

**ZIM INTEGRATED SHIPPING SERVICES LIMITED**

**CONDENSED CONSOLIDATED INTERIM**

**FINANCIAL STATEMENTS**

**JUNE 30, 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 June 30, 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month and 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 June 30, 2016; the operating losses and net loss recorded during the period of six months and three months ended June 30, 2016; the risk of deviation from financial covenants; Management plans to improve cash flows and profitability; the understandings reached with the creditors, for the purpose of rescheduling payments which some of them are subject to final due diligence, documentation and approvals; 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 new set of financial covenants.

Sincerely,

*Somekh Chaikin*  
Somekh Chaikin  
Certified Public Accountants (Isr.)  
Haifa, October 2, 2016

**ZIM INTEGRATED SHIPPING SERVICES LTD.**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	June 30		December 31
	2016	2015	2015
	(Unaudited)		(Audited)
	US \$'000		
<b>Assets</b>			
Vessels	765,442	799,369	782,481
Containers and handling equipment	285,887	301,308	296,758
Other tangible assets	18,385	21,487	21,705
Intangible assets	51,146	50,838	50,366
Investments in associates	18,172	17,911	18,129
Other investments	2,831	69,024	64,684
Deferred expenses	47,636	70,048	58,940
Trade and other receivables	1,999	29,435	1,938
Deferred tax assets	1,139	1,257	1,034
<b>Total non-current assets</b>	<b>1,192,637</b>	<b>1,360,677</b>	<b>1,296,035</b>
Inventories	38,290	59,433	44,571
Assets classified as held for sale	5,379	47,291	
Trade and other receivables	243,373	289,849	266,850
Other investments, including derivatives	77,695	82,050	86,118
Cash and cash equivalents	221,041	255,887	218,740
<b>Total current assets</b>	<b>585,778</b>	<b>734,510</b>	<b>616,279</b>
<b>Total assets</b>	<b>1,778,415</b>	<b>2,095,187</b>	<b>1,912,314</b>
<b>Equity</b>			
Issued capital	88	88	88
Capital Reserves	1,793,552	1,801,036	1,799,569
Accumulated deficit	(1,858,270)	(1,706,937)	(1,724,891)
<b>Equity attributable to owners of the Company</b>	<b>(64,630)</b>	<b>94,187</b>	<b>74,766</b>
<b>Non-controlling interests</b>	<b>1,881</b>	<b>4,049</b>	<b>3,976</b>
<b>Total equity</b>	<b>(62,749)</b>	<b>98,236</b>	<b>78,742</b>
<b>Liabilities</b>			
Loans and other liabilities	1,111,894	1,182,964	1,147,373
Employee benefits	72,892	81,992	74,927
Deferred tax liabilities	352	340	339
<b>Total non-current liabilities</b>	<b>1,185,138</b>	<b>1,265,296</b>	<b>1,222,639</b>
Trade and other payables, including derivatives	365,118	420,995	345,189
Provisions	27,818	32,276	31,560
Deferred income	4,279	6,663	5,198
Bank overdrafts, loans and other liabilities	258,811	271,721	228,986
<b>Total current liabilities</b>	<b>656,026</b>	<b>731,655</b>	<b>610,933</b>
<b>Total liabilities</b>	<b>1,841,164</b>	<b>1,996,951</b>	<b>1,833,572</b>
<b>Total equity and liabilities</b>	<b>1,778,415</b>	<b>2,095,187</b>	<b>1,912,314</b>

  
Aharon Fogel

Chairman of the Board  
of Directors

  
Refael Danilei  
President & CEO

  
Guy Eldar  
Chief Financial Officer

Date of approval of the Financial Statements: October 2, 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**

