

ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

JUNE 30, 2015

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 June 30, 2015 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six and three month periods 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.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute approximately 9% of the total consolidated assets as at June 30, 2015 and whose revenues constitute approximately 5% of the total consolidated revenues for the six and three month periods then ended. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to \$ 8 million as at June 30, 2015, and the Group’s share in their profits amounted to \$3 million and \$ 1 million for the six and three month period then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

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 and the review reports of other auditors, 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.

We refer to Note 4a of the financial statements regarding Management and the Board of Directors’ assessment, in respect of the Company’s ability to comply with the new set of covenants.

Sincerely,


Somekh Chaikin


Certified Public Accountants (Isr.)

Haifa, August 19, 2015

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30		December 31
	2015	2014	2014
	(Unaudited)	(Audited)	(Audited)
	US \$'000		
Assets			
Vessels	799,369	1,561,853	815,486
Containers and handling equipment	301,308	319,237	293,590
Other tangible assets	21,487	21,793	21,314
Intangible assets	50,838	59,551	57,060
Investments in associates	17,911	16,017	16,392
Other investments	69,024		73,654
Deferred expenses	70,048		83,532
Trade and other receivables	29,435	38,763	31,407
Deferred tax assets	1,257	1,323	1,332
Total non-current assets	1,360,677	2,018,537	1,393,767
Inventories	59,433	106,266	78,422
Assets classified as held for sale	47,291		56,657
Trade and other receivables	289,849	299,015	317,716
Other investments, including derivatives	82,050	50,817	79,197
Cash and cash equivalents	255,887	110,918	230,515
Total current assets	734,510	567,016	762,507
Total assets	2,095,187	2,585,553	2,156,274
Equity			
Issued capital	88	42,301	88
Capital Reserves	1,801,036	893,342	1,801,306
Accumulated deficit	(1,706,937)	(1,656,398)	(1,729,122)
Equity attributable to owners of the Company	94,187	(720,755)	72,272
Non-controlling interests	4,049	4,775	7,118
Total equity	98,236	(715,980)	79,390
Liabilities			
Loans and other liabilities	1,182,964	686,363	1,199,607
Employee benefits	81,992	94,333	88,303
Deferred tax liabilities	340	349	348
Total non-current liabilities	1,265,296	781,045	1,288,258
Trade and other payables, including derivatives	420,995	499,339	461,787
Provisions	32,276	31,918	35,826
Deferred income	6,663	20,756	9,479
Long-term loans and other liabilities classified to short-term		1,506,000	
Bank overdrafts, loans and other liabilities	271,721	462,475	281,534
Total current liabilities	731,655	2,520,488	788,626
Total liabilities	1,996,951	3,301,533	2,076,884
Total equity and liabilities	2,095,187	2,585,553	2,156,274


Aharon Fogel
 Chairman of the Board
 of Directors


Refael Danieli
 President & CEO


Guy Eldar
 Chief Financial Officer

Date of approval of the Financial Statements: August 19, 2015

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
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Income from voyages and related services	1,554,990	1,741,652	762,899	875,128	3,408,759
Cost of voyages and related services					
Operating expenses and cost of services	(1,350,862)	(1,613,386)	(666,034)	(811,088)	(3,165,460)
Depreciation	(40,415)	(67,947)	(20,373)	(34,132)	(112,022)
Gross profit	163,713	60,319	76,492	29,908	131,277
Other operating income	4,572	4,935	2,751	2,681	9,021
Other operating expenses	(10,842)	(392)	(1,200)	(392)	(227,460)
General and administrative expenses	(75,998)	(82,556)	(36,471)	(41,453)	(153,040)
Termination benefit expenses					(23,176)
Results from operating activities	81,445	(17,694)	41,572	(9,256)	(263,378)
Finance income	1,776	2,224	816	1,136	193,252
Finance expenses	(55,972)	(108,963)	(29,511)	(58,687)	(159,447)
Net finance income (expenses)	(54,196)	(106,739)	(28,695)	(57,551)	33,805
Share of profit of associates (net of income tax)	5,739	5,265	2,569	2,924	12,495
Profit (loss) before income tax	32,988	(119,168)	15,446	(63,883)	(217,078)
Income taxes	(9,206)	(9,735)	(3,316)	(3,568)	18,935
Profit (loss) for the period	23,782	(128,903)	12,130	(67,451)	(198,143)
Attributable to:					
Owners of the Company	20,912	(132,398)	10,303	(69,284)	(204,913)
Non-controlling interest	2,870	3,495	1,827	1,833	6,770
Profit (loss) for the period	23,782	(128,903)	12,130	(67,451)	(198,143)

