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Israel Corporation Ltd

Company number: 520028010

The securities of the corporation are registered for trade in the Tel Aviv Stock Exchange

Abbreviated name: Israel Corp.

Address: P.O.B 20456, Tel Aviv 61204

Telephone: 03-6844517, 03-6844500; Fax 03-6844587

Email: MAYAAK@ISRAELCORP.COM

Transmission date: 30/05/2012

Reference: 2012-01-141063

To
Israel Securities Authority
www.isa.gov.il

To
Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Immediate report regarding a transaction between a company and controlling shareholder therein

Pursuant to the second regulation in the Securities Regulations (Transaction between a Company and Shareholder Therein) 5761-2001

Explanation: This form also serves for the purpose of submitting an amendment report or an amendment to a report.

1. **An immediate report is hereby submitted with regard to a transaction between a company and a controlling shareholder therein.** *Binding and order for delivery.isa.pdf*
2. **Date of approval of the transaction by the Board of Directors:** 29/05/2012
3. Reference no. of preliminary report _____ date of submission _____; main modifications that were performed in this report as opposed to the last version of the preliminary report.
4. Reference no. of the original transaction report _____; the date in which the original transaction report was first submitted_____. Reference numbers of previous drafts that were submitted_____.

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5. **Transaction type**

No. Transaction type

1	Other	Settlement Agreement – Derivative suit
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5A. In the event of a transaction concerning private placement please fill in the following details:

1. Type of offering _____

2. Allotted securities

No.	Security type: Exchange (if listed)	Number of security in the Stock	of allotted in the Stock	Allotted quantity	The rate securities grant in voting rights:	The rate allotted securities grant in capital:
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1						
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3. The Company contacted the Stock Exchange on the date _____ to obtain confirmation for listing for trade of the offered shares or shares flowing from the offered securities in accordance with this report.

6. No financial statements were enclosed in accordance with the provisions set forth in Regulation 6(f); Accountant's name _____

The review report/auditors' opinion of the financial statements enclosed is identical to the copy signed at source delivered to the Company.

If no financial statements were enclosed the reason should be provided; the corporation is a public company _____

7. No professional opinions were enclosed to the report:

No.	Name of person giving opinion	Date the opinion came into force
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1	_____	_____
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8. **Date and time of convening of the meeting:** 09/07/2012 at 11:00

In the address: 23 Aranha Street, Millennium Tower, Tel Aviv

If this is an amendment report, please specify the original date of convening of the meeting as set forth in the original report _____

9. Number of security in the Stock Exchange entitling its holder to attend in the meeting 576017 _____

10. The determining date for the purpose of entitlement to attend the meeting: 06/06/2012

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11. Details about the Company's representative for the purpose of handling the transaction report, including address of his office and telephone and facsimile numbers:

Advocates Tzvi Efrat and/or Nurit Traurik from Gornitzky & Co, Advocates and Notaries, 45 Rothschild Street, Tel Aviv; Tel: 03-7109191; Fax: 03-5606555

12. In the event of an exceptional private placement, please note:

Handling fees were not paid yet

Handling fees according to its rate at the time of publishing the exceptional private placement: NIS 4,100. Additional fees: value of the offered securities _____ * 0.03% = _____. Total amount of the fees: _____.

Fees were paid on _____ by slip number _____.

13. **Enclosed** Voting paper form Position statement

[Final voting paper isa.pdf](#)

Link to internet website where voting can be executed: _____

The email address where a member of the Stock Exchange may furnish the materials it is obligated to furnish to the Company in accordance with the provisions set forth in Regulation 4(c)(1) in the Companies Regulations (Voting in Writing and Position Statements), 5766-2005:

Name of authorized signatory on the report and name of electronic signature authorized signatory: Maya Alcheh-Kaplan

Position: In-house Legal Advisor and Company Secretary

Date of signing: May 30, 2012

Reference numbers of previous documents on the subject (reference does not constitute generalization by way of reference):

Previous names of reporting entity: Israel Corp. Ltd

Date of updating Form: 13/05/2012

Electronic reporting entity: Maya Alcheh-Kaplan; Position: In-house Legal Advisor and Company Secretary; Name of employing company:

PO Box 20456 Tel Aviv; Tel: 03-6844517; Fax: 03-6844587; email: MAYAAK@ISRAELCORP.COM

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Israel Corporation Ltd.

