ZIM INTEGRATED SHIPPING SERVICES LIMITED

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

JUNE 30, 2019

ZIM INTEGRATED SHIPPING SERVICES LTD.

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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, 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six and three-months 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.

Emphasis of Matter

Without qualifying our conclusion, we refer to Note 4 of the financial statements regarding the Company's deficit in equity and working capital as of June 30, 2019; and the net loss recorded during the six months period ended June 30, 2019 and the year ended December 31, 2018; the instability in the business environment; the risk of deviation from financial covenants, which influenced, inter alia, by the levels of bunker prices and the recovery of freight rates; Management steps to improve financial position, cash flows and liquidity and to Management and the Board of Directors' assessment, based on the forecasted cash flow for the foreseeable future, together with the steps above mentioned, in respect of the Company's ability to meet its liabilities, and to comply with the amended set of financial covenants in the foreseeable future.

Sincerely,

Somekh Chaikin

Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, August 21, 2019

ZIM INTEGRATED SHIPPING SERVICES LTD.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30		December 31
	(*) 2019	**2018**	**2018**
	(Unaudited)		**(Audited)**
		US $'000	
Assets			
Vessels	**771,933**	699,536	617,427
Containers and handling equipment	**412,983**	379,824	351,687
Other tangible assets	**71,767**	20,288	20,993
Intangible assets	**64,364**	61,954	64,638
Investments in associates	**8,327**	9,218	8,752
Other investments	**2,766**	2,695	2,790
Deferred expenses		14,574	8,977
Trade and other receivables	**2,648**	3,250	3,182
Deferred tax assets	**944**	1,058	1,055
Total non-current assets	**1,335,732**	1,192,397	1,079,501
Assets classified as held for sale	**16,569**		42,859
Inventories	**52,630**	79,942	70,492
Trade and other receivables	**373,477**	(**) 360,400	378,343
Other investments	**56,280**	85,231	68,651
Cash and cash equivalents	**164,840**	141,340	186,291
Total current assets	**663,796**	666,913	746,636
Total assets	**1,999,528**	1,859,310	1,826,137
Equity			
Issued capital	**88**	88	88
Capital Reserves	**1,786,229**	1,789,630	1,787,704
Accumulated deficit	**(2,042,137)**	(1,963,602)	(2,018,086)
Equity attributable to owners of the Company	**(255,820)**	(173,884)	(230,294)
Non-controlling interests	**3,636**	4,644	6,282
Total equity	**(252,184)**	(169,240)	(224,012)
Liabilities			
Lease liabilities, loans and other liabilities	**1,217,854**	1,110,199	1,056,701
Employee benefits	**63,289**	66,469	60,133
Deferred tax liabilities	**346**	343	346
Total non-current liabilities	**1,281,489**	1,177,011	1,117,180
Trade and other payables	**434,931**	415,293	467,756
Provisions	**24,494**	30,958	24,417
Contract liabilities	**121,903**	(**) 111,359	126,448
Lease liabilities, loans and other liabilities	**388,895**	293,929	314,348
Total current liabilities	**970,223**	851,539	932,969
Total liabilities	**2,251,712**	2,028,550	2,050,149
Total equity and liabilities	**1,999,528**	1,859,310	1,826,137

(*) See also Note 3 with respect to the implementation of IFRS 16.
(**) See Note 2(e) to the 2018 annual financial statements with respect to the revised presentation under IFRS 15.

Aharon Fogel Chairman of the Board of Directors	Eli Glickman President & CEO	Xavier Destriau Chief Financial Officer