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Income from voyages and related services	1,241,937	1,554,990	611,938	762,899	2,991,135
<b>Cost of voyages and related services</b>					
Operating expenses and cost of services	(1,200,941)	(1,350,862)	(602,546)	(666,034)	(2,692,645)
Depreciation	(42,027)	(40,415)	(21,060)	(20,373)	(82,413)
<b>Gross profit (loss)</b>	(1,031)	163,713	(11,668)	76,492	216,077
Other operating income	2,590	4,572	1,156	2,751	41,273
Other operating expenses	(1,145)	(10,842)	(1,145)	(1,200)	(11,885)
General and administrative expenses	(71,313)	(75,998)	(36,145)	(36,471)	(147,439)
<b>Results from operating activities</b>	(70,899)	81,445	(47,802)	41,572	98,026
Finance income	1,091	1,776	467	816	3,401
Finance expenses	(54,692)	(55,972)	(24,501)	(29,511)	(106,181)
Net finance expenses	(53,601)	(54,196)	(24,034)	(28,695)	(102,780)
Share of profit of associates (net of income tax)	2,396	5,739	1,327	2,569	9,397
Profit (loss) before income tax	(122,104)	32,988	(70,509)	15,446	4,643
Income taxes	(8,306)	(9,206)	(3,651)	(3,316)	1,893
Profit (loss) for the period	(130,410)	23,782	(74,160)	12,130	6,536
Attributable to:					
Owners of the Company	(132,518)	20,912	(74,602)	10,303	2,253
Non-controlling interest	2,108	2,870	442	1,827	4,283
Profit (loss) for the period	(130,410)	23,782	(74,160)	12,130	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**

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
<b>Profit (loss) for the period</b>	<b>(130,410)</b>	23,782	<b>(74,160)</b>	12,130	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	(6,933)	(2,078)	(6,607)	(763)	(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)	(861)	1,273	(861)	3,937	2,004
Income tax on other comprehensive income					(26)
<b>Other comprehensive income for the period, net of tax</b>	<b>(7,794)</b>	<b>(805)</b>	<b>(7,468)</b>	3,174	<b>(3,346)</b>
<b>Total comprehensive income for the period</b>	<b>(138,204)</b>	<b>22,977</b>	<b>(81,628)</b>	<b>15,304</b>	<b>3,190</b>
Attributable to:					
Owners of the Company	(140,488)	20,829	(81,936)	13,575	305
Non- controlling interests	2,284	2,148	308	1,729	2,885
<b>Total comprehensive income for the period</b>	<b>(138,204)</b>	<b>22,977</b>	<b>(81,628)</b>	<b>15,304</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							
	Share capital	Share premium	General reserve from transactions with an interested party	Translation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
<b>For the six months period ended June 30, 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					(132,518)	(132,518)	2,108	(130,410)
Other comprehensive income for the period			1,092	(7,109)	(861)	(7,970)	176	(7,794)
Transaction with an interested party						1,092		1,092
Dividend paid to non-controlling interests in subsidiaries							(4,379)	(4,379)
<b>Balance at June 30, 2016</b>	<b>88</b>	<b>700,222</b>	<b>1,100,742</b>	<b>(7,412)</b>	<b>(1,858,270)</b>	<b>(64,630)</b>	<b>1,881</b>	<b>(62,749)</b>
<b>For the three months period ended June 30, 2016 (unaudited)</b>								
<b>Balance at March 31, 2016</b>	88	700,222	1,100,196	(939)	(1,782,807)	16,760	1,608	18,368
Profit (loss) for the period					(74,602)	(74,602)	442	(74,160)
Other comprehensive income for the period			546	(6,473)	(861)	(7,334)	(134)	(7,468)
Transaction with an interested party						546		546
Dividend paid to non-controlling interests in subsidiaries							(35)	(35)
<b>Balance at June 30, 2016</b>	<b>88</b>	<b>700,222</b>	<b>1,100,742</b>	<b>(7,412)</b>	<b>(1,858,270)</b>	<b>(64,630)</b>	<b>1,881</b>	<b>(62,749)</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					
		General				Non-	
		reserve from transactions with an interested party				controlling interests	
Share capital	Share premium	Translation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity	
							US \$'000
<b>For the six months period ended June 30, 2015</b>							
<b>(unaudited)</b>							
	88	700,222	1,097,461	3,623	(1,729,122)	72,272	79,390
<b>Balance at January 1, 2015 (audited)</b>							23,782
Profit for the period					20,912	20,912	2,870
Other comprehensive income for the period					1,273	(83)	(805)
Transaction with an interested party			1,086			1,086	1,086
Dividend paid to non-controlling interests in subsidiaries							(4,698)
Derecognition of non-controlling interest as a result of the realization of subsidiaries							(519)
<b>Balance at June 30, 2015</b>	<b>88</b>	<b>700,222</b>	<b>1,098,547</b>	<b>2,267</b>	<b>(1,706,937)</b>	<b>94,187</b>	<b>98,236</b>
<b>For the three months period ended June 30, 2015</b>							
<b>(unaudited)</b>							
	88	700,222	1,098,001	2,932	(1,721,177)	80,066	82,905
<b>Balance at March 31, 2015</b>					10,303	10,303	12,130
Profit for the period					3,937	3,272	3,174
Other comprehensive income for the period						546	546
Transaction with an interested party			546				
Derecognition of non-controlling interest as a result of the realization of subsidiaries							(519)
<b>Balance at June 30, 2015</b>	<b>88</b>	<b>700,222</b>	<b>1,098,547</b>	<b>2,267</b>	<b>(1,706,937)</b>	<b>94,187</b>	<b>98,236</b>