Israel Corporation Ltd.
Millennium Tower 23 Aranha Street P.O. Box 20456 Tel Aviv 61204 Israel
Tel.: (03) 6844517 Fax: (03) 6844587
Advocate Maya Alcheh-Kaplan
In-house Legal Advisor and Company Secretary

May 30, 2012

Immediate report concerning convening of a special General Meeting of shareholders of Israel Corporation Ltd.

Pursuant to the Securities Regulations (Transaction between a Company and Controlling shareholder Therein) 5761-2001, the Securities Regulations (Immediate and Periodic Reports) 5730-1970, and the provisions set forth in the Companies Law 5759-1999 ("Companies Law") and the regulations promulgated thereunder, Israel Corporation Ltd. ("the Company") is hereby announce that a special General Meeting of the Company's shareholders shall convene on Monday, July 9th, 2012 at 11:00 in the Company's offices in 23 Aranha Street, Millennium Tower, Tel Aviv ("the Meeting"), on whose agenda the following items shall be discussed.

Meeting agenda

Approval of payment of the settlement amount by Zim to the Company (as specified in section 1.7.1 of this Report), and settlement of Suits and concessions (as specified in sections 1.7.3 and 1.7.4 of this Report) in the framework of the settlement agreement.

In 2009 two petitions for approval of derivative suit against directors who served in office during the relevant period, interested parties in the Company and a subsidiary of the Company, Zim Integrated Shipping Services Ltd. ("Zim") were filed in connection with the Company's investments in the amount of 246 million dollars in Zim share capital in 2008 while accepting issuance of rights by Zim to its shareholders and providing a loan to Zim in the amount of 100 million dollars, finalized on July 2009 (Derivative Suit 6088-11-09 and Derivative Suit 11765-12-09, (hereinafter jointly: the "Suits"). For further details concerning the said Suits see the Company's Immediate Reports dated

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9.11.2009 and 10.12.2009¹ and Note 22B of the Company's financial statements as of 31.12.2011. On 20.5.2012 the District Court of Tel Aviv - Yafo approved a settlement agreement for full and final settlement of the said Suits ("Settlement Agreement") in the framework of which it was stated, *inter alia*, that for settlement purposes only and without any of the Parties to the Suits admitting to any of the allegations raised by the other Party, and for the purpose of reaching final, full and absolute settlement of the Suits, Zim shall undertake to pay the Company, on the dates and under the conditions set forth in the Settlement Agreement, an overall amount of NIS 45M excluding interest and linkage differentials ("Settlement Amount") and that up fulfillment of the conditions within their meaning in the Settlement Agreement the causes of claim subject matter of the Suits shall expire, as specified in the Settlement Agreement whose main points are specified in section 1.7 in this Report. According to the Settlement Agreement and in continuation to the Company's Audit Committee's approval dated 21.2.2012 and 22.5.2012 and the Company's Board of Directors approval dated 22.2.2012 and 29.5.2012, payment of the Settlement Amount by Zim to the Company (as specified in section 1.7.1 of this Report) and settlement of the Suits and concessions (as specified in sections 1.7.3 and 1.7.4 of this Report) for the approval of the Company's shareholders general meeting as specified in this Report.

Proposed resolution: "To approve payment of the Settlement Amount by Zim to the Company (as specified in section 1.7.1 of this Report) and settlement of the Suits and **Brief description of the resolution and its main terms and conditions**, concessions (as specified in sections 1.7.3 and 1.7.4 of this Report) in the framework of the Settlement Agreement."

