

ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

JUNE 30, 2018

ZIM INTEGRATED SHIPPING SERVICES LTD.

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Somekh Chaikin
7 Nahum Het Street,
PO Box 15142
Haifa 3190500, Israel
+ 972 4 861 4800

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, 2018 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 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 June 30, 2018; the operating loss and net loss recorded during the six months and three months period ended June 30, 2018; the deterioration in the business environment; the risk of deviation from financial covenants, which influenced, inter alia, by the levels of bunker prices and the recovery of freight rates; Management steps to improve financial position, cash flows and liquidity, as stated in Notes 4(b)-4(e); the amendments obtained to the financial covenants (other than the Minimum liquidity) and to Management and the Board of Directors' assessment, based on the forecasted cash flow, together with the steps above mentioned, in respect of the Company's ability to meet its liabilities, and to comply with the amended set of financial covenants in the foreseeable future .

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, 22 August, 2018

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | June 30 | | December 31 |
|---|------------------|------------------|------------------|
| | 2018 | 2017 | 2017 |
| | (Unaudited) | | (Audited) |
| | US \$'000 | | |
| Assets | | | |
| Vessels | 699,536 | 733,629 | 716,665 |
| Containers and handling equipment | 379,824 | 366,166 | 372,591 |
| Other tangible assets | 20,288 | 16,846 | 19,358 |
| Intangible assets | 61,954 | 53,081 | 61,194 |
| Investments in associates | 9,218 | 9,004 | 9,530 |
| Other investments | 2,695 | 20,628 | 18,117 |
| Deferred expenses | 14,574 | 29,632 | 21,467 |
| Trade and other receivables | 3,250 | 3,257 | 2,898 |
| Deferred tax assets | 1,058 | 1,204 | 923 |
| Total non-current assets | 1,192,397 | 1,233,447 | 1,222,743 |
| Inventories | 79,942 | 62,777 | 63,842 |
| Trade and other receivables including derivatives | 293,535 | 256,579 | 263,192 |
| Contract assets | 24,619 | | |
| Other investments | 85,231 | 99,414 | 94,673 |
| Cash and cash equivalents | 141,340 | 176,894 | 157,888 |
| Total current assets | 624,667 | 595,664 | 579,595 |
| Total assets | 1,817,064 | 1,829,111 | 1,802,338 |
| Equity | | | |
| Issued capital | 88 | 88 | 88 |
| Capital Reserves | 1,789,630 | 1,791,977 | 1,791,790 |
| Accumulated deficit | (1,963,602) | (1,899,810) | (1,891,879) |
| Equity attributable to owners of the Company | (173,884) | (107,745) | (100,001) |
| Non-controlling interests | 4,644 | 2,705 | 6,509 |
| Total equity | (169,240) | (105,040) | (93,492) |
| Liabilities | | | |
| Loans and other liabilities | 1,110,199 | 1,210,636 | 1,135,030 |
| Employee benefits | 66,469 | 69,426 | 73,758 |
| Deferred tax liabilities | 343 | 337 | 349 |
| Total non-current liabilities | 1,177,011 | 1,280,399 | 1,209,137 |
| Trade and other payables | 415,293 | 348,865 | 339,591 |
| Provisions | 30,958 | 27,361 | 25,322 |
| Contract liabilities | 69,113 | | |
| Deferred income | | 8,627 | 8,687 |
| Bank overdrafts, loans and other liabilities | 293,929 | 268,899 | 313,093 |
| Total current liabilities | 809,293 | 653,752 | 686,693 |
| Total liabilities | 1,986,304 | 1,934,151 | 1,895,830 |
| Total equity and liabilities | 1,817,064 | 1,829,111 | 1,802,338 |


Aharon Fogel

Chairman of the Board
of Directors


Eli Glickman

President & CEO


Xavier Destriau

Chief Financial Officer

Date of approval of the Financial Statements: August 22, 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

