

**ZIM INTEGRATED SHIPPING SERVICES LIMITED**

**CONDENSED CONSOLIDATED INTERIM**

**FINANCIAL STATEMENTS**

**MARCH 31, 2018**

**ZIM INTEGRATED SHIPPING SERVICES LTD.**

**INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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	<u><b>Page</b></u>
<b>INDEPENDENT AUDITORS' REPORT</b>	2
<b>FINANCIAL STATEMENTS:</b>	
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
Condensed consolidated interim Statements of Cash Flows	7-8
Notes to the condensed consolidated interim Financial Statements	9-12



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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, 2018 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for 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.

### *Emphasis of Matter*

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 March 31, 2018; the operating loss and net loss recorded during the period of three months ended March 31, 2018; the deterioration in the business environment; the risk of deviation from financial covenants; Management steps to improve financial position and liquidity 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 set of financial covenants.

Sincerely,

  
Somekh Chaikin


Certified Public Accountants (Isr.)

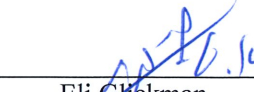
Haifa, May 24, 2018


**ZIM INTEGRATED SHIPPING SERVICES LTD.**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>March 31</b>		<b>December 31</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>US \$'000</b>		
<b>Assets</b>			
Vessels	708,147	741,312	716,665
Containers and handling equipment	364,479	337,751	372,591
Other tangible assets	19,257	17,445	19,358
Intangible assets	61,883	52,095	61,194
Investments in associates	10,626	9,090	9,530
Other investments	17,993	15,709	18,117
Deferred expenses	17,887	33,814	21,467
Trade and other receivables	3,303	3,307	2,898
Deferred tax assets	1,092	1,108	923
<b>Total non-current assets</b>	<b>1,204,667</b>	<b>1,211,631</b>	<b>1,222,743</b>
Inventories	66,810	39,629	63,842
Trade and other receivables	260,287	250,477	263,192
Other investments	94,640	64,997	94,673
Cash and cash equivalents	150,261	156,506	157,888
<b>Total current assets</b>	<b>571,998</b>	<b>511,609</b>	<b>579,595</b>
<b>Total assets</b>	<b>1,776,665</b>	<b>1,723,240</b>	<b>1,802,338</b>
<b>Equity</b>			
Issued capital	88	88	88
Capital Reserves	1,793,492	1,789,600	1,791,790
Accumulated deficit	(1,926,617)	(1,900,502)	(1,891,879)
<b>Equity attributable to owners of the Company</b>	<b>(133,037)</b>	<b>(110,814)</b>	<b>(100,001)</b>
<b>Non-controlling interests</b>	<b>3,316</b>	<b>658</b>	<b>6,509</b>
<b>Total equity</b>	<b>(129,721)</b>	<b>(110,156)</b>	<b>(93,492)</b>
<b>Liabilities</b>			
Loans and other liabilities	1,116,341	1,202,285	1,135,030
Employee benefits	70,077	68,396	73,758
Deferred tax liabilities	343	337	349
<b>Total non-current liabilities</b>	<b>1,186,761</b>	<b>1,271,018</b>	<b>1,209,137</b>
Trade and other payables	375,949	301,554	339,591
Provisions	26,529	28,711	25,322
Deferred income	7,055	7,899	8,687
Bank overdrafts, loans and other liabilities	310,092	224,214	313,093
<b>Total current liabilities</b>	<b>719,625</b>	<b>562,378</b>	<b>686,693</b>
<b>Total liabilities</b>	<b>1,906,386</b>	<b>1,833,396</b>	<b>1,895,830</b>
<b>Total equity and liabilities</b>	<b>1,776,665</b>	<b>1,723,240</b>	<b>1,802,338</b>

  
 \_\_\_\_\_  
 Aharon Fogel  
 Chairman of the Board  
 of Directors

  
 \_\_\_\_\_  
 Eli Ghickman  
 President & CEO

  
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 Yohai Benita  
 Acting Chief  
 Financial Officer

