 30 December 2016	Office space US\$'000
Amount receivable in one year or less	3,625
Amount receivable in:	
2018	3,625
2019	3,625
2020	1,812
	12,687
As at 25 December 2015	Office space US\$'000
Amount receivable in one year or less	3,585
Amount receivable in:	
2017	3,585
2018	3,585
2019	3,585
2020	1,793
	16,133

(ii) For Owned Assets

The future minimum lease payments receivable under non-cancellable leases relating to a lease-out arrangement for owned assets of the Group were as follows:

Group

As at 30 December 2016	Vessels US\$'000
Amount receivable in one year or less	12,320
As at 25 December 2015	Vessels US\$'000
Amount receivable in one year or less	56,678
Amount receivable in:	
2017	8,909
	65,587

The receivable from related parties of the Group relating to a lease-out arrangement for owned assets of the Group amounted to US\$1 million (2015: Nil).

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Company

The Company had no future minimum lease payments receivable under non-cancellable leases relating to a lease-out arrangement for owned assets as at 30 December 2016 and 25 December 2015.

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32. FINANCIAL RISK MANAGEMENT

The Group is exposed to various market risks which include fluctuations in foreign currency exchange rates, interest rates and bunker prices. In order to minimise the potential volatility on the financial performance of the Group, financial risk management programmes (e.g. use of financial derivative instruments) are employed to hedge against certain market risks. The Group does not engage in speculative trading.

Financial risk management of the Group is carried out by the immediate holding company and these processes and policies are described in the financial statements of the immediate holding company.

Internal controls are efficiently achieved by way of segregating the duties of the front (i.e. Group Treasury department), middle (i.e. Group Treasury Operations department) and back (i.e. Group Accounting department) offices. In addition, internal guidelines for approved dealing limits are in place to prevent unauthorised transactions.

The analyses under this section has included the assets and liabilities of group companies classified as held-for-sale.

(a) Market Risk Factors

The Group is exposed to the following risks:

(i) Currency risk

The Group's revenue streams are denominated primarily in USD, the functional currency of the Company and its significant subsidiaries (listed under Note 39). The Group's currency risk exposures result mainly from cash outflow pertaining to operating costs that are denominated in non-USD currencies, which include the Euro ("EUR"), the Singapore Dollar ("SGD") and Chinese Renminbi ("CNY"). Any appreciation/depreciation in such foreign currencies will result in higher/lower operating costs to the Group when measured in USD terms. The Group uses foreign exchange forward contracts and cross currency interest rate swaps, where appropriate and under the directive of the immediate holding company, to hedge against the various currency risks.

The Group also hedges its non-USD exposures from certain corporate actions such as dividend declarations and equity raising as and when they are determined. In addition, the Group seeks to borrow in the same currency as its assets or investments which are primarily denominated in USD.

For disclosure purpose under this section, the Group identifies its three major foreign currency risk exposures, based on the foreign exchange exposures on the statement of financial position as at end of each financial year, resulting from fluctuations in foreign currency exchange rates. As such, the three foreign currencies selected may not necessarily be the same as the last financial year.

As at 30 December 2016, the Group had identified CNY, EUR and SGD (2015: CNY, Japanese Yen ("JPY") and Indian Rupee ("INR")) as the three major foreign currencies bearing relatively high foreign exchange risks as defined under FRS 107.

From a cash flow perspective, the Group's aggregate exposure to the above foreign currencies was the equivalent of about US\$256.0 million (2015: US\$71.5 million) during the financial year ended 30 December 2016. Every 1% change in the exchange rate of these three foreign currencies would impact the Group's profit before tax by approximately US\$2.6 million (2015: US\$0.7 million), before taking into account the hedges and recovery from customers.

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Quantitative Information and Sensitivity Analysis Required Under FRS 107:

As at the financial year end, the Group and the Company had assessed the foreign exchange exposure of the major items in their statements of financial position as follows:

Group	2016			2015		
	CNY US\$'000	EUR US\$'000	SGD US\$'000	CNY US\$'000	JPY US\$'000	INR US\$'000
Trade and other receivables	1,857	11,092	56,591	9,674	10,051	22,317
Cash and cash equivalents	8,910	5,714	25,224	13,108	2,718	51,520
Long-term deposits	803	--	--	692	4,029	1,328
Borrowings	--	--	(53,862)	--	(9,837)	(11,965)
Trade and other payables	(49,395)	(33,997)	(15,286)	(42,623)	(24,101)	(37,842)
Gross statement of financial position exposure	(37,825)	(17,191)	12,667	(19,149)	(17,140)	25,358

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32. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk Factors (continued)

(i) *Currency risk (continued)*

Company	2016 SGD US\$'000	2015 SGD US\$'000
Trade and other receivables	186,945	37,564
Cash and cash equivalents	221	549
Trade and other payables	(7,890)	(11,075)
Gross statement of financial position exposure	179,276	27,038
Volatility of respective foreign currencies against USD	2016 %	2015 %
CNY	8	7
EUR	11	N/A
SGD	8	7
INR	N/A	8
JPY	N/A	9

Based on the above volatility of the respective foreign currencies against the USD as at the financial year end, the Group's and Company's equity and income statement would have increased/(decreased) by the amounts shown below. This analysis assumed that all other variables remained constant.

