



ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

ZIM INTEGRATED SHIPPING SERVICES LTD.

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS:	
Condensed consolidated interim Statements of Financial Position	3
Condensed consolidated interim Income Statements	4
Condensed consolidated interim Statements of Comprehensive Income	5
Condensed consolidated interim Statements of Changes in Equity	6-8
Condensed consolidated interim Statements of Cash Flows	9-10
Notes to the condensed consolidated interim Financial Statements	11-13



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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, 2017 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 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 September 30, 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.)

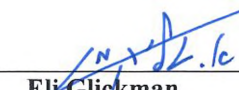
Haifa, November 23, 2017

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	US \$'000		
Assets			
Vessels	724,973	756,829	748,228
Containers and handling equipment	383,618	288,808	353,045
Other tangible assets	17,130	17,472	17,730
Intangible assets	54,383	50,385	51,491
Investments in associates	8,991	17,095	8,283
Other investments	19,246	2,946	15,360
Deferred expenses	25,499	42,442	38,195
Trade and other receivables	2,340	1,993	4,376
Deferred tax assets	943	1,106	1,032
Total non-current assets	1,237,123	1,179,076	1,237,740
Inventories	54,576	37,967	41,484
Trade and other receivables	259,495	231,214	237,525
Other investments	93,273	52,649	29,283
Cash and cash equivalents	183,001	159,827	157,600
Total current assets	590,345	481,657	465,892
Total assets	1,827,468	1,660,733	1,703,632
Equity			
Issued capital	88	88	88
Capital Reserves	1,792,612	1,793,045	1,789,432
Accumulated deficit	(1,879,157)	(1,896,642)	(1,893,302)
Equity attributable to owners of the Company	(86,457)	(103,509)	(103,782)
Non-controlling interests	4,627	2,727	3,125
Total equity	(81,830)	(100,782)	(100,657)
Liabilities			
Loans and other liabilities	1,186,214	1,100,697	1,205,717
Employee benefits	69,915	71,591	67,376
Deferred tax liabilities	353	353	354
Total non-current liabilities	1,256,482	1,172,641	1,273,447
Trade and other payables	308,533	359,053	336,029
Provisions	26,903	28,555	27,573
Deferred income	10,151	3,749	6,533
Bank overdrafts, loans and other liabilities	307,229	197,517	160,707
Total current liabilities	652,816	588,874	530,842
Total liabilities	1,909,298	1,761,515	1,804,289
Total equity and liabilities	1,827,468	1,660,733	1,703,632


Aharon Fogel
Chairman of the Board
of Directors


Eli Glickman
President & CEO


Yohai Benita
Acting Chief Financial
Officer

Date of approval of the Financial November 23, 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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
			US \$'000		
Income from voyages and related services	2,217,359	1,885,820	816,675	643,883	2,539,296
Cost of voyages and related services					
Operating expenses and cost of services	(1,919,959)	(1,809,840)	(698,596)	(608,899)	(2,394,126)
Depreciation	(72,157)	(63,273)	(24,906)	(21,246)	(86,289)
Gross profit	225,243	12,707	93,173	13,738	58,881
Other operating income	3,020	16,885	751	14,295	32,851
Other operating expenses	(2,423)	(1,145)	(2,373)		(1,332)
General and administrative expenses	(111,077)	(106,519)	(37,747)	(35,206)	(142,542)
Results from operating activities	114,763	(78,072)	53,804	(7,173)	(52,142)
Finance income	1,306	1,457	522	366	6,359
Finance expenses	(89,995)	(80,805)	(27,214)	(26,113)	(104,353)
Net finance expenses	(88,689)	(79,348)	(26,692)	(25,747)	(97,994)
Share of profit of associates (net of income tax)	5,683	3,757	1,944	1,361	5,001
Profit (loss) before income tax	31,757	(153,663)	29,056	(31,559)	(145,135)
Income taxes	(10,673)	(14,389)	(3,857)	(6,083)	(18,366)
Profit (loss) for the period	21,084	(168,052)	25,199	(37,642)	(163,501)
Attributable to:					
Owners of the Company	15,543	(171,230)	23,204	(38,712)	(168,290)
Non-controlling interest	5,541	3,178	1,995	1,070	4,789
Profit (loss) for the period	21,084	(168,052)	25,199	(37,642)	(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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Profit (loss) for the period	21,084	(168,052)	25,199	(37,642)	(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	1,919	(8,205)	195	(1,272)	(13,431)
Net change in fair value of available-for sale financial assets	135		(1,018)		401
Items of other comprehensive income that would never be reclassified to profit and loss:					
Defined benefit pension plans actuarial gains (losses)	(1,533)	(521)	(1,533)	340	(522)
Other comprehensive income for the period, net of tax	521	(8,726)	(2,356)	(932)	(13,552)
Total comprehensive income for the period	21,605	(176,778)	22,843	(38,574)	(177,053)
Attributable to:					
Owners of the Company	16,184	(179,908)	20,921	(39,420)	(180,641)
Non- controlling interests	5,421	3,130	1,922	846	3,588
Total comprehensive income for the period	21,605	(176,778)	22,843	(38,574)	(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							
	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.

