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Date: August 2, 2009

Israel Corporation Ltd.
Transaction Report according to the Securities Regulations (Transaction between a Company and Controlling Shareholder therein), 5761-2001

The Israel Corporation Ltd., (“**the Company**”) hereby reports that the Audit Committee and the Board of Directors of the Company has resolved to approve the injection of a further loan to Zim Integrated Shipping Services Ltd., (“**Zim**”) in connection with the contacts to formulate an agreed Restructuring Plan for Zim, as described below.

Condensed description and principal terms of the transaction: (a) in order to enable Zim to complete the contacts and negotiations with its various creditors in order to reach an agreed Restructuring Plan, the Company will provide Zim with a loan on and at the conditions and rates set out in the following transaction report; (b) in the event of any proceeding being taken in connection with Zim which could give rise to any real concern, in the opinion of the Company’s Board of Directors, of Zim’s continuing activity (including attachments, winding-up proceedings, receivership, stay-of-proceedings, etc.), the Company will discontinue investing any funds to Zim, unless otherwise decided by the Audit Committee and the Board of Directors of the Company, having regard to the circumstances, in their sole determination.

Personal interest and nature thereof: Millenium Investments Elad Ltd., (“**Millenium**”) holds approx. 46.94% of Israel Corporation. Millenium is held by Mashat (Investments) Ltd., (“**Mashat**”) and Ofer Investment Group Ltd., (80% and 20% respectively). Mashat is a private company that is indirectly held by means of foreign corporations, by a foreign discretionary trust, under which Mr. Idan Ofer is a beneficiary. Ofer Investment Group Ltd., directly holds approx. 2.93% of the Company’s share capital. Ofer Investment Group Ltd., is a private company fully held by Ofer Holdings Group Ltd., (“**Ofer Holdings**”), that is a private company held in equal shares by Orona Investments Ltd., (a company directly controlled by Mr. Ehud Angel) and Lynav Holdings Ltd., (“**Lynav**”). Mr. Ehud Angel has a special share granting him, *inter alia*, subject to certain restrictions and on certain matters, a further vote on the Board of Directors of Ofer Holdings. Lynav is controlled by a foreign discretionary trust, which Mr. Idan Ofer is the prime beneficiary. Mr. Idan Ofer holds directly approx. 3.85% of the Company’s share capital. In addition, Kirby Enterprises Inc., that is indirectly held by the said foreign trust, that holds Mashat, of which Mr. Idan Ofer is beneficiary, holds approx. 0.74% of the Company’s share capital. Corporations that are directly or indirectly related to all or some of the above companies, are creditors of Zim and maintain a long-standing business relationship with Zim, in substantial figures.

Personal interest of a director and nature of the interest: Idan Ofer and Ehud Angel may be regarded as having a personal interest in approving the resolution in question since they are related to the companies mentioned in the previous paragraph. Amnon Lion, Yossi Rosen and Ron Moskovitz may be deemed to have a personal interest in approving the above resolution since they serve as officers of some of the corporations mentioned in the preceding paragraph or of companies that are related with them or with any of the corporations that are related with the controlling parties of the Company. In addition, it is possible that Moshe Vidman and Zeev Nahari, considering their role as officers in Bank Leumi Le-Israel Ltd., may have a personal interest in the above resolution, but that possibility has yet to become clear and clarified.

Notice convening a General Meeting, the majority required at the Meeting and the date for determining eligibility of shareholders to vote: Notice is hereby given that a Special General Meeting of the Company’s shareholders will convene at 12:00 o’clock on 20.8.2009, at the offices of the Company at 23 Aranha Street (Millenium Tower), Tel Aviv, on the agenda of which, *inter alia*, the above subject is listed (the above subject to be added to the agenda of the special meeting that was set for such date in regard to other matters). The majority required at the meeting to approve the resolution to which the above matter relates is a majority of the votes of those present at the meeting, who are entitled to attend the vote, provided one of the following will obtain: (a) on reckoning votes of the majority at the special meeting there will be included at least one third of all the votes of the shareholders not having a personal interest in approving the resolution in question, and who are present at the meeting; on reckoning all the votes of those shareholders, abstentions will not be taken into account; (b) the total number of votes of those opposing from among the