Personal interest of controlling shareholder in the Resolution and nature thereof

The controlling shareholder that might be considered as having personal interest in approval of the Resolution brought to the approval of the meeting convened in accordance with this Report is Millennium Investments Elad Ltd. ("Millennium"). Millennium holds approximately 46.94% of the Company's share capital. Millennium is held by Mashat (Investments) Ltd. ("Mashat") and Ofer Investments Group Ltd. ("Ofer

² Reference numbers: 2009-01-278475 and 2009-01-315867 (respectively).

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Investments Group”), in 80% and 20% holding rates respectively. Mashat is a private company held indirectly through foreign corporations by discretionary trust in which Mr. Idan Ofer is a prime beneficiary.

Ofer Investments Group, holding directly 1.24% of the Company's share capital, is a shareholder in Millennium as specified hereinabove, and therefore, in light of the provisions set forth in Section 268 to the Companies Law, might be considered as having personal interest in the Resolution specified in Section 1.2 of this Report. Ofer Investments Group Ltd. is a private company held fully by Ofer Holdings Group Ltd. (“Ofer Holdings”) which is a private company whose ordinary shares are held equally by Orona Investments Ltd. (that is controlled indirectly by Mr. Ehud Angel) and Lynav Holdings Ltd., controlled by a discretionary trust in which Mr. Idan Ofer is a prime beneficiary. Mr. Ehud Angel has a special share granting him, among other things, and under certain limitations and in certain circumstances, another vote in the Board of Directors of Ofer Holdings. In addition, KIRBY ENTERPRISES Inc. that is held indirectly by the discretionary trust holding Mashat in which, as said, Mr. Idan Ofer is a prime beneficiary holds 0.74% of the Company's share capital. In addition, Mr. Idan Ofer holds directly 2.46% of the Company's share capital.

Millennium and Ofer Investments Group might be considered as having personal interest for the purpose of Resolution brought for the meeting's approval in accordance with section 2 in this Report, in light of the identity of the Respondents/Defendants in the Suits as specified in section 1.2 of this Report, which are the Parties of the Settlement Agreement. The interest of Mr. Idan Ofer and KIRBY ENTERPRISES INC who directly hold the Company's shares as specified hereinabove also derives from this matter.

Names of directors who have personal interest in approving the Resolution

The majority of directors serving in office in the Company, including directors who are the Respondents/Defendants in the Suits as specified in section 1.2 of this Report (that is to say, the honorable gentlemen Idan Ofer, Amnon Lion, Ze'ev Nahari, Prof. Gideon Langholtz and Ron Moskovitz) and directors serving as officers in corporations included among the Respondents/Defendants in the Suits as specified in section 1.2 of this Report

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(the honorable gentlemen Aviad Kaufman and Yoav Dopplet) might be considered as having personal interest in approval of the resolution brought to the meeting's approval as specified in section 2 of this Report. Therefore, and while taking into account the provisions set forth in Section 278(B) of the Companies Law, all members of the Company's Audit Committee and/or Board of Directors shall be entitled to attend the meeting and vote in the Company's Audit Committee and/or Board of Directors meetings (as the case may be) as specified in section 8 of this Report.

Notice concerning convening of a General Meeting; quorum

A notice is hereby delivered that a special meeting of the Company's shareholders shall be convened on Monday, July 9, 2012 at 11:00 in the Company's offices in 23 Aranha Street, Millennium Tower, Tel Aviv, whose agenda is concerned with passing the resolutions specified in this Report.

According to the Company's Articles, the quorum required for the purpose of convening the Meeting shall constitute five shareholders (by themselves or by proxy) that hold at least 25 percent of the voting rights. If no quorum is present at the General Meeting after thirty minutes from the time set for the beginning of the Meeting, the Meeting will be adjourned by a week for the same date, time and place, without having to notify shareholders about the same, and if there is no quorum to the adjourned meeting after thirty minutes following the time set for the meeting, present shareholders in the meeting shall constitute a quorum.