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
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Profit (loss) for the period	23,782	(128,903)	12,130	(67,451)	(198,143)
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	(2,078)	(1,276)	(763)	397	733
Items of other comprehensive income that would never be reclassified to profit and loss:					
Defined benefit pension plans actuarial gains (losses)	1,273	(4,037)	3,937	(4,037)	(4,224)
Income tax on other comprehensive income					(22)
Other comprehensive income for the period, net of tax	(805)	(5,313)	3,174	(3,640)	(3,513)
Total comprehensive income for the period	22,977	(134,216)	15,304	(71,091)	(201,656)
Attributable to:					
Owners of the Company	20,829	(138,186)	13,575	(73,007)	(208,302)
Non- controlling interests	2,148	3,970	1,729	1,916	6,646
Total comprehensive income for the period	22,977	(134,216)	15,304	(71,091)	(201,656)

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, 2015 (unaudited)								
Balance at January 1, 2015 (audited)	88	700,222	1,097,461	3,623	(1,729,122)	72,272	7,118	79,390
Profit for the period					20,912	20,912	2,870	23,782
Other comprehensive income for the period				(1,356)	1,273	(83)	(722)	(805)
Transaction with an interested party			1,086			1,086		1,086
Dividend paid to non-controlling interests in subsidiaries							(4,698)	(4,698)
Derecognition of non-controlling interest as a result of the realization of subsidiaries							(519)	(519)
Balance at June 30, 2015	88	700,222	1,098,547	2,267	(1,706,937)	94,187	4,049	98,236
For the three months period ended June 30, 2015 (unaudited)								
Balance at March 31, 2015	88	700,222	1,098,001	2,932	(1,721,177)	80,066	2,839	82,905
Profit for the period					10,303	10,303	1,827	12,130
Other comprehensive income for the period				(665)	3,937	3,272	(98)	3,174
Transaction with an interested party			546			546		546
Derecognition of non-controlling interest as a result of the realization of subsidiaries							(519)	(519)
Balance at June 30, 2015	88	700,222	1,098,547	2,267	(1,706,937)	94,187	4,049	98,236

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								
	Share capital	Share premium	General reserve from transactions with an interested party	Share options	Translation reserve US \$'000	Accumulated deficit	Total	Non-controlling interests	Total equity
For the six months period ended June 30, 2014 (unaudited)									
Balance at January 1, 2014 (audited)	42,301	535,615	281,402	75,310	2,766	(1,519,963)	(582,569)	4,413	(578,156)
Profit (loss) for the period						(132,398)	(132,398)	3,495	(128,903)
Other comprehensive income for the period					(1,751)	(4,037)	(5,788)	475	(5,313)
Dividend paid to non-controlling interests in subsidiaries								(3,608)	(3,608)
Balance at June 30, 2014	<u>42,301</u>	<u>535,615</u>	<u>281,402</u>	<u>75,310</u>	<u>1,015</u>	<u>(1,656,398)</u>	<u>(720,755)</u>	<u>4,775</u>	<u>(715,980)</u>
For the three months period ended June 30, 2014 (unaudited)									
Balance at April 1, 2014	42,301	535,615	281,402	75,310	701	(1,583,077)	(647,748)	2,859	(644,889)
Profit (loss) for the period						(69,284)	(69,284)	1,833	(67,451)
Other comprehensive income for the period					314	(4,037)	(3,723)	83	(3,640)
Balance at June 30, 2014	<u>42,301</u>	<u>535,615</u>	<u>281,402</u>	<u>75,310</u>	<u>1,015</u>	<u>(1,656,398)</u>	<u>(720,755)</u>	<u>4,775</u>	<u>(715,980)</u>
For the year ended December 31, 2014 (audited)									
Balance at January 1, 2014	42,301	535,615	281,402	75,310	2,766	(1,519,963)	(582,569)	4,413	(578,156)
Profit (loss) for the year						(204,913)	(204,913)	6,770	(198,143)
Other comprehensive income for the year					857	(4,246)	(3,389)	(124)	(3,513)
Nullifications of the share capital and share options	(42,301)	(460,305)	577,916	(75,310)					
Issuance of share capital	88	624,912					625,000		625,000
Transaction with an interested party, net of tax			238,143				238,143		238,143
Dividend paid to non-controlling interests in subsidiaries								(3,941)	(3,941)
Balance at December 31, 2014	<u>88</u>	<u>700,222</u>	<u>1,097,461</u>	<u></u>	<u>3,623</u>	<u>(1,729,122)</u>	<u>72,272</u>	<u>7,118</u>	<u>79,390</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 CASH FLOWS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Cash flows from operating activities					
Profit (loss) for the period	23,782	(128,903)	12,130	(67,451)	(198,143)
Adjustments for:					
Depreciation and amortisation	48,520	75,546	24,468	37,962	127,612
Impairment of tangible assets and other investments	6,600		1,200		117,800
Net finance expenses	54,196	106,739	28,695	57,551	(33,805)
Share of profits of associates	(5,739)	(5,265)	(2,569)	(2,924)	(12,495)
Capital loss (gain)	(2,589)	(1,577)	(1,838)	(628)	107,799
Income taxes	9,206	9,735	3,316	3,568	(18,935)
	<u>133,976</u>	<u>56,275</u>	<u>65,402</u>	<u>28,078</u>	<u>89,833</u>
Change in inventories	18,989	(5,385)	(5,211)	(2,202)	22,459
Change in trade and other receivables including derivatives	31,087	(32,289)	4,983	4,643	4,861
Change in trade and other payables including derivatives and deferred income	(30,196)	21,837	24,710	(12,782)	2,765
Change in provisions and employee benefits	(10,102)	7,486	(3,970)	2,466	14,014
	<u>9,778</u>	<u>(8,351)</u>	<u>20,512</u>	<u>(7,875)</u>	<u>44,099</u>
Dividends received from associates	3,252	2,547	2,640	1,937	6,369
Interest received	1,620	329	833	204	1,751
Income tax paid	(9,091)	(9,440)	(3,371)	(3,524)	(21,068)
Net cash generated from operating activities	<u>139,535</u>	<u>41,360</u>	<u>86,016</u>	<u>18,820</u>	<u>120,984</u>
Cash flows from investing activities					
Proceeds from sale of tangible and intangible assets, investments and subsidiaries	20,855	17,196	5,965	4,673	56,593
Acquisition of tangible assets, intangible assets and investments	(24,377)	(8,955)	(7,630)	(4,725)	(18,641)
Settlement of derivatives		(605)			(605)
Change in other investments and other receivables	1,779	(32,069)	(15,548)	(14,690)	(129,554)
Net cash used in investing activities	<u>(1,743)</u>	<u>(24,433)</u>	<u>(17,213)</u>	<u>(14,742)</u>	<u>(92,207)</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 CASH FLOWS

