

ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

SEPTEMBER 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 September 30, 2015 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine 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 September 30, 2015 and whose revenues constitute approximately 4% of the total consolidated revenues for the nine 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 \$1 million as at September 30, 2015, and the Group’s share in their profits (losses) amounted to \$2 million and (\$1) million for the nine 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 4b of the financial statements regarding Management and the Board of Directors’ assessment, in respect of the Company’s ability to comply with the amended set of covenants.

Sincerely,

Somekh Chaikin


Certified Public Accountants (Isr.)

Haifa, November 26 2015

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30		December 31
	2015	2014	2014
	(Unaudited)		(Audited)
	US \$'000		
Assets			
Vessels	790,589	823,466	815,486
Containers and handling equipment	306,380	306,149	293,590
Other tangible assets	21,805	20,967	21,314
Intangible assets	48,983	58,031	57,060
Investments in associates	16,548	17,139	16,392
Other investments	65,742	73,952	73,654
Deferred expenses	64,228	90,185	83,532
Trade and other receivables	1,928	24,823	31,407
Deferred tax assets	1,178	1,195	1,332
Total non-current assets	1,317,381	1,415,907	1,393,767
Inventories	53,132	96,636	78,422
Assets classified as held for sale	18,775	72,558	56,657
Trade and other receivables	279,404	307,163	317,716
Other investments, including derivatives	83,312	78,080	79,197
Cash and cash equivalents	281,174	238,418	230,515
Total current assets	715,797	792,855	762,507
Total assets	2,033,178	2,208,762	2,156,274
Equity			
Issued capital	88	88	88
Capital Reserves	1,799,874	1,799,261	1,801,306
Accumulated deficit	(1,697,004)	(1,720,587)	(1,729,122)
Equity attributable to owners of the Company	102,958	78,762	72,272
Non-controlling interests	2,916	6,289	7,118
Total equity	105,874	85,051	79,390
Liabilities			
Loans and other liabilities	1,165,349	1,226,804	1,199,607
Employee benefits	77,215	105,077	88,303
Deferred tax liabilities	334	348	348
Total non-current liabilities	1,242,898	1,332,229	1,288,258
Trade and other payables, including derivatives	380,425	452,642	461,787
Provisions	32,787	33,657	35,826
Deferred income	5,580	18,222	9,479
Bank overdrafts, loans and other liabilities	265,614	286,961	281,534
Total current liabilities	684,406	791,482	788,626
Total liabilities	1,927,304	2,123,711	2,076,884
Total equity and liabilities	2,033,178	2,208,762	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: November 26, 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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Income from voyages and related services	2,303,967	2,595,785	748,977	854,133	3,408,759
Cost of voyages and related services					
Operating expenses and cost of services	(2,046,591)	(2,402,392)	(695,729)	(789,006)	(3,165,460)
Depreciation	(61,625)	(91,458)	(21,210)	(23,511)	(112,022)
Gross profit	195,751	101,935	32,038	41,616	131,277
Other operating income	40,480	4,935	35,908		9,021
Other operating expenses	(11,853)	(236,528)	(1,011)	(236,137)	(227,460)
General and administrative expenses	(108,505)	(116,143)	(32,507)	(33,586)	(153,040)
Termination benefit expenses		(23,176)		(23,176)	(23,176)
Results from operating activities	115,873	(268,977)	34,428	(251,283)	(263,378)
Finance income	2,644	189,333	868	187,109	193,252
Finance expenses	(76,795)	(145,367)	(20,823)	(36,404)	(159,447)
Net finance income (expenses)	(74,151)	43,966	(19,955)	150,705	33,805
Share of profit of associates (net of income tax)	7,224	8,702	1,485	3,437	12,495
Profit (loss) before income tax	48,946	(216,309)	15,958	(97,141)	(217,078)
Income taxes	(14,078)	24,674	(4,872)	34,410	18,935
Profit (loss) for the period	34,868	(191,635)	11,086	(62,731)	(198,143)
Attributable to:					
Owners of the Company	31,920	(196,996)	11,008	(64,597)	(204,913)
Non-controlling interest	2,948	5,361	78	1,866	6,770
Profit (loss) for the period	34,868	(191,635)	11,086	(62,731)	(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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Profit (loss) for the period	34,868	(191,635)	11,086	(62,731)	(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	(4,674)	(513)	(2,596)	763	733
Items of other comprehensive income that would never be reclassified to profit and loss:					
Defined benefit pension plans actuarial gains (losses)	198	(3,628)	(1,075)	408	(4,224)
Income tax on other comprehensive income					(22)
Other comprehensive income for the period, net of tax	(4,476)	(4,141)	(3,671)	1,171	(3,513)
Total comprehensive income for the period	30,392	(195,776)	7,415	(61,560)	(201,656)
Attributable to:					
Owners of the Company	29,048	(201,259)	8,219	(63,073)	(208,302)
Non- controlling interests	1,344	5,483	(804)	1,513	6,646
Total comprehensive income for the period	30,392	(195,776)	7,415	(61,560)	(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					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 nine months period ended September 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					31,920	31,920	2,948	34,868
Other comprehensive income for the period				(3,070)	198	(2,872)	(1,604)	(4,476)
Transaction with an interested party			1,638			1,638		1,638
Dividend paid to non-controlling interests in subsidiaries							(5,027)	(5,027)
Derecognition of non-controlling interest as a result of the realization of subsidiaries							(519)	(519)
Balance at September 30, 2015	88	700,222	1,099,099	553	(1,697,004)	102,958	2,916	105,874
For the three months period ended September 30, 2015 (unaudited)								
Balance at July 1, 2015	88	700,222	1,098,547	2,267	(1,706,937)	94,187	4,049	98,236
Profit for the period					11,008	11,008	78	11,086
Other comprehensive income for the period				(1,714)	(1,075)	(2,789)	(882)	(3,671)
Transaction with an interested party			552			552		552
Dividend paid to non-controlling interests in subsidiaries							(329)	(329)
Balance at September 30, 2015	88	700,222	1,099,099	553	(1,697,004)	102,958	2,916	105,874

