

**ZIM INTEGRATED SHIPPING SERVICES LIMITED**

**CONDENSED CONSOLIDATED INTERIM**

**FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**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 March 31, 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period 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.

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 financial covenants.

Sincerely,


  
Somekh Chaikin  
Certified Public Accountants (Isr.)

Haifa, May 26, 2016

**ZIM INTEGRATED SHIPPING SERVICES LTD.**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31		December 31
	2016	2015	2015
	(Unaudited)		(Audited)
	US \$'000		
<b>Assets</b>			
Vessels	773,960	807,152	782,481
Containers and handling equipment	294,881	283,232	296,758
Other tangible assets	21,007	21,102	21,705
Intangible assets	50,977	53,702	50,366
Investments in associates	18,507	18,103	18,129
Other investments	2,736	73,574	64,684
Deferred expenses	53,326	75,883	58,940
Trade and other receivables	1,975	28,521	1,938
Deferred tax assets	1,169	1,200	1,034
<b>Total non-current assets</b>	<b>1,218,538</b>	<b>1,362,469</b>	<b>1,296,035</b>
Inventories	30,541	54,222	44,571
Assets classified as held for sale		48,491	
Trade and other receivables	257,799	293,504	266,850
Other investments, including derivatives	148,635	61,543	86,118
Cash and cash equivalents	204,443	239,968	218,740
<b>Total current assets</b>	<b>641,418</b>	<b>697,728</b>	<b>616,279</b>
<b>Total assets</b>	<b>1,859,956</b>	<b>2,060,197</b>	<b>1,912,314</b>
<b>Equity</b>			
Issued capital	88	88	88
Capital Reserves	1,799,479	1,801,155	1,799,569
Accumulated deficit	(1,782,807)	(1,721,177)	(1,724,891)
<b>Equity attributable to owners of the Company</b>	<b>16,760</b>	<b>80,066</b>	<b>74,766</b>
<b>Non-controlling interests</b>	<b>1,608</b>	<b>2,839</b>	<b>3,976</b>
<b>Total equity</b>	<b>18,368</b>	<b>82,905</b>	<b>78,742</b>
<b>Liabilities</b>			
Loans and other liabilities	1,132,117	1,178,795	1,147,373
Employee benefits	74,544	86,890	74,927
Deferred tax liabilities	347	341	339
<b>Total non-current liabilities</b>	<b>1,207,008</b>	<b>1,266,026</b>	<b>1,222,639</b>
Trade and other payables, including derivatives	323,117	395,834	345,189
Provisions	29,399	35,746	31,560
Deferred income	2,639	8,256	5,198
Bank overdrafts, loans and other liabilities	279,425	271,430	228,986
<b>Total current liabilities</b>	<b>634,580</b>	<b>711,266</b>	<b>610,933</b>
<b>Total liabilities</b>	<b>1,841,588</b>	<b>1,977,292</b>	<b>1,833,572</b>
<b>Total equity and liabilities</b>	<b>1,859,956</b>	<b>2,060,197</b>	<b>1,912,314</b>

  
**Aharon Fogel**  
Chairman of the Board  
of Directors

  
**Refael Danieli**  
President & CEO

  
**Guy Eldar**  
Chief Financial Officer

Date of approval of the Financial Statements: May 26, 2016

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

**ZIM INTEGRATED SHIPPING SERVICES LTD.**

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS**

	Three months ended		Year ended
	March 31		December 31
	2016	2015	2015
	(Unaudited)		(Audited)
	US \$'000		
Income from voyages and related services	<b>629,999</b>	792,091	2,991,135
<b>Cost of voyages and related services</b>			
Operating expenses and cost of services	<b>(598,395)</b>	(684,828)	(2,692,645)
Depreciation	<b>(20,967)</b>	(20,042)	(82,413)
<b>Gross profit</b>	<b>10,637</b>	87,221	216,077
Other operating income	<b>1,434</b>	1,821	41,273
Other operating expenses		(9,642)	(11,885)
General and administrative expenses	<b>(35,168)</b>	(39,527)	(147,439)
<b>Results from operating activities</b>	<b>(23,097)</b>	39,873	98,026
Finance income	<b>624</b>	960	3,401
Finance expenses	<b>(30,191)</b>	(26,461)	(106,181)
<b>Net finance expenses</b>	<b>(29,567)</b>	(25,501)	(102,780)
<b>Share of profit of associates (net of income tax)</b>	<b>1,069</b>	3,170	9,397
<b>Profit (loss) before income tax</b>	<b>(51,595)</b>	17,542	4,643
Income taxes	<b>(4,655)</b>	(5,890)	1,893
<b>Profit (loss) for the period</b>	<b>(56,250)</b>	11,652	6,536
<b>Attributable to:</b>			
Owners of the Company	<b>(57,916)</b>	10,609	2,253
Non-controlling interest	<b>1,666</b>	1,043	4,283
<b>Profit (loss) for the period</b>	<b>(56,250)</b>	11,652	6,536