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shareholders mentioned in sub-paragraph(a) above, will not exceed the rate of 1% of all the voting rights in the Company. A shareholder may appoint a proxy who may attend and vote on his behalf at the general meeting pursuant to the articles of association of the Company. Proxy instruments will be deposited at the registered office of the Company at least 48 hours before the date set for the meeting or for the adjourned meeting. A shareholder may vote at the meeting by means of Section B of the voting warrant. In this connection, the vote of a shareholder who has voted by means of a voting warrant will be deemed to have been present and attended the meeting. The vote by means of a voting warrant in relation to a shareholder who wishes to vote by means of a voting warrant in lieu of participating at the meeting personally or by proxy, will be made by using the second section of the voting warrant attached as Appendix A to the transaction report. The voting warrant and the documents that will be attached thereto as detailed in the voting warrant, should be submitted to the offices of the Company up to 24 hours before the time appointed for convening the meeting. In this connection, the submission date is that date on which the voting warrant and the documents to be attached thereto will have reached the offices of the Company. The record date for determining eligibility of shareholders of the Company to vote at the general meeting as provided by section 182 of the Companies Law, 5759-1999 (hereinafter: "**the Companies Law**") is 20 July, 2009 ("**the Record Date**"). According to the Companies Regulations (Proof of Title to a Share for Voting Purposes at General Meetings), 5760-2000, a shareholder in whose favor a share is registered with a member of the Tel Aviv Stock Exchange Ltd., where such share is included amongst those shares of the Company that are registered in the shareholders' register in the name of a nominee company and who wishes to vote at the general meeting, will furnish the Company a certificate from the Stock Exchange member with whom his right to the share is registered, regarding his title to the share, on the Record Date, pursuant to Form 1 of the Schedule to the above Regulations. A quorum will be constituted when there are present, personally or by proxy, five shareholders holding at least twenty-five percent of the voting rights. Should a quorum not be present at the general meeting after half an hour has elapsed from the time appointed for commencing the meeting, the meeting will be adjourned for a week to the same day, time and place, without there being any duty to give notice of such fact to the shareholders, and if at the adjourned meeting no quorum will be present after half an hour has elapsed from the time appointed for the meeting, the members present shall constitute a quorum. A shareholder may receive a certificate of title, as defined in section 71 of the Companies Law, at the branch of the Stock Exchange member, or by post, if he requests this. A request in this connection will be given in advance for a specific securities account. An unregistered shareholder may receive by e-mail, free of charge, a link to the form of proxy and position notices on the distribution site from the Stock Exchange member through whom he holds his shares, unless he has notified the Stock Exchange member that he does not wish to receive such a link or wishes to receive voting warrants by mail, against payment; his notice for purposes of voting warrants will similarly extend to receiving position notices also. A position notice of a shareholder may be submitted up to ten days after the Record Date determining eligibility of a shareholder in the Company to vote at the general meeting, as stated in section 182 of the Companies Law, namely, on 20 July, 2009. A position notice that includes the reply of the Company's Board of Directors may be submitted by not later than five days after the last date for sending position notices by such shareholders. The voting warrant will only be valid if a certificate of title of the unregistered shareholder is attached thereto (that is, a person in whose favour shares are registered with a Stock Exchange member and whose shares are included amongst those that are registered in the register of shareholders in the name of the nominee company), or a photocopy of an identity card, passport or certificate of incorporation, as the case may be, if the shareholder is registered in the Company's books. The addresses of the distribution site and internet site of the Securities Authority and Tel Aviv Stock Exchange Ltd. (respectively) on which voting warrants and position notices may be found are: www.magna.isa.gov.il ; www.maya.tase.co.il.

Inspection of documents: Shareholders of the Company may inspect the transaction report and the remaining documents pertaining to the resolutions proposed of the general meeting at the Company's offices on Mondays to Thursdays, between 09:00 – 16:00, by prior arrangement by calling 03-6844500, and also on the websites mentioned above.

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Re: **Transaction Report according to the Securities Regulations (Transaction between a Company and Controlling Shareholder therein), 5761-2001**

Israel Corporation Ltd., (“**the Company**”) hereby reports that the Audit Committee and the Company's Board of Directors has resolved to approve the injection of a further loan to Zim Integrated Shipping Services Ltd. (“**Zim**”) in connection with the contacts to formulate an agreed Restructuring Plan for Zim, as described below.