| | Six months ended June 30 | | Three months ended June 30 | | Year ended December 31 |
|--|-----------------------------|-------------|-------------------------------|-----------|---------------------------|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (Unaudited) | | (Unaudited) | | (Audited) |
| | US \$'000 | | | | |
| Income from voyages and related services | 1,554,622 | 1,400,684 | 803,247 | 745,696 | 2,978,291 |
| Cost of voyages and related services | | | | | |
| Operating expenses and cost of services | (1,454,923) | (1,221,363) | (756,909) | (650,149) | (2,600,147) |
| Depreciation | (49,835) | (47,251) | (25,093) | (23,810) | (97,168) |
| Gross profit | 49,864 | 132,070 | 21,245 | 71,737 | 280,976 |
| Other operating income | 2,024 | 2,269 | 1,407 | 1,742 | 4,235 |
| Other operating expenses | (29) | (50) | 204 | (36) | (2,600) |
| General and administrative expenses | (72,719) | (73,330) | (36,639) | (37,120) | (147,560) |
| Results from operating activities | (20,860) | 60,959 | (13,783) | 36,323 | 135,051 |
| Finance income | 8,572 | 784 | 7,983 | 431 | 2,061 |
| Finance expenses | (50,149) | (62,781) | (24,279) | (33,864) | (119,110) |
| Net finance expenses | (41,577) | (61,997) | (16,296) | (33,433) | (117,049) |
| Share of profit of associates (net of income tax) | 3,159 | 3,739 | 1,257 | 2,251 | 7,594 |
| Profit (loss) before income tax | (59,278) | 2,701 | (28,822) | 5,141 | 25,596 |
| Income taxes | (8,010) | (6,816) | (4,368) | (2,843) | (14,233) |
| Profit (loss) for the period | (67,288) | (4,115) | (33,190) | 2,298 | 11,363 |
| Attributable to: | | | | | |
| Owners of the Company | (70,454) | (7,661) | (34,962) | 332 | 6,235 |
| Non-controlling interest | 3,166 | 3,546 | 1,772 | 1,966 | 5,128 |
| Profit (loss) for the period | (67,288) | (4,115) | (33,190) | 2,298 | 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

| | Six months ended June 30 | | Three months ended June 30 | | Year ended December 31 |
|--|-----------------------------|---------|-------------------------------|-------|---------------------------|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (Unaudited) | | (Unaudited) | | (Audited) |
| | US \$'000 | | | | |
| Profit (loss) for the period | (67,288) | (4,115) | (33,190) | 2,298 | 11,363 |
| 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 | (3,213) | 1,724 | (4,567) | 2,112 | 3,099 |
| Net change in fair value of available-for sale financial assets | | 1,153 | | 360 | (781) |
| 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 | (2,310) | | (1,983) | | |
| Defined benefit pension plans actuarial gains losses | 1,041 | | (40) | | (4,037) |
| Income tax on other comprehensive income | | | | | 6 |
| Other comprehensive income for the period, net of tax | (4,482) | 2,877 | (6,590) | 2,472 | (1,713) |
| Total comprehensive income for the period | (71,770) | (1,238) | (39,780) | 4,770 | 9,650 |
| Attributable to: | | | | | |
| Owners of the Company | (74,380) | (4,737) | (41,108) | 2,723 | 2,364 |
| Non- controlling interests | 2,610 | 3,499 | 1,328 | 2,047 | 7,286 |
| Total comprehensive income for the period | (71,770) | (1,238) | (39,780) | 4,770 | 9,650 |

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 | | | | | Total | Non-controlling interests | Total equity |
|--|--|----------------|--|---------------------|---------------------|------------------|---------------------------|------------------|
| | Share capital | Share premium | General reserve from transactions with an interested party | Translation reserve | Accumulated deficit | | | |
| | US \$'000 | | | | | | | |
| For the six months period ended June 30, 2018 (unaudited) | | | | | | | | |
| Balance at January 1, 2018 (audited) | 88 | 700,222 | 1,103,160 | (11,592) | (1,891,879) | (100,001) | 6,509 | (93,492) |
| Profit (loss) for the period | | | | | (70,454) | (70,454) | 3,166 | (67,288) |
| Other comprehensive income for the period | | | | (2,657) | (1,269) | (3,926) | (556) | (4,482) |
| Transaction with an interested party | | | 497 | | | 497 | | 497 |
| Dividend paid to non-controlling interests in subsidiaries | | | | | | | (4,475) | (4,475) |
| Balance at June 30, 2018 | 88 | 700,222 | 1,103,657 | (14,249) | (1,963,602) | (173,884) | 4,644 | (169,240) |
| For the three months period ended June 30, 2018 (unaudited) | | | | | | | | |
| Balance at March 31, 2018 | 88 | 700,222 | 1,103,396 | (10,126) | (1,926,617) | (133,037) | 3,316 | (129,721) |
| Profit (loss) for the period | | | | | (34,962) | (34,962) | 1,772 | (33,190) |
| Other comprehensive income for the period | | | | (4,123) | (2,023) | (6,146) | (444) | (6,590) |
| Transaction with an interested party | | | 261 | | | 261 | | 261 |
| Balance at June 30, 2018 | 88 | 700,222 | 1,103,657 | (14,249) | (1,963,602) | (173,884) | 4,644 | (169,240) |

