

ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

MARCH 31, 2020

ZIM INTEGRATED SHIPPING SERVICES LTD.

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Review Report to the Shareholders of Zim Integrated Shipping Services Ltd.

Introduction

We have reviewed the accompanying financial information of Zim Integrated Shipping Services Ltd. and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of March 31, 2020 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-months period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

Without qualifying our conclusion, we refer to Note 4 of the financial statements regarding the Company's deficit in equity and working capital as of March 31, 2020; and the net loss recorded during the three months period ended March 31, 2020 and the year ended December 31, 2019; the profit from operating activities recorded during the three months period ended March 31, 2020 and the year ended December 31, 2019; the deterioration in the business environment and the uncertainties in the global trade mainly due to USA-China related trade restrictions and the recent escalation of the Covid-19 pandemic outbreak; the risk of deviation from financial covenants, which is influenced, inter alia, by the levels of bunker prices and the recovery of trade volumes and freight rates; Management steps to improve financial position, cash flows and liquidity; and to Management and the Board of Directors' assessment, based on the forecasted cash flow for the foreseeable future, together with the steps above mentioned, in respect of the Company's ability to meet its liabilities, and to comply with the financial covenants in the foreseeable future.

Sincerely,


Somekh Chaikin

Certified Public Accountants (Isr.)

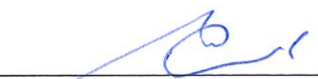
Haifa, May 27, 2020

Somekh Chaikin, an Israeli partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.


ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31		December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	US \$'000		
Assets			
Vessels	737,047	747,609	717,941
Containers and handling equipment	437,639	425,660	425,738
Other tangible assets	67,877	60,144	69,102
Intangible assets	65,716	64,015	64,920
Investments in associates	9,171	9,723	8,444
Other investments	2,717	2,701	2,766
Trade and other receivables	5,390	2,874	5,318
Deferred tax assets	1,018	1,032	1,048
Total non-current assets	1,326,575	1,313,758	1,295,277
Assets classified as held for sale	10,564	38,639	11,583
Inventories	56,699	66,960	60,342
Trade and other receivables	306,557	336,846	317,059
Other investments	59,510	26,737	59,047
Cash and cash equivalents	196,741	176,965	182,786
Total current assets	630,071	646,147	630,817
Total assets	1,956,646	1,959,905	1,926,094
Equity			
Issued capital	88	88	88
Capital Reserves	1,783,391	1,787,784	1,784,469
Accumulated deficit	(2,053,010)	(2,044,641)	(2,042,226)
Equity attributable to owners of the Company	(269,531)	(256,769)	(257,669)
Non-controlling interests	4,327	2,747	5,402
Total equity	(265,204)	(254,022)	(252,267)
Liabilities			
Lease liabilities	659,649	653,708	641,750
Loans and other liabilities	550,265	548,749	541,932
Employee benefits	58,252	62,687	67,990
Deferred tax liabilities	347	346	350
Total non-current liabilities	1,268,513	1,265,490	1,252,022
Trade and other payables	431,223	459,762	422,417
Provisions	16,081	24,735	17,998
Contract liabilities	125,109	109,322	130,281
Lease liabilities	236,835	197,482	215,576
Loans and other liabilities	144,089	157,136	140,067
Total current liabilities	953,337	948,437	926,339
Total liabilities	2,221,850	2,213,927	2,178,361
Total equity and liabilities	1,956,646	1,959,905	1,926,094


 Aharon Fogel
 Chairman of the Board of Directors


 Eli Glickman
 President & CEO


 Xavier Destriau
 Chief Financial Officer

Date of approval of the Financial Statements: May 27, 2020

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

	Three months ended		Year ended
	March 31		December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	US \$'000		
Income from voyages and related services	823,215	796,216	3,299,761
Cost of voyages and related services:			
Operating expenses and cost of services	(698,388)	(703,049)	(2,810,693)
Depreciation	(67,063)	(45,095)	(226,026)
Gross profit	57,764	48,072	263,042
Other operating income	2,016	5,628	38,099
Other operating expenses	(4)	(77)	(1,239)
General and administrative expenses	(35,377)	(36,726)	(151,605)
Share of profit of associates	497	1,662	4,725
Results from operating activities	24,896	18,559	153,022
Finance income	4,728	463	2,447
Finance expenses	(38,455)	(39,631)	(156,747)
Net finance expenses	(33,727)	(39,168)	(154,300)
Loss before income tax	(8,831)	(20,609)	(1,278)
Income taxes	(3,086)	(3,688)	(11,766)
Loss for the period	(11,917)	(24,297)	(13,044)
Attributable to:			
Owners of the Company	(13,549)	(25,330)	(18,149)
Non-controlling interests	1,632	1,033	5,105
Loss for the period	(11,917)	(24,297)	(13,044)

