CONSOLIDATED FINANCIAL STATEMENTS

*   *
  *

Year ended December 31, 2018

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
CS 90021
13272 Marseille Cedex 08

CMA CGM

Société Anonyme

4 Quai d'Arenc
13002 Marseille

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2018

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
CS 90021
13272 Marseille Cedex 08

CMA CGM
Société Anonyme

4 Quai d'Arenc
13002 Marseille

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2018

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 statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

To the annual general meeting of CMA CGM,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' general meeting, we have audited the accompanying consolidated financial statements of CMA CGM for the year ended December 31, 2018.

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, 2018 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.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *"Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Emphasis of matter

We draw attention to the following matter described in Note 2.2.1 to the consolidated financial statements relating to the changes in accounting methods arising from the application of new standards and interpretations since January 1st, 2018. Our opinion is not modified in respect of this matter.

Justification of Assessments

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Note 2.3 "Significant accounting judgments, estimates and assumptions" to the consolidated financial statements discloses the significant accounting judgments, estimates and assumptions adopted by management. These significant estimates mainly relate to judgments and assumptions used for the purchase price allocation related to business combinations, the determination of the operating segments, the accounting for investment premiums related to the financing of vessels with leveraged tax leases, the measurement of deferred tax assets, the impairment testing of non-financial assets, the determination of the useful lives and residual values of the vessels, the determination of demurrage receivables and accruals for port call expenses, transportation costs and handling services, the classification of leases, the preparation of the consolidation scope, the analysis of interests in associates and joint ventures and the determination of the risks related to cargo and corporate claims.

Our procedures consisted in assessing the data and assumptions underlying these judgments 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.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards 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 specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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.

- Obtains 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 internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses 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 Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtains 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. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Marseille, March 1st, 2019

The statutory auditors

French original signed by

Deloitte & Associés	KPMG Audit
	Division of KPMG S.A
Hugues Desgranges	Georges Maregiano
Partner	*Partner*

Contents

Consolidated Statement of Profit & Loss

(in USD million, except for earnings per share)

	Note	For the year ended December 31, 2018	2017 (*)
REVENUE	4.1	23,476.2	21,116.2
Operating expenses	4.2	(22,319.2)	(18,998.9)
EBITDA BEFORE GAINS / (LOSSES) ON DISPOSAL OF PROPERTY AND EQUIPMENT AND SUBSIDIARIES		**1,157.0**	**2,117.4**
Gains / (losses) on disposal of property and equipment and subsidiaries	4.3	27.5	96.1
Depreciation and amortization of non-current assets	5.1.2 & 5.2.1	(634.0)	(624.1)
Other income and (expenses)	4.4	(15.6)	(59.2)
Net present value (NPV) benefits related to assets financed by tax leases		46.8	38.2
EBIT BEFORE SHARE OF INCOME / (LOSS) FROM ASSOCIATES AND JOINT VENTURES		**581.7**	**1,568.4**
Share of income / (loss) from associates and joint ventures	7.3	(88.1)	5.5
EBIT	4.1	**493.6**	**1,573.8**
CORE EBIT		**610.4**	**1,574.8**
Interests expense on borrowings		(491.2)	(494.3)
Interests income on cash and cash equivalent		41.8	37.2
Other net financial items		123.5	(316.0)
FINANCIAL RESULT	4.6	**(325.9)**	**(773.1)**
PROFIT / (LOSS) BEFORE TAX		**167.7**	**800.7**
Income taxes	4.7	(99.4)	(70.0)
PROFIT / (LOSS) FOR THE YEAR		**68.3**	**730.7**
of which:			
Non-controlling interests		34.4	34.1
OWNERS OF THE PARENT COMPANY		**33.9**	**696.6**
Basic and diluted Earnings Per Share (EPS) attributable to owners of the parent company (in USD)		*2.2*	*46.1*

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

Consolidated Statement of Comprehensive Income

(in USD million)

	Note	For the year ended December 31, 2018	2017 (*)
PROFIT / (LOSS) FOR THE YEAR		**68.3**	**730.7**
Other comprehensive income / (loss) reclassifiable to Profit and Loss			
Cash flow hedges:			
Effective portion of changes in fair value		14.2	24.7
Reclassified to profit or loss		1.9	6.4
Net investment hedge	6.2	9.1	(19.9)
Net investment hedge - Share of other comprehensive income of associates and joint ventures	7.3.2	12.3	(30.8)
Foreign operations – foreign currency translation differences		(40.3)	22.4
Share of other comprehensive income of associates and joint ventures	7.3.2	(35.4)	71.5
Other comprehensive income / (loss) non reclassifiable to Profit and Loss			
Remeasurment of defined benefit pension plans	8.1.2	(3.8)	19.6
Remeasurement of defined benefit pension plans of associates and joint ventures	7.3.2	0.2	5.4
Tax on other comprehensive income non reclassifiable to Profit and Loss	4.7.2	(1.3)	(23.6)
Tax on other comprehensive income non reclassifiable to Profit and Loss - Associates and joint ventures	7.3.2	(0.1)	(1.7)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX		**(43.1)**	**74.0**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX		**25.1**	**804.7**
of which:			
Non-controlling interests		34.3	35.9
Owners of the parent company		(9.1)	768.9

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

Consolidated Statement of Financial Position - Assets

(in USD million)

	Note	As at December 31, 2018	As at December 31, 2017 (*)
Goodwill	5.1.1	1,166.1	1,054.5
Other intangible assets	5.1.2	1,264.1	1,170.2
INTANGIBLE ASSETS		**2,430.2**	**2,224.7**
Vessels	5.2.1	8,822.2	8,620.7
Containers	5.2.1	485.6	562.6
Lands and buildings	5.2.1	448.0	509.8
Other properties and equipments	5.2.1	485.4	426.5
PROPERTY AND EQUIPMENT	5.2.1	**10,241.3**	**10,119.6**
Deferred tax assets	4.7.2	63.4	50.9
Investments in associates and joint ventures	7.3.2	1,478.9	1,049.0
Derivative financial instruments	6.2.1	6.0	4.9
Other financial assets	6.3.1	448.0	571.6
NON-CURRENT ASSETS		**14,667.7**	**14,020.7**
Inventories	5.4.1	528.7	466.8
Trade and other receivables	5.4.2	2,494.7	1,996.9
Income tax assets	5.4.2	45.0	33.5
Derivative financial instruments	6.2.1	5.6	-
Securities and other financial assets	6.3.2	144.4	142.5
Cash and cash equivalents	6.4.1	1,401.9	1,383.5
Contract assets	5.4.2	515.9	439.7
Prepaid expenses	5.4.2	499.6	423.1
Assets classified as held-for-sale	5.5	18.8	-
CURRENT ASSETS		**5,654.7**	**4,886.0**
TOTAL ASSETS		**20,322.4**	**18,906.7**

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9 and IFRS 15

Consolidated Statement of Financial Position - Liabilities & Equity

(in USD million)

	Note	As at December 31, 2018	As at December 31, 2017 (*)
Share capital		234.7	234.7
Reserves and retained earnings		5,179.2	4,599.5
Profit / (Loss) for the year attributable to owners of the parent company		33.9	696.6
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		**5,447.8**	**5,530.9**
Non-controlling interests		77.2	89.5
TOTAL EQUITY		**5,525.0**	**5,620.4**
Borrowings	6.6	8,159.9	7,235.4
Derivative financial instruments	6.2.1	80.7	76.6
Deferred tax liabilities	4.7.2	103.8	80.4
Provisions	8.1	332.7	326.6
Employee benefits	8.1	182.4	188.0
Deferred income		92.9	150.9
NON-CURRENT LIABILITIES		**8,952.4**	**8,058.0**
Borrowings	6.6	1,020.6	1,183.9
Derivative financial instruments	6.2.1	2.6	1.5
Provisions	8.1	72.0	76.9
Employee benefits	8.1	2.2	2.2
Trade and other payables	5.4.2	4,565.8	3,800.8
Income tax liabilities	5.4.2	96.1	84.1
Deferred income	5.4.2	85.6	79.0
CURRENT LIABILITIES		**5,845.0**	**5,228.4**
TOTAL LIABILITIES & EQUITY		**20,322.4**	**18,906.7**

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9 and IFRS 15

Consolidated Statement of changes in Equity

(in USD million)

	Attributable to owners of the parent				TOTAL	Non-controlling interests	Total Equity
	Share capital (i)	Reserves, retained earnings and Profit for the year					
		Bonds redeemable in shares (ii)	Premium, legal reserves, Profit / (Loss) for the year and other comprehensive income non reclassifiable to profit and loss	Other comprehensive income reclassifiable to profit and loss			
Balance as at January 1, 2017 (*)	**234.7**	**56.5**	**4,734.7**	**(186.7)**	**4,839.1**	**69.5**	**4,908.6**
Profit / (Loss) for the year	-	-	696.6	-	**696.6**	34.1	**730.7**
Other comprehensive income / (expense), net of tax	-	-	(4.2)	76.3	**72.2**	1.8	**74.0**
Total comprehensive income / (expense) for the year	**-**	**-**	**692.4**	**76.3**	**768.9**	**35.9**	**804.8**
Transaction with non-controlling interests	-	-	3.6	(0.2)	**3.4**	(2.6)	**0.9**
Dividends	-	-	(80.5)	-	**(80.5)**	(20.2)	**(100.7)**
Total transactions with Shareholders	**-**	**-**	**(76.9)**	**(0.2)**	**(77.1)**	**(15.9)**	**(93.0)**
Balance as at December 31, 2017 (*)	**234.7**	**56.5**	**5,350.2**	**(110.5)**	**5,530.9**	**89.5**	**5,620.4**
Balance as at January 1, 2018 (*)	**234.7**	**56.5**	**5,350.2**	**(110.5)**	**5,530.9**	**89.5**	**5,620.4**
Profit / (Loss) for the year	-	-	33.9	-	**33.9**	34.4	**68.3**
Other comprehensive income / (expense), net of tax	-	-	(4.3)	(38.7)	**(43.0)**	(0.1)	**(43.1)**
Total comprehensive income / (expense) for the year	**-**	**-**	**29.5**	**(38.7)**	**(9.1)**	**34.3**	**25.1**
Acquisition of subsidiaries	-	-	-	-	**-**	1.4	**1.4**
Transaction with non-controlling interests	-	-	6.7	(0.6)	**6.1**	(18.1)	**(12.0)**
Dividends	-	-	(80.0)	-	**(80.0)**	(29.8)	**(109.8)**
Total transactions with Shareholders	**-**	**-**	**(73.3)**	**(0.6)**	**(73.9)**	**(46.5)**	**(120.4)**
Balance as at December 31, 2018	**234.7**	**56.5**	**5,306.5**	**(149.8)**	**5,447.8**	**77.2**	**5,525.0**

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

(i) The share capital is constituted of (i) 10,578,355 ordinary shares held by MERIT Corporation, its shareholders and related persons, (ii) 3,626,865 ordinary shares held by Yildirim and (iii) 1 preference share held by the Banque Publique d'Investissement (Bpifrance formerly FSI) for a total of 14,205,221 shares.

(ii) Bonds redeemable in shares correspond to the equity portion of the bonds mandatorily redeemable in ordinary shares, subscribed in June 2013 by Bpifrance. Such bonds should be redeemed as at December 31, 2020, representing 6% of the Company's ordinary shares upon conversion on a fully diluted basis.

Consolidated Statement of Cash Flows

(in USD million)

	Note	For the year ended December 31, 2018	2017 (*)
Profit / (Loss) for the year		**68.2**	**730.7**
Reconcilation of profit / (loss) for the year to cash generated from operations :			
- Depreciation and amortization	5.2.1	634.0	624.1
- Net present value (NPV) benefits related to assets financed by tax leases		(46.8)	(38.2)
- Other income and expense	4.4	15.6	59.2
- Increase / (Decrease) in provisions		(51.5)	1.9
- Loss / (Gains) on disposals of property and equipment and subsidiaries	4.3	(27.5)	(96.1)
- Share of (Income) / Loss from associates and joint ventures	7.3	88.2	(5.5)
- Interest expenses on net borrowings		448.5	522.4
- Income tax	4.7.1	99.4	70.0
- Other non cash items		(89.9)	120.3
Changes in working capital	5.4.2	**167.3**	**(322.2)**
Cash flow from operating activities before tax		**1,305.5**	**1,666.6**
- Income tax paid		(105.0)	(78.7)
Cash flow from operating activities net of tax		**1,200.5**	**1,587.9**
Purchases of intangible assets	5.1.2	(79.7)	(71.9)
Business combinations, transaction with non controlling interests, net of cash acquired / divested	3.1	(247.0)	538.8
New investments in associates and joint ventures	7.3.2	(522.6)	
Purchases of property and equipment	5.2.1	(426.8)	(757.2)
Proceeds from disposal of property and equipment		167.8	150.9
Dividends received from associates and joint ventures	7.3	18.1	11.9
Cash flow resulting from other financial assets		125.4	162.0
Variation in securities		1.2	(19.6)
Net cash (used in) / provided by investing activities		**(963.6)**	**14.9**
Free Cash Flow	**5.6**	**236.9**	**1,602.8**
Dividends paid to the owners of the parent company and non-controlling interest		(184.4)	(17.5)
Proceeds from borrowings, net of issuance costs	6.6	994.1	2,123.6
Repayments of borrowings	6.6	(540.2)	(3,029.3)
Principal repayments on finance leases	6.6	(63.1)	(51.3)
Interest paid on net borrowings		(394.2)	(418.4)
Refinancing of assets, net of issuance costs	6.6	54.0	(0.0)
Other cash flow from financing activities		2.6	(129.9)
Net cash (used in) / provided by financing activities	**6.7**	**(131.2)**	**(1,522.8)**
Effect of exchange rate changes on cash and cash equivalents and bank overdrafts		(16.8)	19.6
Net increase / (decrease) in cash and cash equivalents and bank overdrafts		**88.9**	**99.6**
Cash and cash equivalents as per balance sheet		1,383.5	1,204.0
Cash reported in assets held-for-sale		-	1.9
Bank overdrafts		(157.6)	(79.5)
Cash and cash equivalents and bank overdrafts at the beginning of the year		**1,226.0**	**1,126.3**
Cash and cash equivalents as per balance sheet		1,401.9	1,383.5
Cash reported in assets held-for-sale		-	-
Bank overdrafts		(87.1)	(157.6)
Cash and cash equivalents and bank overdrafts at the end of the year	6.4.1	**1,314.8**	**1,226.0**
Net increase / (decrease) in cash and cash equivalents and bank overdrafts		**88.9**	**99.6**
Supplementary information: non cash investing or financing activities:			
- Refinancing of assets		*54.0*	
Supplementary information: Interest paid on net borrowings			
- Interests received		*44.2*	*39.3*
- Interests paid		*(438.4)*	*(457.8)*

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

Notes to the Consolidated Financial Statements

Note 1 - Corporate information

The Consolidated Financial Statements ("CFS") of CMA CGM S.A. ("CMA CGM") and its subsidiaries (hereafter referred to together as "the Group" or "the Company") for the year ended December 31, 2018 were approved by the Board of Directors on March 1, 2019, subject to the approval by the shareholders during the next Annual General Meeting.

The Group is headquartered in France and is one of the largest container shipping company in the world. The Group operates primarily in the international containerized transportation of goods. Other activities mainly include container terminal operations and freight forwarding.

CMA CGM S.A. is a limited liability company ("Société Anonyme") incorporated and located in France. The address of its registered office is 4, Quai d'Arenc, 13002 Marseille, France.

Note 2 - General accounting principles

Starting from Note 4, the accounting principles have been highlighted in blue.

2.1 Basis of preparation

The consolidated financial statements of CMA CGM have been prepared under the historical cost basis, with the exception of financial assets measured at fair value, securities, derivative financial instruments and net assets acquired through business combinations which have all been measured at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods.

2.1.1 Statement of compliance

The CFS of CMA CGM have been prepared in accordance with IFRS as adopted by the European Union ("EU").

IFRSs can be found at: https://eur-lex.europa.eu/legal-content/FR/TXT/?uri=LEGISSUM%3Al26040

IFRSs include the standards approved by the IASB, that is, IAS and accounting interpretations issued by the IFRIC or the former SIC.

2.1.2 Basis of consolidation

The CFS comprise:

- The financial statements of CMA CGM;
- The financial statements of its subsidiaries; and
- The share in the net result and the net asset of associates and joint ventures.

The CFS are presented in U.S. Dollar ("USD"), which is also the currency of the primary economic environment in which CMA CGM operates (the "functional currency"). The functional currency of the shipping activities is U.S. Dollar, except for certain regional carriers. This means that, among other things, the carrying amounts of property, plant and equipment and intangible assets and, hence, depreciation and amortization are maintained in USD from the date of acquisition. For other activities, the functional currency is generally the local currency of the country in which such activities are operated.

All values are rounded to the nearest million (USD 000,000) with a decimal unless otherwise indicated.

2.2 Change in accounting policies and new accounting policies

The accounting policies adopted in the preparation of these CFS have been applied consistently with those described in the annual financial statements for the year ended December 31, 2017, except as outlined in the paragraphs below.

2.2.1 Adoption of new and amended IFRS and IFRIC interpretations from January 1, 2018

IFRS 9: Financial instruments and related amendments

This new standard replaces the existing guidance in IAS 39 "Financial instruments: Recognition and measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The guidance on recognition and derecognition of financial instruments is carried forward from current IAS 39 principles.

Management assessed that this new standard had the following impacts on the CFS which have been applied in accordance with transition guidelines:

- Classification and measurement of financial assets and liabilities: the implementation of IFRS 9 did not affect the current classification and measurement of the Group's financial instruments; the review of financial liabilities modifications led the Group to slightly adjust the carrying value of some borrowings (see Note 6.6), for an amount impacting equity by USD (1.2) million and USD (1.9) million as of January 1, 2018 and 2017, respectively; the impact on profit and loss amounts to USD 0.9 million as at December 31, 2017;

- Depreciation of financial assets: the change from the "incurred loss" model under IAS 39 to the "expected credit loss" model under IFRS 9 has impacted the Group's equity for an amount of USD (22.6) million and USD (16.9) million as of January 1, 2018 and 2017, respectively; the impact on profit and loss amounts to USD (5.8) million as at December 31, 2017; the above impacts relate to the Group's non current financial assets (see Note 6.3.1) and the Group's cash equivalents (see Note 6.4.1).

  Regarding depreciation of the Group's trade receivables, to date, Management did not identify material changes compared to the impacts currently recorded (see Note 5.4).

- Hedge accounting: the new standard does not materially change the hedging relationships as well as the accounting consequences therefrom, based on the current derivative financial instruments' portfolio.

IFRS 15 and amendments to IFRS 15: Revenue from contracts with customers

IFRS 15 was initially issued in May 2014 by the IASB on the recognition of revenue from contracts with customers. The Group applied IFRS 15 under full retrospective approach; however, since the below impacts are not considered as material and mainly consisted in reclassification between currents assets and current liabilities, Management decided not to present a statement of financial position for the annual period preceding the first application of IFRS 15.
The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard also results in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

As disclosed in the 2017 annual CFS, CMA CGM practice for container shipping revenue recognition under the previous standard, based on the percentage of completion, is still an appropriate method under the new standard. Management assessed that there was a single performance obligation per shipment in the shipping container business.
Management reviewed the accounting entries related to revenue recognition and concluded (see Note 4) that:

- Contract assets should be reflected in the statement of financial position, corresponding to freight receivables for which the Company transferred a portion of the services to the customers as per revenue recognition principles; hence, deferred income which were recognized under the previous standard, corresponding to the portion of the services not performed at cut-off dates, have been reclassified as a reduction of contract assets for an amount of USD 727.9 million as at January 1, 2018;
- No contract liabilities should be identified.

Further analysis has been performed regarding freight forwarding activity for which one could see the freight forwarder as an agent rather than a principal. However, the result of the analysis performed regarding the responsibility of the Group subsidiaries operating in such business, with regards to the customers, concluded that those entities were the primary responsible of determining the transaction price, delivering the performance obligation and dealing with the customer's credit risk. As a result, such entities were determined as being principal rather than agent and hence, the freight forwarding revenue has been maintained in the Group's revenue rather than only accounting the net remuneration derived from the obligation.

Hence, the new standard did not have any material impact on the Group's financial position and performance.

The following amended Standards did not have any significant impact on the Group's CFS and performance:

Amendments to IAS 40: Transfer of Investment Property
Amendments to IFRS 2: Classification and Measurement of Share-based payments transactions
Amendments to IFRS 4: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts
Annual improvements to IFRS 2014-2016
IFRIC 22: Foreign Currency Transactions and Advance Consideration

2.2.2 New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2018, endorsed by the European Union and not early adopted

IFRS 16: Leases: adopted by the European Union on November 9, 2017; effective date January 1, 2019 with earlier application permitted

In January 2016, the IASB published IFRS 16 regarding the accounting for leases. IFRS 16 will have a significant impact on the Company's Statement of Financial Position and Statement of Profit & Loss because it eliminates the distinction between operating leases and finance leases for lessees. This new standard will be applicable for periods beginning on or after January 1, 2019. The Group currently anticipates adopting the standard on January 1, 2019, using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information. The Group expects to opt for the short-term and low-value leases exemptions where applicable, except for containers.