**ZIM INTEGRATED SHIPPING SERVICES LTD.**

**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							
	88	700,222	1,097,461	3,623	(1,729,122)	72,272	7,118	79,390
					2,253	2,253	4,283	6,536
			2,189	(3,926)	1,978	(1,948)	(1,398)	(3,346)
						2,189	(5,508)	2,189
							(519)	(5,508)
	88	700,222	1,099,650	(303)	(1,724,891)	74,766	3,976	78,742

**For the year ended December 31, 2015 (audited)**

**Balance at January 1, 2015**

Profit for the year

Other comprehensive income for the year

Transaction with an interested party, net of tax

Dividend paid to non-controlling interests in subsidiaries

Derecognition of non-controlling interest as a result of the

realization of subsidiaries

**Balance at December 31, 2015**

**ZIM INTEGRATED SHIPPING SERVICES LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2016	2015	2016	2015	2015
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
<b>Cash flows from operating activities</b>					
Profit (loss) for the period	(130,410)	23,782	(74,160)	12,130	6,536
Adjustments for:					
Depreciation and amortisation	49,197	48,520	24,649	24,468	99,034
Impairment of tangible assets and other investments	1,115	6,600	1,115	1,200	7,357
Net finance expenses	53,601	54,196	24,034	28,695	102,780
Share of profits of associates	(2,396)	(5,739)	(1,327)	(2,569)	(9,397)
Capital gain	(865)	(2,589)	(521)	(1,838)	(34,614)
Income taxes	8,306	9,206	3,651	3,316	(1,893)
	<u>(21,452)</u>	<u>133,976</u>	<u>(22,559)</u>	<u>65,402</u>	<u>169,803</u>
Change in inventories	6,281	18,989	(7,749)	(5,211)	33,851
Change in trade and other receivables including derivatives	25,211	31,087	18,393	4,983	71,718
Change in trade and other payables including derivatives and deferred income	6,610	(30,196)	36,314	24,710	(71,874)
Change in provisions and employee benefits	(6,579)	(10,102)	(4,290)	(3,970)	(20,294)
	<u>31,523</u>	<u>9,778</u>	<u>42,668</u>	<u>20,512</u>	<u>13,401</u>
Dividends received from associates	1,161	3,252	530	2,640	5,438
Interest received	810	1,620	501	833	3,065
Income tax paid	(9,044)	(9,091)	(3,504)	(3,371)	(18,561)
<b>Net cash generated from operating activities</b>	<u>2,998</u>	<u>139,535</u>	<u>17,636</u>	<u>86,016</u>	<u>173,146</u>
<b>Cash flows from investing activities</b>					
Proceeds from sale of tangible and intangible assets, investments and subsidiaries	6,358	20,855	6,331	5,965	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	(7,260)	(24,377)	(3,320)	(7,630)	(31,356)
Change in other investments and other receivables	72,009	1,779	70,168	(15,548)	(1,127)
<b>Net cash generated from (used in) investing activities</b>	<u>71,107</u>	<u>(1,743)</u>	<u>73,179</u>	<u>(17,213)</u>	<u>103,543</u>