Group	2016		2015	
	Equity US\$'000	Income statement US\$'000	Equity US\$'000	Income statement US\$'000
CNY against USD				
- strengthened	1,468	(3,010)	2,760	(1,866)
- weakened	(1,468)	3,010	(2,760)	1,866
EUR against USD				
- strengthened	4,182	(1,805)	N/A	N/A
- weakened	(4,182)	1,805	N/A	N/A
SGD against USD				
- strengthened	1,317	996	N/A	N/A
- weakened	(1,317)	(996)	N/A	N/A
INR against USD				
- strengthened	N/A	N/A	(465)	(1,291)
- weakened	N/A	N/A	465	1,291
JPY against USD				
- strengthened	N/A	N/A	(1,560)	(1,560)
- weakened	N/A	N/A	1,560	1,560

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Company	2016		2015	
	Equity US\$'000	Income statement US\$'000	Equity US\$'000	Income statement US\$'000
SGD against USD				
- strengthened	14,342	14,342	1,893	1,893
- weakened	(14,342)	(14,342)	(1,893)	(1,893)

N/A: Not Applicable

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32. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk Factors (continued)

(ii) Interest rate risk

For the Group, interest rate risk is the risk of increase in interest rates that will result in higher borrowing costs. The Group's interest rate exposure results mainly from its floating-rate debt obligations which are primarily denominated in USD.

To manage interest rate risk, the Group, where appropriate and under the directive of the immediate holding company, uses interest rate swaps and cross currency interest rate swaps.

Quantitative Information and Sensitivity Analysis Required Under FRS 107:

As at the financial year end, the breakdown of the Group's and the Company's interest-bearing financial instruments were:

	Carrying amounts			
	Group 2016 US\$'000	2015 US\$'000	Company 2016 US\$'000	2015 US\$'000
Fixed rate instruments				
Financial assets	150,377	175,387	27,483	46,433
Financial liabilities	(1,018,202)	(1,080,218)	(429,998)	(413,073)
Derivative financial assets	61	--	--	--
Derivative financial liabilities	(50,351)	(58,728)	(50,351)	(56,077)
Variable rate instruments				
Financial assets	2,022,476	56,934	1,151,975	--
Financial liabilities	(2,366,788)	(1,814,109)	(1,195,717)	(897,348)
Derivative financial liabilities	(191,444)	(174,539)	(97,887)	(94,320)

Sensitivity analysis for variable rate instruments

Based on the outstanding financial instruments as at 30 December 2016, an increase/decrease of 40 basis points in interest rates would have decreased/increased the Group's income statement and equity by approximately US\$0.5 million. An increase/decrease of 40 basis points in interest rates would have increased/decreased the Company's equity and income statement by approximately US\$0.01 million.

Based on the outstanding financial instruments as at 25 December 2015, an increase/decrease of 30 basis points in interest rates would have decreased/increased the Group's income statement and equity by approximately US\$4.3 million. An increase/decrease of 30 basis points in interest rates would have decreased/increased the Company's equity and income statement by approximately US\$2.4 million.

Risk variables were based on volatility in interest rates and current base rates. This analysis assumed that all other variables remained constant.

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32. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk Factors (continued)

(iii) Bunker price risk

For the Group, bunker price risk is the risk of increase in bunker price that will adversely affect the Group's earnings.

To manage bunker price risk, the Group, where appropriate and under the directive of the immediate holding company, uses bunker swap and bunker call option contracts. The Group's general risk management policy is to hedge its forecast bunker cost exposure not covered by customer service contracts, whenever they are identified.

There were no outstanding bunker swap and bunker call option contracts as at 30 December 2016.

During the financial year ended 25 December 2015, the Group consumed approximately 1.8 million metric tons of bunker. The average price of bunker in 2015 was about US\$333 per metric ton which translated to approximately US\$585.3 million of bunker cost. Before accounting for hedges and recovery from customers, every 1% change in bunker price will impact the Group's bunker cost by approximately US\$5.9 million.

Quantitative Information and Sensitivity Analysis Required Under FRS 107:

Quantitative information on bunker swaps entered into by the Group as at the financial year end was disclosed in Note 11.

Based on volatility in bunker price of 40% as at 25 December 2015, the Group's equity and income statement would have increased/(decreased) by the amounts shown below, as a result of changes in fair value of bunker swaps. This analysis assumed that all other variables remained constant.

Group	Equity US\$'000	Income statement US\$'000
2015		
Fair value changes on derivatives from increase in bunker price		
- Swaps	4,379	31
Fair value changes on derivatives from decrease in bunker price		
- Swaps	(4,379)	(31)

(b) Credit and Counterparty Risks

(i) Credit risk

For the Group, credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group has implemented policies to ensure that credit sales of products and services are made to customers with certain quality of credit standing. Credit review, which takes into account qualitative and quantitative factors like the business performance and profile of the customer, is performed on customers and approved by management before the credit term is granted. Management monitors the credit exposure on an on-going basis through the annual credit evaluation exercise and reviewing collection status of the customers on a regular basis.

For other financial assets, the Group adopts the policy of dealing only with counterparties of high credit quality.