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 | | | | | Total | Non-controlling interests | Total equity |
|--|--|----------------|--|---------------------|---------------------|------------------|---------------------------|------------------|
| | Share capital | Share premium | General reserve from transactions with an interested party | Translation reserve | Accumulated deficit | | | |
| | 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 | <u>88</u> | <u>700,222</u> | <u>1,102,517</u> | <u>(10,762)</u> | <u>(1,899,810)</u> | <u>(107,745)</u> | <u>2,705</u> | <u>(105,040)</u> |
| 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 | <u>88</u> | <u>700,222</u> | <u>1,102,517</u> | <u>(10,762)</u> | <u>(1,899,810)</u> | <u>(107,745)</u> | <u>2,705</u> | <u>(105,040)</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, 2017 (audited) | | | | | | | | |
| Balance at January 1, 2017 (audited) | 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 |
| Balance at December 31, 2017 | <u>88</u> | <u>700,222</u> | <u>1,103,160</u> | <u>(11,592)</u> | <u>(1,891,879)</u> | <u>(100,001)</u> | <u>6,509</u> | <u>(93,492)</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 | | Three months ended | | Year ended |
|--|-----------------------|-----------------|----------------------|-----------------|-----------------|
| | June 30 | | June 30 | | December 31 |
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (Unaudited) | | (Unaudited) | | (Audited) |
| | US \$'000 | | | | |
| Cash flows from operating activities | | | | | |
| Profit (loss) for the period | (67,288) | (4,115) | (33,190) | 2,298 | 11,363 |
| Adjustments for: | | | | | |
| Depreciation and amortisation | 55,177 | 53,102 | 27,440 | 26,437 | 108,386 |
| Impairment of tangible assets and other investments | | | | | 2,400 |
| Net finance expenses | 41,577 | 61,997 | 16,296 | 33,433 | 117,049 |
| Share of profits of associates | (3,159) | (3,739) | (1,257) | (2,251) | (7,594) |
| Capital gain | (582) | (995) | (808) | (947) | (1,178) |
| Income taxes | 8,010 | 6,816 | 4,368 | 2,843 | 14,233 |
| | <u>33,735</u> | <u>113,066</u> | <u>12,849</u> | <u>61,813</u> | <u>244,659</u> |
| Change in inventories | (16,100) | (21,293) | (13,132) | (23,148) | (22,358) |
| Change in trade receivables, contract assets and other receivables including derivations | 9,628 | (14,064) | 5,111 | (1,599) | (15,346) |
| Change in trade and other payables including contract liabilities and deferred income | 82,279 | 50,811 | 44,635 | 55,645 | 35,578 |
| Change in provisions and employee benefits | 2,401 | (1,950) | 2,911 | (3,718) | (4,578) |
| | <u>78,208</u> | <u>13,504</u> | <u>39,525</u> | <u>27,180</u> | <u>(6,704)</u> |
| Dividends received from associates | 3,526 | 3,332 | 2,930 | 2,552 | 6,585 |
| Interest received | 1,183 | 218 | 346 | 135 | 677 |
| Income tax paid | (6,117) | (7,391) | (2,966) | (2,737) | (14,291) |
| Net cash generated from operating activities | <u>110,535</u> | <u>122,729</u> | <u>52,684</u> | <u>88,943</u> | <u>230,926</u> |
| Cash flows from investing activities | | | | | |
| Proceeds from sale of tangible and intangible assets, investments and affiliates | 15,232 | 2,744 | 14,285 | 945 | 4,710 |
| Acquisition of tangible assets, intangible assets and investments | (14,146) | (13,731) | (4,952) | (6,821) | (29,494) |
| Change in other investments and other receivables | 11,311 | (73,690) | 11,367 | (38,768) | (68,764) |
| Net cash generated from (used in) investing activities | <u>12,397</u> | <u>(84,677)</u> | <u>20,700</u> | <u>(44,644)</u> | <u>(93,548)</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 |
|---|-------------------------------------|-------------|---------------------------------------|-------------|-----------------------------------|
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | (Unaudited) | | (Unaudited) | | (Audited) |
| | US \$'000 | | | | |
| Cash flows from financing activities | | | | | |
| Receipt of long term loans, capital lease and other long term liabilities | 265 | | 265 | | |
| Repayment of borrowings | (83,318) | (45,976) | (43,440) | (35,088) | (134,386) |
| Change in short term loans | (8,462) | 68,500 | (14,584) | 33,500 | 78,947 |
| Issuance of capital to non-controlling interests in consolidated company | | | | | 157 |
| Dividend paid to non-controlling interests | (4,475) | (3,919) | | | (4,059) |
| Interest paid | (40,985) | (38,812) | (21,127) | (23,157) | (76,677) |
| Other financial expenses paid | | | | | (3,750) |
| Net cash used in financing activities | (136,975) | (20,207) | (78,886) | (24,745) | (139,768) |
| Net change in cash and cash equivalents | (14,043) | 17,845 | (5,502) | 19,554 | (2,390) |
| Cash and cash equivalents at beginning of the period | 157,888 | 157,600 | 150,261 | 156,288 | 157,600 |
| Effect of exchange rate fluctuation on cash held | (2,505) | 1,449 | (3,419) | 1,052 | 2,678 |
| Cash and cash equivalents at the end of the period | 141,340 | 176,894 | 141,340 | 176,894 | 157,888 |