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		
	US \$'000						
For the nine months period ended September 30, 2016 (unaudited)							
Balance at January 1, 2016 (audited)	88	700,222	1,099,650	(303)	(1,724,891)	74,766	78,742
Profit (loss) for the period					(171,230)	(171,230)	(168,052)
Other comprehensive income for the period				(8,157)	(521)	(8,678)	(8,726)
Transaction with an interested party			1,633			1,633	1,633
Dividend paid to non-controlling interests in subsidiaries						(4,379)	(4,379)
Balance at September 30, 2016	<u>88</u>	<u>700,222</u>	<u>1,101,283</u>	<u>(8,460)</u>	<u>(1,896,642)</u>	<u>(103,509)</u>	<u>(100,782)</u>
For the three months period ended September 30, 2016 (unaudited)							
Balance at July 1, 2016	88	700,222	1,100,742	(7,412)	(1,858,270)	(64,630)	(62,749)
Profit (loss) for the period					(38,712)	(38,712)	(37,642)
Other comprehensive income for the period				(1,048)	340	(708)	(932)
Transaction with an interested party			541			541	541
Balance at September 30, 2016	<u>88</u>	<u>700,222</u>	<u>1,101,283</u>	<u>(8,460)</u>	<u>(1,896,642)</u>	<u>(103,509)</u>	<u>(100,782)</u>

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
	US \$'000							
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.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(Unaudited)		(Audited)
	US \$'000				
Cash flows from operating activities					
Profit (loss) for the period	21,084	(168,052)	25,199	(37,642)	(163,501)
Adjustments for:					
Depreciation and amortisation	80,571	74,080	27,469	24,883	100,972
Impairment of tangible and intangible assets	2,400	1,115	2,400		1,115
Net finance expenses	88,689	79,348	26,692	25,747	97,994
Share of profits of associates	(5,683)	(3,757)	(1,944)	(1,361)	(5,001)
Capital loss (gain)	(963)	(14,388)	32	(13,523)	(29,978)
Income taxes	10,673	14,389	3,857	6,083	18,366
	196,771	(17,265)	83,705	4,187	19,967
Change in inventories	(13,092)	6,604	8,201	323	3,087
Change in trade and other receivables	(12,512)	42,104	1,552	16,893	43,394
Change in trade and other payables including deferred income	6,442	2,085	(44,369)	(4,525)	(8,394)
Change in provisions and employee benefits	(3,666)	(7,084)	(1,716)	(505)	(12,784)
	(22,828)	43,709	(36,332)	12,186	25,303
Dividends received from associates	5,344	3,379	2,012	2,218	5,074
Interest received	345	948	127	138	1,576
Income tax paid	(10,481)	(15,064)	(3,090)	(6,020)	(18,704)
Net cash generated from operating activities	169,151	15,707	46,422	12,709	33,216
Cash flows from investing activities					
Proceeds from sale of tangible and intangible assets, investments and subsidiaries	3,937	22,093	1,193	15,735	30,672
Acquisition of tangible assets, intangible assets and investments	(18,006)	(9,769)	(4,275)	(2,509)	(13,460)
Change in other investments and other receivables	(67,482)	97,177	6,208	25,168	124,339
Net cash generated from (used in) investing activities	(81,551)	109,501	3,126	38,394	141,551

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2017	2016	2017	2016	2016
	(Unaudited)		(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	(80,709)	(74,769)	(34,733)	(21,574)	(86,871)
Change in short term loans	78,850	(48,934)	10,350	(70,504)	(69,521)
Dividend paid to non-controlling interests	(3,919)	(4,379)			(4,439)
Interest paid and Other financial expenses paid	(58,699)	(53,668)	(19,887)	(18,932)	(73,401)
Net cash used in financing activities	(64,477)	(181,750)	(44,270)	(111,010)	(228,633)
Net change in cash and cash equivalents	23,123	(56,542)	5,278	(59,907)	(53,866)
Cash and cash equivalents at beginning of the period	157,600	218,740	176,894	220,910	218,740
Effect of exchange rate fluctuation on cash held	2,278	(2,371)	829	(1,176)	(7,274)
Cash and cash equivalents at the end of the period	183,001	159,827	183,001	159,827	157,600

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 November 23, 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

(a) 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.