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32. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit and Counterparty Risks (continued)

(i) Credit risk (continued)

As at the financial year end, the carrying amount of the financial assets (net of impairment provision, if any) represented the maximum credit exposure of the Group and the Company. The major classes of financial assets of the Group and the Company and their corresponding carrying values were tabulated as follows:

	Carrying amounts			
	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables	478,040	425,064	--	--
Cash and cash equivalents	185,893	232,321	52,483	46,433
Amounts due from subsidiaries (non-trade and loans)	--	--	4,192,659	4,526,593
Loans to immediate holding company	1,981,094	--	1,110,314	--
	2,645,027	657,385	5,355,456	4,573,026

The credit risk for the Group's trade receivables was as follows:

Group	2016	2015
	US\$'000	US\$'000
<u>By geographical areas</u>		
Americas	260,745	220,720
Europe	82,925	52,929
Asia/Middle East	134,370	151,415
	478,040	425,064

The aging of the Group's trade receivables as at the financial year end was as follows:

Group	2016	2015
	US\$'000	US\$'000
Current	382,546	326,454
Past due one to 30 days	58,641	37,632
Past due 31 to 120 days	28,240	28,996
Past due 121 days to one year	8,613	31,776
More than one year	--	206
	478,040	425,064

Financial assets that are current and not impaired

Cash and cash equivalents and derivative financial instruments that are current and not impaired are deposits placed with, and/or financial instruments entered into with, reputable financial institutions having high credit-ratings assigned by international credit-rating agencies. Trade receivables that are current and not impaired mainly relate to freight charges collectable at destination for Free on Board shipments that have not reached destination as at year end (as the full freight revenue for voyages are recognised as trade receivables). Trade receivables that are current but where collectability issues are foreseen and where the customers are having significant financial difficulties or have filed for bankruptcy/insolvency in court may be subject to impairment.

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32. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit and Counterparty Risks (continued)

(i) Credit risk (continued)

Financial assets that are past due but not impaired

The Group has trade receivables amounting to US\$23.9 million (2015: US\$54.1 million) that are past due at the end of the financial year but not impaired. These receivables are unsecured and the analysis of their aging as at the financial year end is as follows:

Group	2016 US\$'000	2015 US\$'000
Past due one to 30 days	6,518	8,978
Past due 31 to 120 days	8,764	13,333
Past due 121 days to one year	8,613	31,776
	23,895	54,087

Financial assets that are impaired

As at the financial year end, trade receivables was the major financial assets of the Group that was subject to impairment. Impairment was performed on a collective general basis based on historical write-off statistics and on an individual basis based on specific credit risk exposure. The carrying amount of the Group's trade receivables and the corresponding provision for impairment were shown as follows:

Group	2016 US\$'000	2015 US\$'000
Gross amount	320,043	261,895
Less: Provision for impairment	(17,991)	(25,491)
	302,052	236,404

The movements in the allowance for impairment were as follows:

Beginning of financial year	25,491	23,702
Disposal of subsidiaries	--	(4,256)
Allowance made during the financial year	10,505	21,936
Allowance written back during the financial year	(963)	(659)
Allowance utilised during the financial year	(17,042)	(15,232)
End of financial year	17,991	25,491

The allowance accounts in respect of trade receivables are used to record impairment losses. The receivables amount will remain outstanding in the financial books until management considers that the subject trade receivables are irrecoverable after all possible collection efforts are exhausted. Management approval is required for write-off of trade receivables.

Collaterals

The Group has a lien on all cargoes as long as the cargoes remain in the Group's possession. Such lien may be enforced by the Group through public auction or private treaty, without notice to the customer.

(ii) Counterparty risk

To manage counterparty risk associated with the placement of cash deposits and the purchase of derivative hedging instruments, the Group primarily deals with counterparties having a

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credit rating of BBB equivalent or better as assigned by international credit-rating agencies. The Group also limits its exposure to any individual counterparty. Counterparty risk exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material losses suffered by the Group in the event of non-performance by counterparties.

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32. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk

For the Group, liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to shortage of funds. The Group's exposure to liquidity risk may also arise from mismatches of the maturities of financial assets and liabilities. In order to meet the Group's operational and investment needs on a continual basis, the Group maintains sufficient liquidity through a combination of cash, committed revolving facilities (which can be drawn down on short notice) and proactive plans to raise capital, either in the form of new debt or new equity. The Company had established a US\$1.5 billion multi-currency Medium Term Note Programme under which the Company had issued S\$1.3 billion (equivalent to US\$1.0 billion) bonds. The Group's operational and investment needs for cash flows are determined through its cash flows projections and are managed through the Group's debt financing plans.

The following were the contractual maturities of financial liabilities of the Group, including interest payments:

Group

As at 30 December 2016	Contractual cash flows US\$'000	Within 2017 US\$'000	From 2018 to 2022 US\$'000	Thereafter US\$'000
Non-derivative financial liabilities				
Secured borrowings	1,661,938	157,220	1,015,771	488,947
Unsecured borrowings	782,208	503,202	279,006	--
Senior Debentures due 2024	186,360	9,318	46,590	130,452
Medium Term Notes due 2017	330,415	330,415	--	--
Medium Term Notes due 2019	290,550	14,950	275,600	--
Medium Term Notes due 2020	251,454	11,195	240,259	--
Medium Term Notes due 2021	304,198	13,461	290,737	--
Finance lease liabilities	389,206	28,198	138,359	222,649
Trade and other payables	809,130	809,130	--	--
Commitments				
Capital commitments	303	303	--	--
Operating lease commitments	2,794,245	363,793	1,385,237	1,045,215
	7,800,007	2,241,185	3,671,559	1,887,263

As at 25 December 2015	Contractual cash flows US\$'000	Within 2016 US\$'000	From 2017 to 2021 US\$'000	Thereafter US\$'000
Non-derivative financial liabilities				
Secured borrowings	1,324,067	138,930	646,362	538,775
Unsecured borrowings	549,241	466,043	83,198	--
Senior Debentures due 2024	195,678	9,318	46,590	139,770
Medium Term Notes due 2017	340,697	13,523	327,174	--
Medium Term Notes due 2019	286,390	10,193	276,197	--
Medium Term Notes due 2020	262,680	11,226	251,454	--
Medium Term Notes due 2021	317,696	13,498	304,198	--
Finance lease liabilities	417,096	28,225	138,842	250,029
Trade and other payables	858,575	858,575	--	--
Derivative financial liabilities				
Bunker swaps	7,447	7,447	--	--
Foreign exchange forward contracts	3,606	3,606	--	--