IFRS 16 changes the lease recognition method for leases, requiring lessees to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments for all leases, unless the exemption options for short-term leases (12 months or less) or leases of low-value items are applied. The right-of-use is depreciated on a straight-line basis while the lease liability is amortized using the actuarial method over the lease term.

Under IFRS 16, the amount recognized as lease liabilities relating to leases contracts largely depends on assumptions used in terms of discount rates (implicit rate of the lease if that can be readily determined, or if the rate cannot be readily determined, at the lessee's incremental borrowing rate) and the lease term. Renewal, extension and early termination options are also taken into consideration when calculating the lease liability if the lessee is reasonably certain to exercise those options.

Management anticipates that the application of IFRS 16 will have a material impact on amounts reported in respect of the Group's non-current assets and financial liabilities, given the magnitude of the Group's operating lease arrangements. Under the current standard, expenses from operating lease contracts are recognized in the income statement under chartering expenses, logistic expenses, general and administrative and other operating expenses. After the implementation of IFRS 16, expenses from operating lease contracts will instead consist primarily of straight-line amortization of the right of use and the recognition of an interest expense for lease liabilities. As a consequence of the this new classification of expenses, the Group's EBITDA margin and Core EBIT margin are expected to improve.

Information related to the Company's outstanding commitments under operating leases, mainly related to vessels and containers, is presented in Note 8.2.1.
As of December 31, 2018, excluding leases with an initial or remaining lease term of 12 months or less and based on discount rates as at December 31, 2018:

- The lease liability of equivalent bareboat commitments under vessel operating leases can be estimated at USD 4.0 to 4.2 billion;
- The lease liability corresponding to commitments under container operating leases can be estimated at USD 1.9 to 2.1 billion;
- The lease liability corresponding to commitments under terminal concession operating leases can be estimated at USD 0.2 to 0.3 billion; and
- The lease liability corresponding to commitments under real estate operating leases can be estimated at USD 0.1 to 0.2 billion.

The above figures illustrate the material impact that the new IFRS 16 standard, when implemented, will have on the Group's financial statements as described above.

Based on analysis to date and on interest rates prevailing as at December 31, 2018, the Group estimates for FY19 :

- An increase of the lease liabilities in the range of USD 6.2-6.8 billion,
- An increase of EBITDA in the range of USD 1.6 - 1.8 billion,
- Additional depreciation expense of nearly USD 1.3 billion,
- Additional interest expenses of nearly USD 0.5 billion.

Hence, Management estimates that the 2019 Profit and Loss may be negatively impacted by an amount of USD 0.1 to 0.3 billion, based on the lease portfolio as at December 31, 2018.

The actual impact of IFRS 16 implementation as at January 1, 2019 may vary compared to the above latest estimates due to, among other things, the exact composition of the lease portfolio at that time, latest data regarding time charter rates and potential changes in the level of prevailing interest rates.

IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the principles of uncertain tax treatments included in the scope of IAS 12 "Income taxes". In essence, it assumes that taxation authorities will examine all uncertain tax treatments and will have full knowledge of all related information when doing so. Hence, a tax liability should be recognized when it is probable that the tax authority will refuse the tax treatment.
Management extensively reviewed the features of the new interpretation, notably in terms of tax risks included in the scope of the interpretation or not. Although the final estimate is not determined to date, the impacts of the interpretation is not expected to materially impact the Group's equity. The Group will apply IFRIC 23 retrospectively with the cumulative effect recognized in retained earnings as at January 1, 2019.

2.2.3 New IFRS and IFRIC interpretations effective for the financial year beginning on or after January 1, 2018 and not yet endorsed by the European Union

- *New IFRS and IFRIC interpretations effective for the financial year beginning on January 1, 2018 and not yet endorsed by the European Union*

IFRS 14: Regulatory Deferral Accounts; the endorsement process of this interim standard has been suspended until the publication of the final IFRS standard.

- *New IFRS and IFRIC interpretations effective for the financial year beginning after January 1, 2018 and not yet endorsed by the European Union*

The impacts of the following new or amended Standards are currently being assessed by the Company:

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
Amendments to IAS 28: Long-term interests in associates and joint-ventures
IFRS 17: Insurance contracts
Annual Improvements to IFRS Standards 2015-2017 Cycle
Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3 Business Combinations
Amendments to IAS 1 and IAS 8: Definition of Material

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the CFS requires the use of judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date.

Although these CFS reflect management's best estimates based on information available at the time of the preparation of these financial statements, the outcome of transactions and actual situations could differ from those estimates due to changes in assumptions or economic conditions.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2017 annual CFS, have been described in the below mentionned notes of the annual CFS and are as follows:

- Judgments used for the purpose of the purchase price allocations (see Note 3.1);
- Judgments used for the purpose of determining the operating segments (see Note 4.1);
- Judgments and estimates used for the accounting of NPV benefits related to assets financed by tax leases (see Note 4.5);
- Deferred income tax (see Note 4.7.2);
- Impairment of non-financial assets (see Note 5.3);
- Determination of the vessels useful lives and residual values (see Note 5.2);
- Demurrage receivables, accruals for port call expenses, transportation costs and handling services (see Note 5.4);
- Classification of lease contracts between operating lease and finance lease and judgement of whether a contract involves a lease arrangement based on SIC 27 (see Note 5.2);
- Judgments used for the purpose of determining the consolidation scope (see Note 7.2);
- Significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures (see Note 7.3.1); and
- Judgments and estimates made in determining the risk related to cargo and corporate claims and related accounting provisions (see Note 8.1).

2.4 Translation of financial statements of foreign operations

2.4.1 Translation of financial statements of foreign entities

The financial statements of foreign entities are translated into the presentation currency on the following basis:

- Assets and liabilities are translated using the closing exchange rate;
- The Statement of Profit & Loss is translated at the average exchange rate for the reporting period;
- The results of translation differences are recorded as "Currency translation differences" within other comprehensive income; and
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recorded within other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognized in the statement of Profit & Loss as part of the gain or loss on sale.

2.4.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income when qualified as cash flow hedges or net investment hedge.

Foreign exchange gains and losses relating to operating items (mainly trade receivables and payables) are recorded in the line item "Operating exchange gains / (losses), net" within "Operating expenses". Foreign exchange gains and losses relating to financial items are recorded in the line item "Foreign currency income and expense" within the financial result.

Exchange rates used for the translation of significant foreign currency transactions against one USD are as follows:

	Closing rate		Average rate	
	2018	2017	2018	2017
Euro	0.87336	0.83382	0.84721	0.88710
British pound sterling	0.78122	0.73976	0.74958	0.77678
Australian Dollar	1.41659	1.27958	1.33857	1.30454
Chinese Yuan	6.87782	6.50746	6.61692	6.76078
Singapore Dollar	1.36166	1.33611	1.34922	1.38120

Note 3 - Business combinations and significant events

3.1 Business combinations

Significant judgments and estimates

In accordance with IFRS 3, all acquired assets, liabilities and contingent liabilities assumed have been measured at fair value according to IFRS 13 principles. The valuation methods used to determine the fair values of the main assets and liabilities are as follows:

- **Market comparison method**: This valuation method considers the prices observable on the principal market of similar assets if these are available. This method was mainly used for the valuation of the acquiree's vessels and other property and equipment, as well as for the measurement of advantageous and disadvantageous contracts;

- **Discounted cash flow method:** This valuation method considers future cash flows and appropriate discounting valuation to measure the present value of assets and liabilities for which there are no market datas. Such valuation is based on observable datas to the extent possible.

- **Income approach:** this valuation consists in both (i) the relief from royalty method applied to the valuation of brands and (ii) the excess earnings method applied to the valuation of customer contracts and terminal concession rights.

3.1.1 Mercosul Line

As at December 31, 2017, the purchase price allocation resulted in the recognition of a provisional goodwill of USD 48.4 million. The measurement period to adjust the purchase price allocation ended on December 8, 2018, one year after the acquisition date. Hence, the Group seeked to obtain the final information about facts and circumstances that existed as of the acquisition date, in order to finalize the purchase price allocation. It resulted in the recognition of a final goodwill of USD 87.2 million. The change, from December 31, 2017 to December 8, 2018, of the fair value for the assets acquired and the liabilities assumed, and the resulting goodwill, can be analyzed as follows (all figures being translated to USD using the rate of exchange applicable at acquisition date):

		In USD million
A	**Preliminary goodwill as at December 31, 2017**	**48.4**
	Change in fair value of intangible assets	13.2
B	Change in fair value of vessels	(35.4)
	Change in fair value of other assets and liabilities	(16.7)
C = A (-) B	**Final Goodwill**	**87.2**

Among others, this goodwill consists in the buyer-specific synergies expected as a result of the integration of Mercosul such as assembled workforce, additional value to customer relationships which have been excluded due to the application of the churn rate.

Hence, the final purchase price allocation to the assets acquired and the liabilities assumed can be presented as follows (all figures being translated to USD using the rate of exchange applicable at acquisition date):

		In USD million
Total consideration transferred for 100% stake in Mercosul	**A**	**237.6**
Cash and cash equivalents of Mercosul at acquisition date	**B**	**5.5**
Cash consideration paid for 100% stake in Mercosul, net of cash acquired	**C = A (-) B**	**232.1**
Identifiable assets acquired		
Intangible assets		73.4
Vessels		66.2
Other non current assets		22.0
Current assets		61.8
Liabilities assumed		
Non current liabilities		18.3
Current liabilities		60.1
Fair value of net assets acquired	**D**	**144.9**
Goodwill	**C (-) D**	**87.2**

In February 2019, the Group reached an agreeement with the seller to adjust the consideration paid by an amount of USD 3.8 million in favor of CMA CGM ,which will be recognized in 2019 Profit and loss upon cash payment.

3.1.2 Acquisition of Container Finance Group

On June 20, 2018, the Group announced the signature of an agreement with Container Finance Ltd Oy pursuant to which the container shipping and logistics business Containerships (and Container Finance's holdings in Multi-Link Terminals Ltd and CD Holding Oy) would become part of the CMA CGM Group.

At acquisition date on October 31, 2018, the Group announced it has completed the takeover of the Finnish operator after having gained regulatory approvals.

Founded in 1966, Containerships is an Intra-European Shortsea specialist with a strong presence in the Baltic market, Russia, Northern Europe, North Africa and Turkey. With a workforce of 560 people, Containerships offers its customers a complete range of services, as well as logistics solutions by ship, truck, rail and barges. Containerships' network will efficiently complement CMA CGM and its affiliate MacAndrews' service offering in North Europe and the Mediterranean. Containerships will take delivery of four LNG-fueled vessels between August 2018 and January 2019. For the year ended December 31, 2017, Containerships reported revenue for an amount of EUR 226.7 million.

As at the acquisition date, the consideration paid, the measurement of fair values recognized for the assets acquired and liabilities assumed and the resulting provisional goodwill can be presented as follows:

		In USD million
Total consideration paid for 100% stake in Containerships	**A**	**209.9**
Cash and cash equivalents of Containerships at acquisition date	**B**	**12.6**
Cash consideration paid for 100% stake in Containerships, net of cash acquired	**C = A (-) B**	**197.3**
Identifiable assets acquired		
Trademarks gross		9.6
Customer relationships gross		89.5
Other intangible assets		2.7
Vessels		37.0
Containers		31.7
Lands and buildings		0.8
Other property and equipment		4.6
Associates and joint ventures		23.7
Deferred tax assets		8.7
Other non current assets		0.4
Inventories		2.6
Working capital - assets		53.4
Current assets		0.7
Liabilities assumed		
Non controlling interests		1.4
Non current borrowings		82.9
Deferred tax liabilities		24.0
Current borrowings		12.7
Working capital - liabilities		50.5
Fair value of net assets acquired	**D**	**94.1**
Goodwill	**C (-) D**	**103.2**

The above provisional amounts may be subsequently adjusted, within 12 months from the acquisition date, to reflect any new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognized at the acquisition date. In addition, the consideration transferred is still being subject to discussion with the sellor and hence, any adjustment to the consideration transferred may have an impact on the above provisional figures.

Among others, this preliminary goodwill consists in the buyer-specific synergies expected as a result of the integration of Containerships such as assembled workforce, additional value to customer relationships which have been excluded due to the application of the churn rate

Since acquisition date, Containerships Group reported revenues, Core EBIT and Net Income amounting to USD 57.7 million, USD (1.6) million and USD (2.1) million, respectively.

3.1.3 Investment in CEVA Logistics

On May 3, 2018, the Group confirmed its investment in CEVA Logistics ("CEVA"), a global leading player in the logistics sector, on the occasion of CEVA's initial public offering (IPO). This investment initially took the form of convertible bonds, subsequently converted into CEVA common shares on August 13, 2018, upon obtaining all the requisite regulatory approvals. CMA CGM's investment then represented 24.99% of CEVA's capital. At an IPO price of CHF 27.5 per share, CMA CGM's investment amounted to CHF 379 million (or USD 381 million).

On October 17,2018, the Group acquired additional shares increasing its stake by 7.88%, for a total of 32.87%.

These investments gave CMA CGM two seats on CEVA's Board of Directors, thus granting the Group a significant influence. Hence, the investment has been recognized as an associate (see Note 7.1) since inception.

The Group announced on October 25, 2018, its intention to make a tender offer to the shareholders of CEVA Logistics AG at CHF 30 per share. Such tender offer has been opened on January 28, 2019, and is expected to close in April 2019. Besides, the transaction is being reviewed by certain regulatory bodies for which the Company already received the approval of main bodies in January and February. Lastly, apart from the 32.9% ownership as at December 31, 2018, the Group secured another 17.6% through derivative instruments, the last one being entered into on January 4, 2019.

The main objective of this takeover is to offer door-to-door service to its customers, as well as creating economies of scale from combining CMA CGM Logistics with CEVA's freight management business.

As at December 31, 2018, only the Group's share in CEVA's results have been taken into account and no purchase price allocation has been performed due to the ongoing transactions and the takeover of CEVA.

At change of control date, the investment in CEVA will be derecognized and revalued at fair value, resulting in a gain in the Statement of Profit and Loss.

On December 31, 2018, the Group and CEVA signed an agreement by which the freight forwarding activities of CMA CGM will be sold to CEVA after the closing of the takeover.

The Group's share in CEVA's losses for the year ended December 31, 2018 amounts to USD (50.6) million and is recorded in the line item "Share of income / (loss) from associates and joint ventures". Because CEVA will shortly be under the control of CMA-CGM in 2019, the 2018 loss has been considered as non recurring in the calculation of core EBIT.

3.1.4 Global Ship Lease ("GSL")

On November 15, GSL, a related party, closed a combination with Poseidon Containers, thus generating a dilution for CMA CGM from 44.4% to 13.3%, recorded as a loss in Profit or Loss in the line item "share of income / (Loss" from associates and joint ventures amouting to USD 65.3 million. Besides, GSL recorded an impairment charge end of 2018 which impacted the Group's results by USD 8.0 million. These 2 impacts have been treated as non recurring items (see Note 4.1 and 7.3).

3.1.5 Global Gateway South terminal in Los Angeles ("GGS")

Refer to the 2017 CFS (Note 3.1.2) for the description of the transaction and the accounting consequences there from.
The final price agreed with the acquirer dit not have a material impact on the CFS compared to the preliminary price received in 2017.

3.1.6 10% investment in CSP Zeebrugge Terminal

On July 20, 2018, the Group announced the acquisition from China Shipping Ports Development Co. Limited, a wholly-owned subsidiary of COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports"), of 10% equity interest in CSP Zeebrugge Terminal NV ("CSP Zeebrugge"), through its wholly-owned subsidiary CMA Terminals.
Such investment is presented in non-current financial assets.

3.2 Group fleet development

3.2.1 Financing of the 9 container ships of TEU 22,000

The Group obtained an agreement from its core banks to finance this USD 1.4 billion orderbook for an amount up to 75% of the orderbook.

3.2.2 Other development

On January 26, 2018, May 25, 2018 and October 9, 2018, CMA CGM took delivery of its new flagships and world's biggest containerships flying the French flag, named CMA CGM ANTOINE DE SAINT EXUPERY, CMA CGM JEAN MERMOZ and CMA CGM LOUIS BLERIOT, respectively. With a capacity of 20,600 TEUs (Twenty Foot Equivalent Unit), all three vessels are strong symbols of the Group's dynamism and development.

Refer to the information disclosed in Note 5.2, notably for the deliveries occurred during the period.

3.3 Financial structure

In the context of structural changes mentioned above such as CEVA investments and IFRS 16 implementation early 2019, Management obtained mid-December the agreement of its financial counterparties on a new set of financial covenants. Basically, the whole financing documentation has been adapted to this new context, switching from a gearing to a 3-year average leverage covenant (see Note 6).

3.4 Rating

On April 24, 2018, Standard and Poors affirmed the B+ CMA CGM 's long term corporate credit rating. At the same time, the rating agency revised its outlook to positive from stable. On November 6, 2018, Standard and Poors reaffirmed the B+ CMA CGM 's long term corporate credit rating with a positive outlook.

On November 2, 2018, Moody's revised downward its outlook on CMA CGM 's B1 long term corporate credit rating from a positive to a negative outlook.

3.5 Global Shipping Environment

Low sulphur regulation

The new International Maritime Organization (IMO) Low Sulphur Regulation will be effective from January 1, 2020 and will require all shipping companies to reduce their Sulphur emissions by 85%. This new regulation aims to reduce the environmental impact of the industry and significantly improve air quality, an initiative in which the CMA CGM Group has been involved for more than 15 years.

In this context, CMA CGM has decided to favor the use of 0.5% fuel oil for its fleet and to invest significantly by using LNG to power some of its future container ships (notably 9 giant ships on order), notably resulting in a 99% reduction in Sulphur emissions and by ordering several scrubbers for its ships.

Additional cost resulting from this new regulation will be taken into account through the application or adjustment of fuel surcharges on a trade-by-trade basis.

Note 4 - Results for the year

Revenue recognition and related expenses

Revenue comprises the payment the Company expects to be entitled in exchange for the sale of services, net of value-added tax, rebates and discounts after eliminating sales within the Group.

As required by IFRS 15 "Revenue from contracts with customers", the Group recognize revenue respecting the following five steps approach : (i) identify the contract with a customer, (ii) identifiy all the individual performance obligations within the contract, (iii) determine the transaction price, (iv) allocate the price to the performance obligations, (v) recognize revenue as the performance obligations are fulfilled.

Container shipping

For container shipping activity, no individual performance obligations have been identified by the Group for container transportation itself, inland transportation and ancillary services (such as THC, BAF…) as they are all part of one global shipping transportation performance obligation and as the transaction is contracted with the customers as a whole transaction.

Freight revenues and costs directly attributable to the transport of containers are recognized on a percentage of completion basis, which is based on the proportion of transit time completed at report date for each individual container.
Deferred freight costs directly attributable to containers are reported as prepaid expenses.

Freight receivables for which the Company transferred a portion of the services to the customers as per revenue recognition principles, are reported as contract assets; hence, deferred income which were recognized under the previous standard, corresponding to the portion of the services not performed at cut-off dates, have been reclassified from current liabilities to contract assets (net).

Other activities

For other activities, no individual performance obligations have been identified in the contracts : revenue is recognized when the services have been rendered or when the goods have been delivered.

4.1 Operating segments

As required by IFRS 8 "Operating Segments", the segment information reported below is based on the internal reporting used by the Company's management to allocate resources between segments and to assess their performance.

Significant judgments

For management purposes, the Group reports two operating segments: container shipping activity, which represented approximately 94.8% of revenue excluding inter-segment elimination during the year ended December 31, 2018, and other activities. CMA CGM is organized as a worldwide container carrier, managing its customer base and fleet of vessels and containers on a global basis. Other activities include container terminal operations and logistics.

These segments do not result of an agregation of operating segments.

Segment performance is evaluated by management based on the following measures:

- Revenue;
- EBIT ("Earnings Before Interests and Taxes").

EBIT is a non-IFRS quantitative measure used to assist in the assessment of the Company's ability to drive its operating performance. The Company believes that the presentation of EBIT is a relevant aggregate to management for decision making purposes. EBIT is not defined in IFRS and should not be considered as an alternative to Profit / (Loss) for the year or any other financial metric required by such accounting principles. However, in terms of segment reporting, management believes that EBIT is a more relevant aggregate to assess the segment performance as financial result and income tax are not alllocated to segments.

As disclosed in Note 3.2 of the 2017 annual CFS, the Company is part of Ocean Alliance since April 1, 2017.

In Accordance with IFRS 15.BC58/59 (IAS 18§12 until December 31, 2017), sales and purchases of slots related to Ocean Alliance do not generate revenue and cost recognition.

The segment information for the reportable segments for years ended December 31, 2018 and 2017 is as follows:

	Revenue		EBIT	
	For the year ended December 31,			
	2018	2017	2018	2017
Container shipping segment	22,847.5	20,381.2	569.1	1,474.0
Other activities	1,249.5	1,385.2	41.3	100.8
Total core measures	**24,097.0**	**21,766.5**	**610.4**	**1,574.8**
Reconciling items & Eliminations	(620.9)	(650.2)	(116.8)	(1.0)
Total consolidated measures	**23,476.2**	**21,116.2**	**493.6**	**1,573.8**

Certain items included in EBIT are unallocated as management considers that they do not affect the recurring operating performance of the Group. As a consequence, these items are not reported in the line item "Total Core measures".