1. Background

- 1.1. The Company holds directly approx. 98.92% of Zim’s share capital, whereas approx. 0.18% of the holdings in Zim being held by Zim and its subsidiaries.
- 1.2. As stated in the Company’s Immediate Report of 27 November, 2008, the Company gave notice that it would be willing in principle to inject to Zim a sum of US\$150 million during 2009, if and to the extent the circumstances should require this, at the Company’s determination.
- 1.3. As stated in the Board of Directors' Report for the first quarter of 2009 which was published on 27 May, 2009, the Company undertook towards Zim to support it up to the amount of US\$ 100 million (being part of the \$150 million mentioned above), as long as negotiations were continuing with the financing banks. This undertaking is, *inter alia*, conditional on all Zim’s financial creditors not taking any steps against Zim during the course of the negotiations.
- 1.4. Further to paragraph 1.3 above, and as indicated in the immediate reports of the Company dated 2 June, 2009 and 2 July, 2009, during June-July 2009, and as part of the US\$ 150 million mentioned above, the Company advanced to Zim the sum of US\$ 100 million (“**the Existing Loan**”), by way of shareholders loans for a period of 15 years, at 1% + Libor interest, compounded with the principal at 6 monthly intervals (and convertible at any time for shares of Zim, in accordance with the Company’s discretion, subject to the necessary approvals) (“**the Existing Loan Terms**”).
- 1.5. Further to the immediate report of the Company dated 5 February, 2009 and the Board of Directors' Report for the first quarter of 2009 which was published on 27 May, 2009, and as informed by Zim to the Company, Zim is continuing the negotiations with various financial creditors (including foreign and local banks and leasing companies) (“**Financial Creditors**”) and other parties (including shipowners who charter their vessels to Zim and shipyards from whom it ordered vessels) (“**Other Parties**”) with the object of formulating an agreed Restructuring Plan. In light of this Restructuring Plan, which its essence has already been presented to Financial Creditors, as of the present date, an agreement effectively exists (without a signed agreement) as to a standstill situation with Financial Creditor whereby Zim only repays them interest, without payments of principal, until a plan is formulated

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that is agreed to by Financial Creditors and Other Parties. The principal repayments that are not being paid at this stage have been deferred until a later date. Accordingly, the Financial Creditors are effectively refraining from exercising various rights that they have under the various financing agreements. In this context it should be noted that Zim believes that the situation in which it now finds itself originated mainly from the global trading crisis and the ramifications thereof on marine shipping, due to the collapse in global trading volumes. This situation led Zim, which was undergoing a process of expansion and of purchasing new vessels, into a situation in which it was confronted with losses and a deficit in its ongoing operations, on one hand, and was also faced at the same time with great difficulties in financing its obligations in relation to the expansion process. For further details respecting Zim's situation, reference should be made to the immediate report of the Company of 5 February, 2009, and the Directors' Report for the first quarter of 2009, which was published on 27 May, 2009.

- 1.6. In light of that stated, Zim estimates that in the next few years (2009 - 2013), it may expect a cashflow deficit (resulting from business activity, investments and loan repayments) in an estimated sum of approximately US\$ 1 billion. As a result, Zim (with the assistance of its professional advisors) has formulated a Restructuring Plan the main principles of which will be set out below ("**the Restructuring Plan**"). It should be clarified that the Restructuring Plan and the conditions thereof are subject to the consent of the creditors who constitute part of the plan, and to the results of the negotiations currently being carried on with them. In Zim's estimation, in light of the progress of its contacts with the Financial Creditors and Other Parties, it is reasonable that these contacts will mature into an agreement during September 2009.¹
- 1.7. Zim continues managing its businesses around the world and operating the vessels in its service in the various lines. Furthermore, Zim continues to receive new vessels, a fact which enables it to expand its connections with "alliances" of other liners operators.
- 1.8. Principles of the Restructuring Plan in brief:
 - a. As stated, Zim is undergoing an advanced process of formulating an overall and agreed Restructuring Plan with the Financial Creditors and Other Parties. In addition, the proposed Plan includes arrangements with the Company, and companies related, directly or indirectly, to the controlling shareholders of the Company (which companies are included amongst the

¹ This paragraph regarding Zim's expected deficit or the possibility that the contacts with various creditors will evolve into the agreement mentioned (including the stated regarding the period of the contacts) falls within the definition of forward-looking information, that is based on Zim's evaluations, *inter alia*, having regard to its assessments of its annual results (including as a result of business activity, investments and loan repayments) and considering also the contacts that Zim has held with various creditors (as appropriate) however, there is no certainty at this stage that such evaluations, probabilities or assessments will materialize.

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shipowners who charter vessels to Zim, and with whom Zim is in a long-established business relationship, as set out at length below).