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Commitments				
Capital commitments	38,015	33,960	4,055	--
Operating lease commitments	1,378,223	278,857	783,229	316,137
	<u>5,979,411</u>	<u>1,873,401</u>	<u>2,861,299</u>	<u>1,244,711</u>

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32. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk (continued)

The following were the contractual maturities of financial liabilities of the Company, including interest payments:

Company

As at 30 December 2016	Contractual cash flows US\$'000	Within 2017 US\$'000	From 2018 to 2022 US\$'000	Thereafter US\$'000
Non-derivative financial liabilities				
Unsecured borrowings	782,208	503,202	279,006	--
Medium Term Notes due 2017	330,415	330,415	--	--
Medium Term Notes due 2019	290,550	14,950	275,600	--
Medium Term Notes due 2020	251,454	11,195	240,259	--
Medium Term Notes due 2021	304,198	13,461	290,737	--
Trade and other payables	612,803	612,803	--	--
Commitments				
Capital commitments	3	3	--	--
Operating lease commitments	17,592	5,030	12,562	--
Guarantees ³⁶	1,230,453	1,230,453	--	--
	3,819,676	2,721,512	1,098,164	--
As at 25 December 2015				
Non-derivative financial liabilities				
Unsecured borrowings	436,870	353,672	83,198	--
Medium Term Notes due 2017	340,697	13,523	327,174	--
Medium Term Notes due 2019	286,390	10,193	276,197	--
Medium Term Notes due 2020	262,680	11,226	251,454	--
Medium Term Notes due 2021	317,696	13,498	304,198	--
Trade and other payables	100,410	100,410	--	--
Commitments				
Capital commitments	317	317	--	--
Operating lease commitments	23,364	5,195	18,169	--
Guarantees ³⁶	1,323,629	1,323,629	--	--
	3,092,053	1,831,663	1,260,390	--

³⁶ This represented the maximum amount of the financial guarantee contracts arising from corporate guarantees for credit facilities drawn down by the Company's subsidiaries and guarantees issued by financial institutions. They were allocated to the earliest period in which the guarantees could be called.

The Group has sufficient undrawn financing facilities (both secured and unsecured) committed from large reputable financial institutions to meet its capital and operating lease commitments as well as to repay any debts as and when they fall due.

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32. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital Management

The Group's capital management objectives are:

- (i) to maintain a capital base to ensure that the Group has adequate financial resources to continue as a going concern; and
- (ii) to maximise the return on invested capital.

Capital management of the Group is carried out by the immediate holding company and these processes and policies are described in the financial statements of the immediate holding company.

In view of the volatility of the container shipping industry, the Board will decide on dividend payments after taking into consideration the profitability, investment opportunities and the overall capital management plan of the Group.

Resulting from the recovery of operating and administrative charges between the Company and its subsidiaries and deployment of effective working capital management strategy at the operating unit level, the Company carries non-trade intercompany balances with its subsidiaries, which are unsecured, repayable on demand and interest-free.

The Group and the Company were in compliance with all externally imposed capital requirements in certain countries, where applicable, for the financial years ended 30 December 2016 and 25 December 2015.

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32. FINANCIAL RISK MANAGEMENT (continued)

(e) Classification of Financial Instruments

Set out below is a comparison by category the carrying amounts of the Group's financial instruments that are carried in the financial statements:

Group

As at 30 December 2016	Loans and receivables US\$'000	Derivative s used for hedging US\$'000	Financial liabilities at amortised cost US\$'000	Financial liabilities at fair value through profit or loss US\$'000	Total US\$'000
Assets					
Cash and cash equivalents	185,893	--	--	--	185,893
Trade and other receivables	2,587,363	--	--	--	2,587,363
Derivative financial instruments	--	61	--	--	61
Loans receivable	104	--	--	--	104
Deposits	10,054	--	--	--	10,054
Insurance recoverables	12,747	--	--	--	12,747
Total financial assets	2,796,161	61	--	--	2,796,222
Total non-financial assets					3,501,974
Total assets					6,298,196
Liabilities					
Trade and other payables	--	--	809,130	--	809,130
Borrowings	--	--	2,320,033	1,064,957	3,384,990
Derivative financial instruments	--	241,795	--	--	241,795
Total financial liabilities	--	241,795	3,129,163	1,064,957	4,435,915
Total non-financial liabilities					574,592
Total liabilities					5,010,507

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As at 25 December 2015 (Restated)	Loans and receivables US\$'000	Derivatives used for hedging US\$'000	Financial liabilities at amortised cost US\$'000	Financial liabilities at fair value through profit or loss US\$'000	Total US\$'000
Assets					
Cash and cash equivalents	232,321	--	--	--	232,321
Trade and other receivables	527,005	--	--	--	527,005
Derivative financial instruments	--	435	--	--	435
Loans receivable	126	--	--	--	126
Deposits	12,722	--	--	--	12,722
Insurance recoverables	20,596	--	--	--	20,596
Total financial assets	792,770	435	--	--	793,205
Total non-financial assets					6,110,190
Total assets					6,903,395
Liabilities					
Trade and other payables	--	--	858,575	--	858,575
Borrowings	--	--	1,752,434	1,141,893	2,894,327
Derivative financial instruments	--	244,301	--	--	244,301
Total financial liabilities	--	244,301	2,611,009	1,141,893	3,997,203
Total non-financial liabilities					476,262
Total liabilities					4,473,465

