

ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

JUNE 30, 2017

ZIM INTEGRATED SHIPPING SERVICES LTD.

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS:	
Condensed consolidated interim Statements of Financial Position	3
Condensed consolidated interim Income Statements	4
Condensed consolidated interim Statements of Comprehensive Income	5
Condensed consolidated interim Statements of Changes in Equity	6-8
Condensed consolidated interim Statements of Cash Flows	9-10
Notes to the condensed consolidated interim Financial Statements	11-13



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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 June 30, 2017 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month and the three-month 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 1, “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.

Without qualifying our conclusion, we refer to Note 4 (a) of the financial statements regarding the Company’s deficit in equity and working capital as of June 30, 2017; the net loss recorded during the period of six months ended June 30, 2017; the risk of deviation from financial covenants; Management steps to improve financial position and liquidity; the operating profit recorded during the six month and the three-month period and the net profit recorded during the three-month period ended June 30, 2017; the agreements reached with the creditors, for the purpose of rescheduling payments; the amendments to the financial covenants and to Management and the Board of Directors’ assessment in respect of the Company’s ability to meet its liabilities and to comply with the amended set of financial covenants.

Sincerely,


Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, August 30, 2017


ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>June 30</u>		<u>December 31</u>
	<u>2017</u>	<u>2016</u>	<u>2016</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>US \$'000</u>		
Assets			
Vessels	733,629	765,442	748,228
Containers and handling equipment	366,166	285,887	353,045
Other tangible assets	16,846	18,385	17,730
Intangible assets	53,081	51,146	51,491
Investments in associates	9,004	18,172	8,283
Other investments	20,628	2,831	15,360
Deferred expenses	29,632	47,636	38,195
Trade and other receivables	3,257	1,999	4,376
Deferred tax assets	1,204	1,139	1,032
Total non-current assets	1,233,447	1,192,637	1,237,740
Inventories	62,777	38,290	41,484
Assets classified as held for sale		5,379	
Trade and other receivables	256,579	243,373	237,525
Other investments	99,414	77,695	29,283
Cash and cash equivalents	176,894	221,041	157,600
Total current assets	595,664	585,778	465,892
Total assets	1,829,111	1,778,415	1,703,632
Equity			
Issued capital	88	88	88
Capital Reserves	1,791,977	1,793,552	1,789,432
Accumulated deficit	(1,899,810)	(1,858,270)	(1,893,302)
Equity attributable to owners of the Company	(107,745)	(64,630)	(103,782)
Non-controlling interests	2,705	1,881	3,125
Total equity	(105,040)	(62,749)	(100,657)
Liabilities			
Loans and other liabilities	1,210,636	1,111,894	1,205,717
Employee benefits	69,426	72,892	67,376
Deferred tax liabilities	337	352	354
Total non-current liabilities	1,280,399	1,185,138	1,273,447
Trade and other payables	348,865	365,118	336,029
Provisions	27,361	27,818	27,573
Deferred income	8,627	4,279	6,533
Bank overdrafts, loans and other liabilities	268,899	258,811	160,707
Total current liabilities	653,752	656,026	530,842
Total liabilities	1,934,151	1,841,164	1,804,289
Total equity and liabilities	1,829,111	1,778,415	1,703,632


Aharon Fogel
 Chairman of the Board
 of Directors


Eli Glickman
 President & CEO


Yohai Benita
 Acting Chief Financial
 Officer

Date of approval of the Financial August 30, 2017.

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

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Income from voyages and related services	1,400,684	1,241,937	745,696	611,938	2,539,296
Cost of voyages and related services					
Operating expenses and cost of services	(1,221,363)	(1,200,941)	(650,149)	(602,546)	(2,394,126)
Depreciation	(47,251)	(42,027)	(23,810)	(21,060)	(86,289)
Gross profit (loss)	132,070	(1,031)	71,737	(11,668)	58,881
Other operating income	2,269	2,590	1,742	1,156	32,851
Other operating expenses	(50)	(1,145)	(36)	(1,145)	(1,332)
General and administrative expenses	(73,330)	(71,313)	(37,120)	(36,145)	(142,542)
Results from operating activities	60,959	(70,899)	36,323	(47,802)	(52,142)
Finance income	784	1,091	431	467	6,359
Finance expenses	(62,781)	(54,692)	(33,864)	(24,501)	(104,353)
Net finance expenses	(61,997)	(53,601)	(33,433)	(24,034)	(97,994)
Share of profit of associates (net of income tax)	3,739	2,396	2,251	1,327	5,001
Profit (loss) before income tax	2,701	(122,104)	5,141	(70,509)	(145,135)
Income taxes	(6,816)	(8,306)	(2,843)	(3,651)	(18,366)
Profit (loss) for the period	(4,115)	(130,410)	2,298	(74,160)	(163,501)
Attributable to:					
Owners of the Company	(7,661)	(132,518)	332	(74,602)	(168,290)
Non-controlling interest	3,546	2,108	1,966	442	4,789
Profit (loss) for the period	(4,115)	(130,410)	2,298	(74,160)	(163,501)