Date of approval of the Financial Statements: August 21, 2019.
The accompanying Notes are an integral part of these condensed consolidated interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2019 (*)	2018	2019 (*)	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	US $'000				
Income from voyages and related services	**1,630,546**	1,554,622	**834,330**	803,247	3,247,864
Cost of voyages and related services					
Operating expenses and cost of services	**(1,421,558)**	(1,454,923)	**(718,509)**	(756,909)	(2,999,613)
Depreciation	**(98,352)**	(49,835)	**(53,257)**	(25,093)	(100,152)
Gross profit	**110,636**	49,864	**62,564**	21,245	148,099
Other operating income	**23,309**	2,024	**17,681**	1,407	5,317
Other operating expenses	**(82)**	(29)	**(5)**	204	(38,071)
General and administrative expenses	**(73,745)**	(72,719)	**(37,019)**	(36,639)	(143,920)
Share of profit of associates (**)	**2,668**	3,159	**1,006**	1,257	5,359
Results from operating activities	**62,786**	(17,701)	**44,227**	(12,526)	(23,216)
Finance income	**910**	8,572	**447**	7,983	19,201
Finance expenses	**(75,699)**	(50,149)	**(36,068)**	(24,279)	(101,706)
Net finance expenses	**(74,789)**	(41,577)	**(35,621)**	(16,296)	(82,505)
Profit (loss) before income tax	**(12,003)**	(59,278)	**8,606**	(28,822)	(105,721)
Income taxes	**(7,166)**	(8,010)	**(3,478)**	(4,368)	(14,132)
Profit (loss) for the period	**(19,169)**	(67,288)	**5,128**	(33,190)	(119,853)
Attributable to:					
Owners of the Company	**(21,510)**	(70,454)	**3,820**	(34,962)	(125,653)
Non-controlling interest	**2,341**	3,166	**1,308**	1,772	5,800
Profit (loss) for the period	**(19,169)**	(67,288)	**5,128**	(33,190)	(119,853)

(*) See also Note 3 with respect to the implementation of IFRS 16.
(**) See also Note 3 with respect to change of presentation in the consolidated income statement.

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2019	**2018**	**2019**	**2018**	**2018**
	(Unaudited)		**(Unaudited)**		**(Audited)**
			US $'000		
Profit (loss) for the period	**(19,169)**	(67,288)	**5,128**	(33,190)	(119,853)
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	**(2,720)**	(3,213)	**(2,002)**	(4,567)	(6,382)
Items of other comprehensive income that would never be reclassified to profit and loss:					
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	**(257)**	(2,310)	**(410)**	(1,983)	(2,603)
Defined benefit pension plans actuarial gains (losses)	**(2,284)**	1,041	**(906)**	(40)	2,058
Income tax on other comprehensive income					(9)
Other comprehensive income for the period, net of tax	**(5,261)**	(4,482)	**(3,318)**	(6,590)	(6,936)
Total comprehensive income for the period	**(24,430)**	(71,770)	**1,810**	(39,780)	(126,789)
Attributable to:					
Owners of the Company	**(26,311)**	(74,380)	**590**	(41,108)	(131,710)
Non- controlling interests	**1,881**	2,610	**1,220**	1,328	4,921
Total comprehensive income for the period	**(24,430)**	(71,770)	**1,810**	(39,780)	(126,789)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Attribute to the owners of the Company							
	Share capital	Share premium	General Reserves (*)	Translation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
	US $'000							
For the six months period ended June 30, 2019 (unaudited)								
Balance at January 1, 2019 (audited)	88	700,222	1,104,577	(17,095)	(2,018,086)	(230,294)	6,282	(224,012)
Profit (loss) for the period					**(21,510)**	**(21,510)**	**2,341**	**(19,169)**
Other comprehensive income for the period				**(2,260)**	**(2,541)**	**(4,801)**	**(460)**	**(5,261)**
Transaction with an interested party			**439**			**439**		**439**
Share-based compensation			**346**			**346**		**346**
Dividend paid to non-controlling interests in subsidiaries							**(4,527)**	**(4,527)**
Balance at June 30, 2019	**88**	**700,722**	**1,105,362**	**(19,355)**	**(2,042,137)**	**(255,820)**	**3,636**	**(252,184)**
For the three months period ended June 30, 2019 (unaudited)								
Balance at March 31, 2019	88	700,222	1,105,003	(17,441)	(2,044,641)	(256,769)	2,747	(254,022)
Profit for the period					**3,820**	**3,820**	**1,308**	**5,128**
Other comprehensive income for the period				**(1,914)**	**(1,316)**	**(3,230)**	**(88)**	**(3,318)**
Transaction with an interested party			**183**			**183**		**183**
Share-based compensation			**176**			**176**		**176**
Dividend paid to non-controlling interests in subsidiaries							**(331)**	**(331)**
Balance at June 30, 2019	**88**	**700,222**	**1,105,362**	**(19,355)**	**(2,042,137)**	**(255,820)**	**3,636**	**(252,184)**

(*) Include reserves related to transactions with an interested party and share-based compensation.