- b. A fundamental assumption lying at the basis of Zim's Restructuring Plan is that it is to be assumed that the present problematic problem in the marine shipping market will continue during 2009 and 2010, and that only in 2011, will a gradual and real recovery occur in the marine shipping market, which will be characterized by a material improvement in the exploitation rates of the vessels and a rise in shipping charges in a manner that will enable repayment of capital and profitability.²
- c. Based on the foregoing, Zim intends to reschedule its debts and liabilities in accordance with the principles set out below.
- d. Chartering shipowners: Zim has been in touch with and continues to communicate with some of the chartering shipowners in relation to arrangements, mainly covering:
 - (a) Further reducing the fleet of vessels that are chartered by Zim, coupled with returning some of the vessels to the shipowners;
 - (b) Reducing the charter fees payable by Zim for a number of years against the grant of convertible notes for Zim's share capital, on conditions that will be fixed subsequently between the parties (similar to the arrangement with the related companies, as mentioned below).
- e. Ship owners being related parties: Zim has reached an understanding with - companies related, directly or indirectly, to the controlling shareholders of the Company who are numbered amongst the shipowners who charter vessels to Zim, to reduce the charter fees in the aggregate amount of approx. US\$ 150 million over a number of years; with convertible notes for Zim's shares to be issued to those companies against the amount reduced, considering, *inter alia*, the conditions agreed with the other shipowners ("the Arrangement with the Related Companies"). The Arrangement with the Related Companies will be submitted for the approval of the Company in general meeting that will be convened on a later date.
- f. Shipyards building vessels: Zim has reached understandings and integrated arrangements with shipyards with whom it has contracted to build vessels, the essence of which is as follows:
 - (a) Deferring the building and/or delivery of vessels (as of the present date, Zim has signed agreements to modify the delivery dates of a number of

² This paragraph in relation to the assumption respecting a recovery in the marine shipping market and its effect on Zim falls within the definition of forward-looking information that is based on Zim's evaluations, *inter alia*, having regard to supply and demand trends and Zim's ability to accomplish its business plan, but there is no guarantee at this stage that this assumption will materialize.

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vessels under construction, and change the payment dates in respect of some of those vessels);

(b) Change in the financing structure of the acquisition of the vessels, including receiving financing from the shipyards; Zim has reached an understanding with a shipyard to obtain financing in the sum of approx. US\$ 155 million to finance the payment of the remaining price in respect of vessels under construction, on various conditions that have been agreed between the parties. Out of the financing amount, Zim has received, as of the present date, the sum of approximately US\$ 129 million, financing that enabled Zim to receive two vessels during July 2009.

In addition, Zim has reached an understanding with shipyards to defer the receipt of 14 vessels over a period of two-three years. This step follows the cancellation of six vessels, as detailed in the Company's immediate report of 30 April, 2009 (ref. 2009-01-098166). Most of the deferrals mentioned are accompanied by an adjustment of the payment dates in the manner that will be matched to the new delivery dates. The total volume of the payments whose dates have changed or been deferred in respect of these vessels is estimated at around US\$ 1.5 billion.

- g. Financial Creditors: Zim is negotiating with these entities to reach arrangements which would in principle reschedule debts, and following the continuation of the existing standstill, the principal payments for periods that will be agreed on between the parties will be deferred, including grace periods, during which no principal payments will be paid.
- h. The Company: in the framework of the Restructuring Plan, it is expected that the Company will be required to inject an aggregate sum into Zim (against shares) of up to US\$ 350 million. The Company has agreed in principle to arrange an injection in installments of that amount, between 2009 - 2010. In addition, once the Restructuring Plan has been formulated and approved, the Company expects to convert the Existing Loan (US\$ 100 million) into Zim shares.

As stated below, the Company's Audit Committee and the Board of Directors approved in principle the injection of the above amount as well as the conversion of the Existing Loan for Zim's shares as stated, as part of the agreed Restructuring Plan, once it is formulated and approved.

For further details, see paragraph 1.10 below.

- i. Efficiency measures: in addition to the above, Zim continues to employ significant efficiency measures which were and are currently executed, including closing non-profitable lines, uniting other lines while reducing the operational expenses, returning chartered vessels to their owners, and

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reducing the administration expenses, including by way of reducing its workforce headcount.

1.9. Long-term co-operation between Zim and related companies:

- a. The co-operation between Zim and the companies, directly or indirectly, related to the controlling shareholders of the Company, has continued continuously since 1969, many years before the present controlling shareholders acquired control of the Company (the present controlling shareholders acquired control of the Company in 1999). After the acquisition of the control in Zim from the State (in 2004), the Company made comprehensive arrangements, as reported to the public, in order to arrange shipping transactions with the interested parties in Zim, in particular having regard to the Company's wish to be managed with transparency and fairness vis-à-vis its shareholders.
- b. As of 30 June, 2009, Zim's vessel fleet covers 97 vessels (compared with 118 in June 2008), of which 59 are chartered to Zim from third parties, and 19 are chartered to Zim by companies that are directly or indirectly related to the controlling shareholders of the Companies (including 6 vessels jointly owned by Zim and those related companies).
- c. The Company has elected to submit the present matter to the general meeting of the Company in light of the relationship between Zim and the companies, directly or indirectly, related to the controlling shareholders of the Company, and having regard to the fact that the controlling shareholders of the Company may have a personal interest in the agreed Restructuring Plan once it is approved, having regard also to: (1) the arrangement with the related companies (detailed in paragraph 1.7(e) above), and (2) the fact that the amount of the loan to Zim mentioned in paragraph 2.1 below will be included in the amount mentioned in paragraph 1.9 hereof, that will be injected within the framework of the agreed Restructuring Plan, once it is approved.

