ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

ZIM INTEGRATED SHIPPING SERVICES LTD.

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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, 2018 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-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 September 30, 2018; the operating loss and operating income recorded during the nine months and three months period ended September 2018, respectively, and net loss recorded during the nine months and three months period ended September 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(c)-4(h); 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

Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, November 15, 2018

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30		December 31
	2018	2017	2017
	(Unaudited)		(Audited)
		US $'000	
Assets			
Vessels	**690,829**	724,973	716,665
Containers and handling equipment	**372,370**	383,618	372,591
Other tangible assets	**19,422**	17,130	19,358
Intangible assets	**62,135**	54,383	61,194
Investments in associates	**8,557**	8,991	9,530
Other investments	**2,688**	19,246	18,117
Deferred expenses	**11,777**	25,499	21,467
Trade and other receivables	**3,062**	2,340	2,898
Deferred tax assets	**1,068**	943	923
Total non-current assets	**1,171,908**	1,237,123	1,222,743
Inventories	**79,694**	54,576	63,842
Trade and other receivables including derivatives	**293,099**	259,495	263,192
Contract assets	**30,993**		
Other investments	**69,419**	93,273	94,673
Cash and cash equivalents	**156,742**	183,001	157,888
Total current assets	**629,947**	590,345	579,595
Total assets	**1,801,855**	1,827,468	1,802,338
Equity			
Issued capital	**88**	88	88
Capital Reserves	**1,785,451**	1,792,612	1,791,790
Accumulated deficit	**(1,971,866)**	(1,879,157)	(1,891,879)
Equity attributable to owners of the Company	**(186,327)**	(86,457)	(100,001)
Non-controlling interests	**4,956**	4,627	6,509
Total equity	**(181,371)**	(81,830)	(93,492)
Liabilities			
Loans and other liabilities	**1,117,089**	1,186,214	1,135,030
Employee benefits	**65,114**	69,915	73,758
Deferred tax liabilities	**364**	353	349
Total non-current liabilities	**1,182,567**	1,256,482	1,209,137
Trade and other payables	**433,697**	308,533	339,591
Provisions	**25,778**	26,903	25,322
Contract liabilities	**72,628**		
Deferred income		10,151	8,687
Bank overdrafts, loans and other liabilities	**268,556**	307,229	313,093
Total current liabilities	**800,659**	652,816	686,693
Total liabilities	**1,983,226**	1,909,298	1,895,830
Total equity and liabilities	**1,801,855**	1,827,468	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: November 15, 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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
	US $'000				
Income from voyages and related services	**2,395,290**	2,217,359	**840,668**	816,675	2,978,291
Cost of voyages and related services					
Operating expenses and cost of services	**(2,223,213)**	(1,919,959)	**(768,290)**	(698,596)	(2,600,147)
Depreciation	**(75,131)**	(72,157)	**(25,296)**	(24,906)	(97,168)
Gross profit	**96,946**	225,243	**47,082**	93,173	280,976
Other operating income	**5,137**	3,020	**3,113**	751	4,235
Other operating expenses	**(57)**	(2,423)	**(28)**	(2,373)	(2,600)
General and administrative expenses	**(106,829)**	(111,077)	**(34,110)**	(37,747)	(147,560)
Results from operating activities	**(4,803)**	114,763	**16,057**	53,804	135,051
Finance income	**13,539**	1,306	**4,967**	522	2,061
Finance expenses	**(75,922)**	(89,995)	**(25,773)**	(27,214)	(119,110)
Net finance expenses	**(62,383)**	(88,689)	**(20,806)**	(26,692)	(117,049)
Share of profit of associates (net of income tax)	**4,163**	5,683	**1,004**	1,944	7,594
Profit (loss) before income tax	**(63,023)**	31,757	**(3,745)**	29,056	25,596
Income taxes	**(10,860)**	(10,673)	**(2,850)**	(3,857)	(14,233)
Profit (loss) for the period	**(73,883)**	21,084	**(6,595)**	25,199	11,363
Attributable to:					
Owners of the Company	**(78,816)**	15,543	**(8,362)**	23,204	6,235
Non-controlling interest	**4,933**	5,541	**1,767**	1,995	5,128
Profit (loss) for the period	**(73,883)**	21,084	**(6,595)**	25,199	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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2018	2017	2018	2017	2017
	(Unaudited)		(Unaudited)		(Audited)
			US $'000		
Profit (loss) for the period	**(73,883)**	21,084	**(6,595)**	25,199	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	**(8,682)**	1,919	**(5,469)**	195	3,099
Net change in fair value of available-for sale financial assets		135		(1,018)	(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	**(2,219)**		**91**		
Defined benefit pension plans actuarial gains losses	**1,048**	(1,533)	**7**	(1,533)	(4,037)
Income tax on other comprehensive income					6
Other comprehensive income for the period, net of tax	**(9,853)**	521	**(5,371)**	(2,356)	(1,713)
Total comprehensive income for the period	**(83,736)**	21,605	**(11,966)**	22,843	9,650
Attributable to:					
Owners of the Company	**(87,099)**	16,184	**(12,719)**	20,921	2,364
Non-controlling interests	**3,363**	5,421	**753**	1,922	7,286
Total comprehensive income for the period	**(83,736)**	21,605	**(11,966)**	22,843	9,650