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Attribute to the owners of the Company							
	Share capital	**Share premium**	**General Reserves (*)**	**Translation reserve**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total equity**
	US $'000							
For the six months period ended June 30, 2018 (unaudited)								
Balance at January 1, 2018 (audited)	88	700,222	1,103,160	(11,592)	(1,891,879)	(100,001)	6,509	(93,492)
Profit (loss) for the period					(70,454)	(70,454)	3,166	(67,288)
Other comprehensive income for the period				(2,657)	(1,269)	(3,926)	(556)	(4,482)
Transaction with an interested party			497			497		497
Dividend paid to non-controlling interests in subsidiaries							(4,475)	(4,475)
Balance at June 30, 2018	88	700,222	1,103,657	(14,249)	(1,963,602)	(173,884)	4,644	(169,240)
For the three months period ended June 30, 2018 (unaudited)								
Balance at March 31, 2018	88	700,222	1,103,396	(10,126)	(1,926,617)	(133,037)	3,316	(129,721)
Profit (loss) for the period					(34,962)	(34,962)	1,772	(33,190)
Other comprehensive income for the period				(4,123)	(2,023)	(6,146)	(444)	(6,590)
Transaction with an interested party			261			261		261
Balance at June 30, 2018	88	700,222	1,103,657	(14,249)	(1,963,602)	(173,884)	4,644	(169,240)
For the year ended December 31, 2018 (audited)								
Balance at January 1, 2018 (audited)	88	700,222	1,103,160	(11,592)	(1,891,879)	(100,001)	6,509	(93,492)
Profit (loss) for the year					(125,653)	(125,653)	5,800	(119,853)
Other comprehensive income for the year				(5,503)	(554)	(6,057)	(879)	(6,936)
Transaction with an interested party, net of tax			1,049			1,049		1,049
Share-based compensation			368			368		368
Dividend paid to non-controlling interests in subsidiaries							(5,148)	(5,148)
Balance at December 31, 2018	88	700,222	1,104,577	(17,095)	(2,018,086)	(230,294)	6,282	(224,012)

(*) Include reserves related to transactions with an interested party and share-based compensation.

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	(*) 2019	**2018**	**(*) 2019**	**2018**	**2018**
	(Unaudited)		**(Unaudited)**		**(Audited)**
			US $'000		
Cash flows from operating activities					
Profit (loss) for the period	**(19,169)**	(67,288)	**5,128**	(33,190)	(119,853)
Adjustments for:					
Depreciation and amortisation	**107,217**	55,177	**57,807**	27,440	111,567
Impairment of tangible assets and other investments					37,993
Net finance expenses	**74,789**	41,577	**35,621**	16,296	82,505
Share of profits of associates	**(2,668)**	(3,159)	**(1,006)**	(1,257)	(5,359)
Capital gain	**(22,147)**	(582)	**(17,286)**	(808)	(3,015)
Income taxes	**7,166**	8,010	**3,478**	4,368	14,132
	145,188	33,735	**83,742**	12,849	117,970
Change in inventories	**17,862**	(16,100)	**14,330**	(13,132)	(6,650)
Change in trade and other receivables	**(9,475)**	9,628	**(34,878)**	5,111	(3,807)
Change in trade and other payables including contract liabilities	**(27,792)**	82,279	**3,043**	44,635	131,679
Change in provisions and employee benefits	**(520)**	2,401	**(1,139)**	2,911	(9,588)
	(19,925)	78,208	**(18,644)**	39,525	111,634
Dividends received from associates	**3,402**	3,526	**2,591**	2,930	6,522
Interest received	**1,583**	1,183	**96**	346	1,687
Income tax paid	**(6,438)**	(6,117)	**(3,651)**	(2,966)	(12,804)
Net cash generated from operating activities	**123,810**	110,535	**64,134**	52,684	225,009
Cash flows from investing activities					
Proceeds from sale of tangible and intangible assets, investments and affiliates	**35,296**	15,232	**23,631**	14,285	45,423
Acquisition of tangible assets, intangible assets and investments	**(8,193)**	(14,146)	**(3,919)**	(4,952)	(22,582)
Change in other investments and other receivables	**12,135**	11,311	**(30,195)**	11,367	28,270
Net cash generated from (used in) investing activities	**39,238**	12,397	**(10,483)**	20,700	51,111

(*) See also Note 3 with respect to the implementation of IFRS 16.