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**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>US \$'000</b>		
<b>Profit (loss) for the period</b>	<b>(56,250)</b>	11,652	6,536
<b>Other components of Comprehensive Income</b>			
<b>Items of other comprehensive income that were or will be reclassified to profit and loss:</b>			
Foreign currency translation differences for foreign operations	(326)	(1,315)	(5,324)
<b>Items of other comprehensive income that would never be reclassified to profit and loss:</b>			
Defined benefit pension plans actuarial gains (losses)		(2,664)	2,004
Income tax on other comprehensive income			(26)
<b>Other comprehensive income for the period, net of tax</b>	<b>(326)</b>	<b>(3,979)</b>	<b>(3,346)</b>
<b>Total comprehensive income for the period</b>	<b>(56,576)</b>	<b>7,673</b>	<b>3,190</b>
Attributable to:			
Owners of the Company	(58,552)	7,254	305
Non- controlling interests	1,976	419	2,885
<b>Total comprehensive income for the period</b>	<b>(56,576)</b>	<b>7,673</b>	<b>3,190</b>

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							
<b>For the three months period ended March 31, 2016 (unaudited)</b>								
<b>Balance at January 1, 2016 (audited)</b>	88	700,222	1,099,650	(303)	(1,724,891)	74,766	3,976	78,742
Profit (loss) for the period					(57,916)	(57,916)	1,666	(56,250)
Other comprehensive income for the period				(636)		(636)	310	(326)
Transaction with an interested party			546			546		546
Dividend paid to non-controlling interests in subsidiaries							(4,344)	(4,344)
<b>Balance at March 31, 2016</b>	<b>88</b>	<b>700,222</b>	<b>1,100,196</b>	<b>(939)</b>	<b>(1,782,807)</b>	<b>16,760</b>	<b>1,608</b>	<b>18,368</b>
<b>For the three months period ended March 31, 2015 (unaudited)</b>								
<b>Balance at January 1, 2015 (audited)</b>	88	700,222	1,097,461	3,623	(1,729,122)	72,272	7,118	79,390
Profit for the period					10,609	10,609	1,043	11,652
Other comprehensive income for the period				(691)	(2,664)	(3,355)	(624)	(3,979)
Transaction with an interested party			540			540		540
Dividend paid to non-controlling interests in subsidiaries							(4,698)	(4,698)
<b>Balance at March 31, 2015</b>	<b>88</b>	<b>700,222</b>	<b>1,098,001</b>	<b>2,932</b>	<b>(1,721,177)</b>	<b>80,066</b>	<b>2,839</b>	<b>82,905</b>
<b>For the year ended December 31, 2015 (audited)</b>								
<b>Balance at January 1, 2015</b>	88	700,222	1,097,461	3,623	(1,729,122)	72,272	7,118	79,390
Profit for the year					2,253	2,253	4,283	6,536
Other comprehensive income for the year				(3,926)	1,978	(1,948)	(1,398)	(3,346)
Transaction with an interested party, net of tax			2,189			2,189		2,189
Dividend paid to non-controlling interests in subsidiaries							(5,508)	(5,508)
Derecognition of non-controlling interest as a result of the realization of subsidiaries							(519)	(519)
<b>Balance at December 31, 2015</b>	<b>88</b>	<b>700,222</b>	<b>1,099,650</b>	<b>(303)</b>	<b>(1,724,891)</b>	<b>74,766</b>	<b>3,976</b>	<b>78,742</b>

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**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>US \$'000</b>		
<b>Cash flows from operating activities</b>			
Profit (loss) for the period	<b>(56,250)</b>	11,652	6,536
Adjustments for:			
Depreciation and amortisation	<b>24,548</b>	24,052	99,034
Impairment of tangible assets and other investments		5,400	7,357
Net finance expenses	<b>29,567</b>	25,501	102,780
Share of profits of associates	<b>(1,069)</b>	(3,170)	(9,397)
Capital gain	<b>(344)</b>	(751)	(34,614)
Income taxes	<b>4,655</b>	5,890	(1,893)
	<b>1,107</b>	68,574	169,803
Change in inventories	<b>14,030</b>	24,200	33,851
Change in trade and other receivables including derivatives	<b>6,818</b>	26,104	71,718
Change in trade and other payables including derivatives and deferred income	<b>(29,704)</b>	(54,906)	(71,874)
Change in provisions and employee benefits	<b>(2,289)</b>	(6,132)	(20,294)
	<b>(11,145)</b>	(10,734)	13,401
Dividends received from associates	<b>631</b>	612	5,438
Interest received	<b>309</b>	787	3,065
Income tax paid	<b>(5,540)</b>	(5,720)	(18,561)
<b>Net cash generated from (used in) operating activities</b>	<b>(14,638)</b>	53,519	173,146
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible assets, intangible assets, investments and affiliates	<b>27</b>	14,890	109,682
Disposal of subsidiary, net of cash disposed and exit from consolidation			(887)
Repayment of long-term loan granted to associates			27,231
Acquisition of tangible assets, intangible assets and investments	<b>(3,940)</b>	(16,747)	(31,356)
Change in other investments and other receivables	<b>1,841</b>	17,327	(1,127)
<b>Net cash generated from (used in) investing activities</b>	<b>(2,072)</b>	15,470	103,543