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32. FINANCIAL RISK MANAGEMENT (continued)

(e) Classification of Financial Instruments (continued)

Set out below is a comparison by category the carrying amounts of the Company's financial instruments that are carried in the financial statements:

Company

As at 30 December 2016	Loans and receivables US\$'000	Derivatives used for hedging US\$'000	Financial liabilities at amortised cost US\$'000	Financial liabilities at fair value through profit or loss US\$'000	Total US\$'000
Assets					
Cash and cash equivalents	52,483	--	--	--	52,483
Trade and other receivables	5,191,087	--	--	--	5,191,087
Deposits	1,332	--	--	--	1,332
Non-current amount due from a subsidiary	132,481	--	--	--	132,481
Total financial assets	5,377,383	--	--	--	5,377,383
Total non-financial assets					790,655
Total assets					6,168,038
Liabilities					
Trade and other payables	--	--	612,803	--	612,803
Borrowings	--	--	1,083,860	541,855	1,625,715
Derivative financial instruments	--	148,238	--	--	148,238
Total financial liabilities	--	148,238	1,696,663	541,855	2,386,756
Total non-financial liabilities					5,593
Total liabilities					2,392,349
As at 25 December 2015					
Assets					
Cash and cash equivalents	46,433	--	--	--	46,433
Trade and other receivables	4,415,043	--	--	--	4,415,043
Deposits	1,312	--	--	--	1,312
Non-current amount due from a subsidiary	125,197	--	--	--	125,197
Total financial assets	4,587,985	--	--	--	4,587,985
Total non-financial assets					793,174
Total assets					5,381,159
Liabilities					
Trade and other payables	--	--	100,410	--	100,410

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Borrowings	--	--	763,073	547,348	1,310,421
Derivative financial instruments	--	150,397	--	--	150,397
Total financial liabilities	--	150,397	863,483	547,348	1,561,228
Total non-financial liabilities					4,085
Total liabilities					<u>1,565,313</u>

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32. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair Value Measurement

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) Inputs for the assets or liabilities that are not based on the observable market data (unobservable inputs) (Level 3).

Assets and liabilities measured at fair value

The fair values of the assets/(liabilities) of the Group measured at fair value were based on Level 2 inputs and were presented in the following tables.

Group	Level 2	
	Assets US\$'000	Liabilities US\$'000
As at 30 December 2016		
<u>Financial assets and liabilities</u>		
Derivative financial instruments		
- Interest rate swaps	61	--
- Cross currency interest rate swaps	--	(241,795)
Borrowings		
- Medium Term Notes	--	(473,493)
- Secured borrowings	--	(523,102)
- Unsecured borrowings	--	(68,362)
<u>Non-financial asset</u>		
Assets classified as held-for-sale	6,215	--
	6,276	(1,306,752)
As at 25 December 2015		
<u>Financial assets and liabilities</u>		
Derivative financial instruments		
- Bunker swaps	--	(7,440)
- Foreign exchange forward contracts	435	(3,594)
- Interest rate swaps	--	(2,651)
- Cross currency interest rate swaps	--	(230,616)
Borrowings		
- Medium Term Notes	--	(478,363)
- Secured borrowings	--	(594,545)
- Unsecured borrowings	--	(68,985)
	435	(1,386,194)

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32. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair Value Measurement (continued)

Liabilities measured at fair value

The fair values of the liabilities of the Company measured at fair value were based on Level 2 inputs and were presented in the following tables.

Company	Level 2 Liabilities US\$'000
As at 30 December 2016	
<u>Financial liabilities</u>	
Derivative financial instruments	
- Cross currency interest rate swaps	(148,238)
Borrowings	
- Medium Term Notes	(473,493)
- Unsecured borrowings	(68,362)
	<u>(690,093)</u>
As at 25 December 2015	
<u>Financial liabilities</u>	
Derivative financial instruments	
- Cross currency interest rate swaps	(150,397)
Borrowings	
- Medium Term Notes	(478,363)
- Unsecured borrowings	(68,985)
	<u>(697,745)</u>

The fair values of foreign exchange forward contracts, bunker swaps, interest rate swaps and cross currency interest rate swaps were obtained from a number of reputable financial institutions. Management has verified the fair values against Bloomberg or independent sources.

The fair value of non-financial asset is based on the sale price of which the asset was contracted to be sold.

The fair values of financial assets and liabilities carried at amortised cost approximated their carrying amounts except as disclosed in the financial statements.

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32. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair Value Measurement (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed

The fair values of the assets/(liabilities) of the Group and the Company not measured at fair value were based on Level 1 inputs and were presented in the following tables.

Group	Level 1 Liabilities US\$'000
As at 30 December 2016	
Borrowings	
- Medium Term Notes	(281,793)
- Senior Debentures due 2024	(73,845)
	<u>(355,638)</u>
As at 25 December 2015	
Borrowings	
- Medium Term Notes	(312,968)
- Senior Debentures due 2024	(83,396)
	<u>(396,364)</u>
Company	
As at 30 December 2016	
Borrowings	
- Medium Term Notes	<u>(281,793)</u>
As at 25 December 2015	
Borrowings	
- Medium Term Notes	<u>(312,968)</u>

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The Company has non-current interest-free receivable extended to a subsidiary which is not expected to be repaid until the cash flows of the subsidiary permit. It is impractical to determine the fair value of the receivable as the timing of the future cash flow repatriation cannot be estimated reliably. Therefore, such receivable is carried at cost.

