

ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

MARCH 31, 2017

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, 2017 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.

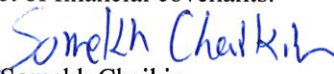
Scope of review

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.

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 March 31, 2017; the net loss recorded during the period of three months ended March 31, 2017; the risk of deviation from financial covenants; Management steps to improve financial position and liquidity; the agreements reached with the creditors, for the purpose of rescheduling payments; the amendments to the financial covenants and to Management and the Board of Directors’ assessment in respect of the Company’s ability to meet its liabilities and to comply with the amended set of financial covenants.



Sincerely, Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, May 11, 2017


ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	US \$'000		
Assets			
Vessels	741,312	773,960	748,228
Containers and handling equipment	337,751	294,881	353,045
Other tangible assets	17,445	21,007	17,730
Intangible assets	52,095	50,977	51,491
Investments in associates	9,090	18,507	8,283
Other investments	15,709	2,736	15,360
Deferred expenses	33,814	53,326	38,195
Trade and other receivables	3,307	1,975	4,376
Deferred tax assets	1,108	1,169	1,032
Total non-current assets	1,211,631	1,218,538	1,237,740
Inventories	39,629	30,541	41,484
Trade and other receivables	250,477	257,799	237,525
Other investments, including derivatives	64,997	148,635	29,283
Cash and cash equivalents	156,506	204,443	157,600
Total current assets	511,609	641,418	465,892
Total assets	1,723,240	1,859,956	1,703,632
Equity			
Issued capital	88	88	88
Capital Reserves	1,789,600	1,799,479	1,789,432
Accumulated deficit	(1,900,502)	(1,782,807)	(1,893,302)
Equity attributable to owners of the Company	(110,814)	16,760	(103,782)
Non-controlling interests	658	1,608	3,125
Total equity	(110,156)	18,368	(100,657)
Liabilities			
Loans and other liabilities	1,202,285	1,132,117	1,205,717
Employee benefits	68,396	74,544	67,376
Deferred tax liabilities	337	347	354
Total non-current liabilities	1,271,018	1,207,008	1,273,447
Trade and other payables	301,554	323,117	336,029
Provisions	28,711	29,399	27,573
Deferred income	7,899	2,639	6,533
Bank overdrafts, loans and other liabilities	224,214	279,425	160,707
Total current liabilities	562,378	634,580	530,842
Total liabilities	1,833,396	1,841,588	1,804,289
Total equity and liabilities	1,723,240	1,859,956	1,703,632


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 11, 2017

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
	2017	2016	2016
	(Unaudited)		(Audited)
	US \$'000		
Income from voyages and related services	654,988	629,999	2,539,296
Cost of voyages and related services			
Operating expenses and cost of services	(571,214)	(598,395)	(2,394,126)
Depreciation	(23,441)	(20,967)	(86,289)
Gross profit	60,333	10,637	58,881
Other operating income	527	1,434	32,851
Other operating expenses	(14)		(1,332)
General and administrative expenses	(36,210)	(35,168)	(142,542)
Results from operating activities	24,636	(23,097)	(52,142)
Finance income	353	624	6,359
Finance expenses	(28,917)	(30,191)	(104,353)
Net finance expenses	(28,564)	(29,567)	(97,994)
Share of profit of associates (net of income tax)	1,488	1,069	5,001
Loss before income tax	(2,440)	(51,595)	(145,135)
Income taxes	(3,973)	(4,655)	(18,366)
Loss for the period	(6,413)	(56,250)	(163,501)
Attributable to:			
Owners of the Company	(7,993)	(57,916)	(168,290)
Non-controlling interest	1,580	1,666	4,789
Loss for the period	(6,413)	(56,250)	(163,501)

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

	Three months ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	US \$'000		
Loss for the period	(6,413)	(56,250)	(163,501)
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	(388)	(326)	(13,431)
Net change in fair value of available-for sale financial assets	793		401
Items of other comprehensive income that would never be reclassified to profit and loss:			
Defined benefit pension plans actuarial losses			(522)
Other comprehensive income for the period, net of tax	405	(326)	(13,552)
Total comprehensive income for the period	(6,008)	(56,576)	(177,053)
Attributable to:			
Owners of the Company	(7,460)	(58,552)	(180,641)
Non- controlling interests	1,452	1,976	3,588
Total comprehensive income for the period	(6,008)	(56,576)	(177,053)

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 three months period ended March 31, 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 (loss) for the period					(7,993)	(7,993)	1,580	(6,413)
Other comprehensive income for the period				(260)	793	533	(128)	405
Transaction with an interested party, net of tax			428			428		428
Dividend paid to non-controlling interests in subsidiaries							(3,919)	(3,919)
Balance at March 31, 2017	88	700,222	1,102,171	(12,793)	(1,900,502)	(110,814)	658	(110,156)
For the three months period ended March 31, 2016 (unaudited)								
Balance at January 1, 2016 (audited)	88	700,222	1,099,650	(303)	(1,724,891)	74,766	3,976	78,742
Profit (loss) for the year					(57,916)	(57,916)	1,666	(56,250)
Other comprehensive income for the year				(636)		(636)	310	(326)
Transaction with an interested party, net of tax			546			546		546
Dividend paid to non-controlling interests in subsidiaries							(4,344)	(4,344)
Balance at March 31, 2016	88	700,222	1,100,196	(939)	(1,782,807)	16,760	1,608	18,368
For the year ended December 31, 2016 (audited)								
Balance at January 1, 2016 (audited)	88	700,222	1,099,650	(303)	(1,724,891)	74,766	3,976	78,742
Profit (loss) for the year					(168,290)	(168,290)	4,789	(163,501)
Other comprehensive income for the year				(12,230)	(121)	(12,351)	(1,201)	(13,552)
Transaction with an interested party, net of tax.			2,093			2,093		2,093
Dividend paid to non-controlling interests in subsidiaries							(4,439)	(4,439)
Balance at December 31, 2016	88	700,222	1,101,743	(12,533)	(1,893,302)	(103,782)	3,125	(100,657)