Reconciling items impacting EBIT include (i) the impact of the disposal of property and equipment and subsidiaries (see Note 4.3), (ii) other income and expenses (see Note 4.4) and (iii) impairment charge or non recurring expenses recorded in associates and joint ventures (see Note 7.1 and Note 3.1.3).

Since most of the Group's assets and liabilities are allocated to the container shipping segment and that this information is reviewed by the chief operating decision maker only on a consolidated basis, there is no specific disclosure relative to their segment allocation. Regarding the investment in associates and joint ventures which primarily relates to the "Other activities" segment, see Note 7.1.

4.2 Operating expenses

4.2.1 Variations of operating expenses

Operating expenses are analyzed as follows:

	For the year ended December 31,	
	2018	**2017**
Bunkers and consumables	(3,618.0)	(2,568.5)
Chartering and slot purchases	(2,351.0)	(2,064.4)
Handling and steevedoring	(6,266.4)	(5,547.0)
Inland and feeder transportation	(3,323.4)	(2,918.0)
Port and canal	(1,526.6)	(1,334.0)
Container rentals and other logistic expenses	(2,127.7)	(1,731.3)
Employee benefits	(1,879.5)	(1,699.7)
General and administrative other than employee benefits	(848.1)	(729.3)
Additions to provisions, net of reversals and impairment of inventories and trade receivables	(32.6)	(37.0)
Operating exchange gains / (losses), net	8.2	73.1
Others	(354.0)	(442.7)
Operating expenses	**(22,319.2)**	**(18,998.9)**

Out of the volume, the increase of the operating expenses is mainly due to the rise of bunker prices and some of operating costs such as handlling, logistics and transportation expenses.

4.2.2 Employee benefits

Employee benefit expenses are analyzed as follows:

	For the year ended December 31,	
	2018	**2017**
Wages and salaries	(1,499.7)	(1,344.0)
Social security costs	(296.8)	(266.7)
Pension costs (see Note 8.1)	(30.1)	(37.7)
Other expenses	(52.9)	(51.3)
Employee benefits	**(1,879.5)**	**(1,699.7)**

The number of employees of the controlled subsidiaries of the Group is 29,740 as at December 31, 2018 (27,201 as at December 31, 2017). The total number of employees, including those employed in certain joint-ventures or through international seafarer providers, is 37,092 as at December 31, 2018 (34,647 as at December 31, 2017).
The number of full-time equivalent employees of the controlled subsidiaries of the Group is 28,036 for the year ended December 31, 2018 (26,161 as at December 31, 2017).

4.3 Gains / (Losses) on disposal of property and equipment and subsidiaries

Gains and losses on disposals correspond to the difference between the proceeds and the carrying amount of the asset disposed of.

Accounting principles related to sale and lease-back transactions are presented in Note 5.2.

Gains / (losses) on disposal of property and equipment and subsidiaries consist of the following:

	For the year ended December 31,	
	2018	**2017**
Disposal of vessels	12.9	20.5
Disposal of containers	10.9	7.7
Other fixed assets disposal	4.5	(6.1)
Disposal of subsidiaries	(0.8)	74.0
Gains / (losses) on disposal of property and equipment and subsidiaries	**27.5**	**96.1**

For the year ended December 31, 2018 :

- "Disposal of vessels" mainly relates to some deferred gain on sale and leaseback transactions occurred in 2016.

For the year ended December 31, 2017 :

- "Disposal of subsidiaries" mainly relates to the disposal of 90% stake in the terminal of GGS (see Note 3.1.5);
- "Disposal of vessels" is related to vessels sold for scrapping as well as some deferred gain on sale and leaseback transactions occurred in 2016.

4.4 Other income and (expenses)

Other income and (expenses) can be analyzed as follows :

	For the year ended December 31,	
	2018	**2017**
Impairment (losses) / reversals of assets	(17.2)	(29.8)
Others	1.6	(29.4)
Other income and (expenses)	**(15.6)**	**(59.2)**

In 2018, the line item "Impairment losses of assets" mainly relates to impairment of (i) a vessel that will be sold and (ii) some intangible assets (see Note 5.1.2).

In 2017:

- The line item "Impairment losses of assets" mainly relates to impairment of (i) vessels that will be sold for scrapping and (ii) a terminal held by NOL;
- The line item "Others" mainly relates to (i) transactions fees related to GGS disposal (see Note 3.1.5) and (ii) termination costs on agency network reorganisation.

4.5 NPV benefits related to assets financed by tax leases

Refer to Note 5.2 for the accounting principles related to tax leases.

Significant judgments and estimates

Under leveraged tax leases, a tax benefit is passed on by the lessor either over the lease term through lower lease payments or at the end of the lease term through the recovery of a cash amount. More precisely, the Company recognizes the tax benefits as follows:

- When the Company receives the benefit through lower lease payments, its net present value is accounted for as "Deferred income" within liabilities in the Statement of Financial Position (allocated between current and non-current portion depending on twelve month maturity). This benefit is then credited to the statement of income on a vessel by vessel basis over the tax financing period under the heading "NPV benefits related to assets financed by tax leases" which range from 1 to 6 years. This income is presented within "Operating profit" as it is considered that this benefit is in effect a reduction of the operational running cost of the vessel;

- When the Company benefits from the tax advantage at the end of the lease term, a financial asset is recognized within "Other non-current financial assets" (see Note 6.3) progressively over the tax financing period and the corresponding income is recorded under the heading "NPV benefits related to assets financed by tax leases".

4.6 Financial result

Accounting principles related to borrowings and cash and cash equivalents have been presented in Notes 6.4 and 6.6.

In its consolidated statement of cash flows, the Company presents interest expenses as a cash flow used for financing activities.

The financial result is analyzed as follows:

	For the year ended December 31,	
	2018	**2017 (*)**
Interest expense on borrowings	(491,2)	(494,3)
Interests income on cash and cash equivalents	41,8	37,2
Cost of borrowings net of interest income on cash and cash equivalents	**(449,4)**	**(457,1)**
Settlements and change in fair value of derivative instruments	2,1	(35,2)
Foreign currency income and expense, net	103,1	(228,5)
Other financial income and expense, net	18,3	(52,4)
Other net financial items	**123,5**	**(316,0)**
Financial result	**(325,9)**	**(773,1)**

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

For the year ended December 31, 2018, "Interest expense on borrowings" includes USD (27.1) million corresponding to the amortization of past issuance costs recognized using the effective interest method (USD (50.5) million for the year ended December 31, 2017).

"Settlements and change in fair value of derivative instruments" reflect the impact, on the portfolio of derivative financial instruments, of the volatility of currencies and interest rates during the periods presented.

"Foreign currency income and expense, net" is mainly composed of foreign currency exchange gains / (losses) on financial operations due to the translation of borrowings and financial instruments denominated in currencies different from USD (mainly but not limited to transactions in EUR). Among other minor effects, the exchange gains for the year ended December 31, 2018 are due to the depreciation of EUR currency versus USD at respective closing dates, as opposed to the losses incurred in the year ended December 31, 2017 in relation with the appreciation of EUR against USD between respective closing dates.

In 2018, "Other financial income and expense, net" mainly includes:

- USD (15.7) million of unwinding of discount related to NOL onerous chartering contracts recognized as part of the purchase price allocation;
- USD 9.8 million related to the revaluation of some investments recognized as assets at fair value through P&L;
- USD 9.9 million related to interests income related to financial assets;
- USD 8.6 million related to dividends received from related parties;
- USD 5.3 million related to a favorable debt renegotiation impact (interest margin reduction).

In 2017, "Other financial income and expense, net" mainly includes:

- USD (13.4) million of non recurring financial expense related to the anticipated repayments of bonds (see Note 6.6.2);
- USD (13.0) million of non recurring financial expense related to the anticipated repayments of secured vessel borrowings;
- USD (12.6) million of unwinding of discount related to NOL onerous chartering contracts recognized as part of the purchase price allocation.

4.7 Income and deferred taxes

4.7.1 Current income taxes

In Accordance with IAS 12 "Income Taxes", current income tax is the amount of income tax payable (recoverable) in respect of the taxable profit (tax loss) for the year. Taxable profit (tax loss) is the profit (loss) for the year, determined in accordance with the rules established by the taxation authorities, upon which income tax is payable (recoverable).

Significant judgment

The Group is subject to income tax in numerous jurisdictions. When permitted by local tax authorities, the Company elected for the tonnage tax regime. The French tonnage tax regime actually consists in determining the taxable result that will be subject to income tax on the basis of vessel's tonnage. For this reason, among others, the Company classifies the consequences of tonnage tax regime as current income tax.

	For the year ended December 31,	
	2018	**2017**
Current income tax income / (expense)	(108.5)	(78.8)
Deferred tax income / (expense)	9.1	8.8
Income Taxes	**(99.4)**	**(70.0)**

The "current income tax expense" for the year ended December 31, 2018 includes USD (2.1) million related to prior year income tax (USD (1.4) million for the year ended December 31, 2017).

The "current income tax" for the year ended December 31, 2017 included a non-recurring tax income of USD 6.7 million, related to the 3% tax levy paid in past years on dividends paid by CMA CGM, following the decision made by the French courts declaring that such levy was unconstitutional. Such amount have been claimed from the tax authorities and recovered early 2018.

NOL contributed to "income taxes" presented above for a negative amount of USD 12.9 million, and positive amount of USD 2.2 million in 2017, such positive amount being mainly due to the settlement of certain tax litigation following exchanges with the relevant tax authorities and concluded after NOL acquisition date. Such settlement resulted in a lower payment than accruals made in prior periods.

Most of the shipping activities handled by the Group are subject to tonnage tax regimes in Singapore and the United States, as well as in France. For instance, no provision is made for taxation on qualifying shipping income derived from the operation of the vessels which is exempt from taxation under Section 13A of the Singapore Income Tax Act and Singapore's Maritime Sector Incentive Approved International Shipping Enterprise Scheme. In the United States of America in which NOL operates and in France, income arising from liner activities are subject to a tonnage-based tax system under which the computation of tax is based on the tonnage of the qualifying vessel fleet. Other Group's subsidiaries and/or branches are subject to income tax in accordance with the local tax laws of their respective countries.

Some companies in France are currently subject to a tax audit. No provision was recognized in this regard since, based on strong arguments and external advice, management believes that there should be no or limited final cash and/or accounting impacts of such audits.

Tax consolidation agreements are in place in certain countries in which the Group operates, mostly in France. It allows the Companies of the same Group to combine their taxable profits or losses to calculate the overall tax expense for which only the parent company is liable. In France, the tax consolidation scheme generated a decrease in the current income tax expense of USD 33.8 million in 2018 (USD 6.8 million in 2017).

4.7.2 Deferred income tax

In accordance with IAS 12, deferred income tax is provided for on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the CFS. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

The deferred income taxes are recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the deferred income taxes are recognized in other comprehensive income or directly in equity, respectively.

Significant judgment and estimates

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

Due to the tonnage tax regime applicable on the main part of the Company's activity, resulting in a lower income tax payable in the future, the amount of deferred tax assets to be recognized is limited.

The mechanism of tonnage tax requires to estimate the portion of the future results that will be treated as part of tonnage tax regime and the residual portion that will not be subject to tonnage tax regime. For the purpose of the recognition of the deferred tax assets in France, Management has also based its estimates on:

- The fact that the French tonnage tax regime has been renewed in 2013 for a 10-year period;
- The best estimates of the future taxable results of activities that are not subject to tonnage tax regime.

Considering the tonnage tax regime applicable to Group shipping activities, differences between taxable and book values of assets and liabilities are generally of a permanent nature. This is due to the fact that the taxable result for tonnage tax eligible activities has no correlation with either the carrying value or the generally applicable tax value of assets and liabilities. As a consequence, temporary differences are limited to those arising from other activities which are subject to usual tax laws.

Deferred tax balances break down as follows:

Deferred tax assets	As at December 31, 2018	As at December 31, 2017
Tax losses carried forward	21.6	12.9
Retirement benefit obligations	13.3	15.0
Other temporary differences	28.4	23.1
Total gross deferred tax assets	**63.4**	**50.9**
Total net deferred tax assets	**63.4**	**50.9**

Deferred tax liabilities	As at December 31, 2018	As at December 31, 2017
Revaluation and depreciation of property and equipment	17.4	18.0
Undistributed profits from subsidiaries	36.4	34.7
Other temporary differences	50.0	27.7
Total gross deferred tax liabilities	**103.8**	**80.4**
Total net deferred tax liabilities	**103.8**	**80.4**
Total net deferred tax assets / (liabilities)	**(40.4)**	**(29.5)**

The breakdown of deferred tax assets and deferred tax liabilities presented in the table above is based on gross amounts. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amount recognized in the statement of financial position corresponds to the net deferred tax assets and liabilities.

"Tax losses carried forward" mainly relate to losses generated by the activities liable to corporate income tax in France. These tax losses are recognized only to the extent of the level of the corresponding deferred tax liability and the foreseeable taxable profit generated by these activities.

Unused tax losses and other taxable temporary differences to a lesser extent, whose recovery within a reasonable timeframe is considered less than likely are not recognized in the Statement of Financial Position and represented USD 1,244.8 million as at December 31, 2018 (USD 1,293.2 million in 2017). The corresponding unrecognized deferred tax asset amounts to USD 388.3 million in 2018 (USD 445.2 million in 2017). The unused tax losses can be carried forward indefinitely.

The level of deferred tax liabilities recognized in relation to undistributed profits from subsidiaries increased by USD 1.7 million in 2018 (USD 2.1 million in 2017).

Income tax impacts related to other comprehensive income are presented in the statement of comprehensive income.

	For the year ended December 31, 2018
Net deferred tax at the begining of the year	**(29.5)**
Changes through Profit & Loss	9.1
Changes through Other Comprehensive Income	(1.3)
Currency translation adjustment	(2.2)
Other variations	(16.5)
Net deferred tax at the end of the year	**(40.4)**

Other variations mainly relate to purchase price allocation performed in relation of Containerships and Mercosul acquisitions (see Notes 3.1.1 and 3.1.2).

4.7.3 Tax proof

	For the year ended December 31,	
	2018	2017 (*)
Profit / (Loss) before tax and excluding share of profit (or loss) of the associates and joint ventures	**255.8**	**795.3**
Theoritical income tax (tax rate of 34.43% in 2018 / 34.43% in 2017)	(88.1)	(273.8)
Income tax expense	(99.4)	(70.0)
Difference between theoritical and effective income tax	**(11.4)**	**203.8**
Not taxable income (mainly due to impact of the tonnage tax regime)	(30.9)	232.0
Use or recognition of deferred tax assets previously unrecognized	15.3	10.5
Effect of different tax rates in foreign tax jurisdictions	66.4	31.5
Unrecognized tax losses generated by certain activities not liable to tonnage tax	(13.9)	(27.2)
Initial recognition of assets and liabilities exception	93.0	19.0
Other Permanent differences	(141.4)	(62.0)
Difference	**(11.4)**	**203.8**

Note 5 - Invested capital and working capital

5.1 Goodwill and other intangible assets

5.1.1 Goodwill

Goodwill and Business Combinations

Business combinations are accounted for using the acquisition method defined in IFRS 3 "Business combinations". Accordingly, all acquisition-related costs are recognized as operating expenses.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets acquired, the liabilities assumed and the equity interests issued by the Group at transaction date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent payments classified as debt are subsequently remeasured through the consolidated income statement.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Determination of goodwill

Goodwill is measured as the difference between:
- The aggregate of (i) the value of the consideration transferred, (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and
- The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase then the difference is recognized directly in the income statement.

Non-controlling interests represent the portion of the profit or loss and net assets (of the Group or of one of its subsidiaries) attributable to equity interests held by third parties.

Adjustments are recognized as changes to goodwill, provided they result from new information obtained about facts and circumstances that existed at acquisition date and are made within twelve months of the date of acquisition.

Presentation and subsequent measurement of goodwill

Goodwill on acquisition of subsidiaries is disclosed separately in the Statement of Financial Position. Goodwill on acquisition of associates and joint ventures is included in the Company's share in investments in associates and joint ventures.

At the time of the sale of a subsidiary or a jointly controlled entity, the amount of the goodwill attributable to the subsidiary or associates and joint ventures is included in the calculation of the gain and loss on disposal.

Impairment of goodwill

See Note 5.3.

The carrying amount of goodwill has been allocated to the following operating segments and cash generating units based on the management structure:

	As at December 31, 2018	As at December 31, 2017
Beginning of the year	**1,054.5**	**1,007.9**
Goodwill from business combinations (see Note 3.1)	142.8	51.1
Other variations	(11.5)	(4.8)
Reclassification to assets held-for-sale	-	(4.0)
Foreign currency translation adjustment	(19.7)	4.4
At the end of the year	**1,166.1**	**1,054.5**
of which:		
Allocated to container shipping segment	*1,145.8*	*1,033.4*
Allocated to other activities	*20.4*	*21.1*

In 2018, the line item "Goodwill from business combinations (see Note 3.1)" corresponds to:

- The finalization of the purchase price allocation performed on Mercosul acquisition in December 2018 (see Note 3.1.1);
- The goodwill recognized as part of the provisional purchase price allocation performed on Container Finance Group acquisition (see Note 3.1.2).

In 2017, the line item "Goodwill from business combinations corresponds to:

- The finalization of the purchase price allocation performed on NOL acquisition as at June 13, 2017;
- The goodwill recognized as part of the provisional purchase price allocation performed on Mercosul acquisition;
- The goodwill recognized as part of the provisional purchase price allocation performed on other acquisitions.

5.1.2 Other intangible assets

Other intangible assets mainly consist of :

- Software developed and acquired for internal corporate use, which is recorded at the initial acquisition cost plus the cost of development minus the total of the amortization and any impairment loss. In-house software development costs are capitalized in accordance with criteria set out in IAS 38 "Intangible assets";
- Terminal concession rights, trademarks and customer relationships recognized as part of purchase price allocations and amortized over their respective useful life, except for the trademark which has an indefinite useful life.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Software developed or acquired is amortized on a straight-line basis over five to ten years based on the estimated useful life.

Other intangible assets are analyzed as follows:

	Software		Trademarks & Customer relationships	Terminal concession rights	Others	Total
	In use	In-progress				
Cost of Other intangible assets						
As at January 1, 2017	**512,0**	**219,6**	**613,8**	**116,0**	**10,6**	**1 472,1**
Acquisitions	8,4	77,3	-	-	0,8	86,5
Acquisitions of subsidiaries (see Note 3.1)	0,3	(0,0)	102,2	(1,0)	-	101,5
Disposals	(3,5)	(0,0)	-	-	(1,3)	(4,9)
Reclassification	24,0	(26,3)	-	-	8,0	5,7
Foreign currency translation adjustment	1,3	0,1	(0,3)	-	0,1	1,3
As at December 31, 2017	**542,5**	**270,6**	**715,8**	**115,0**	**18,3**	**1 662,2**
Acquisitions	13,5	72,6	-	-	1,1	87,3
Acquisitions of subsidiaries (see Note 3.1)	0,4	-	123,1	-	2,7	126,2
Disposals	(41,2)	-	-	-	(0,7)	(41,9)
Reclassification	51,6	(59,7)	-	-	4,0	(4,1)
Foreign currency translation adjustment	(0,8)	(0,1)	(15,4)	-	(0,3)	(16,7)
As at December 31, 2018	**566,0**	**283,4**	**823,5**	**115,0**	**25,1**	**1 813,0**

	Software		Trademarks & Customer relationships	Terminal concession rights	Others	Total
	In use	In-progress				
Amortization and impairment						
As at January 1, 2017	**(366,4)**	**-**	**(16,6)**	**(4,4)**	**(1,4)**	**(388,8)**
Amortization	(44,1)	-	(32,6)	(5,4)	(1,5)	(83,6)
Disposals	3,4	-	-	-	0,7	4,1
Impairment	-	-	-	(20,9)	-	(20,9)
Reclassification	(0,4)	-	-	(0,8)	(0,1)	(1,3)
Foreign currency translation adjustment	(1,1)	-	(0,4)	-	(0,1)	(1,5)
As at December 31, 2017	**(408,6)**	**-**	**(49,7)**	**(31,5)**	**(2,3)**	**(492,0)**
Amortization	(47,0)	-	(32,8)	(4,2)	(2,8)	(86,7)
Disposals	39,4	-	-	-	0,7	40,2
Impairment	(10,9)	-	-		(0,7)	(11,6)
Reclassification	(0,1)	-	1,0	-	(0,4)	0,5
Foreign currency translation adjustment	0,4	-	0,2	-	0,1	0,7
As at December 31, 2018	**(426,7)**	**-**	**(81,2)**	**(35,6)**	**(5,4)**	**(549,0)**

Net book value of Other intangible assets	Software		Trademarks & Customer relationships	Terminal concession rights	Others	Total
	In use	In-progress				
As at December 31, 2018	**139.3**	**283.4**	**742.3**	**79.4**	**19.7**	**1,264.1**
As at December 31, 2017	**133.9**	**270.6**	**666.1**	**83.5**	**16.0**	**1,170.2**
As at December 31, 2016	**145.7**	**219.6**	**597.2**	**111.6**	**9.3**	**1,083.3**

High-performance information systems are critical within our industry, which requires significant internal and external software development. Software capitalized costs mainly correspond to costs incurred for the in-house development of (i) shipping agency systems, implemented throughout the worldwide Group agency network, which address bookings, billings and transportation documentation, (ii) the operating system including logistical support and container tracking and (iii) the comprehensive accounting and financial reporting ERP systems implemented in all Group shipping entities.