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

	Six months ended June 30		**Three months ended June 30**		**Year ended December 31**
	(*) 2019	**2018**	**(*) 2019**	**2018**	**2018**
	(Unaudited)		**(Unaudited)**		**(Audited)**
			US $'000		
Cash flows from financing activities					
Receipt of long term loans and other long term liabilities	**678**	265	**678**	265	55,378
Sale and lease back transactions	**13,151**		**13,151**		
Repayment of borrowings and lease liabilities	**(137,975)**	(83,318)	**(88,006)**	(43,440)	(199,973)
Change in short term loans	**1,088**	(8,462)	**40,200**	(14,584)	(10,365)
Dividend paid to non-controlling interests	**(4,527)**	(4,475)	**(331)**		(5,148)
Interest and other financial expenses paid	**(56,857)**	(40,985)	**(30,969)**	(21,127)	(82,569)
Net cash used in financing activities	**(184,442)**	(136,975)	**(65,277)**	(78,886)	(242,677)
Net change in cash and cash equivalents	**(21,394)**	(14,043)	**(11,626)**	(5,502)	33,443
Cash and cash equivalents at beginning of the period	**186,291**	157,888	**176,965**	150,261	157,888
Effect of exchange rate fluctuation on cash held	**(57)**	(2,505)	**(499)**	(3,419)	(5,040)
Cash and cash equivalents at the end of the period	**164,840**	141,340	**164,840**	141,340	186,291

(*) See also Note 3 with respect to the implementation of IFRS 16.

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, 2018 (hereafter – the "annual Financial Statements"). These condensed consolidated interim Financial Statements were approved by the Board of Directors on August 21, 2019.

(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, besides certain policies initially applied as described below.

<u>Change of presentation in the consolidated income statement:</u>

The Company determined that it is more appropriate to show its share of profit of associates (mainly agencies) prior to finance costs and income taxes, since associates are an integral part of the Group's operations and as such presentation is applied by other major companies in the shipping industry.
Accordingly, the Company reclassified the presentation of its share of profit of associates in the consolidated income statement and include it as part of its results from operating activities, commencing 2019 financial year (applied to all presented periods).

3 Significant accounting policies (cont'd)

Initial application of new standards, amendments to standards and interpretations:

IFRS 16, Leases:
As from January 1, 2019 the Company initially applies International Financial Reporting Standard 16, which replaces IAS 17 (Leases) and its related interpretations regarding leasing arrangements. For lessees, the standard presents a unified model for the accounting treatment of most leases according to which the lessee has to recognize an asset and a liability in respect of the lease in its financial statements. A lease, defined as an arrangement that conveys the right to control the use of an identified asset for a period of time in exchange for consideration, is initially recognized on the date in which the lessor makes the underlying asset available for use by the lessee. Upon initial recognition, the Company recognizes a lease liability at the present value of the future lease payments during the lease term and concurrently recognizes a right of use asset at the same amount of the liability, adjusted for any prepaid and/or initial direct costs incurred in respect of the lease (the weighted average of discounting rates applied on adoption date was 19.0%). The lease term is the non-cancellable period of the lease, in addition to any optional period which is reasonably certain to apply, considering extension and/or termination options.
The Company chose to adopt IFRS 16 using the modified retrospective approach (i.e. without restating its comparative figures), as well as to apply the optional expedients with respect to; short-term leases (including leases with remaining period on adoption date of up to 12 months), determining the discounting rate considering the remaining lease period, retaining the definition of a lease under IAS17 with respect to leases outstanding as of adoption date, including non-lease components in the accounting of lease arrangements and applying the standard provisions to a portfolio of leases with similar characteristics. The adoption did not affect the Company's retained earnings.
Following the adoption, the Company depreciates a right of use asset on a straight-line basis over the lease term (or over the useful life of the underlying asset, considering its residual value, if a purchase option is reasonably certain to be exercised) as well as adjust its value to reflect any re-measurement of its corresponding lease liability or any impairment losses in accordance with IAS 36. In addition, fixed assets previously recognized with respect to financial leases, were reclassified as right of use assets on adoption date. With respect to a lease liability, the Company records interest expenses and principal repayments according to the effective interest method as well as remeasures its carrying amount to reflect reassessments and / or modifications of the lease.