Required majority for the purpose of passing resolutions on the Meeting's agenda

Pursuant to the provisions set forth in Section 275(a) in the Companies Law, the required majority for the purpose of passing the aforesaid Resolution is an ordinary majority of shareholders attending the meeting themselves or by proxy, who are entitled to take part in the voting provided that one of the following is fulfilled: (a) in a count of majority votes, the majority votes will include a majority of votes by shareholders who do not have personal interest in the approval of the transaction, and are present at the Meeting; in the count of the entire votes of the aforesaid shareholders abstaining votes shall not be taken into account; (b) the total number of opposition votes amongst the shareholders

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specified in sub-paragraph (a) shall not exceed two percent of all voting rights in the Company.

Determining Date and proof of ownership of share

The determining date for the purpose of establishing a shareholder's entitlement to vote in the Meeting as specified in Section 182 in the Companies Law, is the end of the trading day in the Stock Exchange on Wednesday, June 6, 2012, and if no trade is performed in the determining date, then in the preceding first day of trade.

Pursuant to the Companies Regulations (Proof of Share Ownership for the Purpose of Voting at a General Meeting) 5760-2000, a shareholder in whose favor a share is registered with a member of the Tel Aviv Stock Exchange and that share is included among the shares of the Company registered in the Register of Shareholders in the name of a nominee company and is interested in voting in the General Meeting, shall furnish the Company a confirmation from the Stock Exchange member in which his entitlement for voting is registered, concerning his ownership of the share on the determining date, in accordance with Form 1 in the addition to the said Regulations.

Voting by proxy and voting by voting papers

A shareholder entitled to attend and vote in the Meeting may vote on his own or through proxy in accordance with the provisions set forth in the Company's Articles. A shareholder wishing to vote through proxy as specified hereinabove, shall deposit the power of attorney in the Company's registered office at least 48 hours before the time set for a meeting or the adjourned meeting.

Pursuant to the Companies Regulations (Voting Paper and Position Papers) 5765-2005, a shareholder entitled to attend and vote in the meeting, is entitled to vote with relation to the Resolution brought to the Meeting's approval using a voting paper. For the purpose of this matter, the vote of a shareholder who voted using a voting paper shall be considered as if he attended and took part in the Meeting. Voting executed by a voting paper with relation to a shareholder interested to vote by a voting paper instead of attending the Meeting in person and/or by proxy, shall be executed by using the second part of the voting paper, enclosed as Appendix A of this Report.

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The voting paper and documentation enclosed thereof as specified in the voting paper should be furnished to the Company's offices up to 72 hours before the time the Meeting is convened. For the purpose of this matter, the time of furnishing the voting paper is the time in which the voting paper and the documents enclosed thereof arrived to the Company's offices. The last date to furnish position papers is up to 10 days following the determining date. A member of the Stock Exchange will send through email, at no cost, a link to the voting paper format and voting papers in the distribution website, to each shareholder who is not registered in the Register of Shareholders and whose shares are registered with the Stock Exchange member, unless the shareholder notified the Stock Exchange member that he is not interested to receive a link as said or that he notified that he was interested in receiving voting papers through mail in return for payment of delivery fees only.

The voting paper shall be valid only if a confirmation of ownership of the unregistered shareholder (that is to say, a shareholder in whose name shares are registered with a Stock Exchange member and these shares are included among the shares listed in the Company's Register of Shareholders in the name of a nominee company) or photocopy of an identification card, or certificate of incorporation, as the case may be, are enclosed thereof, if the shareholder is registered in the Company's books. The addresses of the distribution website and the internet website of the Israel Securities Authority and the Tel Aviv Stock Exchange (respectively) consisting of voting papers and position statements are: www.magna.isa.gov.il and the website of the Tel Aviv Stock Exchange: <http://maya.tase.co.il>.

Review of documents

The Company's shareholders may review the transaction report and the text of the proposed Resolutions in the Company's offices on Sunday-Thursday between 09:00-16:00 following scheduling in advance on the phone: 03-6844500.