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, 2017 (hereafter – the "annual Financial Statements"). These condensed consolidated interim Financial Statements were approved by the Board of Directors on August 22, 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 those initially applied as described below.

IFRS 15, Revenue from Contracts with Customers:

As from January 1, 2018 the Company initially applies IFRS 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 Company's revenue recognition 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.

With respect to presentation, as at 1 January 2018, the new balance sheet items "contract assets" and "Contract Liabilities" were introduced in accordance with the provisions of IFRS 15. "Contract assets" mainly includes receivables in connection with shipments on voyages not yet completed as at the respective balance sheet date. "Contract Liabilities" reflects the Company's liability to complete its services for which a payment was already received or became unconditional (i.e. became a trade receivable). Contract assets and contract liabilities relating to the same contract are presented on a net basis in the statement of financial position. On the other hand, trade receivables and contract liabilities deriving from the same contract are presented on a gross basis in the statement of financial position.

The presentation in the statement of financial position, of trade receivables and contract assets on one hand and of contract liabilities on the other, was correspondingly increased as at 30 June 2018 by US\$ 61 million due to the above-mentioned gross presentation.

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

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.

New standards and interpretations not yet adopted:**IFRS 16, Leases:**

IFRS 16 will be adopted by the Company on January 1, 2019. The Company is still assessing the potential effect of applying IFRS 16 to its consolidated financial statements, including the application of optional exemptions and transition methods. Notwithstanding, the Company currently expects to adopt IFRS 16 using the cumulative “simplified” method (i.e. without restating its comparative figures or its retained earnings). In addition, the Company expects an increase on adoption date in its assets and liabilities, mainly with respect to its leases of vessels and equipment, currently accounted as operational leases (See also Notes 17 and 25 to the Company’s 2017 annual financial statements). The actual adoption effect is subject to the Company’s leases portfolio, as well as to the applicable discount interest rates as of the adoption date.

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. 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 continued to increase, both adversely affecting the Company’s financial position and liquidity.

As of June 30, 2018, the Company’s total equity amounted to a negative balance of US\$ 169 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\$ 185 million (compared to negative balance of US\$ 107 million as of December 31, 2017).

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

During the period of six months and the three months ended June 30, 2018, the Company recorded operating loss of US\$ 21 million and US\$ 14 million, respectively (compared to operating income of US\$ 61 million, US\$ 36 million and US\$ 135 million during the period of six months, the three months ended June 30, 2017 and the year ended December 31, 2017, respectively) and net loss of US\$ 67 million and US\$ 33 million, respectively (compared to net loss of US\$ 4 million, net income of US\$ 2 million and net income of US\$ 11 million during the period of six months and three months ended June 30, 2017 and the year ended December 31, 2017, respectively).

In view of the aforementioned deterioration in the business environment, mainly during the last three 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, upgrading its customer services, constantly strive to create and maintain efficiencies and cost reductions, as well as to expand its potential liquidity sources by means of disposal and / or refinancing of certain assets (see Notes (c) and (d) below). In addition, the Company obtained amendments to its financial covenants as disclosed in Note (e) below.