Below is a reconciliation between the commitments as at December 31, 2018 (as disclosed in Note 25 to the 2018 annual financial statements) and the lease liabilities recognized as at January 1, 2019 with respect to the adoption of IFRS 16.

	Balance at January 1, 2019 (Unaudited) US $'000
Commitments as at 31 December 2018 (Undiscounted)	481,885
Less service and other commitments	(131,980)
Obligations related to operating leases, as at 31 December 2018 (Undiscounted)	349,905
Less short-term leases	(70,720)
Adjustments related to re-assessment of extension/termination options	22,079
Lease obligations recognized as at 1 January 2019 (Undiscounted)	301,264
Discounting	(65,439)
Lease liabilities recognized as at 1 January, 2019	235,825

3 Significant accounting policies (Cont'd)

IFRS 16, Leases (Cont'd)

The table below presents the effect on the consolidated statement of financial position as at January 1, 2019 related to the adoption of the new guidance under IFRS 16:

	According to IAS 17	Re-classification	Recognition	According to IFRS 16
	(Unaudited)			
	US $'000			
Non-Current Assets				
Vessels	617,427	18,155	122,287	757,869
Containers and Handling Equipment	351,687		73,174	424,861
Other Tangible Assets	20,993	1,089	40,364	62,446
Deferred Expenses	8,977	(8,977)		
Current Assets				
Trade and other Receivables	11,565	(10,267)		1,298
Non-Current liabilities				
Lease liabilities, loans and other liabilities	(1,056,701)		(162,862)	(1,219,563)
Current Liabilities				
Bank overdrafts, lease liabilities, loans and other liabilities	(201,233)		(72,963)	(274,196)

Further to the above, the implementation of IFRS 16 resulted in a reduction in the Company's lease expenses, along with an increase in its depreciation expenses and interest expenses. The Company's net loss and net income for the six and three months ended June 30, 2019 include a loss, related to the implementation of IFRS 16, of US$ 8 million and US$ 4 million, respectively.

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 of market environment, which is characterized by volatility in freight rates and bunker prices, including significant uncertainties in the global trade, mainly due to USA related trade restrictions.

As of June 30, 2019, the Company's total equity amounted to a negative balance of US$ 252 million (compared to a negative balance of US$ 224 million as of December 31, 2018) and its working capital amounted to a negative balance of US$ 306 million (including an increase of US$ 139 million related to the implementation of IFRS16 - see also Note 3, compared to negative balance of US$ 186 million as of December 31, 2018).

During the period of six months and the three months ended June 30, 2019, the Company recorded operating income of US$ 63 million and US$ 44 million, respectively (compared to operating loss of US$ 18 million, US$ 13 million and US$ 23 million during the period of six months and the three months ended June 30, 2018 and the year ended December 31, 2018, respectively) and net loss of US$ 19 million and net income of US$ 5 million, respectively (compared to net loss of US$ 67 million, US$ 33 million and US$ 120 million during the period of six months and three months ended June 30, 2018 and the year ended December 31, 2018, respectively).

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 partnerships and cooperations and upgrading its customer services, constantly strive to create and maintain efficiencies and cost reductions, as well as to expand its potential liquidity sources by means of improved payment terms with vendors, enhanced efforts of collection from customer and disposal and / or refinancing of assets.

Further to the above, during the third quarter of 2018, the Company entered into a strategic operational cooperation with the "2M" alliance. According to this cooperation, commencing from September 2018, the Company and the parties of the 2M alliance (Maersk and MSC) operate together certain lines between Asia and the US East-Coast, enabling ZIM to provide its customers improved port coverage and transit time, while generating cost efficiencies. During the first half of 2019 such cooperation was extended also to certain lines in the Asia Mediterranean and the Asia – Pacific Northwest trades. Following the balance sheet date, it was agreed between the Company and the "2M" alliance to further expand the cooperation to the Asia - US Gulf Trade.

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 at June 30, 2019, the Company complies with its financial covenants. According to these condensed consolidated interim Financial Statements, the Company's liquidity amounts to US$ 166 million (Minimum Liquidity required is US$ 125 million). See also Note 12(c) to the 2018 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 freight rates and the levels of bunker prices. 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 Company's forecasted cash flow in the foreseeable future, together with the steps above mentioned, enable the Company to meet its financial obligations and to comply with its updated financial covenants in such period.