- 1.10. On 30 July, 2009, the Company's Board approved in principle (following the approval of the Audit Committee), to inject the aggregate sum of up to US\$ 350 million into Zim within the framework of the Restructuring Plan that had been presented by Zim, all subject, amongst other things, to the signature of an agreement or agreements acceptable to the Company, with the Financial Creditors and the Other Parties, who will be covered within the overall agreed Restructuring Plan mentioned ("**the Agreed Restructuring Plan**"). The Company is prepared in principle to inject the above sum in installments during 2009 - 2010. The amounts that will be advanced to Zim as mentioned in paragraphs 1.11 and 2.1 of this Report constitute a part of the amount of US\$ 350 million to be injected as stated above in this paragraph 1.10.

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In addition, the Company's Board approved in principle (following the approval of the Audit Committee) that with the formulation of the Agreed Restructuring Plan, the Existing Loan (in the amount of USD 100M) and the injection amount specified in this section 1.10 (including the amounts mentioned in sections 1.11 and 2.1 below, which constitute a part thereof) will be converted to Zim's shares. The conversion rate shall derive from the shareholders equity of Zim at the date of conversion.

It shall be clarified that the Company's injection in the framework of the Agreed Restructuring Plan as stated in this section 1.10 and the other aforesaid arrangements (including the Arrangement with the Related Companies) are subject, *inter alia*, to the approval of the Audit Committee, the Board of Directors and the General Meeting of the Company.

- 1.11. Further to Zim's request from the Company with respect to its urgent needs, on July 29, 2009 and July 30, 2009 (respectively) the Audit Committee and the Company's Board approved to provide Zim, until the date of the General Meeting convened pursuant to this report, with a sum of USD40M (the "Initial Amount"), under the conditions of the Existing Loan (as stated in section 1.4 above) and against a security to be provided by Zim to the Company (the "Securities"). It shall be clarified that the Initial Amount constitute a part of the amount mentioned in section 1.10 above, and a part of the Loan Amount mentioned in section 2.1 below. With the approval of the General Meeting of the resolution which are the subject of this report the Securities shall be removed (*inter alia*, in view of Zim's agreements with respect to the continuation of the standstill situation with its Financial Creditors). In any other case, the Company will be entitled to put the Initial Amount, which will continue to be secured by the Securities, for immediate repayment (with an advanced notice of 30 business days).

2. Description of the Essence of the Engagements

- 2.1. In order to enable Zim to complete the contacts and the negotiation with the Financial Creditors and the Other Parties in order to reach the Agreed Restructuring Plan, the Company will provide Zim with a total amount of USD100M as a loan, under the conditions of the Existing Loan (as stated in section 1.4 above), in the framework of which the Initial Amount, which is brought to approval as an integral part thereof (the "Loan Amount"), is included. It is clarified that the said loan (excluding the Initial Amount in the period until the General Meeting's approval) will not be secured by the Securities, this, *inter alia*, in view of Zim's agreements with respect to the continuation of the standstill situation with its Financial Creditors. It is further clarified that the Loan Amount which is the subject of this section 2.1 will be included in the injection amount of USD 350 as stated in section 1.10 above, to the extent approved and injected.
- 2.2. In the event of any proceeding being taken in connection with Zim which could give rise to any real concern, in the opinion of the Company's Board of Directors, of Zim's continuing activity (including attachments, winding-up proceedings, receivership, stay-of-proceedings, etc.), the Company will discontinue investing any

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funds to Zim, unless otherwise decided by the Audit Committee and the Board of Directors of the Company, having regard to the circumstances, in their sole determination.