Through a strategic partnership with SAP, the Company decided some years ago to invest in a new innovative information system. It will enable the Group to develop an information system specifically designed for container shipping, it aims at enhancing efficiency and flexibility in an industry that is constantly evolving. Some preliminary parts of this new information system have been recently implemented within the Group.

The software in progress recorded as at December 31, 2018 and 2017 mainly corresponds to this project. During the year ended December 31, 2018, the capitalized costs of the future information system amounted to USD 65.1 million (USD 52.6 milion during the year ended December 31, 2017).

The amortization schedule of the currently used ERP has been adjusted to its reassessed remaining useful life.

5.2 Property and equipment

Recognition of property and equipment

In accordance with IAS 16 "Property, Plant and Equipment", items of property and equipment are recognized as assets when it is probable that the future economic benefits associated with the asset will flow to the Company; and the cost of the asset can be measured reliably.

In accordance with IAS 17 "Lease contracts", when the Company leases assets under long-term contracts or other similar arrangements that transfer substantially all risks and rewards of ownership to the Company, the leased asset is recognized in the Statement of Financial Position at the lower of its fair value and the net present value of the minimum lease payments. The net present value of the minimum lease payments is recorded as a liability.

Sale and lease-back transactions

In the context of sale and operating leaseback transactions and in accordance with IAS 17 "Leases", the related gains or losses are accounted for as follows:
- If the transaction is at fair value, gains or losses are recognized immediately;
- If the sale price is below fair value, any profit or loss is recognized immediately except if the loss is compensated for by future lease payments at below market price, in which case it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used; or
- If the sale price is above fair value, the excess over the fair value is deferred and amortized over the period for which the asset is expected to be used.

In the context of sale and finance leaseback transactions, any gain on the sale is deferred and recognized as income over the lease term.

Measurement of property and equipment

As required by IAS 16, property and equipment are recorded at the historical acquisition or manufacturing cost, less accumulated depreciation and any impairment loss. Acquisition or manufacturing costs comprise any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The pre-operating costs are expensed when incurred.

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

On initial recognition, the cost of property and equipment acquired is allocated to each component of the asset and depreciated separately.

Maintenance costs are recognized as expenses for the year, with the exception of mandatory dry-docks required to maintain vessel navigation certificates, which constitute an identifiable component upon the acquisition of a vessel and which are thereafter capitalized when the following dry-docks occur. Dry-docks are depreciated over the remaining useful life of the related vessel or to the date of the next dry-dock, whichever is sooner.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each part of the asset to its residual value (scrap value for vessels and estimated sale price for containers) over its estimated useful life, as follows:

Asset	Useful life in years
Buildings (depending on components)	15 to 40
New vessels	25
Dry-docks (component of vessels)	1 to 7
Second-hand container vessels and Roll-on Roll-off vessels (depending on residual useful life)	6 to 22
New barges/ Second-hand barges	40 / 20
New dry containers	13
New reefer containers	12
Second-hand containers (depending on residual useful life)	3 to 5
Fixtures and fittings	10
Other fixed assets such as handling and stevedoring equipment	3 to 20

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at each Statement of Financial Position date. The residual value for vessels is based on the lightweight and the average market price of steel. The residual value for containers is based on the Company's historical experience of the sale of used containers.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 5.3).

Significant estimates: Determination of the vessels useful lives and residual values

The depreciation of vessels is a significant exepnse for the Company. Vessels are depreciated over their expected useful lives to a residual value.

Useful lives and residual values are reassessed regularly based on available information such as the age of vessels in service on the market and the average age of scrapped vessels. This assessment also reflects current technology, service potential and vessel structure. This approach excludes short-term market fluctuations to the extent possible. Changes to estimates of useful lives and residual values may affect the depreciation expenses significantly.

Significant judgments and estimates: classification of lease contracts

The classification of lease contracts between operating lease and finance lease requires judgment. The Group enters into a substantial number of lease contracts, some of which being combined lease and service contracts like time-charter agreements. Management applies a formalized process for classification, mainly in determining the present value of the minimum lease payments and assessing the incitative nature of the potential purchase or renewal options.
The outcome of the transaction (at option exercice's dates in particular) may differ from the original assesment made at inception of the lease contract.

Evaluation of the substance of lease arrangements

The Company benefits from leveraged tax leases in France, the United Kingdom, Taiwan and Singapore. When such agreements qualify as finance leases, the Company recognizes the cost of building vessels as property and equipment and the net present value ("NPV") of future lease payments as obligations under finance leases.

However, although such contracts often have the legal form of a lease, the conditions of the purchase option are such that there is sufficient certainty that such option will be exercised, hence such contracts are classified as acquisitions in substance in accordance with SIC 27 "Evaluating the substance of transactions in the legal form of a lease" (see Notes 5.2.1 and 6.6).

5.2.1 Variation of property and equipment

Property and equipment are analyzed as follows:

	As at December 31, 2018	As at December 31, 2017
Vessels		
Cost	11,657.2	11,074.3
Cumulated depreciation	(2,835.0)	(2,453.6)
	8,822.2	**8,620.7**
Containers		
Cost	870.3	922.5
Cumulated depreciation	(384.6)	(359.9)
	485.6	**562.6**
Lands and buildings		
Cost	644.1	697.1
Cumulated depreciation	(196.1)	(187.3)
	448.0	**509.8**
Other properties and equipments		
Cost	747.3	649.2
Cumulated depreciation	(261.9)	(222.8)
	485.4	**426.5**
Total		
Cost	13,918.9	13,343.2
Cumulated depreciation	(3,677.6)	(3,223.6)
Property and equipment	**10,241.3**	**10,119.6**

As at December 31, 2018, assets under finance leases and other similar arrangements included in the above table represented a cost of USD 1,425.9 million (USD 1,159.6 million as at December 31, 2017) and a cumulated depreciation of USD 402.7 million (USD 342.5 million as at December 31, 2017).

Variations in the cost of property and equipment for the year ended December 31, 2018 and the year ended December 31, 2017 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at January 1, 2017	**8,959.6**	**831.5**	**408.8**	**796.1**	**631.0**	**520.4**	**12,147.5**
Acquisitions	145.9	244.5	550.6	154.8	15.5	210.9	**1,322.3**
Acquisitions of subsidiaries	93.6	-	8.1	2.2	(7.9)	-	**96.0**
Disposals	(108.3)	(3.9)	(67.0)	(29.1)	(1.3)	(89.2)	**(298.7)**
Reclassification	-	-	-	(2.6)	1.1	(12.7)	**(14.2)**
Reclassification to assets held-for-sale	427.0	9.7	(436.7)	-	-	-	**-**
Vessels refinancing & exercise of purchase option	5.2	(5.2)	-	-	-	-	**-**
Foreign currency translation adjustment	3.8	7.3	(0.1)	1.0	58.7	20.3	**90.9**
As at December 31, 2017	**9,526.8**	**1,083.9**	**463.7**	**922.5**	**697.1**	**649.2**	**13,343.2**
Acquisitions	165.4	148.7	345.5	71.9	3.8	116.5	**851.8**
Acquisitions of subsidiaries	10.2	-	26.8	31.7	1.0	5.1	**74.8**
Adjustment on purchase price allocation	(35.4)	-	-	-	-	-	**(35.4)**
Disposals	(54.8)	(1.8)	-	(151.9)	(7.6)	(14.8)	**(230.9)**
Reclassification to held-for-sale	-	-	-	-	(20.0)	-	**(20.0)**
Reclassification	(1.1)	-	-	(1.6)	-	4.7	**2.0**
Vessels put into service	501.6	76.6	(578.1)	-	-	-	**0.0**
Foreign currency translation adjustment	(17.4)	(1.6)	(1.8)	(2.4)	(30.2)	(13.3)	**(66.7)**
As at December 31, 2018	**10,095.3**	**1,305.8**	**256.1**	**870.3**	**644.1**	**747.3**	**13,918.9**

As at December 31, 2018 , the Group operates 147 vessels owned or under finance lease or equivalent agreements (136 vessels as at December 31, 2017).

During the year ended December 31, 2018:

- "Acquisitions" of leased vessels mainly relate to the delivery of one TEU 14,000 vessel and to the delevery of one LNG of Containerships;
- "Acquisitions" of owned vessels relate to the purchase of four second-hand vessels (below TEU 2,000) and one tugboat;
- "Acquisitions" of in-progress vessels relate to prepayments paid to shipyards in relation to the orderbook (including nine TEU 22,000 vessels) and include the delivery installments paid at the delivery dates of three TEU 2,500 vessels and three TEU 20.600 vessels;
- "Vessels put into service" relate to the reclassification of the prepayments mainly following the deliveries of three TEU 20,600 vessel and three TEU 2,500 vessel.

During the year ended December 31, 2017:

- "Acquisitions" of leased vessels mainly relate to the delivery of two TEU 14,000 vessels through finance leases;
- "Acquisitions" of in-progress vessels relate to prepayments paid to shipyards in relation to the orderbook;
- "Vessels put into service" relate to the reclassification of the prepayments in relation to the deliveries of two TEU 1,700 owned vessels and three TEU 14,000 vessels through tax lease for which some prepayments had been paid to the shipyard;
- "Acquisitions of subsidiairies" mainly relates to the acquisition of Mercosul which owns three TEUs 2,500 vessels recognized at their acquisition date fair values;
- "Acquisitions" of owned vessels relate to five second-hand vessels bought by NOL.

Borrowing costs capitalized during the year ended December 31, 2018 amounted to USD 13.1 million (USD 20.4 million for the year ended December 31, 2017).

Acquisition of property and equipment and reconciliation with the Consolidated Statement of Cash Flows

Purchases of property and equipment amounted to USD 851.8 million for the year ended December 31, 2018 (USD 1,322.3 million for the year ended December 31, 2017).

The reconciliation of these acquisitions with the capital expenditures (CAPEX) presented in the statement of cash-flows, under the heading "Purchase of property and equipment" can be presented as follows:

		As at December 31, 2018	
		2018	**2017**
Acquisition of assets presented in the above table	a	851.8	1,322.3
(-) Assets not resulting in a cash outflow (i)	b	425.0	565.1
CAPEX cash from purchases of property and equipment	a (-) b = c	426.8	757.2
CAPEX cash from purchases of intangible assets	d	79.7	71.9
CAPEX cash from business combination (excluding NOL)	e	769.6	(538.8)
Total CAPEX as per Consolidated Statement of Cash Flows	**c (+) d (+) e**	**1,276.1**	**290.2**

(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 year ended December 31, 2018 and the year ended December 31, 2017 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at January 1, 2017	**(1,841.2)**	**(271.5)**	**-**	**(325.7)**	**(151.4)**	**(208.6)**	**(2,798.3)**
Depreciation	(375.0)	(44.2)	-	(42.0)	(22.8)	(57.1)	**(541.0)**
Acquisitions of subsidiaries	-	-	-	-	0.0	-	**0.0**
Disposals	88.5	4.0	-	7.8	0.8	51.8	**152.8**
Impairment	(7.8)	-	-	0.0	-	-	**(7.8)**
Vessels refinancing & exercise of purchase option	(8.1)	8.1	-	-	-	-	**(0.0)**
Reclassification	-	-	-	0.4	(0.5)	1.0	**0.9**
Foreign currency translation adjustment	2.8	(9.2)	-	(0.4)	(13.5)	(9.9)	**(30.2)**
As at December 31, 2017	**(2,140.8)**	**(312.8)**	**-**	**(359.9)**	**(187.3)**	**(222.8)**	**(3,223.6)**
Depreciation	(381.1)	(48.1)	-	(38.3)	(21.8)	(57.9)	**(547.3)**
Disposals	44.2	1.8	-	13.2	5.0	11.7	**75.8**
Impairment	(5.3)	-	-	-	(0.1)	-	**(5.4)**
Vessels refinancing & exercise of purchase option	9.1	(9.1)	-	-	-	-	**-**
Reclassification to held-for-sale	-	-	-	-	1.2	-	**1.2**
Reclassification	2.3	-	-	0.1	-	(0.2)	**2.2**
Foreign currency translation adjustment	4.6	0.3	-	0.3	6.9	7.3	**19.6**
As at December 31, 2018	**(2,467.1)**	**(367.9)**	**-**	**(384.6)**	**(196.1)**	**(261.8)**	**(3,677.5)**

Including intangible assets, the total depreciation for the year ended December 31, 2018 amounts to USD 634.0 million (USD 624.1 million for the year ended December 31, 2017).

The net book value of property and equipment at the opening and closing for the year ended December 31, 2018 and the year ended December 31, 2017 are analyzed as follows:

	Vessels			Containers	Lands and buildings	Other properties and equipments	Total
	Owned	Leased	In-progress				
As at December 31, 2018	7,628.2	937.9	256.1	485.6	448.0	485.5	**10,241.3**
As at December 31, 2017	7,385.9	771.1	463.7	562.6	509.8	426.5	**10,119.6**
As at December 31, 2016	7,118.4	560.0	408.8	470.4	479.7	311.8	**9,349.2**

As at December 31, 2018, the carrying amount of property and equipment held as collateral (mainly of financial debts) amounts to USD 7,091.0 million (USD 7,975.5 million as at December 31, 2017).

The net book value of the container fleet as at December 31, 2018 includes USD 55.3 million related to containers under finance leases (USD 11.2 million as at December 31, 2017).

5.2.2 Group fleet development

Prepayments made to shipyards relating to owned vessels under construction are presented within "Vessels" in the consolidated statement of Financial Position and amount to USD 256.1 million as at December 31, 2018 (USD 463.7 million as at December 31, 2017).

Regarding the commitments related to ordered vessels, see Note 8.2.1.

5.3 Impairment of non-financial assets

As required by IAS 16 “Property, Plant and Equipment” and IAS 36 “Impairment of Assets”, the Group reviews the carrying amounts of property and equipment (see Note 5.2) and intangible assets (see Note 5.1) annually in order to assess whether there is any indication that the value of these assets might not be recoverable. If such an indication exists, the recoverable value of the asset is estimated in order to determine the amount, if any, of the impairment loss. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment of goodwill and other assets that do not generate independent cash inflows, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units or “CGU”).

The impairment tests on goodwill and intangible assets with an indefinite useful life or unavailable for use are performed annually at the CGU level, irrespective of whether there is an indication of impairment.

Any impairment recorded on goodwill may not subsequently be reversed.

Significant judgment, estimates and assumptions

When value in use calculations are undertaken, management must estimate the expected future cash flows of the asset or cash-generating unit and choose a suitable discount rate and a perpetual long-term growth rate in order to calculate the present value of those cash flows. These estimates take into account certain assumptions about the global economic situation and the future growth of the container shipping industry.

The main assumptions used by the Company in order to perform impairment testing of non-financial assets are the following:

- The level at which the assets were tested:

(i) CMA CGM, is organized as a global container carrier, managing its customer base and fleet of vessels and containers on a global basis. Large customers are dealt with centrally and assets are regularly reallocated within trades according to demand. Even though certain trades may have their own specificities, none generates cash flows independently of the others. As such, vessels, containers, goodwill and other long-term assets related to the container shipping activity are not tested individually but rather on the basis of the cash flows generated by the overall container shipping activity.

(ii) For terminal operations, when the Company controls the entity, the CGU correspond to each individual terminal or entity, or to a group of terminals or entities when they operate in the same geographic area and their activities are interrelated.

- For the container shipping activity, which represents the vast majority of the Company’s business, the cash flows used to determine the value in use are based on the Group’s most recent business plan prepared by management, which covers a 4 or 5-year period.

- The post-tax discount rates, or Weighted Average Cost of Capital (“WACC”) , used for testing purposes are included within the range 7.3%-14% (7.9%-14% in 2017) depending upon the inherent risk of each activity tested.

- The perpetual growth rate applied to periods subsequent to those covered by management’s business plan was generally set at 1% (1% at end of 2017 – see sensitivity analysis below).

The container shipping industry remains volatile and pressure on freight rates and overcapacity in the global containership fleet are still a potential concern for the industry. To prepare its business plan, management considered historical data and opinions from independent shipping experts which tend to indicate that in the medium term, fleet capacity and demand will be more balanced.

Sensitivity of the impairment test to changes in the assumptions used in the determination of the value in use

Regarding the container shipping activity:

- If the discount rate had been increased by 1%, the net present value of future cash flows would have been lowered by USD 3.1 billion (USD 3.4 billion as at December 31, 2017), which would not have resulted in any impairment charge;
- The estimated value in use of the container shipping assets to be tested would have been approximately equal to its carrying amount if the discount rate had been increased by 5.5% (8.1% as at December 31, 2017);
- If the perpetual growth rate had been set at 0%, the net present value of future cash flows would have been lowered by USD 2.4 billion (USD 2.8 billion as at December 31, 2017), which would not have resulted in any impairment charge;
- The estimated value in use of the container shipping assets to be tested would have been approximately equal to its carrying amount if the perpetual growth rate had been decreased by 9.4% (13.1% as at December 31, 2017), i.e. negative perpetual growth rate of 8.4% (negative 12.1% as at December 31, 2017).

5.4 Working Capital

Inventories - Initial recognition

Inventories are initially recorded at cost. Cost represents the purchase price and any directly attributable costs. Inventories mainly relate to bunker fuel at the end of the year. Cost is determined on a first-in, first-out basis.

Inventories - Write-down rules

When the net realizable value of an item of inventory is less than its cost, the excess is immediately written-down in profit or loss.

The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized through profit or loss so that the new carrying value is the lower of the cost and the revised net realizable value.

Impairment of trade receivables

According to the simplified approach allowed by IFRS 9 for trade receivables, the Group determined that the provision that would be recognized using a provision matrix based on historical and projected statistics for determining expected credit loss (ECL) on trade receivables would not be materially different from the provision accounted through the currently used methodology.

Write down is measured taking into account :

- Customer segments that have similar loss patterns : the Group differentiates freight receivables from demurrage receivables;
- The receivables' maturities in correlation with their estimated collection rate : at date, the Group fully depreciates aged receivables above one year.

Individual receivable identified as risky are also depreciated when :

- It is probable that the receivable will not be recovered; and
- The amount of the loss can be reliably measured.

Impairment of contract assets

Contract assets are impaired following the same rules as trade receivables.

Securitization of receivables

The Company transfers certain receivables of certain shipping agencies by way of a securitization program. As a portion of the risks and rewards of ownership related to these trade receivables have been retained by the Group, they are not derecognized and a borrowing is recorded against the cash consideration received from the lenders (collateralized borrowing). Similarly, when the Company receives shares from the securitization vehicle either (i) as a consideration for receivables transferred during the period or (ii) as an advance consideration for receivables to be transferred in a subsequent period, the related receivables are not derecognized and maintained in the Statement of Financial Position (see Note 6.6).

Significant estimates: Demurrage and detention receivables, accruals for port call expenses, transportation costs and handling services

The amount of demurrage receivables as well as port call expenses, transportation costs and handling services are estimated on the basis of standard costs, as there can be delays between the provision of services and the receipt of the final invoices from shipping agents and customers or suppliers throughout the world (see Note 4 for revenue recognition accounting principles).

5.4.1 Inventories

	As at December 31, 2018	As at December 31, 2017
Bunkers	451.7	391.1
Other inventories	78.4	76.6
Provision for obsolescence	(1.4)	(1.0)
Inventories	**528.7**	**466.8**

5.4.2 Trade receivables and payables

Trade and other receivables are analyzed as follows:

	As at December 31, 2018	As at December 31, 2017 (**)
Trade receivables	1,644.2	1,288.4
Less impairment of trade receivables	(101.0)	(102.7)
Trade receivables net	**1,543.2**	**1,185.7**
Prepayments	129.4	165.1
Other receivables, net	680.6	511.8
Employee, social and tax receivables	186.4	167.7
Trade and other receivables (*)	**2,539.7**	**2,030.4**

(*) including current income tax asset
(**) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 15

"Other receivables, net" mainly include accrued income estimated due to the time between the provision of services and the issue of the final invoices from shipping agents to customers throughout the world.

Trade and other payables are analyzed as follows:

	As at December 31, 2018	As at December 31, 2017
Trade payables	2,031.3	1,465.0
Employee, social and tax payables	340.7	336.3
Other payables (mainly accruals for port call expenses, transportation costs, handling services)	2,290.0	2,083.6
Trade and other payables (*)	**4,662.0**	**3,884.9**

(*) including current income tax liability

In 2017, "other payables" included USD 80.5 million related to dividends declared prior December 31, 2017 which have been paid early January 2018.