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

	Three months ended		Year ended
	March 31		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	US \$'000		
Cash flows from operating activities			
Loss for the period	(6,413)	(56,250)	(163,501)
Adjustments for:			
Depreciation and amortisation	26,665	24,548	100,972
Impairment of tangible assets and other investments			1,115
Net finance expenses	28,564	29,567	97,994
Share of profits of associates	(1,488)	(1,069)	(5,001)
Capital gain	(48)	(344)	(29,978)
Income taxes	3,973	4,655	18,366
	51,253	1,107	19,967
Change in inventories	1,855	14,030	3,087
Change in trade and other receivables including derivatives	(12,465)	6,818	43,394
Change in trade and other payables including derivatives and deferred income	(4,834)	(29,704)	(8,394)
Change in provisions and employee benefits	1,768	(2,289)	(12,784)
	(13,676)	(11,145)	25,303
Dividends received from associates	780	631	5,074
Interest received	83	309	1,576
Income tax paid	(4,654)	(5,540)	(18,704)
Net cash generated from (used in) operating activities	33,786	(14,638)	33,216
Cash flows from investing activities			
Proceeds from sale of tangible assets, intangible assets, investments and affiliates	1,799	27	30,672
Acquisition of tangible assets, intangible assets and investments	(6,910)	(3,940)	(13,460)
Change in other investments and other receivables	(34,922)	1,841	124,339
Net cash generated from (used in) investing activities	(40,033)	(2,072)	141,551

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

	Three months ended		Year ended
	March 31		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	US \$'000		
Cash flows from financing activities			
Receipt of long term loans, capital lease and other long term liabilities			5,599
Repayment of borrowings	(10,888)	(23,758)	(86,871)
Change in short term loans	35,000	45,109	(69,521)
Dividend paid to non-controlling interests	(3,919)	(4,344)	(4,439)
Interest and other financial expenses paid	(15,655)	(15,100)	(73,401)
Net cash generated from (used in) financing activities	4,538	1,907	(228,633)
Net change in cash and cash equivalents	(1,709)	(14,803)	(53,866)
Cash and cash equivalents at beginning of the period	157,600	218,740	218,740
Effect of exchange rate fluctuation on cash held	397	506	(7,274)
Cash and cash equivalents at the end of the period	156,288	204,443	157,600

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

ZIM INTEGRATED SHIPPING SERVICES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Reporting entity

ZIM Integrated Shipping Services Ltd. (hereinafter - the "Company" or "Zim") and its subsidiaries (hereinafter – "the Group" or "the Companies") and the Group's interests in associates, operate in the field of container shipping and related services.

Zim is a company incorporated in Israel, with limited liability. The address of the Company's registered office is 9 Andrei Sakharov Street, Haifa, Israel.

2 Basis of compliance

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2016 (hereafter – the "annual Financial Statements"). These condensed consolidated interim Financial Statements were approved by the Board of Directors on May 11, 2017.

(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 half 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. However, since the second half of 2016 and through the first quarter of 2017, freight rates started increasing.

In view of the aforementioned 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.

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.

ZIM INTEGRATED SHIPPING SERVICES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

As of March 31, 2017 the Company's total equity amounted to a negative balance of US\$ 110 million (compared to a negative balance of US\$ 101 million as of December 31, 2016) and its working capital amounted to a negative balance of US\$ 51 million (compared to negative balance of US\$ 107 million as of December 31, 2016).

During the period of three months ended March 31, 2017, the Company recorded operating income of US\$ 25 million (compared to operating loss of US\$ 23 million and US\$ 52 million, during the period of three months ended March 31, 2016 and the year ended December 31, 2016, respectively) and net loss of US\$ 6 million (compared to net loss of US\$ 56 million and US\$ 164 million, during the period of three months ended March 31, 2016 and the year ended December 31, 2016, respectively).

As at March 31, 2017, the Company complies with its amended financial covenants, the Company's liquidity amounts to US\$ 181 million (Minimum Liquidity required is US\$ 125 million) - see also Note 12(c) to 2016 annual financial statements.

In order to improve its financial position and liquidity, during the second half of 2016, the Company approached some of its creditors for the purpose of rescheduling payments in a total amount of US\$ 116 million – see also Note 1(b)(i) to 2016 annual financial statements. In addition, during such period, the Company obtained amendments to its financial covenants (other than the Minimum liquidity covenant, which remains US\$ 125 million) – see Note 12(c) to 2016 annual financial statements.

The Company's financial position, liquidity and the risk of deviation from financial covenants depend on the recovery of the shipping industry and especially the freight rates. Current economic conditions 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 updated forecast and the abovementioned actions with regards to rescheduling of payments and covenants amendment, enables the Company to meet its liabilities and operational needs and to comply with the amended set of financial covenants for a period of at least 12 months following the balance sheet date.

- (b) As of the approval date of the financial statements, the Company used US\$ 160 million out the US\$ 200 million invested in its share capital by IC in the framework of the 2014 restructuring (See Note 1(b)(ii) to the 2016 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 2017	March 31 2016	December 31 2016	March 31 2017	March 31 2016	December 31 2016
	US \$'000			US \$'000		
Debentures	(440,022)	(429,558)	(437,021)	(411,098)	(410,337)	(401,285)
Long-term loans and other liabilities	(871,056)	(787,267)	(849,320)	(861,386)	(792,664)	(835,966)