3. Personal Interest and the Nature of the of the Personal Interest of the Controlling Shareholders

- 3.1. Millenium Investments Elad Ltd., (“**Millenium**”) holds approx. 46.94% of the Israel Corporation. Millenium is held by Mashat (Investments) Ltd., (“**Mashat**”) and Ofer Investment Group Ltd., (80% and 20% respectively). Mashat is a private company that is indirectly held by means of foreign corporations, by a foreign discretionary trust, under which Mr. Idan Ofer is a beneficiary. Ofer Investment Group Ltd., directly holds approx. 2.93%% of the Company’s share capital. Ofer Investment Group Ltd. is a private company fully held by Ofer Holdings Group Ltd., (“**Ofer Holdings**”), that is a private company held in equal shares by Orona Investments Ltd. (a company directly controlled by Mr. Ehud Angel) and Lynav Holdings Ltd., (“**Lynav**”). Mr. Ehud Angel has a special share granting him, *inter alia*, subject to certain restrictions and on certain matters, a further vote on the Board of Ofer Holdings. Lynav is controlled by a foreign discretionary trust, of which Mr. Idan Ofer is the prime beneficiary. Mr. Idan Ofer holds directly approx. 3.85% of the Company’s share capital. In addition, Kirby Enterprises Inc., that is indirectly held by the foreign trust that holds Mashat, of which Mr. Idan Ofer is beneficiary, holds approx. 0.74% of the Company’s share capital.
- 3.2. Corporations that are directly or indirectly related to all or some of the above companies mentioned in clause 3.1, are creditors of and maintain a long-standing business relationship with Zim, in substantial figures.

4. The Method of Determining the Injections Rates

The Loan Amount was meant to enable Zim to continue the contacts and the negotiation with the Financial Creditors and the Other Parties with the intention to reach the Agreed Restructuring Plan with them, and considering the operational deficit of Zim, the current and the expected, during the period in which Zim expects that the contact with the Financial Creditors and the Other Parties will continue as stated in section 1.6 above. The rates of the amounts injected to Zim in practice in the framework of the Loan Amount is subject to market's conditions, to the results of Zim's activities, to the status of its working capital etc., and they may be lower that the Loan Amount, all on the basis of the reports that will be transferred by Zim and received by the Company.³

5. The Required Approvals

³ This paragraph regarding Zim’s expected deficit or the amount injected in practice or the possibility that the contacts with various creditors will evolve into the agreement mentioned (including the stated regarding the period of the contacts) falls within the definition of forward-looking information, that is based on Zim’s evaluations, *inter alia*, having regard to its assessments of its annual results (including as a result of business activity, investments and loan repayments) and subject to market conditions to the results of Zim's activities, to the status of its working capital etc., and considering also the contacts that Zim has held with various creditors (as appropriate) however, there is no certainty at this stage that such evaluations, probabilities or assessments will materialize.

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- 5.1. The Audit Committee of the Company approved the resolution to which this report relates, on 29 July, 2009.
- 5.2. The Board of the Company approved the resolution to which this report relates, on 30 July, 2009.
- 5.3. The resolution to which this report relates requires the approval of the Company' General Meeting, which will convene as mentioned in paragraph 10 below.

6. Further Details

- 6.1. The Company's Board of Directors, in one of its previous meetings, has established a special purpose secondary committee that it is its role to examine on a regular basis the progress and the updates in the outline of the Restructuring Plan ("**Zim Committee**"). Zim Committee will continue to fulfill its purpose also after the convening of the Special General Meeting which is the subject of this report, and will examine the progress in formulating the agreed Restructuring Plan, including the response of the different parties to the said plan. Zim Committee will be updated on a regular basis by Zim's management on the progress and the developments in connection with the Restructuring Plan. The Board of Directors will be updated by Zim Committee with regard to the formulating of the Restructuring Plan.
- 6.2. On 2 June, 2009, the Company gave an immediate report (ref. 2009-01-131499) concerning the resignation of Mr. Yair Serussi from office as outside director of the Company (following his appointment to the chairmanship of the Board of Bank Hapoalim B.M.). As from that date, the Company pursued a search for a worthy alternative candidate to serve as outside director of the Company, and did so with the appropriate speed, while scrupulously examining the candidate's qualifications. Accordingly, on 30 June, 2009, the Company published an immediate report regarding the convening of a special annual general meeting for 5 August, 2009 (under which the matter of the appointment of Mr. David Brodet, as new outside director of the Company, will, *inter alia*, be considered and approved) and a special general meeting was also convened for the same date.
- 6.3. The resolution to which this report relates will be added to the matters on the agenda of such special general meeting that was adjourned to 20 August, 2009, at 12 noon, as stated in the Company's Immediate Report of 30 July, 2009 (ref. 2009-01-183213).
- 6.4. Mr. David Brodet (the candidate for outside director) participated as an observer at the meetings of the Audit Committee and the Board of the Company that approved the resolution to which this report relates. Concurrently with the general meeting on 5 August, 2009, the Audit Committee and the Board (including the outside director, Mr. Brodet) will reconvene and ratify the resolution to which this report relates.