The working capital can be analyzed as follows:

	As at December 31, 2017 (***)	Variations linked to operations	Acquisition of subsidiairies (see Note 3.1)	Currency translation adjustment	Others	As at December 31, 2018
Inventories	466.8	59.1	2.6	(1.1)	1.4	528.7
Trade and other receivables (*)	2,030.4	662.7	76.1	(126.0)	(103.5)	2,539.7
Contract assets	439.7	76.2	-	-	-	515.9
Prepaid expenses	423.1	58.8	5.0	(1.3)	14.0	499.6
Trade and other payables (**)	(3,884.9)	(891.8)	(60.9)	108.3	67.3	(4,662.0)
Deferred income	(79.0)	(56.0)	(0.0)	(1.6)	51.0	(85.6)
Net working capital	**(603.9)**	**(91.1)**	**22.9**	**(21.7)**	**30.2**	**(663.7)**

(*) including current income tax asset

(**) including current income tax liability

(***) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 15

Prepaid expenses mainly correspond to expenses related to voyages in progress at the Statement of Financial Position date resulting from the revenue recognition accounting principles dislosed in Note 4.

Trade receivables and payables, including current income tax assets and liabilities, mature as follows :

	As at December 31, 2018	Not yet due	0 to 30 days	30 to 60 days	60 to 90 days	90 to 120 days	Over 120 days
Trade and other receivables	**2,539.7**	1,302.2	583.5	145.7	135.1	56.9	316.3
Trade and other payables	**4,662.0**	3,418.5	402.3	185.6	75.7	150.2	429.6

5.5 Non-current assets held for sale

Non-current assets to be disposed of are classified as non-current assets held-for-sale and measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets are classified as held-for-sale only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for the sale of such items. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Liabilities directly associated with these assets are presented in a separate line in the balance sheet.

When a non-current asset or a group of assets is classified as held-for-sale, the depreciation of its non-current assets is discontinued.

Non-current assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. If the fair value is lower than the carrying amount, an impairment charge is recognized in the income statement.

The asset classified as held for sale as at December 31, 2018 corresponds to an individual asset in the US for which a disposal decision has been made (no asset was classified as held-for-sale as at December 31, 2017).

5.6 Free cash flow

Free cash flow is USD 236.9 million for the year ended December 31, 2018. It is composed of cash flow from operations for USD 1,200.5 million (of which EBITDA contributed for USD 1,157.0 million, income tax paid for USD (105) million and variation of working capital for USD 167.3 million) and cash flow provided by investing activities for USD (963.6) million.

Cash flow from investing activities has been mainly impacted by capital expenditures from purchasing of property and equipment as well as intangible assets, representing a cash outflow of USD (506.4) million, the consideration paid to acquire 32.9% of CEVA for USD (501.5) million and Containerships for USD (209.9) million (net of cash acquired), as well as the proceeds from disposal of property and equipment for USD 167.8 million, and the net proceeds received as part of the variation of other financial assets for USD 125.4 million .

Note 6 - Capital structure and financial debt

The Group's activities entail a variety of financial risks: market risk (including foreign exchange risk, bunker costs risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial and oil/commodity markets and seeks to minimize potential adverse consequences on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department and a bunkering department in accordance with policies approved by management. These departments identify, evaluate and hedge financial risks in close relation with operational needs. Management provides written principles for overall risk management, as well as written policies covering specific areas, such as bunker risk, foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of liquidity.

6.1 Financial risk management objectives & policies

6.1.1 Market risk

Bunker costs risk

The Group seeks to apply bunker surcharges (Bunker Adjustment Factor "BAF") in addition to freight rates to compensate for fluctuations in the price of fuel. The Group's risk management policy is also to hedge through fixed price forward contracts. The analyzes of the exposure to price fluctuations is performed on a continual basis.

The fuel prices over the last three years are as follows:

	Closing rate			Average rate		
Market data as at :	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Nymex WTI (1st nearby, in $ per barrel) *	45.41	60.42	53.72	64.90	50.85	43.47
Brent (1st nearby, in $ per barrel) *	53.80	66.44	57.49	71.79	54.74	45.16

** Based on the future contract maturing at the closest maturity on each considered date*

As at December 31, 2018, the Company hedged approximately 10% of expected purchase of bunkers for the next year through a forward fixed price with delivery (2.1% of expected purchase for the year 2018 as at December 31, 2017). These bunker purchases are treated as executory contracts.

As disclosed in Note 6.2.1, as at December 31, 2018, the Group has limited amounts of derivative financial instruments relating to bunker cost hedging (no instrument as at December 31, 2017) and some contracts accounted as executory contracts ("own use").

Based on the fuel consumption for the year ended December 31, 2018, an increase of the fuel prices by USD 10 (in USD per ton) would have had a negative impact on the Statement of Profit & Loss of approximately USD 84.0 million, excluding any effect on the BAF mechanism mentioned above as well as any other correlation with freight prices.

The following table presents the sensitivity of the Group's profit before tax as at December 31, 2018 to a possible change in bunker swap fixings, assuming no change in other parameters:

		Income Statement impact	
(in MUSD)		**Change in fair value of derivatives**	**Bunker operating expenses ***
Platts HSFO 3,5% S Rotterdam FOB Barge	+ 50 USD	-	4.0
Platts HSFO 3,5% S Rotterdam FOB Barge	- 50 USD	-	(4.0)

** excluding the effect on underlying hedged transactions*

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The functional currency of the Group being the U.S. Dollar, the Company is primarily exposed to the Euro currency fluctuations regarding its operational and financing transactions. Transactional currency exposure risks arise from sales or purchases by an operating unit in a currency other than the Group's functional currency.

The Company may conclude certain derivative transactions to hedge specific risks.

The Group's exposure to the transaction currencies, taking into account the effect of hedges, can be presented as follows:

As at December 31, 2018	Carrying amount	USD	EUR	CNY	GBP	Others
Trade receivables and prepaid expenses	**2,994.3**	1,118.0	1,287.4	36.1	36.6	516.3
Cash and cash equivalents and securities	**1,437.3**	904.7	70.6	36.6	14.6	410.8
Trade payables and current deferred income	**4,651.4**	2,934.6	795.0	44.2	23.6	854.0
Borrowings	**9,180.5**	5,956.7	3,092.2	-	13.1	118.5

This exposure is mitigated to a certain extent by the currency mix of operating revenues and expenses.

Price risk on equity securities

The Group is exposed to an equity securities price risk due to investments held by the Group and classified on the consolidated Statement of Financial Position as securities. To manage the price risk arising from investments in equity securities, the Group diversifies its portfolio.

However, the Group exposure to equity securities price risk is not significant as at December 31, 2018 (same as at December 31, 2017).

Cash Flow Interest rate risk

The increase of short-term USD rates has continued in 2018 with a net acceleration on the first and last quarter.

	Closing rate as at December 31,			Annual average rate		
Market data:	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
LIBOR USD 3 M	2.81%	1.69%	1.00%	2.31%	1.26%	0.74%

The Group's interest rate risk mainly arises from borrowings. The Company has borrowings (including obligations under capital leases) issued at variable rates (USD Libor) that expose the Company to a cash flow interest rate risk.

As at December 31, 2018, taking into account the interest rate hedges, the borrowings bearing interest at variable rates represent 48% of total debts against 52% at fixed rates.

The table below presents the fair value of the Group's interest rate derivatives in relevant maturity groupings based on the remaining period, from the Statement of Financial Position date to the contractual maturity date:

As at December 31, 2018	Nominal amount	Maturity		Fair value of derivatives
		Less than 5 years	More than 5 years	
Interest swaps- cash flow hedge	**485.3**	453.0	32.3	7.0
Interest swaps - not qualifying for cash flow hedge	**44.7**	44.7	-	0.6
Cross currency interest rates swaps - fair value hedge	**513.3**	293.5	219.7	(57.8)
Cross currency interest rates swaps - cash flow hedge	**450.2**	450.2	-	(22.9)
Total	**1,493.5**	**1,241.5**	**252.1**	**(73.1)**

The following table presents the sensitivity of the Group's profit before tax and of the Cash Flow reserve as at December 31, 2018 to a possible change in interest rates, assuming no change in other parameters:

		Income Statement impact		Balance Sheet impact
		Change in fair value of derivatives	Interest expenses *	Cash Flow Reserve
U.S Dollar	+100 bps	0.5	0.7	3.5
Singapore Dollar	+100 bps	(13.2)	4.7	(7.7)

** excluding the effect on underlying hedged transactions*

6.1.2 Credit risk

The Group trades with large, recognized, creditworthy third parties and also with a very large number of smaller customers for which prepayments are often required. Trade receivables and third party agents outstanding balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant (bad debts represent 0.4% of revenue in 2018 and 0.5% of revenue in 2017). Because of the large customer base, the Group has no significant concentration of credit risk. No customer represents more than 5% of Group revenue.

Counterparties for transactions on derivatives are limited to high-credit-quality financial institutions. The Group has policies that limit its exposure to credit risk towards financial institutions when dealing derivative financial instruments.

6.1.3 Liquidity risk

The table below presents the undiscounted cash flows of interest swap derivatives based on spot rate as at December 31, 2018 and on the interest rate curve as at December 31, 2018:

	2019	2020	2021	2022	2023	Onwards
Interest swaps - Assets	1.6	1.1	0.6	0.5	-	-
Interest swaps - Liabilities	1.1	0.9	0.4	0.2	0.1	0.2
Cross currency interest rates swaps - Liabilities	24.9	15.6	33.9	7.0	6.4	19.9
Total	**27.6**	**17.7**	**34.9**	**7.6**	**6.5**	**20.1**

As explained in Note 3.3, the Company's financing arrangements have been amended and are nowsubject to compliance with the following financial covenants:

- Leverage ratio (Adjusted net debt / 3-year average adjusted EBITDA) including impacts of IFRS 16 application;
- Loan-to-value ratio (financing / market value of related asset);
- Minimum liquidity balance.

These covenants are based on specific calculations as defined in the Company's financing arrangements (see below).

As at and for the year ended December 31, 2018, the Company fully complied with these covenants.

Adjusted net debt is calculated as the difference between total borrowings (see Note 6.6) less the aggregate of (i) the remaining value of Bonds and preferred shares redeemable in shares disclosed in borrowings in Note 6.6, (ii) cash deposited in escrow accounts in relation to certain loan-to-value provisions disclosed in Note 6.3.1 and (iii) unrestricted cash and cash equivalents as defined below.

Unrestricted cash and cash equivalents correspond to the sum of (i) cash and cash equivalents as per statement of financial position as disclosed in note 6.4 and (ii) "securities" as disclosed in Note 6.3.2, less the amount of restricted cash as disclosed in Note 6.4.

On the basis of these definitions, adjusted net debt is calculated as follows (excluding IFRS 16 impacts):

	Note	As at December 31, 2018	As at December 31, 2017 (*)
Total Borrowings	6.6	**9,180.5**	**8,419.3**
(-) Bonds redeemable in shares in Borrowings	6.6	(31.9)	(52.1)
(-) LTV deposits	6.3.1	(23.2)	(33.6)
Adjusted gross debt : A		**9,125.4**	**8,333.6**
Cash and cash equivalents as per statement of financial position	6.4	**1,401.9**	**1,383.5**
(+) Securities	6.3.2	35.3	35.2
(-) Restricted cash	6.4	(46.7)	(9.8)
Unrestricted cash and cash equivalents : B		**1,390.6**	**1,408.9**
Adjusted net debt : A (-) B (+) C		**7,734.8**	**6,924.7**

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

Regarding the liquidity risk linked to vessel financing, please refer to the financial commitments presented in the Note 8.2.1 Commitments on vessels and containers.

6.1.4 Capital risk management

The Group monitors capital on the basis of the ratios described above.

6.1.5 Fair value hierarchy

Fair Value of financial assets

The fair values of quoted investments are based on current mid-market prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are largely similar and discounted cash flow analyses refined to reflect the issuer's specific circumstances.

The table in the Note 6.3.3 Classification of financial assets and liabilities that presents a breakdown of financial assets and liabilities categorized by value meets the amended requirements of IFRS 7. The fair values are classified using a scale which reflects the nature of the market data used to make the valuations. This scale has three levels of fair value:

- Level 1: fair value based on the exchange rate/price quoted on the active market for identical instruments;
- Level 2: fair value calculated from valuation techniques based on observable data such as active prices or similar liabilities or scopes quoted on the active market;
- Level 3: fair value from valuation techniques which rely completely or in part on non-observable data such as prices on an inactive market or the valuation on a multiples basis for non-quoted securities.

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2018:

As at December 31, 2018	Level 1	Level 2	Level 3	Total Balance
Assets				
Securities	35.4	-	-	35.4
Derivatives not qualified to hedge accounting	-	0.6	-	0.6
Derivatives used for hedging	-	7.6	-	7.6
Fair value through other comprehensive income	-	-	30.7	30.7
Fair value through P&L	-	-	34.5	34.5
Total Assets	**35.4**	**8.2**	**65.2**	**108.7**
Liabilities				
Cross currency interest rates swaps - fair value hedge	-	57.8	-	57.8
Cross currency interest rates swaps - cash flow hedge	-	22.9	-	22.9
Total Liabilities	**-**	**80.7**	**-**	**80.7**

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2017:

As at December 31, 2017	Level 1	Level 2	Level 3	Total Balance
Assets				
Securities	35.2	-	-	35.2
Derivatives not qualified to hedge accounting	-	0.3	-	0.3
Derivatives used for hedging	-	4.5	-	4.5
Fair value through other comprehensive income	-	-	30.2	30.2
Fair value through P&L	-		19.2	19.2
Total Assets	**35.2**	**4.8**	**49.4**	**89.4**
Liabilities				
Interest swaps - cash flow hedge	-	1.1	-	1.1
Interest swaps - not qualifying to hedge accounting	-	-	-	-
Cross currency interest rates swaps - fair value hedge	-	54.8	-	54.8
Cross currency interest rates swaps - cash flow hedge	-	22.2	-	22.2
Total Liabilities	**-**	**78.1**	**-**	**78.1**

The variations of assets included in level 3 are as follows:

	ASSETS	
	Fair value through other comprehensive income	**Fair value through P&L**
Opening balance	**30.2**	**19.2**
Total gains or losses for the period		
Foreign Currency impact	(0.6)	
Purchases, issues, sales and settlements		
Purchases	16.2	5.0
Depreciation	(2.7)	
Settlements	(8.6)	
Others	(3.3)	10.3
Closing balance	**30.7**	**34.5**

6.2 Derivative financial instruments

Derivative instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-evaluated at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if this is the case, on the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedge).

The Group documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve are shown in other comprehensive income.

Classification of the Company's derivative instruments

- Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The impact in the Statement of Profit & Loss (effective and ineffective portion) of bunker hedging activities that qualify as cash flow hedges is presented in the line item "Bunkers and Consumables".

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowing is recognized in the Statement of Profit & Loss within "Interest expense on borrowings". The gain or loss relating to the ineffective portion is recognized in the income statement under the heading "Other financial items".

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the non-financial asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at this time remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

- Fair value hedge

Fair value hedges apply when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment or an identified portion of such an asset, liability or unrecognized firm commitment that is attributable to a particular risk.

The fair value changes on the effective portion of derivatives that are designated and qualify as fair value hedges are recognized in the income statement within the same line item as the fair value changes from the hedged item. The fair value changes relating to the ineffective portion of the derivatives are recognized separately in the income statement.

- Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as assets or liabilities at fair value through profit and loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement. The impact in the Statement of Profit & Loss of such derivatives is presented in the line item "Other financial items".

- Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income; the gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Gains and losses accumulated in other comprehensive income are included in the income statement when the foreign operation is disposed of.

6.2.1 Derivative financial instruments

Derivative financial instruments can be analyzed as follows :

	As at December 31, 2018		As at December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Interest swaps - cash flow hedge	7.6	-	1.9	1.1
Interest swaps - not qualifying to hedge accounting	0.6	-	0.3	-
Bunker hedge - cash flow hedge	-	1.7	-	-
Cross currency interest rates swaps - fair value hedge	-	57.8	-	54.8
Cross currency interest rates swaps - cash flow hedge	-	22.9	2.6	22.2
Currency forward contracts - not qualifying to hedge accounting	3.4	0.8	-	-
Total derivative financial instruments	**11.6**	**83.3**	**4.8**	**78.1**
of which non-current portion (greater than 1 year)	*6.0*	*80.7*	*4.9*	*76.6*
of which current portion (less than 1 year)	*5.6*	*2.6*	*-*	*1.5*

As at December 31, 2018 and December 31, 2017, the Company did not record any transfer between derivative financial instruments' categories.

6.2.2 Net investment hedge

A foreign currency exposure arises from the Group's net investment in certain subsidiaries, associates or joint ventures with a euro functional currency.

The risk arises from the fluctuation in spot exchange rates between the Euro and the US Dollar, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening euro against the US dollar that will result in a reduction in the carrying amount of the Group's net investment in the euro investees.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate.

Part of the Group's net investment in its euro investees is hedged by certain Euro denominated senior notes, which mitigates the foreign currency exposure arising from the investee's net assets. A portion of the euro loan has been designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the EUR/USD exchange rates.

Management implemented this net investment hedge from January 1, 2017.

The cumulated amount, from January 1, 2018, of the change in the value of the Senior Notes that has been recognized in OCI to offset the currency translation adjustment of the foreign operation amounts to USD (21.3) million.

6.3 Other non-current financial assets - Securities and other current financial assets

The Group classifies its financial assets in the following categories, depending on their nature (i.e. their contractual cash flow characteristics) and how they are managed (i.e. the Group business model used for managing these financial assets):

Financial assets subsequently measured at amortized cost

These financial assets are initially recognized at fair value plus directly attributable costs.

They are classified as subsequently measured at amortised cost if they meet both of the following criteria:

- The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date.

Amortized cost is determined using the effective interest method, less impairment.

Financial assets subsequently measured at fair value through other comprehensive income

These financial assets are initially recognized at fair value plus directly attributable costs.

They are classified as subsequently measured at fair value through other comprehensive income (FVOCI) if they meet both of the following criteria:

- The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest(SPPI) on the principal amount outstanding.

The business model mentioned as first criteria involves greater frequency and volume of sales than the business model used for financial assets measured ate amortized cost. Integral to this business model is an intention to sell the instrument before the investment matures.

Financial assets subsequently measured at fair value through profit or loss

These financial assets are initially recognized at fair value excluding directly attributable costs that are immediately recognized in profit and loss.

These financial assets are classified and measured at Fair value through profit or loss (FVTPL) if:

- The asset is held within a business model that does not correspond to the business model used to classify financial assets at amortized cost or at fair value through other comprehensive income; and
- The contractual terms of the financial asset give rise to cash flows that are not solely payments of principal and interest(SPPI).

A financial asset is thus classified and measured at FVTPL if the financial asset is:

- A held-for-trading financial assets;
- A debt instruments that do not qualify to be measured at amortised cost or FVOCI;
- An equity investments which the Group has not elected to classify as at FVOCI.

Changes in fair value are recognized in profit and loss as they arise.

Impairment of financial assets

At each Statement of Financial Position date, the Group performs impairments tests using a forward-looking expected credit loss (ECL) model.
The amount of impairment to be recognised as expected credit losses (ECL) at each reporting date as well as the amount of interest revenue to be recorded in future periods are determined through a three-stage impairment model based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition:

- Stage 1: When the credit risk has not increased significantly since initial recognition, the Group accounts expected losses over next 12 months and recognises interest on a gross basis;
- Stage 2: When the credit risk has increased significantly since initial recognition and is not considered as low, the Group accounts expected losses over the lifetime of the asset and recognises interest on a gross basis;
- Stage 3: In case of a credit deterioration that threatens its recoverability, the Group accounts expected losses over the lifetime of the asset and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

6.3.1 Other non-current financial assets

Other non-current financial assets are analyzed as follows:

	As at December 31, 2018	As at December 31, 2017 (*)
Gross	71.4	59.1
Impairment	(6.2)	(9.6)
Investments in non consolidated companies	**65.2**	**49.4**
Gross	80.9	100.2
Impairment	(18.2)	(18.7)
Loans	**62.6**	**81.6**
Gross	120.1	227.2
Impairment	-	-
Deposits	**120.1**	**227.2**
Gross	73.8	63.1
Impairment	(4.5)	(4.3)
Receivable from associates & joint ventures	**69.3**	**58.8**
Gross	138.2	167.2
Impairment	(7.5)	(12.6)
Other financial assets	**130.7**	**154.6**
Gross	484.4	616.8
Impairment	(36.4)	(45.2)
Total other non-current financial assets, net	**448.0**	**571.6**

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

As disclosed in Note 2.2.1, the impairment charges of non-current financial assets have been revised following the adoption of IFRS 9, resulting in an additional impairment amounting to USD (12.7) million as at December 31, 2017.

Change in other non-current financial assets is presented within "Cash flow resulting from other financial assets" in the consolidated statement of cash flows.

Investments in non consolidated companies

"Investments in non consolidated companies" mainly relate to various participations individually not significant, classified either as assets at fair value through P&L or as assets at fair value through OCI (see Note 6.1.5).

