ZIM INTEGRATED SHIPPING SERVICES LTD.

Operating and Financial Review for the period ended 30 June, 2018

1. General

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. Furthermore, during 2016-2017, the container shipping industry was going through a structural change, as a result of the extensive activity of mergers and acquisitions that also led to reorganization of the global alliances.

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, both adversely affecting the Company's financial position and liquidity.

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 service network including establishment of new partnerships and 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. In addition, following the balance sheet date, the Company obtained amendments to its financial covenants. For further details, see Note 4 to the Company's condensed interim financial statements for the period ended 30 June, 2018.

However, continuation of this trend could negatively affect the entire industry and also affect the Company's business and financial position. The current instability and volatility in the market, including significant uncertainties in the global trade mainly due to trade restrictions between the USA and other countries, make forecasting very challenging, as a result, there is a possibility that the Company's actual performance may differ from expectations.

In August, 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.

2. Financial Position

2.1. Balance Sheet

The Company's total assets as of 30 June, 2018 amounted to $1,817.1M compared to $1,802.3M as of 31 December, 2017.

Assets

The Company's fixed assets as of 30 June, 2018 amounted to $1,099.6M compared to $1,108.6M as of 31 December, 2017 a decrease of $9.0M. The decrease was primarily driven by: (i) depreciation expenses of $50.4M, offset by (ii) additions of fixed assets (mainly financial lease of containers) of $43.6M.

The Company's current assets as of 30 June, 2018 amounted to $624.7M, compared to $579.6M as of 31 December, 2017, an increase of $45.1M. The increase was primarily driven by: (i) an increase in trade receivable, contract assets and other receivable of $55.0M (including an increase of $60.7M related to new presentation requirements under IFRS 15 – see also Note 3 to the Company's condensed interim financial statements for the period ended 30 June, 2018), (ii) an increase in inventories of $16.1M, offset by (iii) a decrease in cash and cash equivalents of $16.5M and (iv) a decrease in other investments of $9.4M.

The Current ratio as of 30 June, 2018 was 0.77 compared to 0.84 as of 31 December, 2017.

Liabilities
The Company's long-term loans and other liabilities (including current maturities) as of 30 June, 2018 amounted to $1,289.1M compared to $1,324.6M as of 31 December, 2017, a decrease of $35.5M. The decrease was primarily driven by: (i) repayments of borrowings in the amount of $83.3M, offset by (ii) an increase in financial leases in the amount of $39.4M and (iii) an increase related to fair value amortization of $6.3M.

The Company's current liabilities (excluding current maturities) as of 30 June, 2018 amounted to $630.4M compared to $497.1M as of 31 December, 2017, an increase of $133.3M. The increase was primarily driven by (i) an increase in the contract liabilities and deferred income of $60.4M (including an increase of $60.7M related to new presentation requirements under IFRS 15 – see also Note 3 to the Company's condensed interim financial statements for the period ended 30 June, 2018), (ii) an increase in trade and other payables of $75.7M, (iii) an increase in provisions of $5.6M, offset (iv) by a decrease in short term borrowings of $8.5M.

Equity
The Company's deficit in equity attributable to the owners of the Company as of 30 June, 2018 amounted to $173.9M compared to $100.0M as of 31 December, 2017, an increase of $73.9M. The increase was primarily driven by a loss attributable to the owners of the Company for the period ended 30 June, 2018 in the amount of $70.5M.