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017 (Unaudited)	2016	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
	US \$'000				
Profit (loss) for the period	(4,115)	(130,410)	2,298	(74,160)	(163,501)
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	1,724	(6,933)	2,112	(6,607)	(13,431)
Net change in fair value of available-for sale financial assets	1,153		360		401
Items of other comprehensive income that would never be reclassified to profit and loss:					
Defined benefit pension plans actuarial gains losses		(861)		(861)	(522)
Other comprehensive income for the period, net of tax	2,877	(7,794)	2,472	(7,468)	(13,552)
Total comprehensive income for the period	(1,238)	(138,204)	4,770	(81,628)	(177,053)
Attributable to:					
Owners of the Company	(4,737)	(140,488)	2,723	(81,936)	(180,641)
Non- controlling interests	3,499	2,284	2,047	308	3,588
Total comprehensive income for the period	(1,238)	(138,204)	4,770	(81,628)	(177,053)

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 reserve from transactions with an interested party	Translation reserve	Accumulated deficit	Total		
	US \$'000							
For the six months period ended June 30, 2017 (unaudited)								
Balance at January 1, 2017 (audited)	88	700,222	1,101,743	(12,533)	(1,893,302)	(103,782)	3,125	(100,657)
Profit (loss) for the period					(7,661)	(7,661)	3,546	(4,115)
Other comprehensive income for the period				1,771	1,153	2,924	(47)	2,877
Transaction with an interested party			774			774		774
Dividend paid to non-controlling interests in subsidiaries							(3,919)	(3,919)
Balance at June 30, 2017	88	700,222	1,102,517	(10,762)	(1,899,810)	(107,745)	2,705	(105,040)
For the three months period ended June 30, 2017 (unaudited)								
Balance at March 31, 2017	88	700,222	1,102,171	(12,793)	(1,900,502)	(110,814)	658	(110,156)
Profit for the period					332	332	1,966	2,298
Other comprehensive income for the period				2,031	360	2,391	81	2,472
Transaction with an interested party			346			346		346
Balance at June 30, 2017	88	700,222	1,102,517	(10,762)	(1,899,810)	(107,745)	2,705	(105,040)

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 reserve from transactions with an interested party	Translation reserve	Accumulated deficit			Total
	US \$'000							
For the six months period ended June 30, 2016 (unaudited)								
Balance at January 1, 2016 (audited)	88	700,222	1,099,650	(303)	(1,724,891)	74,766	3,976	78,742
Profit (loss) for the period					(132,518)	(132,518)	2,108	(130,410)
Other comprehensive income for the period				(7,109)	(861)	(7,970)	176	(7,794)
Transaction with an interested party			1,092			1,092		1,092
Dividend paid to non-controlling interests in subsidiaries							(4,379)	(4,379)
Balance at June 30, 2016	<u>88</u>	<u>700,222</u>	<u>1,100,742</u>	<u>(7,412)</u>	<u>(1,858,270)</u>	<u>(64,630)</u>	<u>1,881</u>	<u>(62,749)</u>
For the three months period ended June 30, 2016 (unaudited)								
Balance at March 31, 2016	88	700,222	1,100,196	(939)	(1,782,807)	16,760	1,608	18,368
Profit (loss) for the period					(74,602)	(74,602)	442	(74,160)
Other comprehensive income for the period				(6,473)	(861)	(7,334)	(134)	(7,468)
Transaction with an interested party			546			546		546
Dividend paid to non-controlling interests in subsidiaries							(35)	(35)
Balance at June 30, 2016	<u>88</u>	<u>700,222</u>	<u>1,100,742</u>	<u>(7,412)</u>	<u>(1,858,270)</u>	<u>(64,630)</u>	<u>1,881</u>	<u>(62,749)</u>