Loans and receivables from associates and joint ventures

"Loans" and "receivables from associates and joint ventures" mainly relate to funds borrowed by certain terminal joint ventures. The recoverability of some of such loans has been reassessed during the fourth quarter, which leaded to the reverse of certain impairment.

Deposits

Included in "Deposits" are mainly:

- USD 23.4 million as at December 31, 2018 (USD 33.6 million as at December 31, 2017) of cash deposited in escrow accounts in relation to certain loan-to-value provisions in vessel financing agreements; and
- USD 67.2 million as at December 31, 2018 (USD 157.7 million as at December 31, 2017) of cash deposits which do not qualify as cash and cash equivalents.

Other financial assets

As at December 31, 2018, "Other financial assets" mainly include USD 86.7 million (USD 123.8 million as at December 31, 2017) of financial tax benefit to be received at the maturity of the tax financing period. The decrease in other financial assets, compared to December 31, 2017, relates to the tax benefits received following the exercice of the purchase option on the shares of Special Purpose Entities in relation to 5 vessels which were already recognized in the statement of financial position, which generated a cash inflow of USD 121.6 million and a positive impact in other financial result of USD 3.4 million.

6.3.2 Securities and other current financial assets

"Securities and other current financial assets" as at December 31, 2018 include securities at fair value for an amount of USD 35.3 million (USD 35.2 million as at December 31, 2017).

Other current financial assets mainly include (i) the current portion of the financial assets, (ii) cash held in escrow in the context of the Kingston terminal project (proceeds from financing still to be used in the construction project), (iii) as well as certain cash deposits which do not qualify as cash and cash equivalents since their inception.

6.3.3 Classification of financial assets and liabilities

Set out below is a breakdown by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements as at December 31, 2018:

Assets	As at December 31, 2018	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit and loss	Derivative instruments
Derivative financial instruments	**11.6**	-	-	-	11.6
Other financial assets	**448.0**	382.8	30.7	34.5	-
Trade and other receivables (*)	**2,539.7**	2,539.7	-	-	-
Contract assets	**515.9**	515.9			
Securities and other financial assets (current)	**144.4**	109.1	-	35.4	-
Cash and cash equivalents	**1,401.9**	1,401.9	-	-	-
Total financial instruments - Assets	**5,061.5**	**4,949.4**	**30.7**	**69.8**	**11.6**

Liabilities	As at December 31, 2018	Financial liabilities at amortized cost	Derivative instruments
Borrowings	**9,180.5**	9,180.5	-
Derivative financial instruments	**83.3**	-	83.3
Trade and other payables (**)	**4,662.0**	4,662.0	-
Total financial instruments - Liabilities	**13,925.8**	**13,842.5**	**83.3**

(*) including current income tax asset
(**) including current income tax liability

6.4 Cash and cash equivalents, and liquidity

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and margin calls related to the Company's derivative financial instruments. Those financial assets are classified as amortised cost and valued as described above. Bank overdrafts are presented within borrowings on the Statement of Financial Position.

6.4.1 Cash and cash equivalents

Cash and cash equivalents can be analyzed as follows:

	As at December 31, 2018	As at December 31, 2017 (*)
Cash on hand	727.8	585.8
Short term deposits	627.4	788.0
Restricted cash	46.7	9.8
Cash and cash equivalents as per statement of financial position	**1,401.9**	**1,383.5**
Bank overdrafts	(87.1)	(157.6)
Cash and cash equivalents and bank overdraft	**1,314.8**	**1,226.0**
Cash reported in assets held-for-sale	**-**	**-**
Cash and cash equivalents and bank overdrafts, as per cash flow statement	**1,314.8**	**1,226.0**

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

As disclosed in Note 2.2.1, the impairment charges of cash equivalents (short term deposits) have been slightly revised following the adoption of IFRS 9, resulting in an increased impairment of USD (9.9) million as at December 31, 2017.

6.4.2 Undrawn committed credit facilities and liquidity position

On September 14, 2017, CMA CGM signed an agreement with certain lenders with respect to a new undrawn unsecured revolving credit facility for an initial amount of USD 205 million, maturing in three years, subsequently upsized to USD 405 million.

As a consequence, as at December 31, 2018, the Group has access to undrawn committed credit facilities amounting to USD 622.1 million (USD 1,303.9 million as at December 31, 2017) granted by various financial institutions, of which the average maturity is around 1.5 years ranging from less than three months to 1.7 years.

Together with the abovementionned "cash and cash equivalents and bank overdraft" line item, excluding restricted cash and including securities disclosed in Note 6.3.2, the total liquidity of the Group amounts to USD 1,925.6 million as of December 31, 2018 (USD 2,555.3 million as December 31, 2017 – slightly revised following the adoption of IFRS 9).

6.5 Share capital, other reserves and earnings per share

Share capital and other reserves

Incremental costs directly attributable to the issue of new shares are presented in equity as a deduction from the proceeds, net of tax.

The share capital is constituted of (i) 10,578,355 ordinary shares held by MERIT Corporation, its shareholders and related persons, (ii) 3,626,865 ordinary shares held by Yildirim and (iii) 1 preference share held by the Banque Publique d'Investissement (Bpifrance formerly FSI) for a total of 14,205,221 shares.

In 2011 and 2013, Yildirim subscribed for USD 600 million to bonds mandatorily redeemable in the Company's preferred shares as at December 31, 2015. As at December 31, 2015, the bonds have been redeemed in preferred shares and as at December 31, 2017 into ordinary shares as per their terms and conditions. Since then, Yildirim holds 24% of the Company's ordinary shares on a fully diluted basis.

In June 2013, Bpifrance subscribed for USD 150 million to bonds mandatorily redeemable in the Company's ordinary shares as at December 31, 2020, representing 6% of the Company's ordinary shares upon conversion on a fully diluted basis.

No other share option plans or dilutive equity instruments have been issued.

The fully diluted share capital can be presented as follows:

Fully diluted share capital	Number of shares	% of share capital	Number of voting rights	% of voting rights
Outstanding shares as of December 31, 2018	14,205,221	94%	14,205,221	94%
Shares resulting from the conversion of bonds redeemable in shares subscribed by BPI in 2013	906,717	6%	906,717	6%
Total	**15,111,938**	**100%**	**15,111,938**	**100%**

Other comprehensive income / (Loss) reclassifiable to profit and loss break down as follows:

	As at December 31, 2018	As at December 31, 2017
Cash flow hedge	15.3	(0.8)
Share of other comprehensive income / (Loss) of associates and joint ventures	5.7	6.3
Net investment hedge	9.1	(50.7)
Deferred tax on reserve	1.4	1.4
Currency translation adjustments	(181.3)	(66.8)
Total Other Comprehensive Income / (Loss)	**(149.8)**	**(110.5)**

Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Except in cases where the result of the year is a loss, basic earnings per share also take into account the impact of the bonds mandatorily redeemable into common shares from the date that the contract is entered into. Basic and diluted earnings per share are similar due to the fact that there is no potentially dilutive instrument.

6.6 Borrowings

Financial liabilities

Financial liabilities within the scope of IFRS 9 "Financial instruments and related amendments" are classified as financial liabilities at amortised cost or at fair value through profit and loss (when they are held for trading). The Group determines the classification of its financial liabilities at initial recognition. The Group does not hold over the period presented financial liabilities at fair value through profit and loss except derivative instruments.
Financial liabilities are recognized initially at fair value, less directly attributable costs in case of liabilities that are not measured at fair value through profit and loss. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivatives.

Except for obligations recognized under finance leases, borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Statement of Profit & Loss over the period of the borrowings using the effective interest method.

Borrowings also comprise obligations recognized under finance lease agreements (see Note 5.2).

As previously disclosed, Management reassessed the substance of certain transactions having the legal form of a lease and concluded that, due to the fact that the purchase option exercise could be considered as certain, or that the tax incentive was the primarily objective of the lease arrangement, such contracts should not be considered as lease arrangements. Hence, the corresponding assets are presented as owned assets and the related liabilities as bank borrowings.

6.6.1 Maturity schedule, variations and detail of borrowings

Borrowings are presented below and include bank overdrafts, long-term bank borrowings, finance leases and similar arrangements and have the following maturities:

	As at December 31, 2018	Current portion	Non current portion	Maturity schedule : December 31,				
				2020	2021	2022	2023	Onwards
Senior notes	**2,943.7**	**(23.5)**	**2,967.2**	179.4	1,096.2	733.9	(4.9)	962.5
Bonds and preferred shares redeemable in shares	**31.9**	**15.2**	**16.7**	16.7	-	-	-	-
Bank borrowings	**3,487.0**	**696.1**	**2,790.8**	517.4	372.8	468.1	444.6	988.0
Obligations under finance leases	**763.6**	**70.5**	**693.0**	106.0	64.4	32.0	61.5	429.2
Bank overdrafts	**87.1**	**87.1**	**-**	-	-	-	-	-
Securitization programs	**1,682.5**	**(0.2)**	**1,682.7**	(0.2)	1,683.0	-	-	-
Other borrowings	**184.8**	**175.4**	**9.4**	1.4	0.6	0.5	0.4	6.4
Total	**9,180.5**	**1,020.6**	**8,159.9**	820.7	3,216.9	1,234.6	501.6	2,386.1

Variations in borrowings can be analyzed as follows:

	Senior notes	Bonds and preferred shares redeemable in shares	Bank borrowings	Obligations under finance leases	Bank overdrafts	Securitization programs	Other borrowings	Total
Balance as at January 1, 2018 (*)	**2,976.9**	**52.1**	**3,137.9**	**574.6**	**157.6**	**1,397.5**	**122.9**	**8,419.3**
Proceeds from new borrowings, net of issuance costs	-	-	542.6	-	-	301.6	150.4	994.6
Repayment of financial borrowings	-	(20.1)	(428.6)	(63.1)	-	-	(91.5)	(603.3)
Other increase/decrease in borrowings	16.0	-	223.1	192.1	(68.3)	-	(7.6)	355.3
Accrued interests and fees amortization	5.8	0.0	18.8	1.9	-	0.7	1.4	28.5
Refinancing of assets, net of issuance costs	-	-	-	54.0	-	-	-	54.0
Acquisition of subsidiaries	69.9	-	10.6	5.5	0.2	-	9.6	95.8
Foreign currency translation adjustments	(124.8)	-	(17.3)	(1.4)	(2.4)	(17.3)	(0.5)	(163.7)
Balance as at December 31, 2018	**2,943.7**	**31.9**	**3,487.0**	**763.5**	**87.1**	**1,682.5**	**184.8**	**9,180.5**

(*) Restated in accordance with the change in accounting policies described in Note 2.2.1: adoption of IFRS 9

As disclosed in Note 2.2.1, the adoption of IFRS 9 resulted in an slight change in the value of certain historically modified financial liabilities, representing USD 1.2 million as at December 31, 2017.

The line item "Other increase / decrease in borrowings" mainly corresponds to variation in borrowings which did not have any cash impact for the Group either because (i) the asset is financed through obligation under finance lease, (ii) the drawdown was directly made to the benefit of the shipyard or (iii) variation in overdraft has an opposite impact in cash and cash equivalents.

Borrowings relate to the following assets and their respective average interest rates are as follows:

	Senior notes	Bonds and preferred shares redeemable in shares	Bank borrowings	Obligations under finance leases	Other borrowings, securitization and overdrafts	Average Interest rate after hedging, amortized cost and "PPA"
Vessels	-	-	2,464.2	695.6	-	4.93%
Containers	-	-	125.6	58.5	-	6.80%
Land and buildings	-	-	116.6	1.0	-	0.63%
Handling	-	-	5.9	8.1	-	1.81%
Other tangible assets	-	-	66.7	0.3	-	3.00%
General corporate purposes	2,943.7	31.9	708.0	-	1,954.4	5.33%
Total	**2,943.7**	**31.9**	**3,487.0**	**763.6**	**1,954.4**	

Financial cash-flows on borrowings including repayment of principal and financial interest have the following maturities. As required by IFRS 7, these cash-flows are not discounted:

	As at December 31, 2018	Current portion	Non current portion	Maturity schedule : December 31,				
				2020	2021	2022	2023	Onwards
Senior notes	**3,822.4**	196.0	3,626.4	402.7	1,286.0	847.0	54.4	1,036.2
Bonds and preferred shares redeemable in shares	**36.0**	18.0	18.0	18.0	-	-	-	-
Bank borrowings	**4,242.8**	881.1	3,361.8	658.5	480.3	574.8	502.5	1,145.7
Obligations under finance leases	**1,092.7**	121.3	971.4	151.2	103.6	68.3	95.3	553.1
Bank overdrafts	**87.7**	87.7	-	-	-	-	-	-
Securitization programs	**1,728.0**	19.9	1,708.1	20.0	1,688.1	-	-	-
Other borrowings excl. accrued interests	**82.4**	73.0	9.4	1.4	0.6	0.5	0.4	6.4
Total	**11,092.0**	**1,396.9**	**9,695.0**	**1,251.7**	**3,558.6**	**1,490.6**	**652.6**	**2,741.4**

6.6.2 Details of Senior Notes

As at December 31, 2018, the Group has 7 unsecured Senior Notes outstanding which can be detailed as follows:

- SGD 280 million of nominal amount, issued by NOL Limited and maturing in September 2020;
- EUR 725 million of nominal amount, issued by CMA CGM and maturing in January 2021;
- SGD 300 million of nominal amount, issued by NOL Limited and maturing in June 2021;
- EUR 60 million of nominal amount, issued by CONTAINERSHIPS and maturing in November 2021 (see Note 3.1.2);
- EUR 650 million of nominal amount, issued by CMA CGM and maturing in July 2022;
- USD 116.5 million of nominal amount, originally issued by APL Limited and transferred to APL Investments America as part of GGS disposal, and maturing in January 2024;
- EUR 750 million of nominal amount, issued by CMA CGM and maturing in January 2025.

6.6.3 Securitization program

During the year ended December 31, 2018, the securitization programs increased by USD 301.6 million.

6.6.4 Bonds and preferred shares redeemable in shares

The balance of the bonds as at December 31, 2018, amounting to USD 31.9 million, represents the interests payable till maturity as a remuneration of the bonds redeemable in shares held by BPI.

As a consequence of the interests payments on bonds and preferred shares redeemable in ordinary shares, the Company records:

- A financial expense based on the market rate used to determine the liability component of these instruments; and
- A reduction in borrowings for the residual amount paid corresponding to the interest portion initially recorded in borrowings.

6.6.5 Other borrowings

As at December 31, 2018, other borrowings include USD 102.8 million of accrued interests (USD 100.5 million as at December 31, 2017).

6.7 Cash flow from financing activities

Cash flow from financing activities amounting to USD (131.2) million for the year ended December 31, 2018. The financing cash flows mainly consisted in drawdown of borrowings for USD 1,048.1 million, not exceeding the repayment of borrowings for USD (603.3) million, as well as the payment of financial interests for USD (394.2) million, and the payment of dividends for USD (184.4) million (half of it resulting from a decision made in 2017 but paid early 2018).

Note 7 - Scope of consolidation

7.1 Accounting principles and judgments used in determining the scope of consolidation

The control analysis, as defined by IFRS 10 "Consolidated Financial Statements", involves judgement as certain situations are not obviously conclusive. Management has based its conclusion based on the following principles and on all the facts and circumstances, as well as existing contractual agreements.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control.

The control over an entity is effective only if the following elements are reached:
- Power, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- Exposure, or rights, to variable returns from its involvement with the entity;
- The ability to use its power over the entity to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are fully eliminated.

The financial statements of subsidiaries have been prepared for the same reporting period as the parent company, using consistent accounting policies.

Non-controlling interests represent the portion of profit and loss and net assets that is not held by the Group. They are presented within equity and in the income statement, respectively separately from Group shareholders' equity and Group profit for the year.

Transactions with non-controlling interests

When purchasing non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in consolidated income statement. The fair value subsequently represents the initial carrying amount of the retained interest as an associate, joint venture or financial asset.

Interests in joint-venture & significant influence

Companies on which the Group has no control alone can be part of a joint arrangement. A joint arrangement is defined as an arrangement of which two or more parties have joint control.

Joint control exists when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. The requirement for unanimous consent means that any party with joint control of the arrangement can prevent any of the other parties, or a group of the parties, from making unilateral decisions (about the relevant activities) without its consent.

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer recognises its interest in a joint venture as an investment and shall account for that investment using the equity method (in accordance with IAS 28 Investments in Associates and Joint Ventures).

The significant influence is the power to participate in the financial and operating policy decisions of the investee without granting control or joint control on the investee:

- A party that participates in, but does not have joint control of a joint venture, accounts for its interest in the arrangement in accordance with IFRS 9,
- Unless it has significant influence over the joint venture, in which case it accounts for it in accordance with IAS 28.

Under the equity method, equity interests are accounted for at cost, adjusted for by the post-acquisition changes in the investor's share of net assets of the associate, and reduced by any distributions (dividends).

The carrying amount of these equity interests is presented in the line item "Investments in associates and joint ventures" on the Statement of Financial Position (see Note 7.3.2).

"Share of profit of associates and joint ventures" is presented within EBIT as it was concluded that the business of these entities forms part of the Company's ongoing operating activities and that such entities cannot be considered as financial investments. This line item includes impairment of goodwill, financial income and expense and income tax related to associates and joint ventures.

An associate's losses exceeding the value of the Group's interest in this entity are not accounted for, unless the Group has a legal or constructive obligation to cover the losses or if the Group has made payments on the associate's behalf.

Any surplus of the investment cost over the Group's share in the fair value of the identifiable assets and liabilities of the associate company on the date of acquisition is accounted for as goodwill and included in the carrying amount of the investment.

Any remaining investment in which the Group has ceased to exercise significant influence or joint control is no longer accounted for under the equity method and is valued at fair value.

7.2 Judgments linked to structured entities

Freight securitization

The Group entered in late 2013 into a securitization program with certain financial institutions and also implemented in 2016 the same kind of structure to finance NOL receivables.
As part of these programs, 2 structured entities named CMA CGM & ANL Securities BV and APL Securities S.A R.L. have been dedicated to purchase the trade receivables of certain shipping carriers. The entities are structured in such a manner that the significant risks (e.g. Forex risk, late payment risk, credit risk, etc.) remain with the sellers. As consequence, both entities have been consolidated since inception. In terms of liquidity risk management, see Note 6.1.3 for Group policies and Note 6.6.1 for financial liabilities maturity schedules.

Asset financing

As part of certain lease arrangements, the Company may be partly involved with structured entities owning the asset. The control over these entities is assessed based on all facts and circumstances. It is primarily assessed based on IAS 17 principles, and specifically the analysis of the transfer of the risks and rewards such as credit risk and residual value risk. Basically, whether the lease is classified as a finance lease, the entity is consolidated and whether the lease is classified as an operating lease, the entity is deemed as not being controlled and therefore not consolidated.

7.3 Investments in associates and joint ventures

7.3.1 Significant judgments and assumptions made in determining the nature of the interests in significant associates and joint ventures

CEVA – accounted as an associate

The control analysis over CEVA is based on the power of the shareholders and the management board upon the relevant activities.

As at December 31, 2018, the Group owns 32.9% of CEVA and has secured 12.6% of additional voting rights through derivative instruments. The Group has 2 seats at CEVA's Board of Director, out of a total of 8 seats.

As at December 31, 2018, Management considers it has a significant inflence over CEVA and that the accounting of this investment under equity method is appropriate under IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements".

Global Ship Lease ("GSL") – accounted as an associate

The control analysis over GSL is based on the power of the shareholders and the management board upon the relevant activities.

Despite the merger occurred end of 2018, diluting the Group from 44.4% to 13.3%, Management believes its still exercises a significant influence over this investee, mainly due to the designation of one Board member and the proposal of another one to GSL Board. As a consequence, the accounting of this investment under equity method is appropriate under IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements".

Terminal Link SA and its subsidiaries ("TL") – accounted as a joint venture

Since June 2013, TL is 51% owned by CMA CGM (through CMA Terminals Holding ("CMATH") 100% owned by CMA CGM) and 49% owned by China Merchants Holding International ("CMHI").

The contractual arrangement between CMHI and CMA CGM over TL results in accounting joint control whereby the power to govern the financial and operational policies of the company is jointly shared. Indeed, the shareholders' agreement stipulates that any major decision requires the unanimous consent of the shareholders. CMHI also has substantive rights on TL. The parties have no direct rights to the assets or obligations for the liabilities.

As a result, the investment in Terminal Link is accounted for under the equity method under IFRS 11 "Joint Arrangements".

7.3.2 Investments in associates and joint ventures – Variation in the Consolidated Statement of Financial Position

Investments in associates and joint ventures can be analyzed as follows:

	As at December 31, 2018	As at December 31, 2017
Beginning of the year	**1,049.0**	**900.2**
Acquisition of subsidiaries	23.7	-
New investments in associates and joint ventures	535.5	116.0
Capital increase / decrease	5.0	-
Share of (loss) / profit	(88.2)	5.5
Dividend paid or payable to the Company	(23.1)	(11.9)
Other comprehensive income / (expense)	(23.0)	44.5
Reclassification from / to other items	(1.3)	(5.0)
Other	1.1	(0.2)
At the end of the year	**1,478.9**	**1,049.0**

The line item "Share of (loss) / profit" corresponds to the Company's share in the profit or loss of its associates and joint ventures, which includes impairment losses recognized by associates and joint ventures where applicable.