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	Share Options	Translation reserve	Accumulated deficit	Total		
	US \$'000								
For the nine months period ended September 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						(196,996)	(196,996)	5,361	(191,635)
Other comprehensive income for the period					(636)	(3,628)	(4,264)	123	(4,141)
Nullification 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			237,591				237,591		237,591
Dividend paid to non-controlling interests in subsidiaries								(3,608)	(3,608)
Balance at September 30, 2014	<u>88</u>	<u>700,222</u>	<u>1,096,909</u>		<u>2,130</u>	<u>(1,720,587)</u>	<u>78,762</u>	<u>6,289</u>	<u>85,051</u>
For the three months period ended September 30, 2014 (unaudited)									
Balance at July 1, 2014	42,301	535,615	281,402	75,310	1,015	(1,656,398)	(720,755)	4,775	(715,980)
Profit (loss) for the period						(64,597)	(64,597)	1,866	(62,731)
Other comprehensive income for the period					1,115	408	1,523	(352)	1,171
Nullification 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			237,591				237,591		237,591
Balance at September 30, 2014	<u>88</u>	<u>700,222</u>	<u>1,096,909</u>		<u>2,130</u>	<u>(1,720,587)</u>	<u>78,762</u>	<u>6,289</u>	<u>85,051</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	Share options	Translation reserve	Accumulated deficit	Total		
	US \$'000								
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	88	700,222	1,097,461		3,623	(1,729,122)	72,272	7,118	79,390