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33. RELATED PARTY TRANSACTIONS

(a) Sale and Purchase of Goods and Services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the financial year on terms agreed between the parties. Related parties include the immediate holding company, fellow subsidiaries, associated companies and joint ventures of the immediate holding company and associated companies and joint ventures of the Group.

	Group 2016 US\$'000	2015 US\$'000
Purchases of services from:		
- immediate holding company	146,428	--
- fellow subsidiaries, associated companies and joint ventures of the immediate holding company	99,701	159,355
- a joint venture	5,274	5,544
- an associated company	22,791	26,272
Services rendered to:		
- immediate holding company	(5,983)	--
- fellow subsidiaries, associated companies and joint ventures of the immediate holding company	(37,610)	(3,253)
- a joint venture	(336)	(209)
Directors' fee paid to:		
- associated company of the immediate holding company	80	82

(b) Restricted Shares Awarded to Executive Director under the NOL RSP 2010

Under the NOL RSP 2010, 510,000 (2015: 319,000) restricted shares were awarded to a former executive director of the Company during the financial year ended 30 December 2016. The outstanding number of restricted shares awarded to the former executive director of the Company as at 30 December 2016 was NIL (2015: 794,334). The restricted shares were given on the same terms and conditions as those offered to other employees of the Group.

(c) Performance Shares Awarded to Executive Director under the NOL PSP 2010

Under the NOL PSP 2010, 738,000 (2015: 945,000) performance shares were awarded to a former executive director of the Company during the financial year ended 30 December 2016. The outstanding number of performance shares awarded to the former executive director of the Company as at 30 December 2016 was NIL (2015: 1,610,334). The performance shares were given on the same terms and conditions as those offered to other employees of the Group.

(d) Key Management Personnel Remuneration

The remuneration of the key management personnel includes base salary, performance bonus, share options, restricted shares, performance shares, benefits (including expatriate benefits) and Directors' fees.

Key management personnel remuneration was as follows:

	Group 2016 US\$'000	2015 US\$'000
Salaries, other short-term employee benefits and Directors' fees	7,137	8,695
Post-employment benefit plans	88	135
Share-based compensation costs	2,743	1,328
Termination benefits	1,284	--
	<u>11,252</u>	<u>10,158</u>

**NEPTUNE ORIENT LINES LIMITED (Incorporated in Singapore)
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34. FINANCIAL INFORMATION BY INDUSTRY AND GEOGRAPHICAL SEGMENTS

Segment Reporting By Operating Segments

For management reporting purposes, the Group consists of a single reportable operating segment – Liner. The Liner segment consists of the operation of container transportation, terminals and provision of other related services. It offers container shipping services in major trade lanes such as Transpacific, Intra-Asia, Transatlantic, Latin America and Asia-Europe. The reports reviewed by senior management have been prepared on the same basis as the financial statements, hence, there are no reconciling items to be disclosed.

Prior to the disposal of APL Logistics Ltd on 29 May 2015, the Group was organised into two reportable operating segments, Liner and Logistics. The Logistics business unit was a global logistics provider with a comprehensive network of facilities and services to support the global supply chain management needs of customers. The range of services included consolidation, warehousing, global freight management (ocean, air, truck and rail), domestic distribution networks, international deconsolidation and information technologies that provide timely and accurate information to effectively manage supply chain activities.

Segment Reporting By Operating Segments – Financial Year Ended 25 December 2015

	Liner US\$'000	Logistics (Discontinued operations) US\$'000 0	Elimination US\$'000	Total US\$'000
Revenue				
External sales	5,382,596	638,759	--	6,021,355
Inter-segment sales	27,873	4,355	(32,228)	--
Total revenue	<u>5,410,469</u>	<u>643,114</u>	<u>(32,228)</u>	<u>6,021,355</u>
Segment result (as previously reported)	(79,686)	914,836	--	835,150
Effect of prior year adjustment	9,000	--	--	9,000
Segment result (as restated)	<u>(70,686)</u>	<u>914,836</u>	<u>--</u>	<u>844,150</u>
Share of results of associated companies	(5,055)	1,524	--	(3,531)
Share of results of joint venture	2,632	--	--	2,632
Non-controlling interest	(1,569)	(2,304)	--	(3,873)
(Loss)/Earnings before net finance and tax items	<u>(74,678)</u>	<u>914,056</u>	<u>--</u>	<u>839,378</u>
Net finance expense (as previously reported)	(107,513)	(258)	--	(107,771)
Effect of prior year adjustment	(3,540)	--	--	(3,540)
Net finance expense (as restated)	<u>(111,053)</u>	<u>(258)</u>	<u>--</u>	<u>(111,311)</u>
Tax expense	(1,170)	(3,147)	--	(4,317)
Unallocated finance expense				<u>(11,087)</u>
Net profit attributable to equity holders of the Company				<u>712,663</u>
Segment assets (as previously reported)	6,779,304	--	--	6,779,304
Effect of prior year adjustment	(5,341)	--	--	(5,341)
Segment assets (as restated)	<u>6,773,963</u>	<u>--</u>	<u>--</u>	<u>6,773,963</u>
Associated companies	107,462	--	--	107,462
Joint venture	21,970	--	--	21,970
Consolidated total assets				<u>6,903,395</u>
Segment liabilities (as previously reported)	4,416,180	--	--	4,416,180
Effect of prior year adjustment	57,285	--	--	57,285
Segment liabilities (as restated)	<u>4,473,465</u>	<u>--</u>	<u>--</u>	<u>4,473,465</u>
Consolidated total liabilities				<u>4,473,465</u>