Date of approval of the Financial Statements: May 24, 2018

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
	2018	2017	2017
	(Unaudited)		(Audited)
	US \$'000		
Income from voyages and related services	751,375	654,988	2,978,291
<b>Cost of voyages and related services</b>			
Operating expenses and cost of services	(698,014)	(571,214)	(2,600,147)
Depreciation	(24,742)	(23,441)	(97,168)
<b>Gross profit</b>	<b>28,619</b>	60,333	280,976
Other operating income	617	527	4,235
Other operating expenses	(233)	(14)	(2,600)
General and administrative expenses	(36,080)	(36,210)	(147,560)
<b>Results from operating activities</b>	<b>(7,077)</b>	24,636	135,051
Finance income	589	353	2,061
Finance expenses	(25,870)	(28,917)	(119,110)
<b>Net finance expenses</b>	<b>(25,281)</b>	(28,564)	(117,049)
<b>Share of profit of associates (net of income tax)</b>	<b>1,902</b>	1,488	7,594
<b>Profit (loss) before income tax</b>	<b>(30,456)</b>	(2,440)	25,596
Income taxes	(3,642)	(3,973)	(14,233)
<b>Profit (loss) for the period</b>	<b>(34,098)</b>	(6,413)	11,363
<b>Attributable to:</b>			
Owners of the Company	(35,492)	(7,993)	6,235
Non-controlling interest	1,394	1,580	5,128
<b>Profit (loss) for the period</b>	<b>(34,098)</b>	(6,413)	11,363

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**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>US \$'000</b>		
<b>Profit (loss) for the period</b>	<b>(34,098)</b>	<b>(6,413)</b>	<b>11,363</b>
<b>Other components of Comprehensive Income</b>			
<b>Items of other comprehensive income that were or will be reclassified to profit and loss</b>			
Foreign currency translation differences for foreign operations	<b>1,354</b>	(388)	3,099
Net change in fair value of available-for sale financial assets		793	(781)
<b>Items of other comprehensive income that would never be reclassified to profit and loss</b>			
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	<b>(327)</b>		
Defined benefit pension plans actuarial gains (losses)	<b>1,081</b>		(4,037)
Income tax on other comprehensive income			6
<b>Other comprehensive income for the period, net of tax</b>	<b>2,108</b>	405	(1,713)
<b>Total comprehensive income for the period</b>	<b>(31,990)</b>	<b>(6,008)</b>	<b>9,650</b>
Attributable to:			
Owners of the Company	<b>(33,272)</b>	(7,460)	2,364
Non- controlling interests	<b>1,282</b>	1,452	7,286
<b>Total comprehensive income for the period</b>	<b>(31,990)</b>	<b>(6,008)</b>	<b>9,650</b>

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 US \$'000	Total		
<b>For the three months period ended March 31, 2018 (unaudited)</b>								
<b>Balance at January 1, 2018 (audited)</b>	88	700,222	1,103,160	(11,592)	(1,891,879)	(100,001)	6,509	(93,492)
Profit (loss) for the period					(35,492)	(35,492)	1,394	(34,098)
Other comprehensive income for the period				1,466	754	2,220	(112)	2,108
Transaction with an interested party, net of tax			236			236		236
Dividend paid to non-controlling interests in subsidiaries							(4,475)	(4,475)
<b>Balance at March 31, 2018</b>	<b>88</b>	<b>700,222</b>	<b>1,103,396</b>	<b>(10,126)</b>	<b>(1,926,617)</b>	<b>(133,037)</b>	<b>3,316</b>	<b>(129,721)</b>
<b>For the three months period ended March 31, 2017 (unaudited)</b>								
<b>Balance at January 1, 2017 (audited)</b>	88	700,222	1,101,743	(12,533)	(1,893,302)	(103,782)	3,125	(100,657)
Profit (loss) for the year					(7,993)	(7,993)	1,580	(6,413)
Other comprehensive income for the year				(260)	793	533	(128)	405
Transaction with an interested party, net of tax			428			428		428
Dividend paid to non-controlling interests in subsidiaries							(3,919)	(3,919)
<b>Balance at March 31, 2017</b>	<b>88</b>	<b>700,222</b>	<b>1,102,171</b>	<b>(12,793)</b>	<b>(1,900,502)</b>	<b>(110,814)</b>	<b>658</b>	<b>(110,156)</b>
<b>For the year ended December 31, 2017 (audited)</b>								
<b>Balance at January 1, 2017 (audited)</b>	88	700,222	1,101,743	(12,533)	(1,893,302)	(103,782)	3,125	(100,657)
Profit for the year					6,235	6,235	5,128	11,363
Other comprehensive income for the year				941	(4,812)	(3,871)	2,158	(1,713)
Transaction with an interested party, net of tax.			1,417			1,417		1,417
Dividend paid to non-controlling interests in subsidiaries							(4,059)	(4,059)
Issuance of capital to non-controlling interests in subsidiaries							157	157
<b>Balance at December 31, 2017</b>	<b>88</b>	<b>700,222</b>	<b>1,103,160</b>	<b>(11,592)</b>	<b>(1,891,879)</b>	<b>(100,001)</b>	<b>6,509</b>	<b>(93,492)</b>