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31		Year ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	US \$'000		
Loss for the period	(11,917)	(24,297)	(13,044)
Other components of Comprehensive Income			
Items of other comprehensive income that were or will be reclassified to profit and loss			
Foreign currency translation differences for foreign operations	(2,207)	(718)	(4,657)
Items of other comprehensive income that would never be reclassified to profit and loss			
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	(297)	153	(294)
Defined benefit pension plans actuarial gains (losses)	3,062	(1,378)	(5,710)
Income tax on other comprehensive income			14
Other comprehensive income for the period, net of tax	558	(1,943)	(10,647)
Total comprehensive income for the period	(11,359)	(26,240)	(23,691)
Attributable to:			
Owners of the Company	(12,223)	(26,901)	(28,148)
Non- controlling interests	864	661	4,457
Total comprehensive income for the period	(11,359)	(26,240)	(23,691)

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Attribute to the owners of the Company						Non- controlling interests	Total equity
	Share capital	Share premium	General reserves (*)	Translation reserve	Accumulated deficit	Total		
	US \$'000							
For the three months period ended March 31, 2020 (unaudited)								
Balance at January 1, 2020 (audited)	88	700,222	1,105,350	(21,103)	(2,042,226)	(257,669)	5,402	(252,267)
Profit (loss) for the period					(13,549)	(13,549)	1,632	(11,917)
Other comprehensive income for the period				(1,439)	2,765	1,326	(768)	558
Transaction with an interested party, net of tax			182			182		182
Share-based compensation			179			179		179
Dividend to non-controlling interests in subsidiaries							(1,939)	(1,939)
Balance at March 31, 2020	88	700,222	1,105,711	(22,542)	(2,053,010)	(269,531)	4,327	(265,204)
For the three months period ended March 31, 2019 (unaudited)								
Balance at January 1, 2019 (audited)	88	700,222	1,104,577	(17,095)	(2,018,086)	(230,294)	6,282	(224,012)
Profit (loss) for the year					(25,330)	(25,330)	1,033	(24,297)
Other comprehensive income for the period				(346)	(1,225)	(1,571)	(372)	(1,943)
Transaction with an interested party, net of tax			256			256		256
Share-based compensation			170			170		170
Dividend to non-controlling interests in subsidiaries							(4,196)	(4,196)
Balance at March 31, 2019	88	700,222	1,105,003	(17,441)	(2,044,641)	(256,769)	2,747	(254,022)
For the year ended December 31, 2019 (audited)								
Balance at January 1, 2019 (audited)	88	700,222	1,104,577	(17,095)	(2,018,086)	(230,294)	6,282	(224,012)
Profit (loss) for the year					(18,149)	(18,149)	5,105	(13,044)
Other comprehensive income for the year				(4,008)	(5,991)	(9,999)	(648)	(10,647)
Transaction with an interested party, net of tax.			807			807		807
Share-based compensation			707			707		707
Acquisition of non-controlling interest			(741)			(741)	(39)	(780)
Dividend to non-controlling interests in subsidiaries							(5,298)	(5,298)
Balance at December 31, 2019	88	700,222	1,105,350	(21,103)	(2,042,226)	(257,669)	5,402	(252,267)

(*) Include reserves related to transactions with an interested party and share-based compensation.