As at December 31, 2018, the main contributors to investments in associates and joint ventures are as follows:
- 32.9% of CEVA Group for USD 450.9 million;
- 51% of Terminal Link Group for USD 416.2 million (USD 411.4 million as at December 31, 2017);
- 13% of Global Ship Lease for USD 43.8 million (44% for USD 110.7 million as at December 31, 2017). The fair value of Global Ship Lease quoted shares, at the Company's share, amounts to approximately USD 15.1 million as at December 31, 2018 (USD 28.3 million as at December 31, 2017); Management believes, as this was the case in previous CFS, that using GSL's equity share to value our investment in this associate is appropriate;
- 30% of Rotterdam World Gateway ("RWG") for USD 188.6 million (USD 197.3 million as at December 31, 2017);
- 49% of CPLT for USD 115.8 million (USD 113.5 million as at December 31, 2017).

For the year ended December 31, 2017:
- The line item "New investment in associates and joint ventures" mainly corresponds to the additional capital injection in the Group's joint venture with PSA in Singapore for USD 23.7 million, in the terminal project of Kribi in Cameroon for USD 25.3 million and to the fair value of the 10% ownership retained by the Group in Global Gateway South for USD 58.2 million.

During the year ended December 31, 2018, as disclosed in Note 3.1.4, the Group's share in Global Ship Lease decreased from 44.4% to 13.3% following the merger of Global Ship Lease with Poseidon Containers, hence generated a dilution loss amounting to USD 65.3 million. In the year ended December 31, 2018, GSL recorded an impairment charge and non-recurring costs amounting to USD 8.0 million at Group share in Global Ship Lease (USD 47.3 million as at December 31, 2017), which have been treated as non-recurring expenses in the Core EBIT calculation.

7.3.3 Additional disclosures related to associates

in million of USD	GLOBAL SHIP LEASE INC		ROTTERDAM WORLD GATEWAY BV		CEVA LOGISTICS		OTHER ENTITIES	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
% of shareholding	13.33%	44.41%	30.00%	30.00%	32.94%	n.a.	n.a.	n.a.
% of voting rights	13.33%	44.41%	30.00%	30.00%	32.94%	n.a.	n.a.	n.a.
Equity method Balance sheet contribution	43.8	110.7	188.6	197.3	450.9	n.a.	176.8	137.1
Equity method P&L contribution	(66.9)	(35.6)	(5.0)	(2.0)	(50.6)	n.a.	0.1	17.2
Equity method OCI contribution	-	-	(3.7)	10.2	-	n.a.	(5.3)	3.0
Equity method total comprehensive income contribution	(66.9)	(35.6)	(8.6)	8.3	(50.6)	n.a.	(5.2)	20.2
Fair value (for listed entities)	15.1	28.3	n.a.	n.a.	542.2	n.a.	n.a.	n.a.
Distributed dividends for CMA CGM	-	-	-	-	-	n.a.	11.8	4.6
Data based on a 100% basis								
Non-current assets	1,139.8	597.8	692.0	745.0	1,887.0	n.a.		
Current assets	106.3	73.3	146.9	57.9	1,733.0	n.a.		
Total Assets	**1,246.1**	**671.0**	**838.8**	**802.9**	**3,620.0**	**n.a.**		
Equity	327.7	251.6	306.2	341.2	225.0	n.a.		
Non-current liabilities	823.9	414.8	456.9	376.0	1,789.0	n.a.		
Current liabilities	94.5	4.6	75.7	85.8	1,606.0	n.a.		
Total Liabilities	**1,246.1**	**671.0**	**838.8**	**802.9**	**3,620.0**	**n.a.**		
Revenue	**156.9**	**159.0**	**168.1**	**138.6**	**3,621.5**	**n.a.**		
Profit / (Loss) for the year	**(46.0)**	**(80.2)**	**(16.6)**	**(9.8)**	**(262.0)**	**n.a.**		
Other comprehensive income / (Loss)	**-**	**-**	**(18.3)**	**51.2**	**-**	**n.a.**		
Total comprehensive income / (Loss)	**(46.0)**	**(80.2)**	**(34.9)**	**41.4**	**(262.0)**	**n.a.**		

Regarding Rotterdam World Gateway, the balance sheet contribution as at December 31, 2018 included in the table above includes USD 96.7 million mostly related to the purchase price allocation performed in the context of NOL acquisition.

Regarding CEVA, the purchase price alocation will be performed after the change of control (see Note 3.1.3).

7.3.4 Additional disclosures related to joint ventures

in million of USD	TERMINAL LINK GROUP		OTHER ENTITIES	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
% of shareholding	51.0%	51.0%	n.a.	n.a.
% of voting rights (if different from above)	n.a.	n.a.	n.a.	n.a.
Equity method Balance sheet contribution	416.2	411.4	202.6	192.6
Equity method P&L contribution	14.3	5.2	19.9	20.7
Equity method OCI contribution	(7.1)	23.2	(6.9)	8.0
Equity method total comprehensive income contribution	7.1	28.5	13.0	28.6
Fair value (for listed entities)	n.a.	n.a.	n.a.	n.a.
Distributed dividends to CMA CGM	(2.4)	-	9.0	7.3
Data based on a 100% basis				
Non-current assets	904.2	889.8		
Other current assets	106.6	77.2		
Cash & cash equivalents	67.2	74.2		
Total Assets	**1,077.9**	**1,041.2**		
Equity	827.1	815.6		
Non-current borrowings	135.0	116.5		
Other non-current liabilities	10.8	11.9		
Current borrowings	60.3	60.7		
Other current liabilities	44.8	36.4		
Total Liabilities	**1,077.9**	**1,041.2**		
Reconciliation of 100% figures to investments in joint ventures				
Equity of the joint venture excluding non controlling interests (100%)	**816.1**	**806.7**		
Equity attributable to the joint venturer (49%)	(399.9)	(395.3)		
Other	-	-		
Equity method balance sheet contribution	**416.2**	**411.4**		
Revenue	**154.3**	**142.1**		
Depreciation & amortization	(8.6)	(7.7)		
Financial result	(2.3)	(5.2)		
Income tax	(8.1)	(7.6)		
Profit / Loss) for the year	**28.0**	**10.3**		
Other comprehensive income / Loss)	**(0.0)**	**8.4**		
Total comprehensive income / Loss)	**28.0**	**18.7**		
Reconciliation of 100% figures to share of profit / (loss) from joint venture				
Share of profit / (loss) for the year	**28.0**	**10.3**		
Share of profit for the year for the joint venturer (49%)	(13.7)	(5.0)		
Other	-	-		
Equity method P&L contribution	**14.3**	**5.2**		

7.4 List of companies or subgroups included in the consolidation scope

With the objective to improve the relevance of the information, the Group decided in 2016 to disclose the material entities or subgroups by applying the following thresholds:

- Fully integrated entities contributing to the Group revenue by more than USD 10 million;
- Associates and joint ventures contributing to equity by more than USD 5 million;
- As well as certain intermediate holding companies.

As at December 31, 2018, 363 entities are fully consolidated or accounted under equity method (343 as at December 31, 2017). The main entities are detailed below :

Legal Entity	Country	Direct and indirect percentage of interest
CMA CGM SA (parent company)	**France**	
Consolidation method - Full		
SHIPPING		
ANL CONTAINER LINE LTD	Australia	100.00%
MERCOSUL Line Navegacao LTD	Brazil	100.00%
CONTAINERSHIPS Group	Finland	100.00%
CMA CGM ANTILLES GUYANE	France	100.00%
CMA SHIPS SAS	France	100.00%
OPDR GmbH & Co. KG	Germany	100.00%
CNC LINE LTD	Hong Kong	100.00%
COMANAV	Morocco	99.92%
CMA CGM INTERNATIONAL SHIPPING PTE LTD	Singapore	100.00%
ANL SINGAPORE	Singapore	100.00%
NOL LINER (PTE.) LIMITED	Singapore	100.00%
APL CO. PTE LIMITED	Singapore	100.00%
CHENG LIE NAVIGATION CO, LTD	Taiwan	100.00%
COASTAL NAVIGATION CO LTD	Taiwan	25.00%
CMA CGM UK SHIPPING	United Kingdom	100.00%
AMERICAN PRESIDENT LINES LTD	United States of America	100.00%
AGENCIES		
CMA CGM ALGERIE	Algeria	79.80%
CMA CGM AUSTRALIA	Australia	100.00%
CMA CGM CANADA	Canada	100.00%
CMA CGM CHINA	China	100.00%
CMA CGM AGENCES France	France	100.00%
CMA CGM DEUTSCHLAND	Germany	100.00%
CMA CGM AGENCIES INDIA	India	100.00%
CMA CGM KOREA	South Korea	100.00%
CMA CGM MAROC	Morocco	100.00%
CMA CGM SOUTH AFRICA	South Africa	100.00%
CMA CGM HOLLAND	The Netherlands	100.00%
CMA CGM TURKEY	Turkey	95.00%
CMA CGM SOUTH TURKEY	Turkey	60.00%
CMA CGM SHIPPING AGENCIES UKRAINE	Ukraine	100.00%
CMA CGM ANL DUBAI	United Arab Emirates	65.00%
CMA CGM AMERICA	United States of America	100.00%
HANDLING		
INTRAMAR SA	France	100.00%
MARSEILLE MANUTENTION	France	100.00%
SOMARIG	France (Guyane)	100.00%
GMM	France (Martinique)	100.00%
SOCIETE D'ACCONAGE ET DE MANUTENTION DE LA REUNION	France (Réunion)	69.99%
KINGSTON FREEPORT TERMINAL LTD	Jamaica	100.00%
LATTAKIA INT. CONT. TERMINAL LLC	Syria	51.00%
CONTAINERS (MAINTENANCE & REPAIRS)		
ANL CONTAINER HIRE AND SALES PTY LTD	Australia	100.00%
PROGECO France	France	100.00%
LOGISTICS & SUPPLY CHAIN		
ANL LOGISTICS PTY LTD	Australia	100.00%
CMA CGM LOGISTICS CANADA	Canada	100.00%
CMA CGM CHINA LOGISTICS CO, LTD	China	100.00%
CMA CGM LOGISTICS FRANCE	France	100.00%
LCL LOGISTIX INDIA PVT LTD	India	100.00%
CMA CGM Transit SARL	Ivory Coast	75.00%
CC TERMINAL CONTENEURS DAKAR (TCD)	Senegal	100.00%
ALTERCO	Algeria	58.98%
USL LOGISTICS LLC	United States of America	100.00%
FINANCIAL HOLDING		
CMA CGM AGENCIES WORLDWIDE	France	100.00%
CMA CGM LOGISTICS	France	100.00%
CMA TERMINALS HOLDING	France	100.00%
CMA TERMINALS	France	100.00%
NEPTUNE ORIENT LINES LIMITED	Singapore	100.00%
EAGLE MARINE TERMINAL HOLDINGS PTE. LTD	Singapore	100.00%
Consolidation method - Equity		
Associates and joint ventures are disclosed in the table below		
CEVA LOGISTICS	The Netherlands	32.94%
QINGDAO QIANWAN UNITED ADVANCE CONTAINER TERMINAL CO., LTD	China	24.00%
OTHL	Cyprus	50.00%
TERMINAL LINK GROUP	France	51.00%
CMA MUNDRA TERMINAL Pvt Ltd	India	50.00%
AMEYA LOGISTICS PRIVATE LTD	India	50.00%
GLOBAL SHIP LEASE	Marshall Islands	13.30%
CMA CGM PSA LION TERMINAL	Singapore	49.00%
ROTTERDAM WORLD GATEWAY BV	The Netherlands	50.00%
PACIFIC MARITIME SERVICE	United States of America	10.00%
GEMALINK	Viet Nam	25.00%
FIRST LOGISTICS DEVELOPMENT (JV) COMPANY	Viet Nam	47.00%

7.5 Related party transactions

For the purposes of this note, the following group of related parties have been identified:

- Terminal activities which mainly include Terminal Link and its subsidiaries, terminals under associates and joint ventures (Rotterdam World Gateway, Global Gateway South, Kribi, Mundra, Brooklyn Kiev Port, Laem Chabang International Terminal Co., Qingdao Qianwan United Advance Container Terminal and First Logistics Development (JV) Company.

- Global Ship Lease, Inc. ("GSL") a ship-owner listed in the U.S. currently owning a fleet of 38 vessels of which 17 time chartered to CMA CGM under agreements ranging from January 2019 till October 2025.

- Shipping agencies which mainly include CMA CGM Qatar, an associate Company.

- Management and / or shareholder's related entities which mainly include:
  - Merit Corporation, incorporated in Lebanon, whose ultimate shareholders are Jacques R. Saadé and members of his immediate family, who owns most of the ordinary shares of the Company;
  - Certain subsidiaries of Merit Corporation, including Merit SAL, a service company providing CMA CGM with cost and revenue control and internal audit support, CMA Liban, a shipping agent and Investment and Financing Corp. Ltd, a container leasing company;
  - Yildirim, incorporated in Turkey, a Company with whom the Company signed two significant transactions in 2011 and 2013 regarding the issuance of bonds redeemed in preferred shares as at December 31, 2015 and converted into ordinary shares as at December 31, 2017 (see Note 6.5), and another agreement in 2011 regarding the sale of 50% of its shareholding in Malta Freeport Terminals Limited for a cash amount of EUR 200.0 million (USD 289.0 million);
  - The Banque Publique d'Investissement (Bpifrance formerly FSI), an investment fund established by the French Government in 2008 whose main mission is to consolidate the French companies share capital who need to find stable investors to finance their development projects. Bpifrance subscribed in 2013 to bonds mandatorily redeemable in 2020 in ordinary shares issued by the Company (see Note 6.5);
  - A non-profit foundation "Fondation d'Entreprise CMA CGM" which promotes certain cultural activities.

- Others activities which mainly include the following entities:
  - INTTRA, a company whose activity is to develop e-commerce in the container shipping industry, which has been sold late 2018;
  - TRAXENS, which is developing a breakthrough technology for "smart" containers in which CMA holds 29.6% ownership.

The related party transactions included in the Statement of Profit & Loss, excluding the share of income / (loss) from associates and joint ventures can be analysed as follows:

	Total related parties		Terminal activities		GSL		Agencies		Management / Shareholder's related entities		Others	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	**26.4**	**6.1**	6.3	2.0	0.1	-	0.0	-	3.2	3.4	16.9	0.6
Operating expenses	**(421.1)**	**(363.4)**	(204.3)	(186.7)	(124.5)	(126.6)	(22.6)	(4.8)	(51.7)	(41.1)	(17.9)	(4.2)
Other income and expenses	**-**	**(68.1)**	-	(20.8)	-	(47.3)	-	-	-	-	-	-
Financial result	**18.6**	**10.6**	5.9	11.2	(0.0)	-	5.9	6.1	(4.7)	21.5	11.5	14.7

The Statement of Financial Positions corresponding to the related parties listed above, excluding the investments in associates and joint ventures, are:

	Total related parties		Terminal activities		GSL		Agencies		Management / Shareholder's related entities		Others	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Non current assets	**76.7**	**89.2**	70.5	86.8	-	-	5.5	2.4	0.0	-	0.6	-
Current assets	**227.1**	**294.1**	49.0	44.8	5.4	3.9	49.5	52.4	20.5	12.9	102.7	180.1
Non current liabilities	**148.7**	**171.3**	116.8	116.6	-	-	-	-	31.9	54.7	-	-
Current liabilities	**89.2**	**184.8**	25.7	21.9	0.0	-	54.0	78.9	8.3	83.3	1.2	0.7

A new container finance lease has been signed with INVESTMENT AND FINANCING CORP. LIMITED, a related party, for USD 45.2 million, following an amendment to the initial contract, switching from a purchase option to a purchase obligation at the end of the lease term.

As at December 31, 2017, dividends declared and not yet paid to Merit amounting to USD 80.5 million are included in "current liabilities" (see Note 5.4.2). Such liability has been paid to Merit early 2018.

Key management compensations for a total amount of USD 7.5 million for the year ended December 31, 2018 (USD 6.1 million for the year ended December 31, 2017) are included in "Employee benefits" in the Consolidated Statement of Profit & Loss.

Note 8 - Other Notes

8.1 Provisions, employee benefits and contingent liabilities

The Group recognizes provisions when:
- It has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Judgments and estimates made in determining the risk related to cargo and corporate claims and related accounting provisions:

The Group evaluates provisions based on facts and events known at the closing date, from its past experience and to the best of its knowledge. Certain provisions may also be adjusted as a consequence of a post Statement of Financial Position adjusting event. Provisions mainly cover litigation with third parties such as shipyards, restructuring and cargo claims.
Certain provision may require a certain level of judgement and estimates (see below disclosures).

Provisions can be analyzed as follows:

	Litigation	Other risks and obligations	Provisions	*of which* *non current portion*	*current portion*	Employee benefits	*of which* *non current portion*	*current portion*
As at January 1, 2017	**126,0**	**272,6**	**398,6**	*358,2*	*40,5*	**182,6**	*180,4*	*2,2*
Additions for the period	38,3	37,1	**75,4**			**24,8**		
Reversals during the period (unused)	(21,7)	(12,6)	**(34,4)**			**(0,4)**		
Reversals during the period (used)	(17,8)	(44,9)	**(62,7)**			**(16,4)**		
Reclassification to other financial assets (see	-	(5,3)	**(5,3)**			**(0,4)**		
Acquisition of subsidiaries	14,9	1,4	**16,3**			**3,5**		
Actuarial (gain) / loss recognized in the OCI	-	-	**-**			**(19,6)**		
Foreign currency translation adjustment	0,2	15,4	**15,6**			**16,1**		
As at December 31, 2017	**139,8**	**263,7**	**403,5**	*326,6*	*76,9*	**190,2**	*188,0*	*2,2*
Additions for the period	42,9	30,9	**73,8**			**21,6**		
Reversals during the period (unused)	(28,9)	(5,1)	**(34,0)**			**(2,3)**		
Reversals during the period (used)	(6,7)	(39,6)	**(46,3)**			**(19,3)**		
Disposal of subsidiaries	-	-	**-**			**(4,2)**		
Reclassification	(0,2)	0,2	**(0,0)**			**(1,3)**		
Acquisition of subsidiaries	-	18,6	**18,6**			**-**		
Actuarial (gain) / loss recognized in the OCI	-	-	**-**			**3,8**		
Foreign currency translation adjustment	(1,8)	(9,0)	**(10,8)**			**(3,8)**		
As at December 31, 2018	**145,2**	**259,5**	**404,7**	*332,7*	*72,0*	**184,6**	*182,4*	*2,2*

8.1.1 Provisions for litigation and other risks and obligations

Litigation

Provisions for litigation as at December 31, 2018 corresponds to cargo related and other claims incurred in the normal course of business (same as at December 31, 2017). None of these claims taken individually represents a significant amount.

Other risks and obligations

Provisions for other risks and obligations mainly include (i) the provision corresponding to the estimated future cash-outflows in relation to the minimum dividend guaranteed to CMHI as part of the disposal of the 49% stake in Terminal Link in June 2013 and (ii) provisions related to onerous contracts identified as part of the NOL acquisition. The CMHI provision amounts to USD 116.8 million (USD 116.6 million as at December 31, 2017), up USD 4.1 million mainly as a consequence of the reassesment of the present value of Terminal Link dividend distribution capacity, partly compensated by the FOREX impacts for USD (5.5) million.

8.1.2 Provisions related to employee benefits

Group companies operate in various jurisdictions and provide various pension schemes to employees. The Company has both defined benefit and defined contribution pension plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The post-employment benefit paid to all employees in the Group's home country qualifies as a post-employment defined benefit plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's obligations in respect of defined benefit schemes are calculated using the projected unit credit method, taking into consideration specific economic conditions prevailing in the various countries concerned and actuarial assumptions. These obligations might be covered by plan assets. The Company obtains an external valuation of these obligations annually.

Measurement

In accordance with IAS 19 "Employee benefits", the liability recognized in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets. Actuarial gains and losses resulting from changes in actuarial assumptions or from experience adjustments are recognized as other items of comprehensive income, together with the return on assets excluding the interest income.

Payments made by the Company for defined contribution plans are accounted for as expenses in the Statement of Profit & Loss in the period in which the services are rendered.

The service cost of the periodic pension cost is presented in employee benefits included in operating expenses. The interest component is presented within other financial income and expenses, net.

Past service costs are recognized immediately in the consolidated income statement.

In France, certain companies operating in terminal activities, as part of collective bargaining agreements, participate together with other enterprises – so called multi-employer plans – in the funding of plans deemed to cover pension obligations and asbestos programs. These plans are by their nature difficult to value as they require detailed information which is only available at the beneficiary's request and for their individual pension calculation. In addition, the regime brings together the assets of several employers and the individual obligation of each employer in the plan is therefore difficult to precisely determine as it varies from one year to another based on activity levels. As per IAS 19 paragraph 34, where sufficient information is not available to use defined benefit accounting for defined benefit multi-employer plans, the plans are treated as defined contribution plans.