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

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**	**Translation reserve**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total equity**
	US $'000							
For the nine months period ended September 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					**(78,816)**	**(78,816)**	**4,933**	**(73,883)**
Other comprehensive income for the period				**(7,112)**	**(1,171)**	**(8,283)**	**(1,570)**	**(9,853)**
Transaction with an interested party			**773**			**773**		**773**
Dividend paid to non-controlling interests in subsidiaries							**(4,916)**	**(4,916)**
Balance at September 30, 2018	**88**	**700,222**	**1,103,933**	**(18,704)**	**(1,971,866)**	**(186,327)**	**4,956**	**(181,371)**
For the three months period ended September 30, 2018 (unaudited)								
Balance at July 1, 2018	88	700,222	1,103,657	(14,249)	(1,963,602)	(173,884)	4,644	(169,240)
Profit (loss) for the period					**(8,362)**	**(8,362)**	**1,767**	**(6,595)**
Other comprehensive income for the period				**(4,455)**	**98**	**(4,357)**	**(1,014)**	**(5,371)**
Transaction with an interested party			**276**			**276**		**276**
Dividend paid to non-controlling interests in subsidiaries							**(441)**	**(441)**
Balance at September 30, 2018	**88**	**700,222**	**1,103,933**	**(18,704)**	**(1,971,866)**	**(186,327)**	**4,956**	**(181,371)**

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

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**	**Translation reserve**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total equity**
	US $'000							
For the nine months period ended September 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 for the period					15,543	15,543	5,541	21,084
Other comprehensive income for the period				2,039	(1,398)	641	(120)	521
Transaction with an interested party			1,141			1,141		1,141
Dividend paid to non-controlling interests in subsidiaries							(3,919)	(3,919)
Balance at September 30, 2017	88	700,222	1,102,884	(10,494)	(1,879,157)	(86,457)	4,627	(81,830)
For the three months period ended September 30, 2017 (unaudited)								
Balance at July 1, 2017	88	700,222	1,102,517	(10,762)	(1,899,810)	(107,745)	2,705	(105,040)
Profit for the period					23,204	23,204	1,995	25,199
Other comprehensive income for the period				268	(2,551)	(2,283)	(73)	(2,356)
Transaction with an interested party			367			367		367
Balance at September 30, 2017	88	700,222	1,102,884	(10,494)	(1,879,157)	(86,457)	4,627	(81,830)

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

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**	**Translation reserve**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total equity**
	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	88	700,222	1,103,160	(11,592)	(1,891,879)	(100,001)	6,509	(93,492)