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31		December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	US \$'000		
Cash flows from operating activities			
Loss for the period	(11,917)	(24,297)	(13,044)
Adjustments for:			
Depreciation and amortisation	72,133	49,410	245,510
Impairment of tangible assets and other investments			1,150
Net finance expenses	33,727	39,168	154,300
Share of profits of associates	(497)	(1,662)	(4,725)
Capital loss (gain)	(1,310)	(4,861)	(35,471)
Income taxes	3,086	3,688	11,766
	95,222	61,446	359,486
Change in inventories	3,643	3,532	9,731
Change in trade and other receivables	2,243	25,403	43,422
Change in trade and other payables including contracts liabilities and deferred income	9,203	(30,835)	(28,111)
Change in provisions and employee benefits	(7,132)	619	(7,690)
	7,957	(1,281)	17,352
Dividends received from associates	15	811	5,453
Interest received	876	1,487	1,970
Income tax paid	(2,495)	(2,787)	(13,630)
Net cash generated from operating activities	101,575	59,676	370,631
Cash flows from investing activities			
Proceeds from sale of tangible assets, intangible assets, investments and affiliates	1,349	11,665	44,794
Acquisition of tangible assets, intangible assets and investments	(3,561)	(4,274)	(16,150)
Change in other investments and other receivables	(1,241)	42,330	9,382
Net cash generated from (used in) investing activities	(3,453)	49,721	38,026

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31		December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	US \$'000		
Cash flows from financing activities			
Receipt of long-term loans and other long term liabilities			678
Sale and lease back transactions	8,400		13,151
Repayment of borrowings and lease liabilities	(63,557)	(49,969)	(300,763)
Change in short term loans	3,571	(39,112)	3,324
Dividend paid to non-controlling interests		(4,196)	(4,818)
Interest and other financial expenses paid	(30,467)	(25,888)	(122,972)
Net cash used in financing activities	(82,053)	(119,165)	(411,400)
Net change in cash and cash equivalents	16,069	(9,768)	(2,744)
Cash and cash equivalents at beginning of the period	182,786	186,291	186,291
Effect of exchange rate fluctuation on cash held	(2,114)	442	(761)
Cash and cash equivalents at the end of the period	196,741	176,965	182,786

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

ZIM INTEGRATED SHIPPING SERVICES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Reporting entity

ZIM Integrated Shipping Services Ltd. (hereinafter - the "Company" or "Zim") and its subsidiaries (hereinafter – "the Group" or "the Companies") and the Group's interests in associates, operate in the field of container shipping and related services.

Zim is a company incorporated in Israel, with limited liability. The address of the Company's registered office is 9 Andrei Sakharov Street, Haifa, Israel.

2 Basis of compliance

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2019 (hereafter – the "annual Financial Statements"). These condensed consolidated interim Financial Statements were approved by the Board of Directors on May 27, 2020.

(b) Estimates

The preparation of Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the principal assumptions used in the estimation of uncertainty were the same as those applied to the annual financial statements.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim Financial Statements are the same as those applied by the Group in its annual Financial Statements.

4 Financial position

The container shipping industry is dynamic and volatile and has been marked in recent years by instability of market environment, which is characterized by volatility in freight rates and bunker prices, including significant uncertainties in the global trade, mainly due to USA-China related trade restrictions. Moreover, the recent escalation of the Covid-19 pandemic outbreak has significantly impacted global economies, resulting in reduced demand and spending across many sectors, adversely affecting the volumes of trades, while also decreasing bunker prices and charter rates. Although the effects of the Covid-19 pandemic are difficult to assess or predict at reporting date, Management anticipates many of these impacts related to demand, profitability and cash flows are likely to continue in the foreseeable future. The extent to which the Covid-19's crisis may impact the Company's future results, financial position, liquidity and the risk of deviation from financial covenants is uncertain and will depend on future developments, including in volumes of trades, freight rates and bunker prices, which will be influenced by the duration and spread of the outbreak.

As of March 31, 2020, the Company's total equity amounted to a negative balance of US\$ 265 million (compared to a negative balance of US\$ 252 million as of December 31, 2019) and its working capital amounted to a negative balance of US\$ 323 million (compared to negative balance of US\$ 296 million as of December 31, 2019).

4 Financial position (Cont'd)

During the period of three months ended March 31, 2020, the Company recorded operating income of US\$ 25 million (compared to operating income of US\$ 19 million and US\$ 153 million, during the period of three months ended March 31, 2019 and the year ended December 31, 2019, respectively) and net loss of US\$ 12 million (compared to net loss of US\$ 24 million and US\$ 13 million, during the period of three months ended March 31, 2019 and the year ended December 31, 2019, respectively).

