

ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

MARCH 31, 2015

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, 2015 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.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute approximately 9% of the total consolidated assets as at March 31, 2015 and whose revenues constitute approximately 5% of the total consolidated revenues for the three-month period then ended. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to \$ 1 million as at March 31, 2015, and the Group’s share in their profits amounted to \$ 1 million for the three month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

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 and the review reports of other auditors, 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 covenants.

Sincerely,



Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, May 20, 2015

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	March 31		December 31
	2015	2014	2014
	(Unaudited)		(Audited)
	US \$'000		
Assets			
Vessels	807,152	1,582,165	815,486
Containers and handling equipment	283,232	329,944	293,590
Other tangible assets	21,102	22,546	21,314
Intangible assets	53,702	61,018	57,060
Investments in associates	18,103	14,790	16,392
Other investments	73,574		73,654
Deferred expenses	75,883		83,532
Trade and other receivables	28,521	38,514	31,407
Deferred tax assets	1,200	1,341	1,332
Total non-current assets	1,362,469	2,050,318	1,393,767
Inventories	54,222	103,988	78,422
Assets classified as held for sale	48,491	3,441	56,657
Trade and other receivables	293,504	300,640	317,716
Other investments including derivatives	61,543	36,055	79,197
Cash and cash equivalents	239,968	124,608	230,515
Total current assets	697,728	568,732	762,507
Total assets	2,060,197	2,619,050	2,156,274
Equity			
Issued capital	88	42,301	88
Capital Reserves	1,801,155	893,028	1,801,306
Accumulated deficit	(1,721,177)	(1,583,077)	(1,729,122)
Equity attributable to owners of the Company	80,066	(647,748)	72,272
Non-controlling interests	2,839	2,859	7,118
Total equity	82,905	(644,889)	79,390
Liabilities			
Loans and other liabilities	1,178,795	678,951	1,199,607
Employee benefits	86,890	89,575	88,303
Deferred tax liabilities	341	342	348
Total non-current liabilities	1,266,026	768,868	1,288,258
Trade and other payables, including derivatives	395,834	525,572	461,787
Provisions	35,746	30,389	35,826
Deferred income	8,256	21,391	9,479
Long-term loans and other liabilities classified to short-term		1,489,000	
Bank overdrafts, loans and other liabilities	271,430	428,719	281,534
Total current liabilities	711,266	2,495,071	788,626
Total liabilities	1,977,292	3,263,939	2,076,884
Total equity and liabilities	2,060,197	2,619,050	2,156,274


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 20, 2015

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
	2015	2014	2014
	(Unaudited)		(Audited)
	US \$'000		
Income from voyages and related services	792,091	866,524	3,408,759
Cost of voyage and related services			
Operating expenses and cost of services	(684,828)	(802,298)	(3,165,460)
Depreciation	(20,042)	(33,815)	(112,022)
Gross profit	87,221	30,411	131,277
Other operating income	1,821	2,254	9,021
Other operating expenses	(9,642)		(227,460)
General and administrative expenses	(39,527)	(41,103)	(153,040)
Termination benefit expenses			(23,176)
Results from operating activities	39,873	(8,438)	(263,378)
Finance income	960	1,088	193,252
Finance expenses	(26,461)	(50,276)	(159,447)
Net finance income (expenses)	(25,501)	(49,188)	33,805
Share of profit of associates (net of income tax)	3,170	2,341	12,495
Profit (loss) before income tax	17,542	(55,285)	(217,078)
Income taxes	(5,890)	(6,167)	18,935
Profit (loss) for the period	11,652	(61,452)	(198,143)
Attribute to:			
Owners of the Company	10,609	(63,114)	(204,913)
Non-controlling interest	1,043	1,662	6,770
Profit (loss) for the period	11,652	(61,452)	(198,143)

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
	2015	2014	2014
	(Unaudited)		(Audited)
	US \$'000		
Profit (loss) for the period	11,652	(61,452)	(198,143)
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	(1,315)	(1,673)	733
Items of other comprehensive income that would never be reclassified to profit and loss:			
Defined benefit pension plans actuarial losses	(2,664)		(4,224)
Income tax on other comprehensive income			(22)
Other comprehensive income for the period, net of tax	(3,979)	(1,673)	(3,513)
Total comprehensive income for the period	7,673	(63,125)	(201,656)
Attributable to:			
Owners of the Company	7,254	(65,179)	(208,302)
Non- controlling interests	419	2,054	6,646
Total comprehensive income for the period	7,673	(63,125)	(201,656)