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**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>US \$'000</b>		
<b>Cash flows from financing activities</b>			
Receipt of long term loans, capital lease and other long term liabilities			204
Repayment of borrowings	<b>(23,758)</b>	(29,643)	(179,254)
Change in short term loans	<b>45,109</b>	(4,983)	(2,279)
Dividend paid to non-controlling interests	<b>(4,344)</b>	(4,698)	(5,508)
Interest paid	<b>(15,100)</b>	(18,348)	(85,936)
Other financial expenses paid			(9,817)
<b>Net cash generated from (used in) financing activities</b>	<b>1,907</b>	(57,672)	(282,590)
Net change in cash and cash equivalents	<b>(14,803)</b>	11,317	(5,901)
Cash and cash equivalents at beginning of the period	<b>218,740</b>	230,376	230,376
Effect of exchange rate fluctuation on cash held	<b>506</b>	(2,048)	(5,735)
<b>Cash and cash equivalents at the end of the period</b>	<b>204,443</b>	239,645	218,740

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

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#### 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, 2015 (hereafter – the "annual Financial Statements"). These condensed consolidated interim Financial Statements were approved by the Board of Directors on May 26, 2016.

##### (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) The container shipping industry is dynamic and volatile and has been marked in recent years by instability as a result of a prolonged global economic crisis, continued deterioration of market environment which is characterized by slower growth of demand and worsening overcapacity combined with increased uncertainty due to the realigning of global alliances. This situation combined with carriers' ambitions to increase and protect their market share led freight rates to fall sharply in most of the trades, mainly since the second half of 2015. The first quarter of 2016 continued to be very challenging. Container freight rates hit historical lows across major trades, as new vessel capacity was added, while market demand remained weak. This trend continued subsequent to the balance sheet date.

In view of the aforementioned continued deterioration in the business environment, the volatile bunker prices, 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, invest in upgrading customer services and constantly strive to create and maintain efficiencies and cost reductions.

**ZIM INTEGRATED SHIPPING SERVICES LTD.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

However, continuation of this trend could negatively affect the entire industry and also affect the Company's business, financial position, assets value, results of operations, cash flows and compliance with certain financial covenants. The current instability and volatility in the market make forecasting very challenging, as a result, there is a possibility that the Company's actual performance during the coming year may differ from expectations. In preparation for that, the Company obtained amendments to its financial covenants - see Note 12(c) to 2015 annual financial statements.

As at March 31 2016, the Company complies with its amended financial covenants, the Company's liquidity amounts to US\$ 296 million (Minimum Liquidity required is US\$ 150 million).

In the opinion of the company's management and its Board of Directors, the updated forecast 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) During the first quarter of 2016, the Company's Board of Directors approved the usage of up to US\$ 50 million, out of the US\$ 200 million invested in its share capital by IC in the framework of the 2014 restructuring - See Note 1(b)(i) to the 2015 annual financial statements. Following the balance sheet date, the Company used US\$ 18 million.
- (c) Credit facility - During the first quarter of 2016, the company made its first withdrawal and obtained an amendment to prevent an anticipated breach of one of the transaction related covenants (Day Sale Outstanding Ratio) - see Note 12(d) to the 2015 annual financial statements. Following the balance sheet date, the Company obtained an additional amendment related to an anticipated breach of such covenant.
- (d) Class action - See Note 26 (d) to the 2015 annual financial statements.

**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		
	March 31 2016	March 31 2015	December 31 2015	March 31 2016	March 31 2015	December 31 2015
	US \$'000			US \$'000		
Debentures	(429,558)	(432,873)	(428,003)	(410,337)	(419,416)	(384,662)
Long-term loans and other liabilities	(787,267)	(870,106)	(798,733)	(792,664)	(868,571)	(798,382)

Financial instruments measured at fair value

As at March 31, 2016, the fair value of derivative transactions for fuel prices hedge (level 2 measurement) in an amount of US\$ 1 million, as measured based on Black Scholes model, are presented under current assets.