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**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>US \$'000</b>		
<b>Cash flows from operating activities</b>			
Profit (loss) for the period	<b>(34,098)</b>	(6,413)	11,363
Adjustments for:			
Depreciation and amortisation	<b>27,737</b>	26,665	108,386
Impairment of tangible assets and other investments			2,400
Net finance expenses	<b>25,281</b>	28,564	117,049
Share of profits of associates	<b>(1,902)</b>	(1,488)	(7,594)
Capital loss (gain)	<b>226</b>	(48)	(1,178)
Income taxes	<b>3,642</b>	3,973	14,233
	<b>20,886</b>	51,253	244,659
Change in inventories	<b>(2,968)</b>	1,855	(22,358)
Change in trade and other receivables	<b>4,517</b>	(12,465)	(15,346)
Change in trade and other payables and deferred income	<b>37,644</b>	(4,834)	35,578
Change in provisions and employee benefits	<b>(510)</b>	1,768	(4,578)
	<b>38,683</b>	(13,676)	(6,704)
Dividends received from associates	<b>596</b>	780	6,585
Interest received	<b>837</b>	83	677
Income tax paid	<b>(3,151)</b>	(4,654)	(14,291)
<b>Net cash generated from operating activities</b>	<b>57,851</b>	33,786	230,926
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible assets, intangible assets, investments and affiliates	<b>947</b>	1,799	4,710
Acquisition of tangible assets, intangible assets and investments	<b>(9,194)</b>	(6,910)	(29,494)
Change in other investments and other receivables	<b>(56)</b>	(34,922)	(68,764)
<b>Net cash used in investing activities</b>	<b>(8,303)</b>	(40,033)	(93,548)

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**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>US \$'000</b>		
<b>Cash flows from financing activities</b>			
Repayment of borrowings	<b>(39,878)</b>	(10,888)	(134,386)
Change in short term loans	<b>6,122</b>	35,000	78,947
Issuance of capital to non-controlling interests in consolidated company			157
Dividend paid to non-controlling interests	<b>(4,475)</b>	(3,919)	(4,059)
Interest and other financial expenses paid	<b>(19,858)</b>	(15,655)	(76,677)
Other financial expenses paid			(3,750)
<b>Net cash generated from (used in) financing activities</b>	<b>(58,089)</b>	4,538	(139,768)
Net change in cash and cash equivalents	<b>(8,541)</b>	(1,709)	(2,390)
Cash and cash equivalents at beginning of the period	<b>157,888</b>	157,600	157,600
Effect of exchange rate fluctuation on cash held	<b>914</b>	397	2,678
<b>Cash and cash equivalents at the end of the period</b>	<b>150,261</b>	156,288	157,888

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

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#### 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, 2017 (hereafter – the "annual Financial Statements"). These condensed consolidated interim Financial Statements were approved by the Board of Directors on May 24, 2018.

##### (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

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, besides as described below.

##### Initial application of new standards, amendments to standards and interpretations:

##### **IFRS 15, Revenue from Contracts with Customers:**

As from January 1, 2018 the Company initially applies International Financial Reporting Standard 15 which presents a comprehensive framework with respect to the recognition, timing and measurement of revenues, as well as additional disclosure requirements. The Company elected to apply IFRS 15 using the cumulative effect approach. Implementation of the Standard did not have an effect on the financial statements and, therefore, the balance of retained earnings as of January 1, 2018 was not adjusted. Under the current and previous guidance, the Company's considered each freight transaction as comprised of one performance obligation, recognized per the time-based portion completed at the balance sheet date.

##### **IFRS 9, Financial Instruments:**

As from January 1, 2018 the Company applies IFRS 9 (2014), Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The Company has chosen to apply the standard as from January 1, 2018 without revision of the comparative data. Implementation of the Standard did not have a material effect on the financial statements and, therefore, the balance of retained earnings as of January 1, 2018 was not adjusted.