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

	Nine months ended September 30		Three months ended September 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	34,868	(191,635)	11,086	(62,731)	(198,143)
Adjustments for:					
Depreciation and amortisation	74,075	102,936	25,555	27,390	127,612
Impairment of tangible assets and other investments	7,357	126,737	757	126,737	117,800
Net finance expenses (income)	74,151	(43,966)	19,955	(150,705)	(33,805)
Share of profits of associates	(7,224)	(8,702)	(1,485)	(3,437)	(12,495)
Capital loss (gain)	(37,986)	107,677	(35,397)	109,254	107,799
Income taxes	14,078	(24,674)	4,872	(34,410)	(18,935)
	159,319	68,373	25,343	12,098	89,833
Change in inventories	25,290	4,245	6,301	9,630	22,459
Change in trade and other receivables including derivatives	51,437	(9,101)	20,350	23,188	4,861
Change in trade and other payables including derivatives and deferred income	(55,184)	3,862	(24,988)	(17,975)	2,765
Change in provisions and employee benefits	(17,444)	20,816	(7,342)	13,330	14,014
	4,099	19,822	(5,679)	28,173	44,099
Dividends received from associates	4,273	5,051	1,021	2,504	6,369
Interest received	2,198	1,477	578	1,148	1,751
Income tax paid	(13,494)	(16,190)	(4,403)	(6,750)	(21,068)
Net cash generated from operating activities	156,395	78,533	16,860	37,173	120,984
Cash flows from investing activities					
Proceeds from sale of tangible and intangible assets, investments and subsidiaries	90,679	36,722	68,937	20,577	56,593
Disposal of subsidiary, net of cash disposed and exit from consolidation	(887)	1,051			
Repayment of long-term loan granted to associates	27,231		27,231		
Acquisition of tangible assets, intangible assets and investments	(27,859)	(13,678)	(3,482)	(4,723)	(18,641)
Settlement of derivatives		(605)			(605)
Change in other investments and other receivables	(1,682)	(129,432)	(3,461)	(97,363)	(129,554)
Net cash generated from (used in) investing activities	87,482	(105,942)	89,225	(81,509)	(92,207)

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

	Nine months ended		Three months ended		Year ended
	September 30		September 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	204	161,569	204	79,864	161,569
Repayment of borrowings	(111,659)	(119,330)	(47,037)	(56,891)	(157,090)
Change in short term loans	(4,655)	48,780	(4,844)	17,349	49,384
Issuance of share capital		200,000		200,000	200,000
Dividend paid to non-controlling interests	(5,027)	(3,608)	(329)		(3,941)
Interest paid	(62,007)	(97,775)	(22,852)	(41,591)	(122,528)
Other financial expenses paid	(4,744)	(45,000)	(2,744)	(25,615)	(45,000)
Net cash generated from (used in) financing activities	(187,888)	144,636	(77,602)	173,116	82,394
Net change in cash and cash equivalents	55,989	117,227	28,483	128,780	111,171
Cash and cash equivalents at beginning of the period	230,376	123,232	255,887	110,878	123,232
Effect of exchange rate fluctuation on cash held	(5,191)	(2,044)	(3,196)	(1,243)	(4,027)
Cash and cash equivalents at the end of the period	281,174	238,415	281,174	238,415	230,376

The accompanying Notes are an integral part of these 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 November 26, 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").

In August 2015, the Company ("the Group") entered into a receivables securitization transaction (the "Transaction") with a financial institution (the "Financial Institution") for the sale of certain receivables, (the "Receivables"), generated from shipping services that meets certain criteria, to a foreign entity ("the SPV") which was established specifically for this purpose and which is neither owned nor controlled by the Group. The SPV finances the acquisition of the Receivables by means of (i) a senior facility (the "Senior Facility") to be provided to the SPV by the Financial Institution and (ii) a subordinated facility to be provided by the Company.

The Senior Facility is of up to \$100 million available for 2.5 years from the closing date of the Transaction, (February 2018). The actual amount that can be drawn from the Senior Facility is dependent on the certain criteria of the Receivables.

The SPV acquires new Receivables on a revolving basis, using mainly amounts paid on previously purchased Receivables. The Group manages (as servicer on behalf of the SPV) collection of the Receivables included in the Transaction.

Once the Receivables are sold to the SPV, they are no longer owned by the Group.