Sincerely,

Israel Corporation Ltd

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Israel Corporation Ltd.

Israel Corporation Ltd.
Millennium Tower 23 Aranha Street P.O. Box 20456 Tel Aviv 61204 Israel
Tel.: (03) 6844517 Fax: (03) 6844587
Advocate Maya Alcheh-Kaplan
In-house Legal Advisor and Company Secretary

May 30, 2012

To
Israel Securities Authority
By Magna

To
Tel Aviv Stock Exchange Ltd.
By Magna

Dear Sir/Madam,

Re: **Immediate report concerning convening of a special General Meeting of shareholders of Israel Corporation Ltd.**

Pursuant to the Securities Regulations (Transaction between a Company and Shareholder Therein) 5761-2001, the Securities Regulations (Immediate and Periodic Report s) 5730-1970, and the provisions set forth in the Companies Law 5759-1999 (“Companies Law”) and the regulations promulgated thereunder, Israel Corporation Ltd. (“the Company”) is hereby honored to announce that special General Meeting of the Company’s shareholders shall be convened on Monday, July 9, 2012 at 11:00 in the Company’s offices in 23 Aranha Street, Millennium Tower, Tel Aviv (“the Meeting”), on whose agenda the following items shall be discussed.

1. **Background**

1.1. In 2009 two petitions for approval of derivative suit against directors who served in office during the relevant period, interested parties in the Company and a subsidiary of the Company Zim Integrated Shipping Services Ltd. (“Zim”) were submitted in connection with the Company’s investments in the amount of 246 million dollars in Zim share capital in 2008 while accepting issuance of rights by Zim to its shareholders and

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providing a loan to Zim in the amount of 100 million dollars finalized on July 2009 (Derivative Suit 6088-11-09 and Derivative Suit 11765-12-09, (hereinafter jointly: the "Suits"). For further details concerning the said Suits see the Company's Immediate Reports dated 9.11.2009 and 10.12.2009² and Note 22B of the Company's financial statements as of 31.12.2011.

1.2. The Petitioners/Plaintiffs in the Suits are:

[1] Mr. Yaakov Zelicha and Boaz Yifat C.P.A.

The Respondents/Defendants in the Suits are:

[1] Israel Corp. (formal Defendant); [2] Idan Ofer; [3] Ehud Angel; [4] Yaakov Amidror; [5] Avu Levy; [6] Amnon Lion; [7] Ze'ev Nahari; [8] Moshe Weidman; [9] Prof. Gideon Langholtz; [10] Yair Sarussi; [11] Irit Izakson; [12] Ron Moskovitz; [13] Zim; [14] Millennium Investments Elad Ltd.; [15] Mashat (Investments) Ltd.; [16] Ofer Holdings Group Ltd.,

1.3. On 21.2.2012 and 22.2.2012 the Company's Audit Committee and Board of Directors approved (respectively) the Company's engagement in a settlement agreement for the purpose of full, final and absolute settlement of the said Suits submitted for the approval of the District Court in Tel Aviv - Yafo ("Settlement Agreement").

1.4. In accordance with the provisions set forth in Section 202 of the Companies Law, a newspaper ad was published on 23.2.2012 in which a summary of the Settlement Agreement was provided, the proposed fees paid to the Plaintiff's and representatives thereof, manner of review of the Settlement Agreement and the time for submission of responses/objections to the Settlement Agreement. For further details, including the text of the said newspaper ad, see the Company's Immediate Report dated 22.2.2012 (Reference No.: 2012-01-049194).

² Reference numbers: 2009-01-278475 and 2009-01-315867 (respectively).