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7. Summary of the Reasons of the Audit Committee and Board

The audit Committee and the Company's Board of Directors have considered, examined and approved the provision of the Loan Amount, *inter alia*, on the basis of the information presented to them by Zim, the recommendations of the Company's management, and, *inter alia*, on the basis of the essence of the following considerations:

- 7.1. Providing the Loan Amount by the Company to Zim, considering Zim's condition, is required and essential to the continuation of Zim's operations.
- 7.2. Providing the Loan Amount from the Company to Zim, is essential to the continuation of the standstill situation with the Financial Creditors as described in section 1.5 above.
- 7.3. Not providing the Loan Amount, considering the stated in section 7.1 above, may cause potential damage for the Company and companies controlled by it, including facing future difficulties in receiving new financing and refinancing from international and local financial institutions. Furthermore, this may damage the goodwill of the Company in Israel and abroad and for the loss of the Company's investment in Zim and the loss of its potential.
- 7.4. According to the information received from Zim, the provision of the Loan Amount will facilitate the continuation of the current actions to formulate the Restructuring Plan with the Financial Creditors and the Other Parties.
- 7.5. It is customary that a parent company which fully controls a subsidiary supports it in difficult times, and especially this is the case for holding companies such as the Company.
- 7.6. The shipping sector is a highly seasonality sector which is in a serious and unique crisis these days. As far as the Company knows, according to various publications received from Zim, the shareholders of foreign shipping companies are intending to effect or have effected substantial capital injections to their companies due to the serious crisis in the sector.
- 7.7. The initial assessments presented to the Company by Zim, *inter alia*, on the basis of assessments given to Zim by international professional advisors, indicate that at the end of the stabilization plan of Zim and the return of the market to a regular financial activity (including as stated in section 1.8b above), the additional investments in Zim have economic worth.⁴

⁴ This paragraph regarding the additional investment in Zim may have an economic worth falls within the definition of forward-looking information, which is based on the assessments and the information that was received from Zim,

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- 7.8. The consent of the companies, directly or indirectly related to the controlling shareholders of the Company to reduce in the framework of the Agreed Restructuring Plan the charter fees of Zim during the next years in an aggregate amount of approx USD 150M against convertible notes, benefits with Zim and constitute an important layer in formulating the Agreed Restructuring Plan.
- 7.9. In addition, the understanding reach by Zim with the shipyards to obtain financing of an amount of approx USD155M to finance the payment of the remaining price in respect of vessels under construction (as described in section 1.8f above) also constitute an important layer in the formulation of the Agreed Restructuring Plan.
- 7.10. The companies, directly or indirectly related to the controlling shareholders of the Company are as any one of the creditors and no preference is made in their benefit, to the contrary these companies took the initiative and notified the concessions they are willing to reach in order to join forces in assisting Zim (it is Zim's intention to act in order to obtain similar conditions from other shipowners as well).
- 7.11. Considering all the circumstances, the directors have found the provision of the Loan Amount as necessary and essential for Zim, and for the benefit of the Company.

8. **The names of the Directors that Participated in the Resolution of the Audit Committee and Board**

- 8.1 The following directors participated in the resolution of the Audit Committee of 29 July, 2009, to approve the resolution to which this report relates: Prof Gideon Langholtz, Yaacov Amidror and Zehavit Cohen. In addition, Mr. David Brodet (as observer) and the director Amir Elstein were present in the Meeting.
- 8.2 The following directors participated in the resolution of the Board of 30 July, 2009, to approve the resolution to which this report relates: Yossi Rosen, Moshe Vidman, Amir Elstein, Zehavit Cohen, Ya'acov Amidror, Prof Gideon Langholtz, Zeev Nahari and Ron Moskovitz. In addition, Mr. David Brodet (as observer) was present in the Meeting
- 8.3 Having regard to the fact that a majority of the members of the Board may have a personal interest in approving the resolution to which this report relates, pursuant to section 278(b) of the Companies Law, 5759-1999, all the directors are entitled to participate and vote on that resolution of the Board. Notwithstanding the foregoing, and for reasons of caution, Mr. Idan Ofer, Ehud Angel and Amnon Lion, did not participate in the discussion and the vote on the resolution to which this report relates.

inter alia, considering the conditions of the international shipping market, the trend of supply and demand and on Zim's ability to consummate its business plan, but there is no certainty that this possibility will materialized.

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9. The Names of the Directors with Personal Interest and the Nature of the Interest

- 9.1 Mr. Idan Ofer and Ehud Angel may be deemed to have a personal interest in approving the resolution to which this report relates by reason of their being connected to the companies mentioned in paragraph 3.2 above (as described in paragraph 3.1 above).
- 9.2 Amnon Lion, Yossi Rosen and Ron Moskovitz may be deemed to have a personal interest in approving the above resolution since they serve as officers of some of the corporations mentioned in paragraph 3.2 or of companies that are connected with them or with any of the corporations that are connected with the controlling parties of the Company. In addition, it is possible that Moshe Vidman and Zeev Nahari, considering their position as officers in Bank Leumi Le-Israel Ltd., may have a personal interest in the above resolution, but that possibility has yet to become clear and clarified.