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34. FINANCIAL INFORMATION BY INDUSTRY AND GEOGRAPHICAL SEGMENTS (continued)

Segment Reporting By Operating Segments (continued)

Segment Reporting By Operating Segments – Financial Year Ended 25 December 2015 (continued)

	Liner US\$'000	Logistics (Discontinued operations) US\$'000	Elimination US\$'000	Total US\$'000
Other segment items:				
Capital expenditures				
– property, plant and equipment	96,400	14,065	--	110,465
– intangible assets	1,783	279	--	2,062
Depreciation	382,925	1,000	--	383,925
Amortisation	(499)	28	--	(471)
Net provision for impairment	31,420	525	--	31,945
Other non-cash expenses (as previously reported)	6,931	4,344	--	11,275
Effect of prior year adjustment	3,540	--	--	3,540
Other non-cash expenses (as restated)	10,471	4,344	--	14,815

Segment Reporting By Geographical Segments

In respect of liner activities which cover the world's major shipping lanes, the geographical segments of external sales are reported as follows:

<u>Geographical Segments</u>	<u>Trade Lanes</u>
Asia/Middle East	Intra-Asia
Europe	Asia-Europe Transatlantic
Americas	Transpacific Latin America

In respect of logistics activities, the geographical segments of external sales are reported based on the country where the services were significantly performed.

In respect of other activities, the geographical segments of external sales are reported based on the country of domicile of customers.

The Directors of the Company consider that the nature of the Group's business precludes a meaningful allocation of vessels, drydocking costs and containers to specific geographical segments as defined under FRS 108 *Operating Segments*. These vessels, together with the related drydocking costs, and containers are primarily utilised across geographic markets for shipment of cargoes throughout the world. This is in line with industry practice.

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34. FINANCIAL INFORMATION BY INDUSTRY AND GEOGRAPHICAL SEGMENTS (continued)

Segment Reporting By Geographical Segments (continued)

	Sales		Non-current Assets	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Asia/Middle East	1,233,734	1,749,515	282,029	395,230
Europe	746,590	974,134	66,561	68,914
Americas	2,661,880	3,297,706	162,324	264,082
Discontinued operations (Note 12)	--	(638,759)	--	--
Subtotal	4,642,204	5,382,596	510,914	728,226
Vessels	--	--	2,666,975	4,490,518
Containers	--	--	3,221	611,108
Drydocking costs	--	--	32,048	53,291
Total	4,642,204	5,382,596	3,213,158	5,883,143

Non-current assets information presented above consisted mainly of property, plant and equipment, intangible assets, goodwill arising on consolidation, and deferred charges as presented in the consolidated statement of financial position.

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35. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7: Disclosure Initiative	1 January 2017
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for FRS 109, FRS 115 and FRS 116, the Group does not expect the adoption of the above standards to have material impact on the financial statements in the period of initial application.

FRS 109 Financial Instruments

In December 2014, the Accounting Standards Council Singapore issued the final version of FRS 109 *Financial Instruments* which reflects all phases of the financial instruments project and replaces FRS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Group's preliminary assessment is that this new standard will not have material impacts on the financial statements on the following main aspects of the standard:

- Classification and measurement of financial assets and liabilities: the implementation of FRS 109 will not materially affect the current classification and measurement of the Group's financial instruments;
- Impairment of financial assets: the effect of the change from the "incurred loss" model under FRS 39 to the "expected credit loss" model under FRS 109 is not considered to materially affect the valuation of the Group's financial instruments due to the low credit risk in the Group; and
- Hedge accounting: the new standard does not materially change the hedging relationships.

The Group will perform detailed assessment of the requirements of this new standard.

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS.

The Group's current practice for revenue recognition, based on the percentage of completion, will still be appropriate under the new standard. Hence, the new standard is not expected to have a material impact on the Group's financial position and performance.

The Group will perform detailed assessment of the requirements of this new standard.

FRS 116 Leases

FRS 116 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

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The standard will affect primarily the accounting for the Group's operating leases. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

As at the reporting date, the Group has non-cancellable operating lease commitments of US\$2,794.2 million (Note 31(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. In addition, the number and complexity of lease contracts in which the Group will be committed at application date is hardly predictable, hence the expected impact of the new standard cannot be estimated in detail. The Group also has not yet decided the transition option to be applied at application date.

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36. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 27 January 2017, the Group disposed of its remaining 44.71% interest in APL (India) Private Limited at its then carrying amount, which reflected its fair value. The consideration was settled by way of a share swap with the allotment of 236,016 shares in the purchaser, CMA CGM Agencies (India) Private Limited (“CCAI”). As a result of this disposal, APL (India) Private Limited ceased to be an associated company of the Group and CCAI became an associated company of the Group.

In March 2017, the Group had committed to purchase two vessels amounting to approximately US\$28 million. The purchase was completed in April 2017.

CMA CGM S.A.’s U.S. agent was served with a subpoena by the Department of Justice in the United States on 15 March 2017. The subpoena relates to a broad anti-trust investigation of ocean container shipping services in the U.S.. The subpoena seeks documents from the affiliates of CMA CGM S.A. including the Group. The Group is currently reviewing this incident with its external legal counsel. As the investigation is still in the initial stage, the Group believes that it is too early to determine the outcome of the investigation and the financial effects arising therefrom.