According to IFRS 9, financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

**3 Significant accounting policies (cont'd)**

On the initial implementation date, the Company chose to designate a certain investment in shares at fair value through other comprehensive income (under IAS 39, the investment in shares was classified as an available-for-sale financial asset).

The Group has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting the contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

With respect to impairment, provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets. Impairment losses related to trade and other receivables, including other financial assets, are presented under financing expenses.

With respect to debt terms modification, in the case of insubstantial change in terms, the new cash flows are discounted at the original effective interest rate, with the difference between the present value of the financial liability with the new terms and the present value of the original financial liability being recognized in profit or loss.

**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, as a result of continued deterioration of market environment, which is characterized by a decrease in freight rates and an increase in bunker prices. The first half of 2016 continued to be very challenging. Container freight rates hit historical lows across major trades, as new vessel capacity was added, while market demand remained weak. Since the second half of 2016 and through the third quarter of 2017, increases were recorded in freight rates as well as in bunker prices. Commencing the fourth quarter of 2017, freight rates have decreased while bunker prices continue to increase.

In view of the aforementioned deterioration in the business environment, mainly during the last two quarters, 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 partnerships, invest in upgrading customer services, constantly strive to obtain additional sources of liquidity, create and maintain efficiencies and cost reductions.

However, continuation of this 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 March 31, 2018, the Company's total equity amounted to a negative balance of US\$ 130 million (compared to a negative balance of US\$ 93 million as of December 31, 2017) and its working capital amounted to a negative balance of US\$ 148 million (compared to negative balance of US\$ 107 million as of December 31, 2017).

During the period of three months ended March 31, 2018, the Company recorded operating loss of US\$ 7 million (compared to operating income of US\$ 25 million and US\$ 135 million, during the period of three months ended March 31, 2017 and the year ended December 31, 2017, respectively) and net loss of US\$ 34 million (compared to net loss of US\$ 6 million and net profit of US\$ 11 million, during the period of three months ended March 31, 2017 and the year ended December 31, 2017, respectively).

As at March 31, 2018, the Company complies with its financial covenants. According to these condensed consolidated interim Financial Statements, the Company's liquidity amounts to US\$ 175 million (Minimum Liquidity required is US\$ 125 million), The Company's Total Leverage ratio is 5.81 (Maximum Total Leverage ratio required as at March 31, 2018 is 23.69) and the Company's Fixed Charge Cover ratio is 1.00 (Minimum Fixed Charge Cover ratio required as at March 31, 2018 is 0.78). See also Note 12(c) to 2017 annual financial statements.

**ZIM INTEGRATED SHIPPING SERVICES LTD.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The Company's financial position, liquidity and the risk of deviation from financial covenants depend on the recovery of the shipping industry and especially freight rates and the levels of bunker prices. 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 Company's forecast and the abovementioned actions enables the Company to meet its liabilities and operational needs and to comply with its financial covenants for a period of at least 12 months following the balance sheet date.

- (b) Following the balance sheet date, the Company entered into a non-binding memorandum of understanding for refinancing a portion (US\$ 24 million ) of its secured debt under Tranche A (see also Note 12(b) to the 2017 annual financial statements), originally scheduled to be repaid by the end of 2018. The transaction will be executed in the framework of a sale, lease and buyback commitment of four vessels at the end of a four years period. The terms and conditions in the memorandum are subject to further discussions and negotiations, as well as to consents from involved parties (including the creditors and the State of Israel).

**5 Disaggregation of revenues**

	Three months ended March 31
	2018
	(Unaudited)
	US \$'000
Freight Revenues from containerized cargo, per Business Unit:	
Pacific	299,456
Cross-Suez	99,115
Atlantic	123,644
Intra-Asia	81,402
Latin America	51,105
	654,722
Other Revenues (*)	96,653
	751,375

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

**6 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 2018	March 31 2017	December 31 2017	March 31 2018	March 31 2017	December 31 2017
	US \$'000			US \$'000		
Debentures	(446,420)	(440,022)	(445,082)	(251,783)	(411,098)	(410,460)
Long-term loans and other liabilities	(816,264)	(871,056)	(845,416)	(738,856)	(861,386)	(804,695)

**6 Financial instruments (cont'd)**

Investments in equity instruments at fair value through other comprehensive income

As at March 31, 2018, the fair value of Investments in equity instruments at fair value through other comprehensive income (level 1 measurement) in an amount of US\$ 15.0 million (US\$ 15.2 million as of December 31, 2017) are presented under non-current other investments.