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Cash flows from financing activities					
Receipt of long term loans, capital lease and other long term liabilities		81,705		20,970	161,569
Repayment of borrowings	(64,622)	(62,439)	(34,979)	(17,931)	(157,090)
Change in short term loans	189	31,431	5,172	15,501	49,384
Issuance of share capital					200,000
Dividend paid to non-controlling interests	(4,698)	(3,608)			(3,491)
Interest paid	(39,155)	(56,184)	(20,807)	(23,046)	(122,528)
Other financial expenses paid	(2,000)	(19,385)	(2,000)	(13,576)	(45,000)
Net cash generated from (used in) financing activities	(110,286)	(28,480)	(52,614)	(18,082)	82,394
Net change in cash and cash equivalents	27,506	(11,553)	16,189	(14,004)	111,171
Cash and cash equivalents at beginning of the period	230,376	123,232	239,645	124,566	123,232
Effect of exchange rate fluctuation on cash held	(1,995)	(801)	53	316	(4,027)
Cash and cash equivalents at the end of the period	255,887	110,878	255,887	110,878	230,376

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, 2014 (hereafter – the "annual Financial Statements").

These condensed consolidated interim Financial Statements were approved by the Board of Directors on August 19, 2015.

(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.

4 Events during the period and Subsequent events

(a) As described in Note 1(b) to the Company's annual Financial Statements, on July 16, 2014 the Company has completed the restructuring of its debt and equity. As mentioned in the said note, the Company is obligated under the Tranche A agreements to have a committed receivable-backed credit facility either from IC or from an alternative source for a period of two years as of the restructuring date ("the period"). On April 15, 2015 IC's credit line obligation was terminated. However, during the first quarter of 2015, Tranche A agreements were amended to allow the Company to arrange the alternative credit facility for the period by September 30, 2015 instead of April 15, 2015. After the balance sheet date the alternative facility was concluded. In addition, in the opinion of the Company's Management and its Board of Directors the updated forecasts enables the Company to meet its liabilities and operational needs and to comply with the new set of financial covenants for a period of at least 12 months after the balance sheet date.

(b) As at 30 June 2015, the Company is in compliance with its financial covenants as described in Note 1(b) to the annual Financial Statements. According to these condensed consolidated interim Financial Statements, the Company's liquidity amounts to US\$ 258 million (Minimum Liquidity required is US\$ 125 million) and the Total Leverage ratio amounts to 6.0 (Total Leverage ratio as at 30 June 2015 should not exceed 8.8).

ZIM INTEGRATED SHIPPING SERVICES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

- (c) Following the described in Note 1(b)(b) to the annual financial statements, in light of the decrease in steel prices, the Company recorded an impairment of the vessels held for sale in an amount of US\$ 1.2 million during the second quarter of 2015 and US\$ 5.4 million during the first quarter of 2015. The impairment was recorded under other operating expenses.
- (d) As a result of an early termination of charter agreements of 2 vessels during the first quarter of 2015, the Company recorded expenses in an aggregated amount of US\$ 7.6 million (US\$ 3.4 million in charter hire expenses and US\$ 4.2 million in other operating expenses).

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 2015	June 30 2014	December 31 2014	June 30 2015	June 30 2014	December 31 2014
	US \$'000			US \$'000		
Debentures	(434,468)	(243,357)	(431,402)	(415,661)	(360,389)	(412,679)
Long-term loans and other liabilities	(868,118)	(2,290,835)	(897,710)	(876,696)	(1,295,045)	(892,649)

Financial instruments measured at fair value

For these condensed consolidated interim Financial Statements such analysis is immaterial.