On 29 March 2017, a subsidiary of the Company was served summons by the Hong Kong Customs and Excise Department under the Hong Kong’s Import and Export Ordinance for non-compliance with licence requirements when importing strategic commodities into Hong Kong. No penalty limit is prescribed under the statute. Substantive proceedings in court are expected to commence in the later part of 2017 and management is currently assessing the amount of contingent liability (if any) as at the date of the financial statements.

On 30 June 2017, NLPL signed a stock purchase agreement with a consortium comprising an infrastructure fund, EQT Infrastructure, and a port operator, P5 Infrastructure, pursuant to which the consortium will acquire a 90% interest in APL Limited. for a cash consideration of US\$817 million, to be paid at the closing of the transaction. APL Limited is the indirect shareholder of EMS which operates a terminal in San Pedro, Los Angeles. Prior to the closing of the transaction, a series of reorganization transactions will have occurred, resulting in APL Limited. being the sole direct shareholder of EMS. The Group will remain a minority shareholder holding 10% interest in APL Limited. The CMA CGM Group will remain a major user of the terminal facilities. The closing of the transaction is subject to anti-trust and regulatory approvals, including that of Committee on Foreign Investment in the United States. The transaction is expected to close in the second half of 2017.

37. PRIOR YEARS’ ADJUSTMENTS AND COMPARATIVE FIGURES

In 2014, the Group terminated a terminal lease prematurely and concurrently entered into a 10-year lease agreement to lease an area in another terminal to carry out equipment maintenance work. The Group has been recognising the yearly operating lease expense. As the economic benefits expected to be received under the lease agreement do not commensurate with the lease payments, the lease contract was considered to be onerous from the lease inception in 2014. Although the contract allows the Group to sublease the space to a third party, the Group concluded that it was not possible to sublet the area as there would not be any real economic value to the third party on the sub-lease arrangement. As a result, the Group had corrected in the current financial year and retrospectively adjusted the comparative figures to recognise the provision for onerous contract of US\$70.2 million at the start of the lease in 2014.

The following adjustments were made to the consolidated statements of financial position of the Group:

	As at 25 December 2015 (Previously reported) US\$’000	Adjustments US\$’000	As at 25 December 2015 (Restated) US\$’000
Other current assets	81,606	(5,341)	76,265
Provisions (current)	29,983	9,000	38,983
Provisions (non-current)	147,838	48,285	196,123
Retained earnings	741,348	(62,626)	678,722

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	As at 27 December 2014 (Previously reported) US\$'000	Adjustments US\$'000	As at 27 December 2014 (Restated) US\$'000
Other current assets	103,206	(5,341)	97,865
Provisions (current)	40,378	9,000	49,378
Provisions (non-current)	191,654	53,745	245,399
Retained earnings/(Accumulated losses)	28,756	(68,086)	(39,330)

The following adjustments were made to the consolidated income statement of the Group:

	2015 (Previously reported) US\$'000	Adjustments US\$'000	2015 (Restated) US\$'000
Cost of sales	(5,029,914)	9,000	(5,020,914)
Finance expenses	(125,503)	(3,540)	(129,043)
Loss before tax from continuing operations	(217,700)	5,460	(212,240)
Loss from continuing operations, net of tax	(218,870)	5,460	(213,410)
Net profit for the financial year	711,076	5,460	716,536

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38. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Directors on 30 June 2017.

39. LISTING OF SIGNIFICANT SUBSIDIARIES

Details of significant subsidiaries of the Group were as follows:

Subsidiaries	Effective group equity interest		Country of incorporation/ Place of operation	Principal activities
	2016 %	2015 %		
Direct Interest:				
NOL Liner (Pte.) Ltd. ^(a)	100	100	Singapore	Shipping services
Indirect Interest:				
American President Lines, Ltd ^(a)	100	100	United States of America	Shipping services
APL Co. Pte Ltd ^(a)	100	100	Singapore	Shipping services

Notes:

^(a) Audited by PricewaterhouseCoopers LLP, Singapore (2015: Ernst & Young LLP, Singapore)

LEGAL ADVISORS TO THE ISSUER

As to U.S. law

Cleary Gottlieb Steen & Hamilton LLP

12 rue de Tilsitt
75008 Paris
France

As to French law

Cleary Gottlieb Steen & Hamilton LLP

12 rue de Tilsitt
75008 Paris
France

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. law

Shearman & Sterling (London) LLP

9 Appold Street
London EC2A 2AP
United Kingdom

As to French law

Shearman & Sterling LLP

7, rue Jacques Bingen
75017 Paris
France

INDEPENDENT AUDITORS

Deloitte & Associés
Les Docks – Atrium 10.4
10, place de la Joliette
13002 Marseille
France

KPMG Audit
A Department of KPMG S.A.
480, avenue du Prado
CS 90021
13272 Marseilles Cedex 08
France

TRUSTEE

U.S. Bank Trustees Limited

125 Old Broad Street
London, EC2N 1AR
United Kingdom

LEGAL ADVISORS TO THE TRUSTEE

Reed Smith LLP
Broadgate Tower
20 Primrose Street
London EC2A 2RS
United Kingdom

PAYING AGENT AND TRANSFER AGENT

Elavon Financial Services DAC, UK Branch

5th Floor, 125 Old Broad Street
London EC2N1AR
United Kingdom

REGISTRAR

Elavon Financial Services DAC

Block E, 2nd Floor
Cherrywood Science and Technology Park
Loughlinstown
Dublin
Ireland

LISTING AGENT

Lucid Issuer Services Limited
Tankerton Works – 12 Argyle Walk
London WC1H 8HA
England

OFFERING MEMORANDUM

CMA CGM S.A.