2.2. Income statements

	Six months ended 30 June		Three months ended 30 June		Year ended 31 December
	2018	2017	2018	2017	2017
	Million US$				
Income from voyages and related services	**1,554.6**	1,400.7	**803.2**	745.7	2,978.3
Operating expenses and cost of services	**(1,454.9)**	(1,221.3)	**(756.8)**	(650.0)	(2,600.1)
Depreciation	**(49.8)**	(47.3)	**(25.1)**	(23.9)	(97.2)
Gross profit	**49.9**	132.1	**21.3**	71.8	281.0
Other operating income, net	**1.9**	2.2	**1.5**	1.7	1.6
General and administrative expenses	**(72.7)**	(73.3)	**(36.6)**	(37.1)	(147.5)
Results from operating activities	**(20.9)**	61.0	**(13.8)**	36.4	135.1
Finance expenses, net	**(41.6)**	(62.0)	**(16.3)**	(33.5)	(117.1)
Share of profit of associates (net of tax)	**3.2**	3.7	**1.3**	2.2	7.6
Profit (loss) before income tax	**(59.3)**	2.7	**(28.8)**	5.1	25.6
Income taxes	**(8.0)**	(6.8)	**(4.4)**	(2.8)	(14.2)
Profit (loss) for the period	**(67.3)**	(4.1)	**(33.2)**	2.3	11.4
Attributable to:					
Owners of the Company	**(70.5)**	(7.7)	**(35.0)**	0.3	6.3
Non-controlling interests	**3.2**	3.6	**1.8**	2.0	5.1

Income

The Company’s income from voyages and related services for the period ended 30 June, 2018 was $1,554.6M compared to $1,400.7M for the period ended 30 June, 2017, an increase of $153.9M (11.0%). The increase was primarily driven by: (i) an increase in income from containerized cargo of $122.7M, (ii) an increase in income from non-containerized cargo of $19.5M and (iii) an increase in income from demurrage of $12.6M.

The carried quantities for the period ended 30 June, 2018 amounted to 1,470 thousand TEUs , compared to 1,257 thousand TEUs for the period ended 30 June, 2017, an increase of 213 thousand TEUs (16.9%). The average revenue per TEU decreased by $59 (6.0%) from about $981 per TEU for the period ended 30 June, 2017 to about $922 per TEU for the period ended 30 June, 2018.

The Company’s income from voyages and related services for the three months ended 30 June, 2018 was $803.2M compared to $745.7M for the three months ended 30 June, 2017, an increase of $57.5M (7.7%). The increase was primarily driven by: (i) an increase in income from containerized cargo of $37.8M, (ii) an increase in income from non-containerized cargo of $12.0M and (iii) an increase in income from demurrage of $5.0M.

The Company carried 772 thousand TEUs during the three months ended 30 June, 2018, compared to 659 thousand TEUs during the three months ended 30 June, 2017, an increase of 113 thousand TEUs (17.1%). The average revenue per TEU decreased by $100.0 (9.9%) from about $1,007 for the three months ended 30 June, 2017 to about $907 for the three months ended 30 June, 2018.

Operating Expenses

The Company's operating expenses for the period ended 30 June, 2018 were $1,454.9M, compared to $1,221.3M for the period ended 30 June, 2017, an increase of $233.6M (19.1%). The increase was primarily driven by the following: (i) an increase in bunker expenses of $77.9M (43.8%), (ii) an increase in expenses related to cargo handling of $71.7M (11.7%), (iii) an increase in lease expenses of vessels and containers of $43.7M (23.4%) and, (iv) an increase in port expenses of $35.5M (33.3%).

The Company's operating expenses for the three months ended 30 June, 2018 were $756.8M, compared to $650.0M for the three months ended 30 June, 2017, an increase of $106.8M (16.4%).
The increase was primarily driven by the following: (i) an increase in bunker expenses of $39.2M (41.8%), and (ii) an increase in expenses related to cargo handling of $30.1M (9.2%), (iii) an increase in lease expenses of vessels and containers of $21.0M (21.4%) and (iv) an increase in port expenses of $16.3M (28.5%).

Other Operating Income, net

The Company’s other operating income, net for the period ended 30 June, 2018 were $1.9M compared to $2.2M for the period ended 30 June, 2017, a decrease of $0.3M.

The Company’s other operating income, net for the three months ended 30 June, 2018 were $1.5M compare to $1.7M for the period ended 30 June, 2017, a decrease of $0.2M.