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2018	**2017**	**2018**	**2017**	**2017**
	(Unaudited)		**(Unaudited)**		**(Audited)**
			US $'000		
Cash flows from operating activities					
Profit (loss) for the period	**(73,883)**	21,084	**(6,595)**	25,199	11,363
Adjustments for:					
Depreciation and amortisation	**83,383**	80,571	**28,206**	27,469	108,386
Impairment of tangible assets, intangible assets and other investments		2,400		2,400	2,400
Net finance expenses	**62,383**	88,689	**20,806**	26,692	117,049
Share of profits of associates	**(4,163)**	(5,683)	**(1,004)**	(1,944)	(7,594)
Capital gain	**(3,163)**	(963)	**(2,581)**	32	(1,178)
Income taxes	**10,860**	10,673	**2,850**	3,857	14,233
	75,417	196,771	**41,682**	83,705	244,659
Change in inventories	**(15,852)**	(13,092)	**248**	8,201	(22,358)
Change in trade receivables, contract assets and other receivables including derivatives	**(582)**	(12,512)	**(10,210)**	1,552	(15,346)
Change in trade and other payables including contract liabilities and deferred income	**112,346**	6,442	**30,067**	(44,369)	35,578
Change in provisions and employee benefits	**(4,599)**	(3,666)	**(7,000)**	(1,716)	(4,578)
	91,313	(22,828)	**13,105**	(36,332)	(6,704)
Dividends received from associates	**5,078**	5,344	**1,552**	2,012	6,585
Interest received	**1,295**	345	**112**	127	677
Income tax paid	**(8,470)**	(10,481)	**(2,353)**	(3,090)	(14,291)
Net cash generated from operating activities	**164,633**	169,151	**54,098**	46,422	230,926
Cash flows from investing activities					
Proceeds from sale of tangible and intangible assets, investments and affiliates	**18,142**	3,937	**2,910**	1,193	4,710
Acquisition of tangible assets, intangible assets and investments	**(18,303)**	(18,006)	**(4,157)**	(4,275)	(29,494)
Change in other investments and other receivables	**28,258**	(67,482)	**16,947**	6,208	(68,764)
Net cash generated from (used in) investing activities	**28,097**	(81,551)	**15,700**	3,126	(93,548)

The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

	Nine months ended September 30		Three months ended September 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	**39,515**		**39,250**		
Repayment of borrowings	**(152,091)**	(80,709)	**(68,773)**	(34,733)	(134,386)
Change in short term loans	**(10,466)**	78,850	**(2,004)**	10,350	78,947
Issuance of capital to non-controlling interests in consolidated company					157
Dividend paid to non-controlling interests	**(4,916)**	(3,919)	**(441)**		(4,059)
Interest paid	**(60,875)**	(54,949)	**(19,890)**	(19,887)	(76,677)
Other financial expenses paid		(3,750)			(3,750)
Net cash used in financing activities	**(188,833)**	(64,477)	**(51,858)**	(44,270)	(139,768)
Net change in cash and cash equivalents	**3,897**	23,123	**17,940**	5,278	(2,390)
Cash and cash equivalents at beginning of the period	**157,888**	157,600	**141,340**	176,894	157,600
Effect of exchange rate fluctuation on cash held	**(5,043)**	2,278	**(2,538)**	829	2,678
Cash and cash equivalents at the end of the period	**156,742**	183,001	**156,742**	183,001	157,888

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, 2017 (hereafter – the "annual Financial Statements"). These condensed consolidated interim Financial Statements were approved by the Board of Directors on November 15, 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 as at the balance sheet date.
With respect to presentation, as at January 1, 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 it 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 September 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.

<u>New standards and interpretations not yet adopted:</u>

IFRS 16, Leases:

IFRS 16 will be adopted by the Company on January 1, 2019. The Company is 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 and through the second quarter of 2018, freight rates have decreased while bunker prices continued to increase. During the third quarter of 2018 freight rates started increasing while bunker prices continued to increase.

As of September 30, 2018, the Company's total equity amounted to a negative balance of US$ 181 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$ 171 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 nine months and the three months ended September 30, 2018, the Company recorded operating loss of US$ 5 million and operating income of US$ 16 million, respectively (compared to operating income of US$ 115 million, US$ 54 million and US$ 135 million during the period of nine months and the three months ended September 30, 2017 and the year ended December 31, 2017, respectively) and net loss of US$ 74 million and US$ 7 million, respectively (compared to net profit of US$ 21 million, US$ 25 million and US$ 11 million during the period of nine months and three months ended September 30, 2017 and the year ended December 31, 2017, respectively).