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**

	<u>Six months ended</u> <u>June 30</u>		<u>Three months ended</u> <u>June 30</u>		<u>Year ended</u> <u>December 31</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>US \$'000</u>				
<b>Cash flows from financing activities</b>					
Receipt of long term loans, capital lease and other long term liabilities					204
Repayment of borrowings	<b>(53,195)</b>	(64,622)	<b>(29,437)</b>	(34,979)	(179,254)
Change in short term loans	<b>21,570</b>	189	<b>(23,539)</b>	5,172	(2,279)
Dividend paid to non-controlling interests	<b>(4,379)</b>	(4,698)	<b>(35)</b>		(5,508)
Interest paid	<b>(34,736)</b>	(39,155)	<b>(19,636)</b>	(20,807)	(85,936)
Other financial expenses paid		(2,000)		(2,000)	(9,817)
<b>Net cash used in financing activities</b>	<b>(70,740)</b>	(110,286)	<b>(72,647)</b>	(52,614)	(282,590)
Net change in cash and cash equivalents	<b>3,365</b>	27,506	<b>18,168</b>	16,189	(5,901)
Cash and cash equivalents at beginning of the period	<b>218,740</b>	230,376	<b>204,443</b>	239,645	230,376
Effect of exchange rate fluctuation on cash held	<b>(1,195)</b>	(1,995)	<b>(1,701)</b>	53	(5,735)
<b>Cash and cash equivalents at the end of the period</b>	<b>220,910</b>	255,887	<b>220,910</b>	255,887	218,740

## 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 October 2, 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 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. During September, freight rates increased in certain trades, though no further increases or decreases can be forecasted.

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**

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**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.

As of June 30, 2016 the Company's total equity amounted to a negative balance of US\$ 63 million (compared to positive balance of US\$ 98 million and US\$ 78 million, as of June 30, 2015 and December 31, 2015, respectively) and its working capital amounted to a negative balance of US\$ 70 million (compared to positive balance of US\$ 3 million and US\$ 5 million, as of June 30, 2015 and December 31, 2015, respectively).

During the period of six months and three months ended June 30, 2016, the Company recorded operating loss of US\$ 71 million and US\$ 48 million, respectively (compared to operating profit of US\$ 81 million, US\$ 42 million and US\$ 98 million, during the period of six months and three months ended June 30, 2015 and the year ended December 31, 2015, respectively) and net loss of US\$ 130 million and US\$ 74 million, respectively (compared to net profit of US\$ 24 million, US\$ 12 million and US\$ 7 million, during the period of six months and three months ended June 30, 2015 and the year ended December 31, 2015, respectively).

As at June 30, 2016, the Company complies with its amended financial covenants, the Company's liquidity amounts to US\$ 272 million (Minimum Liquidity required is US\$ 150 million) - see also Note 12(c) to 2015 annual financial statements. As at September 30, 2016, the Company also complies with its amended financial covenants.

In order to improve its financial position and liquidity, the Company took the following steps, subsequent to the balance sheet date:

(i) The Company approached some of its creditors for the purpose of rescheduling payments.

Below are the main components of the agreements reached, which some of them are subject to final due diligence, documentation and approvals:

- 1) Deferral of payments in a total amount of approximately US\$ 115 million (the "Deferred Amounts"), during a period of up to 12 month starting on September 30, 2016, each creditor with relation to its specific contracts. The repayment of the Deferred Amounts will begin as from January 1, 2018 on a straight line basis ending upon the expiration of the current agreements, but in any case no later than December 31, 2020 (the "Repayment Period"). In case the agreements expire before the end of the Repayment Period, the unpaid balance of Deferred Amounts will be paid in full.
- 2) The Deferred Amounts will bear interest, at an annual rate of Libor + 2.8% paid quarterly in cash.
- 3) The Company is obligated to secure the Deferred Amounts with a receivables-backed facility, no later than 60 days from the initiation of the plan.
- 4) In case of excess cash, as defined in the amended agreements, a mechanism of mandatory repayments related to the abovementioned rescheduled amounts and their related accrued interest, will be provided.

In the opinion of the company's management and its Board of Directors, the achievement of the approvals for the above-mentioned agreements within the coming weeks is highly probable and accordingly the Company implemented those agreements commencing September 30, 2016.