General and Administrative Expenses

The Company's general and administrative expenses for the period ended 30 June, 2018 were $72.7M, compared to $73.3M for the period ended 30 June, 2017, a decrease of $0.6M.

The Company's general and administrative expenses for the three months ended 30 June, 2018 were $36.6M compared to $37.1M for the three months ended 30 June, 2017, a decrease of $0.5M.

Finance Expenses, net

The Company's finance expenses, net for the period ended 30 June, 2018 were $41.6M compared to $62.0M for the period ended 30 June, 2017, a decrease of $20.4M (32.9%). The decrease was primarily driven by a change of $19.8M in foreign currency exchange differences.

The Company's finance expenses, net for the three months ended 30 June, 2018 were $16.3M compared to $33.5M for the three months ended 30 June, 2017, a decrease of $17.2M (51.3%). The decrease was primarily driven by a change of $17.0M in foreign currency exchange differences.

Income Taxes

The Company's income taxes for the period ended 30 June, 2018 were $8.0M compared to $6.8M for the period ended 30 June, 2017, an increase of $1.2M.

The Company's income taxes for the three months ended 30 June, 2018 were $4.4M compared to $2.8M for the three months ended 30 June, 2017, an increase of $1.6M.

3. Liquidity and Capital Resources

Main Cash flows data:

	Six months ended 30 June		**Three months ended 30 June**		**Year ended 31 December**
	2018	**2017**	**2018**	**2017**	**2017**
			Million US$		
Cash flows generated from operating activities	**110.5**	122.7	**52.6**	88.9	230.9
Cash flows generated from (used in) investing activities	**12.4**	(84.7)	**20.7**	(44.7)	(93.5)
Cash flows used in financing activities	**(137.0)**	(20.2)	**(78.9)**	(24.7)	(139.8)
Net change in cash during the period	**(14.1)**	17.8	**(5.6)**	19.5	(2.4)
Cash – opening balance	**157.9**	157.6	**150.3**	156.3	157.6
Effect of exchange rate fluctuations on cash held	**(2.5)**	1.5	**(3.4)**	1.1	2.7
Cash – closing balance	**141.3**	176.9	**141.3**	176.9	157.9

3.1. Cash flows from Operating Activities

Cash flows generated from operating activities for the period ended 30 June, 2018 were $110.5M compared to $122.7M for the period ended 30 June, 2017, a decrease of $12.2M.

Cash flows generated from operating activities for the three months ended 30 June, 2018 were $52.6M compared to $88.9M for the three months ended 30 June 2017, a decrease of $36.3M.

3.2. Cash flows from Investing Activities

Cash flows generated from investing activities for the period ended 30 June, 2018 were $12.4M compared to cash flows used in investing activities of $84.7M for the period ended 30 June, 2017, an overall change of $97.1M. The change was primarily driven by (i) a change in other investments (mainly short-term deposits) of $85.0M, and (ii) an increase in proceeds from sale of tangible assets, intangible assets and investments of $12.5M.

Cash flows generated from investing activities for the three months ended 30 June, 2018 were $20.7M compared to cash flows used in investing activities of 44.7M, for the three months ended 30 June, 2017, an overall change of $65.4M. The change was primarily driven by (i) a change in other investments (mainly short-term deposits) of $50.1M, and (ii) an increase in proceeds from sale of tangible assets, intangible assets and investments of $13.3M.

3.3. Cash flows from Financing Activities

Cash flows used in financing activities for the period ended 30 June, 2018 were $137.0M compared to $20.2M for the period ended 30 June, 2017, an increase of $116.8M. The increase was primarily driven by: (i) a change in short term loans of $77.0M and (ii) an increase in repayment of borrowings of $37.3M.

Cash flows used in financing activities for the three months ended 30 June, 2018 were $78.9M compared to $24.7M for the three months ended 30 June, 2017, an increase of $54.2M. The increase was primarily driven by (i) a change in short term loans of $48.1M and (ii) an increase in repayment of borrowings of $8.4M.