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 at June 30, 2018, the Company complies with its financial covenants. According to these condensed consolidated interim Financial Statements, the Company's liquidity amounts to US\$ 166 million (Minimum Liquidity required is US\$ 125 million), The Company's Total Leverage ratio is 7.09 (Maximum Total Leverage ratio required as at June 30, 2018 is 14.37) and the Company's Fixed Charge Cover ratio is 0.94 (Minimum Fixed Charge Cover ratio required as at June 30, 2018 is 0.81). See also Note 12(c) to 2017 annual financial statements and Note (e) below.

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, including significant uncertainties in the global trade that could also influence the market, 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 together with the steps below mentioned (see Notes (b) - (e) below) enable the Company to meet its liabilities and to comply with its updated financial covenants in the foreseeable future.

- (b) Following the balance sheet date, the Company entered into a strategic operational cooperation with the "2M" alliance. According to this cooperation, commencing from September 2018, the Company and the parties of the 2M alliance (Maersk and MSC) will operate together certain lines between Asia and the US East-Coast, enabling ZIM to provide its customers improved port coverage and transit time, while generating cost efficiencies.
- (c) During the second quarter of 2018, the Company sold most of its shares held in a certain entity, previously elected to be accounted as measured at fair value through other comprehensive income, for a net consideration of US\$ 9.7 million. In accordance with IFRS 9 (2014), Financial instruments, all changes in fair value following such election were recorded through other comprehensive income, with no transfer to the profit or loss upon disposal.

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

- (d) The Company withdrew from the non-binding memorandum of understanding regarding refinancing of vessels reached prior to the publication of the financial statements for the first quarter of 2018. The Company entered into negotiations with other parties to execute a similar transaction. The contemplated transaction is for refinancing a portion (US\$ 24 million) of its secured debt under Tranche A (see Note 12(b) to the 2017 annual financial statements).
- (e) Following the balance sheet date, the Company obtained amendments to its financial covenants (other than the Minimum liquidity covenants, which remains at US\$ 125 million), as those described in Note 12(c) to 2017 annual financial statements, effective from September 30, 2018.

Accordingly, below are the current financial covenants that the Company is required to comply with:

- 1) Fixed Charge Cover ratio - During the period starting on (and including) September 30, 2018 and through (and including) December 31, 2019, all prior Fixed Charge Cover ratio requirements are waived. In the following periods, the required ratio will be 0.90:1 and will remain in that level.
 - 2) Total Leverage ratio - During the period starting on (and including) September 30, 2018 and through (and including) December 31, 2019, all prior Total Leverage ratio requirements are waived. In the following periods, the required ratio will be 9.00:1 and will remain in that level.
- (f) With respect to certain legal procedures, as also disclosed in Note 26 to the 2017 annual financial statements, the Company recorded additional provision in a total amount of US\$ 4.6 million, based on management estimations.

5 Disaggregation of revenues

| | Six months ended | Three months ended |
|---|-------------------------|---------------------------|
| | June 30 | June 30 |
| | 2018 | 2018 |
| | (Unaudited) | (Unaudited) |
| | US \$'000 | US \$'000 |
| Freight Revenues from containerized cargo, per Business Unit: | | |
| Pacific | 627,925 | 328,468 |
| Cross-Suez | 203,465 | 104,350 |
| Atlantic | 250,880 | 127,236 |
| Intra-Asia | 171,251 | 89,849 |
| Latin America | 101,899 | 50,794 |
| | 1,355,420 | 700,697 |
| Other Revenues (*) | 199,202 | 102,549 |
| | 1,554,622 | 803,246 |

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

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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 | | |
|--|------------------|-----------------|---------------------|--------------------|-----------------|---------------------|
| | June 30 2018 | June 30 2017 | December 31 2017 | June 30 2018 | June 30 2017 | December 31 2017 |
| | US \$'000 | | | US \$'000 | | |
| Debentures | (447,853) | (441,631) | (445,082) | (248,902) | (410,949) | (410,460) |
| Long-term loans and other liabilities | (807,116) | (890,725) | (845,416) | (729,782) | (843,662) | (804,695) |

Investments in equity instruments at fair value through other comprehensive income

As at June 30, 2018, the fair value of investments in equity instruments at fair value through other comprehensive income (level 1 measurement) in an amount of US\$ 3.2 million (US\$ 15.2 million as of December 31, 2017) are presented under Other investments.

Financial instruments at fair value through profit or loss

As at June 30, 2018, the fair value of derivatives transactions for fuel prices hedge (level 2 measurement) in an amount of US\$ 2.0 million are presented under Other receivables.