(b) New standards and interpretations not yet adopted:

- (i) IFRS 9 (2014), Financial Instruments, is effective for annual periods beginning on or after January 1, 2018. The Company has examined the effects of applying IFRS 9 and in its opinion the effect on the financial statements will be immaterial - see also Note 3(r) to 2016 annual financial statements.
- (ii) IFRS 15, Revenues from Contracts with Customers, is effective for annual periods beginning on or after January 1, 2018. The Company has examined the effects of applying IFRS 15 and in its opinion the effect on the financial statements will be immaterial - see also Note 3(r) to 2016 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, which is characterized by slower growth of demand and worsening overcapacity. The first half of 2016 was 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 third quarter of 2017, freight rates started increasing.

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

In view of the aforementioned 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 partnership, invest in upgrading customer services and constantly strive to create and maintain efficiencies and cost reductions.

However, an adverse 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 September 30, 2017 the Company's total equity amounted to a negative balance of US\$ 82 million (compared to a negative balance of US\$ 101 million as of September 30, 2016 and December 31, 2016) and its working capital amounted to a negative balance of US\$ 62 million (compared to negative balance of US\$ 107 million and US\$ 65 million as of September 30, 2016 and December 31, 2016, respectively).

During the period of nine months and the three months ended September 30, 2017, the Company recorded operating income of US\$ 115 million and US\$ 54 million, respectively (compared to operating loss of US\$ 78 million, US\$ 7 million and US\$ 52 million during the period of nine months and the three months ended September 30, 2016 and the year ended December 31, 2016, respectively) and net profit of US\$ 21 million and US\$ 25 million, respectively (compared to net loss of US\$ 168 million, US\$ 38 million and US\$ 164 million during the period of nine months and three months ended September 30, 2016 and the year ended December 31, 2016, respectively).

As at September 30, 2017, the Company complies with its amended financial covenants, the Company's liquidity amounts to US\$ 208 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 continuation 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) (i) The Group is involved in a number of legal matters, including industry wide investigations regarding competition law issues and applications to approve the filing of class actions, some of which may involve significant amounts. The developments and/or resolutions in such matters, including through either negotiations or litigation, are subject to a high level of uncertainty that cannot be reliably quantified at the reporting date. See also Note 26 to 2016 annual financial statements.

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

- (ii) During the reported period, the Company has been served, together with another defendant, with an application to approve the filing of a class action in Israel, related to alleged breaches of competition rules in respect of carriage of vehicles from South Korea. The applicants estimate the total damage caused to the Class at a total of NIS 403 million (approximately US\$ 115 million) based on an expert opinion attached to the application. However, from a preliminary review of the said opinion, it should be mentioned that the said estimation is based on data which is not necessarily correct and/or relevant to the Company. Management, based on its legal advisors, believes that it has good defence arguments for dismissing the application of the claim to be approved as a class action and it is more likely than not that such application will be dismissed.
 - (iii) Company representatives received subpoenas in connection with a United States Department of Justice Antitrust Division investigation into the container liner shipping industry in the United States. The Company is currently reviewing this case with its legal advisors, who are in contact with the Department of Justice regarding the Company's compliance with the subpoenas. As the investigation is still in its initial stages, it is too early to determine the outcome of this investigation and the possible exposure therefrom, if any.
 - (iv) In one jurisdiction, courts ruled against shipping agencies operating in this jurisdiction, including a subsidiary of the Company. The shipping agencies have appealed to the supreme court against this ruling. Management, based on its legal advisors, believes that it has good defence arguments and that it is more likely than not that the appeal will be accepted.
 - (v) As to the filing of the application to approve the filing of a class action served to a Company's subsidiary in Israel, see note 26 to 2016 annual financial statements.
 - (vi) The legal matters mentioned in sections (iv) and (v) above, do not include a specific amount and are subject to significant level of uncertainty that cannot be reliably quantified. However, the maximal potential exposure of the Company's subsidiaries, if any, is estimated up to tens of millions of US dollars.
- (c) 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).
- (d) During the reported period, the Company received short term loans secured by bank deposits in a total amount of US\$ 60 million.

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		
	September 30 2017	September 30 2016	December 31 2016	September 30 2017	September 30 2016	December 31 2016
		US \$'000			US \$'000	
Debentures	(443,331)	(433,979)	(437,021)	(427,174)	(417,129)	(401,285)
Long-term loans and other liabilities	(892,567)	(763,555)	(849,320)	(856,310)	(763,371)	(835,966)

Financial instruments measured at fair value

As at September 30, 2017, the fair value of available for sale financial assets (level 1 measurement) in an amount of US\$ 16.4 million, are presented under non-current other investments.