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	Share options	Translation reserve	Accumulated deficit			Total
	US \$'000								
For the three months period ended March 31, 2015 (unaudited)									
Balance at January 1, 2015 (audited)	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)
Balance at March 31, 2015	88	700,222	1,098,001		2,932	(1,721,177)	80,066	2,839	82,905
For the three months period ended March 31, 2014 (unaudited)									
Balance at 1 January 2014 (audited)	42,301	535,615	281,402	75,310	2,766	(1,519,963)	(582,569)	4,413	(578,156)
Profit (loss) for the period						(63,114)	(63,114)	1,662	(61,452)
Other comprehensive income for the period					(2,065)		(2,065)	392	(1,673)
Dividend paid to non-controlling interests in subsidiaries								(3,608)	(3,608)
Balance at March 31, 2014	42,301	535,615	281,402	75,310	701	(1,583,077)	(647,748)	2,859	(644,889)
For the year ended December 31, 2014 (audited)									
Balance at January 1, 2014	42,301	535,615	281,402	75,310	2,766	(1,519,963)	(582,569)	4,413	(578,156)
Profit (loss) for the year						(204,913)	(204,913)	6,770	(198,143)
Other comprehensive income for the year					857	(4,246)	(3,389)	(124)	(3,513)
Nullifications of the share capital and share options	(42,301)	(460,305)	577,916	(75,310)					
Issuance of share capital	88	624,912					625,000		625,000
Transaction with an interested party, net of tax			238,143				238,143		238,143
Dividend paid to non-controlling interests in subsidiaries								(3,941)	(3,941)
Balance at December 31, 2014	88	700,222	1,097,461		3,623	(1,729,122)	72,272	7,118	79,390

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

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Three months ended March 31		Year ended December 31
	2015	2014	2014
	(Unaudited)		(Audited)
	US \$'000		
Cash flows from operating activities			
Profit (loss) for the period	11,652	(61,452)	(198,143)
Adjustments for:			
Depreciation and amortisation	24,052	37,584	127,612
Impairment of tangible assets and other investments	5,400		117,800
Net finance expenses	25,501	49,188	(33,805)
Share of profits of associates	(3,170)	(2,341)	(12,495)
Capital loss (gain)	(751)	(949)	107,799
Income taxes	5,890	6,167	(18,935)
	68,574	28,197	89,833
Change in inventories	24,200	(3,183)	22,459
Change in trade and other receivables including derivatives	26,104	(36,932)	4,861
Change in trade and other payables including derivatives and deferred income	(54,906)	34,619	2,765
Change in provisions and employee benefits	(6,132)	5,020	14,014
	(10,734)	(476)	44,099
Dividends received from associates	612	610	6,369
Interest received	787	125	1,751
Income tax paid	(5,720)	(5,916)	(21,068)
Net cash generated from operating activities	53,519	22,540	120,984
Cash flows from investing activities			
Proceeds from sale of tangible assets, intangible assets and investments	14,890	12,523	56,593
Acquisition of tangible assets, intangible assets and investments	(16,747)	(4,230)	(18,641)
Settlement of derivatives		(605)	(605)
Change in other investments and other receivables	17,327	(17,379)	(129,554)
Net cash generated from (used in) investing activities	15,470	(9,691)	(92,207)

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
	2015	2014	2014
	(Unaudited)		(Audited)
	US \$'000		
Cash flows from financing activities			
Receipt of long term loans, capital lease and other long term liabilities		60,735	161,569
Repayment of borrowings	(29,643)	(44,508)	(157,090)
Change in short term loans	(4,983)	15,930	49,384
Issuance of share capital			200,000
Dividend paid to non-controlling interests	(4,698)	(3,608)	(3,941)
Interest paid	(18,348)	(33,138)	(122,528)
Other financial expenses paid		(5,809)	(45,000)
Net cash generated from (used in) financing activities	(57,672)	(10,398)	82,394
Net change in cash and cash equivalents	11,317	2,451	111,171
Cash and cash equivalents at beginning of the period	230,376	123,232	123,232
Effect of exchange rate fluctuation on cash held	(2,048)	(1,117)	(4,027)
Cash and cash equivalents at the end of the period	239,645	124,566	230,376

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

1 Reporting entity

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

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

2 Basis of compliance

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31 , 2014 (hereafter – the "annual Financial Statements").

These condensed consolidated interim Financial Statements were approved by the Board of Directors on May 20, 2015.

(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) As described in Note 1(b) to the Company's annual Financial Statements, on July 16, 2014 the Company has completed the restructuring of its debt and equity. As mentioned in the said note, the Company is obligated under the Tranche A agreements to have a committed receivable-backed credit facility either from IC or from an alternative source for a period of two years as of the restructuring date ("the period"). On April 15, 2015 IC's credit line obligation was terminated. However, during the reported period, Tranche A agreements were amended to allow the Company to arrange the alternative credit facility for the period by September 30, 2015 instead of April 15, 2015. Management believes that the alternative facility will be concluded by September 30, 2015. In addition, in the opinion of the Company's Management and its Board of Directors the expected performance in accordance with its business plan 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) Following the described in Note 1(b)(b) to the annual financial statements, in light of the decrease in iron prices during the reported period, the Company recorded an impairment of the six vessels held for sale in an amount of US\$ 5.4 million. The impairment was recorded under other operating expenses.

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

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

(c) As a result of an early termination of charter agreements of 2 vessels, the Company recorded expenses in an aggregated amount of US\$ 7.6 million (US\$ 3.4 million in charter hire expenses and US\$ 4.2 million in other operating expenses).

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 2015	March 31 2014	December 31 2014	March 31 2015	March 31 2014	December 31 2014
	US \$'000			US \$'000		
Debentures	(432,873)	(234,087)	(431,402)	(419,416)	(322,361)	(412,679)
Long-term loans and other liabilities	(870,106)	(2,253,319)	(897,710)	(868,571)	(1,240,791)	(892,649)