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 reserve from transactions with an interested party	Translation reserve	Accumulated deficit	Total		
	US \$'000							
For the year ended December 31, 2016 (audited)								
Balance at January 1, 2016 (audited)	88	700,222	1,099,650	(303)	(1,724,891)	74,766	3,976	78,742
Profit (loss) for the year					(168,290)	(168,290)	4,789	(163,501)
Other comprehensive income for the year				(12,230)	(121)	(12,351)	(1,201)	(13,552)
Transaction with an interested party, net of tax			2,093			2,093		2,093
Dividend paid to non-controlling interests in subsidiaries							(4,439)	(4,439)
Balance at December 31, 2016	<u>88</u>	<u>700,222</u>	<u>1,101,743</u>	<u>(12,533)</u>	<u>(1,893,302)</u>	<u>(103,782)</u>	<u>3,125</u>	<u>(100,657)</u>

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Cash flows from operating activities					
Profit (loss) for the period	(4,115)	(130,410)	2,298	(74,160)	(163,501)
Adjustments for:					
Depreciation and amortisation	53,102	49,197	26,437	24,649	100,972
Impairment of tangible assets and other investments		1,115		1,115	1,115
Net finance expenses	61,997	53,601	33,433	24,034	97,994
Share of profits of associates	(3,739)	(2,396)	(2,251)	(1,327)	(5,001)
Capital gain	(995)	(865)	(947)	(521)	(29,978)
Income taxes	6,816	8,306	2,843	3,651	18,366
	113,066	(21,452)	61,813	(22,559)	19,967
Change in inventories	(21,293)	6,281	(23,148)	(7,749)	3,087
Change in trade and other receivables	(14,064)	25,211	(1,599)	18,393	43,394
Change in trade and other payables including deferred income	50,811	6,610	55,645	36,314	(8,394)
Change in provisions and employee benefits	(1,950)	(6,579)	(3,718)	(4,290)	(12,784)
	13,504	31,523	27,180	42,668	25,303
Dividends received from associates	3,332	1,161	2,552	530	5,074
Interest received	218	810	135	501	1,576
Income tax paid	(7,391)	(9,044)	(2,737)	(3,504)	(18,704)
Net cash generated from operating activities	122,729	2,998	88,943	17,636	33,216
Cash flows from investing activities					
Proceeds from sale of tangible and intangible assets, investments and subsidiaries	2,744	6,358	945	6,331	30,672
Acquisition of tangible assets, intangible assets and investments	(13,731)	(7,260)	(6,821)	(3,320)	(13,460)
Change in other investments and other receivables	(73,690)	72,009	(38,768)	70,168	124,339
Net cash generated from (used in) investing activities	(84,677)	71,107	(44,644)	73,179	141,551

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Cash flows from financing activities					
Receipt of long term loans, capital lease and other long term liabilities					5,599
Repayment of borrowings	(45,976)	(53,195)	(35,088)	(29,437)	(86,871)
Change in short term loans	68,500	21,570	33,500	(23,539)	(69,521)
Dividend paid to non-controlling interests	(3,919)	(4,379)		(35)	(4,439)
Interest paid and Other financial expenses paid	(38,812)	(34,736)	(23,157)	(19,636)	(73,401)
Net cash used in financing activities	(20,207)	(70,740)	(24,745)	(72,647)	(228,633)
Net change in cash and cash equivalents	17,845	3,365	19,554	18,168	(53,866)
Cash and cash equivalents at beginning of the period	157,600	218,740	156,288	204,443	218,740
Effect of exchange rate fluctuation on cash held	1,449	(1,195)	1,052	(1,701)	(7,274)
Cash and cash equivalents at the end of the period	176,894	220,910	176,894	220,910	157,600

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, 2016 (hereafter – the "annual Financial Statements"). These condensed consolidated interim Financial Statements were approved by the Board of Directors on August 30, 2017.

(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 that applied to the annual financial statements.

3 Significant accounting policies

(a) 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.

(b) New standards and interpretations not yet adopted:

- (i) IFRS 9 (2014), Financial Instruments, is effective for annual periods beginning on or after January 1, 2018. The Company has examined the effects of applying IFRS 9 and in its opinion the effect on the financial statements will be immaterial - see also Note 3(r) to 2016 annual financial statements.
- (ii) IFRS 15, Revenues from Contracts with Customers, is effective for annual periods beginning on or after January 1, 2018. The Company has examined the effects of applying IFRS 15 and in its opinion the effect on the financial statements will be immaterial - see also Note 3(r) to 2016 annual financial statements.