4. Supplemental Non-IFRS Income Data

The tables below present supplemental data, which we believe facilitates a better understanding of the factors affecting our business. The Non-IFRS measurements (“Adjusted”) presented below are used by Management and our Board of Directors to evaluate the Company’s operational performance.

In arriving at the Adjusted results, we have factored out items, that either have a non-recurring impact on the income statement or which, in the judgment of our Management, are items that, as a result of their nature or size, could, when not singled out, potentially lead to extrapolate future performance from an improper base.

The following table presents the IFRS measures, the adjustments and the corresponding Adjusted results:

	Six months ended 30 June 2018			Six months ended 30 June 2017			Year ended 31 December 2017		
	Million US$								
	IFRS	**Adjustment**	**Adjusted**	**IFRS**	**Adjustment**	**Adjusted**	**IFRS**	**Adjustment**	**Adjusted**
Gross profit	**49.9**	**14.5**	**64.4**	132.1	13.3	145.4	281.0	24.1	305.1
EBITDA (*)	**34.3**	**14.4**	**48.7**	114.1	13.4	127.5	245.8	24.3	270.1
Results from operating activities	**(20.9)**	**14.4**	**(6.5)**	61.0	13.4	74.4	135.1	26.6	161.7
Profit (loss) for the period	**(67.3)**	**20.6**	**(46.7)**	(4.1)	19.2	15.1	11.4	38.6	50.0

	Three months ended 30 June 2018			Three months ended 30 June 2017		
	Million US$					
	IFRS	**Adjustment**	**Adjusted**	**IFRS**	**Adjustment**	**Adjusted**
Gross profit (loss)	**21.3**	**9.6**	**30.9**	71.8	7.3	79.1
EBITDA (*)	**13.6**	**9.5**	**23.1**	62.8	7.3	70.1
Results from operating activities	**(13.8)**	**9.5**	**(4.3)**	36.4	7.3	43.7
Profit (loss) for the period	**(33.2)**	**12.6**	**(20.6)**	2.3	10.2	12.5

(*) Net income (loss) excluding financial expenses (income), net, income taxes, share of profit of associates, depreciation, amortization and impairment.

The below table presents the related adjustments for the applicable periods, which have the following positive (negative) impact on the Company's Adjusted results:

	Six months ended 30 June		Three months ended 30 June		Year ended 31 December
	2018	**2017**	**2018**	**2017**	**2017**
	Million US$				
Accounting charter hire expenses (1)	**9.9**	11.8	**5.0**	5.8	21.8
Provision for legal claims	**4.6**	1.5	**4.6**	1.5	2.3
Gross profit	**14.5**	13.3	**9.6**	7.3	24.1
Capital gain (loss) (2)	**(0.1)**	0.1	**(0.1)**		0.1
Impairment of assets					2.4
Results from operating activities	**14.4**	13.4	**9.5**	7.3	26.6
Finance expenses, net (3)	**6.2**	5.8	**3.1**	2.9	12.0
Profit for the period	**20.6**	19.2	**12.6**	10.2	38.6

(1) Mainly non-cash charter hire accounting adjustments relating to the restructuring.
(2) Excluding those generated in the ordinary course of business.
(3) Mainly includes loans' fair value adjustment amortization.

Use of Non-IFRS Measures:

These data are adjusted financial measures and should not be considered replacements for IFRS results. We provide such adjusted data because management believes that such data provide useful information to readers. However, readers are cautioned that, unlike financial measures prepared in accordance with IFRS, adjusted measures may not be comparable with the calculation of similar measures for other companies. These adjusted financial measures are presented solely to permit readers to more fully understand how management assesses the Company's performance.

5. Regulation

Following the issued IMO regulations relating to sulfur emissions, which are expected to come into effect in 2020, The Company will be required to incur significant costs in order to comply with such regulations, inter alia, by using fuel oil which is more costly than the type currently used and by modifying the vessels operated by the Company and install Exhaust Gas Cleaning System.