In view of the aforementioned deterioration in the business environment 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 and cooperations 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 (see Notes (c), (e), (f) and (h) below). In addition, the Company obtained amendments to its financial covenants as disclosed in Note (g) below.

However, further deterioration 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 September 30, 2018, the Company complies with its financial covenants. According to these condensed consolidated interim Financial Statements, the Company's liquidity amounts to US$ 158 million (Minimum Liquidity required is US$ 125 million). See also Note 12(c) to the 2017 annual financial statements and Note (g) 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 (c) - (h) below) enable the Company to meet its liabilities and to comply with its updated financial covenants in the foreseeable future.

(b) With respect to certain legal procedures, as also disclosed in Note 26 to the 2017 annual financial statements, the Company recorded in the second quarter of 2018 additional provision in a total amount of US$ 4.6 million, based on management estimations.

(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.

(d) During the third quarter of 2018, 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) 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.

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

(e) During the third quarter, the Company entered into an arrangement for the purpose of refinancing a portion of its secured debt, in the framework of a sale, lease and optional buyback of four vessels at the end of a five years lease period, resulting with gross proceeds in the total amount of US$ 40 million. The buyback is considered reasonably certain, as the arrangement provides the Company a Call option and the Lessor a Put option, with similar terms at a pre-determined price other than fair value. Consequently, and in accordance with IAS 17 (leases) and its related interpretations, as the Company retains the ownership of such vessels throughout the arrangement, the transaction is accounted as a secured borrowing.

(f) Further to Note 4(e), the Company used US$ 15 million out of the above-mentioned proceeds, to early repay a portion of its secured debt under Tranche A (see Note 12(b) to the 2017 annual financial statements).

(g) During the third quarter, 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.

(h) Following the balance sheet date, the Company entered into an agreement with a financial institution, according to which the company was granted with a loan in an amount of US$ 10 million, secured by certain of its real-state assets. The Loan is scheduled to be repaid along a period of 4 years, in accordance with the repayment schedule determined in the agreement.

(i) Following the balance sheet date, the Company's Board of Directors approved the adoption of a share option plan that allows for the grant of options to purchase ordinary shares of the Company (the "Plan") as well as specific grants to certain members of management, which constitute less than 5% of the Company's share capital on a fully diluted basis. The approval of the Plan is subject, among other things, to the approval of the Company's shareholders.

(j) As of the approval date of the financial statements, the remaining balance, out of the amounts invested by IC in the Company's share capital in the framework of the 2014 restructuring, is US$ 17 million (See also Note 1(b)(ii) to the 2017 annual financial statements).

5 Disaggregation of revenues

	Nine months ended September 30	Three months ended September 30
	2018	**2018**
	(Unaudited)	**(Unaudited)**
	US $'000	**US $'000**
Freight Revenues from containerized cargo, per Business Unit:		
Pacific	**1,006,109**	**378,184**
Cross-Suez	**299,157**	**95,692**
Atlantic	**365,015**	**114,135**
Intra-Asia	**262,574**	**91,323**
Latin America	**157,043**	**55,144**
	2,089,898	**734,478**
Other Revenues (*)	**305,392**	**106,190**
	2,395,290	**840,668**

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

6 Financial instruments

Financial instruments measured at fair value for disclosure purposes only

The carrying amounts of the Group's financial assets and liabilities are the same or proximate to their fair value, except as follows:

	Carrying amount			Fair value Level 2		
	September 30 2018	**September 30 2017**	**December 31 2017**	**September 30 2018**	**September 30 2017**	**December 31 2017**
		US $'000			**US $'000**	
Debentures	**(449,384)**	(443,331)	(445,082)	**(247,643)**	(427,174)	(410,460)
Long-term loans and other liabilities	**(789,106)**	(892,567)	(845,416)	**(698,041)**	(856,310)	(804,695)

Investments in equity instruments at fair value through other comprehensive income

As at September 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$ 2.4 million (US$ 15.2 million as of December 31, 2017, see also Note 4(c) above) are presented under Other investments.

Financial instruments at fair value through profit or loss

As at September 30, 2018, the fair value of derivatives transactions for fuel prices hedge (level 2 measurement) in an amount of US$ 0.3 million are presented under Other receivables.