10. Notice regarding the Convening of a General Meeting, the Required Majority and the Effective Date for Eligibility of a Shareholder to Vote

- 10.1 Notice is hereby given that a special general meeting of the Company's shareholders will convene at 12:00 o'clock on 20.8.2009, at the offices of the Company at 23 Arnea Street, (Millenium Tower), Tel Aviv on the agenda of which will be approval of the acts, transactions and engagements mentioned in paragraphs 2.1 and 2.2 above, at one and the same time, including all the acts incidental to or involved in and relating to them or the performance thereof. It is clarified that the above matter will be added to the agenda of the special meeting that had already been fixed for that date, on other matters.
- 10.2 The majority required at the meeting to approve the resolution mentioned is a majority of the votes of those present at the meeting, personally or by proxy, who are entitled to attend the vote, provided one of the following will obtain: (a) on reckoning votes of the majority at the special meeting there will be included at least one third of all the votes of the shareholders not having a personal interest in approving the resolution, and participating in the vote; on reckoning all the votes of those shareholders, abstentions will not be taken into account; (b) the total number of votes of those opposing from among the shareholders mentioned in sub-paragraph(a) above, will not exceed the rate of 1% of all the voting rights in the Company.
- 10.3 A shareholder may appoint a proxy who may attend and vote on his behalf at the general meeting pursuant to the articles of association of the Company. Proxy instruments will be deposited at the registered office of the Company at least 48 hours before the date set for the meeting or for the adjourned meeting.
- 10.4 A shareholder may vote at the meeting by means of the voting warrant. In this connection, the vote of a shareholder who has voted by means of a voting warrant will be deemed to have been present and attended the meeting. The vote by means of a voting warrant in relation to a shareholder who wishes to vote by means of a voting

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warrant in lieu of participating at the meeting personally or by proxy, will be made by using the second section of the voting warrant attached as **Appendix A** to this report. The voting warrant and the documents that will be attached thereto as detailed in the voting warrant, should be submitted to the offices of the Company up to 24 hours before the time appointed for convening the meeting. In this connection, the submission date is that date on which the voting warrant and the documents to be attached thereto will have reached the offices of the Company.

- 10.5 The record date for determining eligibility of shareholders of the Company to vote at the general meeting as provided by section 182 of the Companies Law, 5759-1999 (hereinafter: "**the Companies Law**") is 20 July, 2009 ("**the Record Date**").
- 10.6 According to the Companies (Proof of Title to a Share for Voting Purposes at General Meetings) Regulations, 5760-2000, a shareholder in whose favor a share is registered with a member of the Tel Aviv Stock Exchange Ltd., where such share is included amongst those shares of the Company that are registered in the shareholders' register in the name of a nominee company and who wishes to vote at the general meeting, will furnish the Company a certificate from the Stock Exchange member with whom his right to the share is registered, regarding his title to the share, on the Record Date, pursuant to Form 1 of the Schedule to the above Regulations.
- 10.7 A quorum will be constituted when there are present, personally or by proxy, five shareholders holding at least twenty-five percent of the voting rights. Should a quorum not be present at the general meeting after half an hour has elapsed from the time appointed for commencing the meeting, the meeting will be adjourned for a week to the same day, time and place, without there being any duty to give notice of such fact to the shareholders, and if at the adjourned meeting no quorum will be present after half an hour has elapsed from the time appointed for the meeting, the members present shall constitute a quorum.

11. General

- 11.1 Directive given by the Securities Authority:- pursuant to regulation 10 of the Securities (Transaction between a Company and a Controlling party thereof) Regulations, 5761-2001, the Securities Authority may, within 21 days of the date of the filing of this report, direct the Company to provide by a date that it will prescribe, explanations, details, information and documents relating to the offer or engagement, as the case may be, to which the report relates, and also direct the Company to amend the report in such manner and time as it will prescribe. In such a case, the Authority may direct that the date for the general meeting be adjourned until such date as will fall not earlier than three business days nor later than twenty-one days after the date of the publication of the amendment to the report.
- 11.2 The Company's representatives for purposes of handling the Immediate Report, is: Advocate Zvi Ephrat and Guy Neeman of the Gornitzky & Co., Law Office, whose

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address is at 45 Rothschild Blvd., Tel Aviv, 65784; telephone no. 03-7109191; Fax no: 03-5606555.

11.3 Shareholders of the Company may inspect the transaction report and the remaining documents pertaining to the resolutions proposed of the general meeting at the Company's offices on Mondays to Thursdays, between 09:00 – 16:00, by prior arrangement by calling 03-6844500.

Sincerely,

Israel Corporation Ltd.