(b) During the reported period, the Company:

(i) Sold for scrap two of the vessels, which were classified as held for sale and impaired (to their fair value, less costs to sell) in the fourth quarter of 2018.

(ii) Sold real estate assets and containers, resulting with a total capital gain of US$ 21 Million.

(c) Following the balance sheet date, the Company entered into an arrangement with a financial institution for the recurring sale, meeting the criteria of "true sale", of portion of receivables, designated by the Company. According to this arrangement, an agreed portion of each receivable will be sold to the financial institution in consideration of cash in the amount of the portion sold (limited to an aggregated amount of US$ 90 million), net of the related fees. The collection of receivables previously sold, enables the recurring utilization of the above-mentioned limit. The true sale of the receivables under this arrangement meets the conditions for derecognition of financial assets as prescribed in IFRS 9 (Financial Instruments).

Prior to this arrangement, such receivables were securing the repayment of the "Deferred Amounts" as described in Note 1(b) to the Company's 2018 annual financial statements. Accordingly, On August 2019, the Company early repaid the outstanding balance of the Deferred Amounts in a total amount of US$ 29 million.

5 Vessels, containers and handling equipment and other tangible assets

	Balance at June 30, 2019		
	Owned	**Right of use Assets**	**Total**
	(Unaudited)		
	US $'000		
Vessels	**121,812**	**650,121**	**771,933**
Containers and handling equipment	**20,816**	**392,167**	**412,983**
Other tangible assets	**19,676**	**52,091**	**71,767**
	162,304	**1,094,379**	**1,256,683**

6 Lease liabilities, loans and other liabilities

	Balance at June 30
	2019
	(Unaudited)
	US $'000
Non-current:	
Lease liabilities	**669,054**
Loans and other liabilities	**548,800**
	1,217,854
Current:	
Lease liabilities	**230,283**
Loans and other liabilities	**158,612**
	388,895

7 Disaggregation of revenues

	Six months ended June 30		**Three months ended June 30**		**Year ended December 31**
	2019	**2018**	**2019**	**2018**	**2018**
	(Unaudited)				**(Audited)**
	US $'000				
Freight Revenues from containerized cargo, per Business Unit:					
Pacific	**652,830**	627,925	**346,465**	328,469	1,385,579
Cross-Suez	**173,203**	203,465	**76,416**	104,350	387,336
Atlantic	**286,203**	250,880	**146,175**	127,236	493,735
Intra-Asia	**191,904**	171,251	**104,210**	89,849	353,219
Latin America	**101,646**	101,899	**52,056**	50,794	215,975
	1,405,786	1,355,420	**725,322**	700,698	2,835,844
Other Revenues (*)	**224,760**	199,202	**109,008**	102,549	412,020
	1,630,546	1,554,622	**834,330**	803,247	3,247,864

(*) Mainly related to non-containerized cargo and demurrage.

8 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 2019	**June 30 2018**	**December 31 2018**	**June 30 2019**	**June 30 2018**	**December 31 2018**
		US $'000			**US $'000**	
Debentures	**(454,150)**	(447,853)	(450,969)	**(265,742)**	(248,902)	(245,517)
Long-term loans and other liabilities	**(128,985)**	(155,775)	(158,004)	**(105,166)**	(107,148)	(122,581)
Lease liabilities (*)		(651,341)	(614,048)		(622,634)	(564,738)

(*) According to IFRS 7, commencing January 1, 2019, the disclosure with respect to fair value measurement of lease liabilities is no longer required.

Investments in equity instruments at fair value through other comprehensive income

As at June 30, 2019, the fair value of investments in equity instruments at fair value through other comprehensive income (level 1 measurement) in an amount of US$ 2 million (US$ 2 million as of December 31, 2018) are presented under current Other investments.

Financial instruments at fair value through profit or loss

As at June 30, 2019, the fair value of derivatives transactions for fuel prices hedge (level 2 measurement) in an insignificant amount are presented under current Other receivables (US$ 2 million as of December 31, 2018, were presented under current Other payables).

9 Related parties

As a result of the implementation of IFRS 16, during the reported period, the total balance of loans and lease liabilities attributed to related parties increased by a net amount of US$ 27 million – see also Note 27 to the 2018 annual financial liabilities.