In view of the aforementioned business environment and in order to mitigate the Covid-19 pandemic implications and to improve the Company's results of operations and liquidity position, Management continues to expand its potential liquidity sources by means of improved payment terms with vendors, enhanced efforts of collection from customers and disposal and / or refinancing of assets. The Company also continues to optimize its network by entering into new partnerships and cooperation agreements and by constantly upgrading its customer's offerings, whilst maintaining efficiencies and focusing on cost reductions. In case the actual downside impact of the Covid-19 pandemic on the Company's results of operations and liquidity position was to be more severe than forecasted, Management would take additional measures to mitigate the downside impact.

During the first quarter of 2020, the Company's facility for the revolving sale of certain receivables to a financial institution, was renewed for an additional period ending February 2021 (see also Note 8(b) to the 2019 annual financial statements).

Despite the steps mentioned above, an adverse trend, mainly in volumes of trades, freight rates and / or bunker prices (including the implications of the Covid-19 pandemic), could negatively affect the entire industry and also affect the Company's business, financial position, assets value, results of operations, cash flows and compliance with certain financial covenants.

As at March 31, 2020, the Company complies with its financial covenants, as determined in the related agreements (also reflecting pre-IFRS16 measurements), including certain covenants previously waived. According to these condensed consolidated interim Financial Statements: (i) the Company's Liquidity amounts to US\$ 198 million (Minimum Liquidity required is US\$ 125 million), (ii) the Company's Total leverage ratio is 5.56 (Total leverage ratio as at March 31, 2020 should not exceed 9.00) and (iii) the Company's Fixed charge cover ratio is 1.03 (Fixed charge cover ratio as at March 31, 2020 should not be lower than 0.9). See also Note 12(c) to the 2019 annual financial statements

The Company's financial position, liquidity and the risk of deviation from financial covenants depend on the recovery of the shipping industry and especially on volume of trades and freight rates. Current economic conditions and uncertainties (including the impact of the Covid-19 pandemic), make forecasting difficult, and there is possibility that actual performance may be materially different from Management plans and expectations.

In the opinion of the Company's Management and its Board of Directors, the Company's forecasted cash flow in the foreseeable future, together with the steps above mentioned, enable the Company to meet its financial obligations and to comply with its updated financial covenants in such period.

ZIM INTEGRATED SHIPPING SERVICES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5 Right-of-use assets

	Balance at March 31		Balance at December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	US \$'000		
Vessels	621,654	623,644	600,480
Containers and handling equipment	398,502	396,082	408,003
Other tangible assets	49,145	40,208	49,813
	1,069,301	1,059,934	1,058,296

6 Disaggregation of revenues

	Three months ended March 31		Year ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	US \$'000		
Freight Revenues from containerized cargo, per Business Unit:			
Pacific	314,205	306,365	1,365,757
Cross-Suez	92,729	96,787	328,444
Atlantic	152,944	140,028	571,206
Intra-Asia	86,878	87,694	372,894
Latin America	49,713	49,590	208,963
	696,469	680,464	2,847,264
Other Revenues (*)	126,746	115,752	452,497
	823,215	796,216	3,299,761

(*) Mainly related to non-containerized cargo and demurrage.

7 Financial instruments

Financial instruments measured at fair value for disclosure purposes only

The carrying amounts of the Group's financial assets and liabilities are the same or proximate to their fair value, except as follows:

	Carrying amount			Fair value Level 2		
	March 31 2020	March 31 2019	December 31 2019	March 31 2020	March 31 2019	December 31 2019
	US \$'000			US \$'000		
Debentures	(457,282)	(452,509)	(455,474)	(215,701)	(256,782)	(211,862)
Long-term loans and other liabilities	(111,215)	(147,962)	(104,236)	(81,640)	(111,834)	(76,781)

8 Related parties

During the first quarter of 2020, the total balance of loans and lease liabilities attributed to related parties, increased by a net amount of US\$ 10 million, mainly due to charter hire of vessels - see also Note 27 to the 2019 annual financial statements.