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

The securitization of the Receivables does not meet the conditions for derecognition of financial assets prescribed in International Accounting Standard (IAS) 39, Financial Instruments – Recognition and Measurement, since the Group did not transfer all of the risks and rewards deriving from the Receivables and retains continuing involvement with collection of the Receivables included in the Transaction. Therefore, the senior facility will be presented as a financial liability as part of the short-term credit. In addition, The SPV is included in the consolidated financial statements since the Group has control, for accounting purposes, over the entity in accordance with the criteria determined in IFRS 10, Consolidated Financial Statement.

Based on the contractual arrangement, the occurrence of certain events (which are customarily included in transaction of this kind) can cause the termination of the Transaction.

As of the approval date of the financial statements, the Senior Facility provided by the Financial Institution was not utilized.

- (b) As at September 30, 2015, the Company is in compliance with its financial covenants (see Note 1(b) to the annual Financial Statements). According to these condensed consolidated interim Financial Statements, the Company's liquidity amounts to US\$ 283 million (Minimum Liquidity required is US\$ 125 million) and the Total Leverage ratio amounts to 6.0 (Total Leverage ratio as at September 30, 2015 should not exceed 9.11).

Following the balance sheet date, the Company obtained amendments until December 31, 2018 to financial covenants described in Note 1(b) to the annual Financial Statements, as follows:

- a) Fixed Charge Cover ratio - the original minimum covenant level for December 31, 2015 was set at 1.02:1, gradually changing until December 31, 2018 to 1.07:1. This covenant was amended such that the minimum covenant level for December 31, 2015 was set at 0.94:1, gradually changing to 0.99:1 until December 31, 2018.
- b) Total Leverage ratio - the original maximum covenant level for September 30, 2015 was set at 7.8:1, gradually changing until December 31, 2018 to 4.9:1. This covenant was amended such that the maximum covenant level for September 30, 2015 was set at 9.11:1, gradually changing to 6.64:1 until December 31, 2018.

The amendment further determines that if the Company's performance improves and certain conditions are met, the original Fixed Cover ratio levels and the Total Leverage ratio levels will be reinstated.

Starting 2019 the Company will have to stand the original covenant levels.

The Minimum Liquidity required remains unchanged at US\$ 125 million.

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.

- (c) Further to the described in Note 1(b)(b) to the annual financial statements, and in light of the decrease in steel prices, the Company recorded an impairment of the vessels held for sale in an amount of US\$ 7.4 million during the nine months ended September 30, 2015. Such impairment was recorded under other operating expenses.

As part of the July 2014 group debt restructuring, the Company undertook to dispose eight of its fleet vessels until no later than 16 November 2015. As of the balance sheet date, the Company had three vessels remaining to dispose. Following the balance sheet date, the Company disposed two vessels, and obtained an extension through December 16, 2015 to dispose the last vessel. As at the approval date of the Financial Statements, the last vessel was disposed.

- (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).

ZIM INTEGRATED SHIPPING SERVICES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

- (e) During the third quarter of 2015, the Company sold all of its holdings in an associated company. The capital gain in an amount of US\$ 32.0 million was recognized under other operating income. Following such sale, and in accordance with the restructuring agreements, the company declared a partial prepayment of tranche C in the amount of US\$ 11.8 million, payable in December 2015. In addition, during the third quarter of 2015, a long-term loan previously granted to the above mentioned associated company was repaid in an amount of US\$ 27.2 million.

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		
	September 30 2015	September 30 2014	December 31 2014	September 30 2015	September 30 2014	December 31 2014
	US \$'000			US \$'000		
Debentures	(436,189)	(429,834)	(431,402)	(422,003)	(420,723)	(412,679)
Long-term loans and other liabilities	(847,534)	(932,602)	(897,710)	(856,128)	(934,191)	(892,649)

Financial instruments measured at fair value

As at September 30, 2015, the fair value of derivative transactions for fuel prices hedge (level 2 measurement) in an amount of US\$ 7.1 million, as measured based on Black Scholes model, are presented under current liabilities.