(ii) The Company obtained amendments to its financial covenants (other than the Minimum liquidity covenants, which remains US\$ 150 million on September 30, 2016 and US\$ 125 on December 31, 2016 and onwards), as those described in Note 12(c) to 2015 annual financial statements, valid from December 31, 2016 through (and including) December 31, 2018. Accordingly, below are the current financial covenants that the Company is required to stand:

## ZIM INTEGRATED SHIPPING SERVICES LTD.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

- 1) Fixed Charge Cover ratio - During the period starting on (and including) December 31, 2016 and through (and including) December 31, 2017, all prior requirements are waived. In the following periods, the required ratio will gradually increase from 0.78:1 as required on March 31, 2018 to 0.99:1 as required on March 31, 2019 and remain in that level thereafter.
- 2) Total Leverage ratio - During the period starting on (and including) December 31, 2016 and through (and including) December 31, 2017, all prior requirements are waived. In the following periods, the required ratio will gradually decrease from 23.69:1 as required on March 31, 2018 to 6.64:1 as required on December 31, 2018 and remain in that level thereafter.

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 new set of financial covenants for a period of at least 12 months following the balance sheet date.

#### (b) Impairment test

Further to the recent trends in the shipping industry as discussed above, the Company tested its assets for impairment (mainly its fixed and intangible assets). For the purpose of IAS 36, the Company, which operates an integrated liner network, has one cash-generating unit (hereinafter: CGU), which consists of all of the Company's operating assets. The Company estimated its recoverable amount on the basis of its fair value less costs to sell, using the discounted cash flow (DCF) method. This measurement is a level 3 fair value measurement under IFRS 13.

The Company's assumptions were made for the period ended on December 31, 2020 and a representative year intended to reflect a long-term, steady state. The key assumptions are set forth below:

- A detailed cash flow for the abovementioned period, based upon the Company's business plan.
- Bunker price: according to the future price curve of fuel.
- Freight rates: a compound annual growth rate of 1.4% over the projection period.
- Increase in aggregate TEU shipped: a compound annual growth rate of 3.0% over the projection period, which is in line with the expected trends in the trades the company is planning to focus on.
- Charter hire rates: contractual rates in effect as of June 30, 2016, and assuming anticipated market rates for renewals of charters expiring in the projection period.
- Discount rate of 9.5%.
- Long-term nominal growth rate of 1.5%, which is consistent with the expected industry average.
- Capital expenditures that are less than or equal to the Company's expected vessel depreciation;
- Payment of tax at the Company's corporate tax rate of 25%; also assumes expected use of tax losses.

The impairment test resulted with a recoverable amount exceeding the carrying amount of the CGU, by an amount ranging between approximately US\$ 291 million and US\$ 330 million. Therefore, no impairment was recognized in the financial statements in respect of the CGU.

Although the Company believes the assumptions used to evaluate the potential impairment of its assets are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long bunker prices and freight rates will remain at their current levels or whether they will increase or decrease by any significant degree.

**ZIM INTEGRATED SHIPPING SERVICES LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

Freight rates may remain at depressed levels for some time, which could adversely affect the Company's revenue and profitability.

Change by 100 bps in the following assumptions will result in an increase (decrease) in the fair value of the recoverable amount as follows:

	Increase	Decrease
	By 100 bps	
	US\$ million	
Discount rate	(130)	164
Terminal growth rate	106	(83)

- (c) During the first half of 2016 and following the balance sheet date, the Company's Board of Directors approved the usage 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. As of the approval date of the financial statements, the Company used US\$ 122 million out of such amount.
- (d) 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. During the second quarter, the Company obtained an additional amendment related to such covenant. Following the balance sheet date, the Company and the financial institution which provides the facility, reached an agreement, according to which all amounts previously drawn (in the total amount of US\$ 41 million) were repaid, while the facility remains available for mutually agreed withdrawals, through November 20, 2016.
- (e) Following the balance sheet date, the group sold real-estate assets, resulted with a capital gain in the amount of approximately US\$ 13 million.
- (f) During the second quarter of 2016, the derivative action related to the 2014 debt restructuring, as disclosed in note 26(c) to the 2015 annual financial statements, was rejected by the court. Following the balance sheet date, an appeal was filed by the petitioner.
- (g) 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		
	June 30 2016	June 30 2015	December 31 2015	June 30 2016	June 30 2015	December 31 2015
	US \$'000			US \$'000		
Debentures	(430,983)	(434,468)	(428,003)	(400,291)	(415,661)	(384,662)
Long-term loans and other liabilities	(768,400)	(868,118)	(798,733)	(767,057)	(876,696)	(798,382)

**ZIM INTEGRATED SHIPPING SERVICES LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**5 Financial instruments (Cont.)**

Financial instruments measured at fair value

As at June 30, 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.