Description of the Company's plans

The Company's employees are generally entitled to pension benefits, in accordance with local regulations:

- Retirement and medical benefits, paid by the Company on retirement (defined benefit plan); and
- Pension payments from outside institutions, financed by contributions from employers and employees (defined contribution plan).

In accordance with the regulatory environment and collective agreements, the Group has established both defined contribution and defined benefit pension plans (company or multi-employer) to provide such benefit to employees.

Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations.

Contributions are fixed (e.g. based on salary) and are paid to these outside institutions. These institutions are responsible for maintaining and distributing employee benefits. The Company has no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employees the benefits relating to contributions in the current and prior financial years. The employer contributions are recognised as employee benefit expense in the financial year to which they relate.

Certain subsidiaries of CMA CGM and NOL also contribute to a number of collectively bargained, multi-employer plans that provide pension benefits to certain union-represented employees. These plans are treated as defined contribution plans in accordance with IAS 19.34.

The Group contributed USD 13.7 million to its defined contribution plans in 2018 (USD 16.4 million in 2017).

Defined benefit plans

Major defined benefit plans can be described as follows:

Retirement Indemnities (France)

French retirement indemnity plans provide a lump sum benefit paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee and salary at the retirement date and is prescribed by collective bargaining agreements ("CBA"). Those agreements are negotiated by Union representatives of the employer and of the employees, by sector of activity and at a national level. Their application is compulsory. The retirement indemnities are not linked to other standard French retirement benefits, such as pensions provided by Social Security or complementary funds (ARRCO and AGIRC).

Article 23 (France)

The benefits consist of an annuity payable to a closed group of beneficiaries. All the beneficiaries are retired. This plan has been partially funded through a contribution to an insurer, but the annuities are currently directly paid by the employer.
Pensions are indexed each year based on the general salary increase of the company. The surviving spouse of a retiree is entitled to a pension equal to 60% of the pension benefit paid at time of death.

Jubilee Awards (France)

The benefits consist of a lump sum payable to employees when they reach various service anniversaries.

Asbestos/hardness indemnities (France)

In Terminal activities operated by certain of the Group's subsidiaries in France, employees having spent the required number of years under hardness qualifying extreme work conditions and/or having been exposed to asbestos while working at the terminal are eligible to early retire 2 to 5 years ahead of normal retirement age.

The early retirement pensions are financed through state program (asbestos) and/or multi-employer program. As mentioned above, where sufficient information is not available to use defined benefit accounting for defined benefit multi-employer plans, the plans are treated as defined contribution plans.

Nevertheless, at early retirement leave, the indemnity lump sum payable by the employer differs from the retirement indemnity, and have been set by a local collective bargaining agreement. These specific lump sum indemnities are taken into account to valuate the appropriate retirement indemnity of employees concerned.

Retirement Indemnities (Morocco)

Retirement indemnity benefits in our subsidiaries in Morocco are lump sums paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee and salary at the retirement date and is prescribed by collective bargaining agreements.

Medical insurance (Morocco)

The benefits provide continuous medical coverage to retirees and their dependants subject to conditions. The program is a top up plan supplementing the Assurance Maladie Obligatoire reimbursements and is insured through an insurance contract with a local insurer.

This estimated yearly reimbursment cost is indexed by 2.5% per year in order to reflect the medical consumption and cost inflation.

Retirement Indemnities (The Netherlands)

Retirement indemnity benefits at Company subsidiaries in Netherlands are lump sums paid by the company to the employees when they retire. The amount of this benefit depends on the length of service of the employee and salary at the retirement date and is prescribed by a collective bargaining agreements.

Superannuation Plan (Australia)

Retirement indemnity benefits at Company subsidiaries in Australia are lump sums paid by the company to the employees when they retire or resignate from the Company. The amount of this benefit depends on the length of service of the employee and salary at the retirement or resignation. This plan is closed to new members.

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 provisions mainly relate to defined benefits for employees which are generally based on the final pensionable salary and years of service. Most plans cover employees located in the US and Taiwan. In the US, all non-union plans are frozen to future accruals.

Actuarial assumptions

The actuarial assumptions used for the principal countries are as follows:

	As at December 31, 2018				As at December 31, 2017			
	Euro Zone	Morocco	Australia	United States	Euro Zone	Morocco	Australia	United States
Discount rate	1.65%	3.50%	3.20%	4,01%	1.65%	3.75%	3.42%	3.51%
Future salary increase	2.72%	2.50%	4.00%	2.50%	2.83%	2.50%	4.00%	2.50%
Long-term inflation	1.50%	2,00%	n.a.	2.50%	1.66%	2,00%	n.a.	2.50%

The future salary increase mentioned in the table above includes the impact of inflation.

Discount rates determination

Euro zone: The Company used as a reference rate the IBoxx Corporate AA 10+.

Morocco: The Company used a state bonds average rate due to a lack of liquidity on corporate market, reflecting the average duration of plans (around 13 years).

Australia: The Company used a corporate bonds average rate reflecting the average duration of plans (around 5 years).

United States: The discount rates in the US are usually based on each individual plan. Hence, as it is common in the US, the discount rate is determined using the actual plan cashflows and applying a full yield curve (in this case the Citigroup Pension Yield curve) to determine a weighted average discount rate. The discount rate presented above is a DBO-weighted average discount rate.

Evolution of rates

Due to the increase of interest rates in the United States, the discount rate being used to evaluate the Company's liability regarding pension and employee benefits were up from 3.51% to 4.01% as at December 31, 2018 compared to December 31, 2017. Taking into account all the impact recognized in OCI, the overall impact of remeasurement of defined pension and medical plans recorded in other comprehensive income amounts to USD 3.8 million.

Variation of obligations, plan assets and provisions

The net liability recognized in the Statement of Financial Position breaks down as follows:

	As at December 31, 2018	As at December 31, 2017
Liabilities	(351.7)	(380.0)
Assets	167.1	189.8
Net liability	**(184.6)**	**(190.2)**

	As at December 31, 2018	As at December 31, 2017
Present value of unfunded obligations	(144.5)	(157.3)
Present value of funded obligations	(207.2)	(222.6)
Fair value of plan assets	167.1	189.8
Net present value of obligations	**(184.6)**	**(190.2)**

Variations in the defined benefit obligations over the year are as follows:

	As at December 31, 2018	As at December 31, 2017
Beginning of year	**380.0**	**342.1**
Plan amendment - past service cost	(0.1)	(0.7)
Service cost	16.9	20.4
Interest cost	9.6	9.2
Actuarial losses/(gains)	(7.5)	(4.4)
Benefits paid	(31.9)	(28.7)
Employee contributions	(2.1)	(1.3)
Expenses Paid	(0.0)	(0.1)
Taxes paid	(0.1)	(0.1)
Premiums paid	(0.0)	(0.0)
Reclassification of liabilities	-	-
Acquisition / disposal of subsidiaries and other	(5.6)	22.3
Exchange differences	(7.5)	21.3
End of year	**351.7**	**380.0**

Plan assets vary as follows:

	As at December 31, 2018	As at December 31, 2017
Beginning of year	**189.8**	**159.5**
Interest on assets	5.5	5.2
Actuarial (losses)/gains	(11.3)	15.2
Benefits paid and interest income	(17.9)	(16.8)
Employer contributions	5.4	4.1
Employee contributions	0.2	0.2
Acquisition of subsidiaries and other	0.5	18.6
Expenses paid	(1.2)	(1.4)
Taxes paid	(0.1)	(0.1)
Premiums paid	(0.0)	(0.0)
Exchange differences	(3.7)	5.3
End of the year	**167.1**	**189.8**

The plan assets are invested as follows:

	As at December 31,	
	2018	2017
Cash and cash equivalents	0.8%	0.9%
Equity instruments	1.6%	2.5%
Debt instruments	1.0%	1.4%
Real estate	0.4%	0.7%
Investment funds	61.8%	64.3%
Assets held by insurance company	28.8%	25.4%
Other	5.4%	4.9%

The amounts recognized in the Statement of Profit & Loss are as follows:

	For the year ended December 31, 2018	2017
a. Current service cost excluding taxes, expenses, employees contributions and premiums	16.9	20.4
b. Administrative expenses and taxes	1.2	0.3
c. Employees contributions	-	1.1
d. Past service cost/curtailment	(0.1)	(0.7)
e. Non-routine settlements	-	-
Total service cost	**18.0**	**21.1**
a. Interest on the DBO (gains) / losses	9.6	9.2
b. Interest on Assets gains /(losses)	(5.5)	(5.2)
c. Interest on Assets ceiling (gains) / losses	-	-
d. Interest on reimbursement rights (gains) / losses	-	-
Total net interest	**4.1**	**4.0**
Remeasurements of Other Long Term Benefits	(0.5)	(0.3)
Benefit expense recognized in the income statement	**21.6**	**24.8**
Remeasurements (recognized in other comprehensive income)	**3.8**	**(19.6)**
Total defined benefit cost recognized in P&L and OCI	25.4	5.2

The amounts recognized in the Statement of Financial Position in the net liability are as follows:

	As at December 31, 2018	As at December 31, 2017
Net liability as of beginning of year	**(190.2)**	**(182.6)**
Benefit expense recognized in the income statement	(21.6)	(24.8)
Remeasurements (recognized in other comprehensive income)	(3.8)	19.6
Employer contributions	7.7	5.6
Benefits paid directly	14.0	11.9
Acquisition / disposal of subsidiaries and other	5.6	(3.5)
Others	-	(0.3)
Exchange differences	3.8	(16.1)
Net liability as of end of year	**(184.6)**	**(190.2)**

The defined benefit obligation, the plan assets and the accumulated actuarial gains and losses for the current year and previous four periods are as follows:

	Defined Benefit Obligation	Plan Assets	Funded Status	Variation of actuarial Gains and Losses On Defined Benefit Obligation	On Plan Assets
As at December 31, 2014	(161,9)	34,7	(127,2)	21,8	4,8
As at December 31, 2015	(163,5)	32,5	(131,0)	0,7	(1,0)
As at December 31, 2016	(342,1)	159,5	(182,6)	10,9	12,0
As at December 31, 2017	(380,0)	189,8	(190,2)	(4,4)	15,2
As at December 31, 2018	(351,7)	167,1	(184,6)	(8,0)	(11,3)

Sensitivity analysis

The sensitivity of the defined benefit obligation to the following changes of discount rates and long term inflation is as follows:

As at December 31, 2018	Discount rate	Long-term inflation
- 25 basis points	10.8	(1.7)
+25 basis points	(11.4)	0.3

8.1.3 Contingent liabilities

The Group is involved in a number of legal and tax disputes in certain countries, including but not limited to alleged breaches of competition rules. Some of these may involve significant amounts, the outcome of which being subject to a high level of uncertainty, that cannot be accurately quantified at the closing date.

In all cases, the Group fully cooperates with the authorities.

The main contingent liabilities are as follows:

Antitrust matters

CMA CGM S.A.'s U.S. agent was served with a subpoena by the Department of Justice in the United States on March 15, 2017. The subpoena related to a broad anti-trust investigation of ocean container shipping services in the U.S.; many other ocean carriers were also served with similar subpoenas. The Department of Justice has recently advised CMA CGM that it has decided to close its investigation as to all CMA CGM Group companies. We do not expect any further adverse actions by the Department of Justice in connection with this subpoena or related investigation.

8.2 Commitments

8.2.1 Commitments on vessels and containers

Operating leases

Leases where the lessor retains a substantial part of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit & Loss on a straight-line basis over the period of the lease.

Amounts of operating lease payments charged to the Statement of Profit & Loss during the year are disclosed in this note.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset, unless it is judged to be reasonably certain that a renewal option, if existing, will be exercised.

Vessels operated under time charters (or bareboat charters) which qualify as operating leases

As at December 31, 2018 the Group operates 360 vessels under time charters (370 as at December 31, 2017).

The due dates of leases, excluding for 2018 those with a residual lease term of 12 months or less, payable for 113 vessels under bareboat or time charters as at December 31, 2018, can be analyzed as follows:

	Total	Less 1 year	1 to 5 years	6 to 10 years	Over 10 years
Vessels under operating leases as of December 31, 2018 - not discounted	**5,116.9**	975.5	3,023.1	1,065.8	52.5
Vessels under operating leases as of December 31, 2018 - discounted	**3,882.7**	903.2	2,424.3	534.6	20.5
Vessels under operating leases as of December 31, 2017 - not discounted	**5,487.5**	912.0	3,029.5	1,466.2	79.7
Vessels under operating leases as of December 31, 2017 - discounted	**4,058.2**	844.5	2,351.2	829.5	33.0

The discount rate used in the table above has been fixed at 8%, approximating the Group's WACC, which does not reflect the rates that will be used under IFRS 16 which will have to be determined on a lease by lease basis.

The amounts payable to ship-owners presented above only correspond to the equivalent bareboat charter payable and do not include running costs. The Company generally charters vessels under time charts which are composed of a bareboat, and a running cost component which is considered as a service component. Such running costs will be recognized as a service component under IFRS 16 and hence will not be part of the lease liability (see Note 2.2.2).

In addition to the above table representing the current operating leases that would be included in the scope of IFRS 16, the Group is committed to pay time chart (including running costs) in relation to 247 vessels leases with a residual lease term of 12 months or less, representing an amount of USD 86.7 million to be paid during the year ended December 31, 2019. These short term leases would be excluded from the application of IFRS 16 (see Note 2.2.2).

The table above also includes commitments to Global Ship Lease Inc., a related party, for an undiscounted amount of USD 259.9 million and a discounted amount of 208.8 USD million as at December 31, 2018 (USD 253.8 million as at December 31, 2017).

In certain cases, the Group may benefit from non-bargain purchase options to acquire the vessel at the end of the lease term, non-bargain renewing options, as well as potential termination sums due to the lessor in case of not exercising the purchase option not taken into account in the above table.

Container leases qualifying as operating leases

The due dates of the container operating leases, excluding those with a residual lease term of 12 months or less, can be analyzed as follows:

	Total	Less 1 year	1 to 5 years	6 to 10 years	Over 10 years
Containers under operating leases as of December 31, 2018 - not discounted	**2,680.1**	598.2	1,658.8	421.8	1.2
Containers under operating leases as of December 31, 2018 - discounted	**1,940.1**	542.2	1,197.1	200.4	0.3
Containers under operating leases as of December 31, 2017 - not discounted	**2,673.8**	637.2	1,645.4	391.3	-
Containers under operating leases as of December 31, 2017 - discounted	**2,116.0**	590.0	1,293.0	233.1	-

The discount rates used in the table above have been determined on a lease by lease basis, and hence should not materially differ from the rates that will be used under IFRS 16.

The table above includes commitments to Investment and Financing Corp. Ltd., a related party, for an undiscounted amount of USD 113.3 million and a discounted amount of 74.2 USD million as at December 31, 2018 (USD 116.8 million as at December 31, 2017).

The total amount of operating lease expenses related to vessels and containers was USD 2,737.8 million in 2018 (USD 2,343.1 million in 2017). However, these lease operating expenses are not comparable with pure lease payments that would be eliminated as part of IFRS 16 as it includes additional lease payments, service payments, short term leases, among others, for which the Group is not systematically committed at year-end.

Commitments related to ordered vessels

The orderbook corresponds to nine TEU 22,000 LNG-fuelled vessels, four Neo PCRF, five TEU 1500 LNG vessels and 2 guyanamax vessels. Part of the vessels included in this orderbook are under committed financing (see below), and the Group is currently seeking financings for the others.

The contractual commitments related to the construction of these vessels can be analyzed as follows (in USD million):

	As at December 31, 2018	As at December 31, 2017
Orderbook		
- units	20	22
- Remaining commitments, net of prepayments *	1,488.9	1,787.8
- Commited financings	1,300.4	396.2
** of which payable in:*		
2018		446.9
2019	350.5	256.9
2020	851.0	851.0
2021	287.4	233.0
Total	**1,488.9**	**1,787.8**

During the construction of the vessels, the Company obtains refund guarantees from the shipyards' banks covering the amount of prepayments made by the Company until the completion of the delivery (see Note 5.2). These guarantees relate to the construction of 20 vessels as at December 31, 2018 and amount to USD 224.0 million (USD 633.5 million as at December 31, 2017 for 22 vessels).

8.2.2 Commitments relating to concession fees

The Group carries out certain stevedoring activities under long-term concession arrangements.

The due dates of the concession operating leases, excluding those with a residual lease term of 12 months or less, as at December 31, 2017, can be analyzed as follows:

	Total	Less 1 year	1 to 5 years	6 to 10 years	Over 10 years
Concessions under operating leases as of December 31, 2018 - not discounted	**622.6**	35.2	114.7	110.0	362.7
Concessions under operating leases as of December 31, 2018 - discounted	**186.7**	31.1	76.6	41.5	37.6

Besides, the Group issued guarantees amounting to USD 838.0 million on a discounted basis as at December 31, 2018 for the payment of concession fees by certain of its associates or joint ventures (USD 809.5 million as at December 31, 2017).

8.2.3 Commitments relating to real estate rents

The Group rents offices all over the world for its activities (agency, carrier, logistic, …).

The due dates of the operating leases payments, excluding those with a residual lease term of 12 months or less, as at December 31, 2018, can be analyzed as follows:

	Total	Less 1 year	1 to 5 years	6 to 10 years	Over 10 years
Real estate under operating leases as of December 31, 2018 - not discounted	**110.0**	35.2	56.8	6.7	11.4
Real estate under operating leases as of December 31, 2018 - discounted	**83.4**	32.6	45.6	4.0	1.2

As at December 31, 2017, the level of undiscounted commitments related to real estate was USD 129.6 million.

8.2.4 Other Financial Commitments

Other financial commitments primarily relate to the following:

Financial Commitments given

	As at December 31, 2018	As at December 31, 2017
Bank guarantees	262.1	271.6
Guarantees on terminal financing	135.1	156.5
Customs guarantees	8.7	7.9
Port authorities and administration	19.1	18.1
Others guarantees granted for non-current assets	503.8	628.2
Mortgage on share of associates	4.8	5.0
Pledge	4.4	4.4
Other	125.4	147.3

The financial commitments included in the table above relate to guarantees or pledges granted to third-parties in addition to recognized liabilities. However, there is no indication to date that any significant item out of these commitments may require a cash outflow.

"Other guarantees granted for non-current assets" mainly correspond to the CAPEX commitment in relation to the information system.

As at December 31, 2018, the Company transferred USD 1,682.8 million of trade receivables as collateral under its securitization programs (USD 1,397.4 million as at December 31, 2017).

Financial Commitments received

	As at December 31, 2018	As at December 31, 2017
Guarantees received from independent shipping agents	1.8	2.6
Guarantees received from customers	4.3	3.9
Other financial commitments received	45.6	43.1

8.3 Significant subsequent events

CEVA

On January 4, 2019, CMA CGM entered into additional derivative instruments allowing the Company to obtain more than 50% ownership of CEVA, when aggregating with the shares owned by the Group and other instruments subscribed in 2018.
On January 28, in line with the communication made around the strengthened strategic partnership with Ceva Logistics, CMA CGM published the prospectus related to the takeover bid on Ceva Logistics.

Note 9 - Glossary

BAF

"Bunker Adjustment Factor" is a surcharge assessed by carrier which is applied to freight rates and invoiced to customers in order to compensate unexpected fuel oil price variations.

CGU

A "Cash-Generating Unit" is the smallest identifiable group of assets that generates cash inflows that are largelly independent of the cash inflows from other assets or group of assets.

EBIT - Core EBIT

EBIT, as presented in the consolidated statement of Profit & Loss, means "Earning Before Interests and Taxes" and corresponds to Operating profit.
Core EBIT, as presented in the consolidated statement of Profit & Loss, corresponds to EBIT, as defined above, less certain unallocated items as defined in Note 4.1 Operating segments.

EBITDA

EBITDA, as presented in the consolidated statement of Profit & Loss, means "Earning Before Interests, Taxes, Depreciation and Amortization" and corresponds to revenue less operating expenses.

IASB

"International Accounting Standards Board" is the principal body within the IFRS foundation and is in charge of establishing (i.e. develop and issue) IFRS as defined below.

IFRIC or IFRS Interpretations Committee (IFRS IC)

The Interpretations Committee's responsibilities are to interpret the application of the IFRS, report to the IASB and obtain IASB approval for final interpretations.

IFRS & IAS

"International Financial Reporting Standards" & "International Accounting Standards" are designed as a single set of accounting standards, developed and maintained by the IASB with the intention of those standards being capable of being applied on a globally consistent basis by developed, emerging and developing economies, thus providing investors and other users of financial statements with the ability to compare the financial performance of publicly listed companies on a like-for-like basis with their international peers.

LIBOR

"London Inter-Bank Offer Rate" is used as a reference rate for many financial instruments in both financial markets and commercial fields.

NPV

"Net Present Value" is the worth at the present date of an expected cash flow of an asset or a liability, determined by applying a discount rate to these cash flows.

WACC

The "Weighted Average Cost of Capital" is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All sources of capital, including common stock, preferred stock, bonds and any other long-term debt, are included in a WACC calculation.