4 Events during the period and Subsequent events

(a) The container shipping industry is dynamic and volatile and has been marked in recent years by instability, which is characterized by slower growth of demand and worsening overcapacity combined with increased uncertainty due to the realigning of global alliances. The first half of 2016 was very challenging. Container freight rates hit historical lows across major trades, as new vessel capacity was added, while market demand remained weak. However, since the second half of 2016 and through the first half of 2017, freight rates started increasing.

4 Events during the period and Subsequent events (cont'd)

In view of the aforementioned business environment and in order to improve the company's results of operations and liquidity position, Management continues to optimize the Company's network rationalizations including establishment of new partnership, invest in upgrading customer services and constantly strive to create and maintain efficiencies and cost reductions.

However, an adverse trend 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 of June 30, 2017 the Company's total equity amounted to a negative balance of US\$ 105 million (compared to a negative balance of US\$ 63 million and US\$ 101 million as of June 30, 2016 and December 31, 2016, respectively) and its working capital amounted to a negative balance of US\$ 58 million (compared to negative balance of US\$ 70 million and US\$ 65 million as of June 30, 2016 and December 31, 2016, respectively).

During the period of six months and the three months ended June 30, 2017, the Company recorded operating income of US\$ 61 million and US\$ 36 million, respectively (compared to operating loss of US\$ 71 million, US\$ 48 million and US\$ 52 million during the period of six months and the three months ended June 30, 2016 and the year ended December 31, 2016, respectively) and net loss of US\$ 4 million and net income of US\$ 2 million (compared to net loss of US\$ 130 million, US\$ 74 million and US\$ 164 million during the period of six months and three months ended June 30, 2016 and the year ended December 31, 2016, respectively).

As at June 30, 2017, the Company complies with its amended financial covenants, the Company's liquidity amounts to US\$ 202 million (Minimum Liquidity required is US\$ 125 million) - see also Note 12(c) to 2016 annual financial statements.

In order to improve its financial position and liquidity, during the second half of 2016, the Company approached some of its creditors for the purpose of rescheduling payments in a total amount of US\$ 116 million – see also Note 1(b)(i) to 2016 annual financial statements. In addition, during such period, the Company obtained amendments to its financial covenants (other than the Minimum liquidity covenant, which remains US\$ 125 million) – see Note 12(c) to 2016 annual financial statements.

The Company's financial position, liquidity and the risk of deviation from financial covenants depend on the continuation recovery of the shipping industry and especially the freight rates. Current economic conditions 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 updated forecast and the abovementioned actions with regards to rescheduling of payments and covenants amendment, enables the Company to meet its liabilities and operational needs and to comply with the amended set of financial covenants for a period of at least 12 months following the balance sheet date.

- (b) As of the approval date of the financial statements, the Company used US\$ 160 million out the US\$ 200 million invested in its share capital by IC in the framework of the 2014 restructuring (See Note 1(b)(ii) to the 2016 annual financial statements).
- (c) During the first half of 2017, the Company received short term loans secured by bank deposits in a total amount of US\$ 50 million.

ZIM INTEGRATED SHIPPING SERVICES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4 Events during the period and Subsequent events (cont'd)

- (d) Following the balance sheet date, the Company's Board of Directors approved a new compensation plan for the Company's employees and management (the "Plan") for the year 2017, payable as cash bonuses, up to a total amount of US\$ 8 million. The payment of cash bonuses under the Plan is subject to the satisfaction of certain pre-conditions, such as profitability and minimum EBITDA, while the actual bonus that may be paid to each participant under the Plan is based on each participant's meeting of certain key performance indicators (determined based on the overall performance of the Company and the individual performance of each participant). The cash payment is subject to an additional approval of the Company's Board of Directors. The Company has included a provision for the reported period.

5 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		
	June 30 2017	June 30 2016	December 31 2016	June 30 2017	June 30 2016	December 31 2016
	US \$'000			US \$'000		
Debentures	(441,631)	(430,983)	(437,021)	(410,949)	(400,291)	(401,285)
Long-term loans and other liabilities	(890,725)	(768,400)	(849,320)	(843,662)	(767,057)	(835,966)