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- 1.5. On 20.5.2012, after the submission dates for responses/objections to the Settlement Agreement as specified in section 1.4 hereinabove lapsed, and no responses/objections were submitted as said, the District Court in Tel Aviv - Yafo approved the Settlement Agreement.
- 1.6. On 22.5.2012 and 29.5.2012 respectively, and after the court granted its approval to the Settlement Agreement, the Company's Audit Committee and Board of Directors approved the resolution brought to the Meeting's approval as specified in section 2 hereunder.
- 1.7. The main points of the Settlement Agreement are as follows:
 - 1.7.1. For settlement purposes only, and without any of the Parties to the Suits admits to any of the other Party's allegations, it was agreed that for the purpose of full, final and absolute settlement of the Suits, Zim would undertake to pay the Company an overall amount of NIS 45M excluding interest and linkage differentials ("Settlement Amount").

The Settlement Amount shall be paid by Zim: (a) after full completion of the recovery plan (and payment of all debts to security holders and other creditors in the framework of the recovery plan), as approved by the Company's general meeting convened on 3.11.2009 ("Recovery Plan Completion")³; and (b) after Zim holds distributable amounts by law in accordance with the provisions set forth in Section 302 of the Companies Law.

The Settlement Amount shall be paid by Zim fully or in installments, in accordance with the Settlement Agreement terms and conditions, the existence of surpluses and compliance with distribution terms and conditions as said.

³ For further details concerning the recovery plan see the Company's Immediate Reports dated 25.10.2009 and 3.11.2009.

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- 1.7.2. Ofer Holdings Group Ltd., which is a Respondent/Defendant in the Suits (as specified in section 1.2 hereinabove)⁴, undertook that upon completion of the recovery plan, the payment date of NIS 45M in nominal amount owed and/or that will be owed to it by Zim as rent in respect of lease agreements will be delayed until Zim actually pays the Settlement Amount to the Company. It is clarified that until the date of completion of the recovery plan rent payments shall continue to be paid in order and anything said hereinabove does not prevent modification and/or extension of lease agreements and/or engagement in new or additional lease agreements by law. In the event Zim pays the Company the Settlement Amount in installments, the delayed amount shall be reduced relatively.
- 1.7.3. For settlement purposes, to the extent that this is required for the purpose of executing the court ruling with respect to the Suits, and without admitting to any allegation, it was agreed that the Suits would be accepted and filing of derivative Suits would be approved, when at the same time Zim's undertaking to pay the Settlement Amount, that would constitute full, final and conclusive compensation in respect of any alleged damage, if any, that was caused to the Company in respect of the matters subject matter of the Suits would be approved.
- 1.7.4. Upon granting force of a ruling to the Settlement Agreement and receiving approval by Zim's and the Company's organs as specified in section 1.7.8 hereunder, and payment of remuneration and fees as specified in sections 1.7.7 and 1.7.11 hereunder ("Fulfillment of Conditions"), the Petitioners and/or any thereof remove the Suits in a final, absolute and irrevocable manner including all causes and remedies thereof, and the direct and/or

⁴ For further details about Ofer Holdings Group Ltd., an interested party in the Company, see section 3 hereunder.

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indirect allegations and demands they had and/or will have towards any of the Defendants and among the Defendants themselves, towards the officers subject matter of the Suits, and towards the Respondents' subsidiaries and/or related company, towards shareholders thereof (whether directly and/or indirectly), towards the insurers and towards past or present officers, employees, representatives and/or agents of any of the Respondents (hereinafter jointly: "Third Parties"), in connection with the causes and matters subject matter of the Suits, and anything related thereto, directly and indirectly. To dispel any doubt the Petitioners declared that they did not and would not have any additional or other allegations in connection with the recovery plan, including composition of creditors, making payments according to the plan, including provision of "safety net" and reserve amounts.

Upon Fulfillment of the Conditions any existing proceeding and/or claim towards the Respondents in the Suits and/or towards the Third Parties concerning the matter specified in the Suits shall terminate, including any matter deriving thereof, whether directly or indirectly, and this shall be deemed as a final act of the court towards anyone, including towards the Respondents in the Suits and the Third Parties and including among the Respondents themselves, concerning the matters specified in the Suits, and anything deriving thereof.

- 1.7.5. A condition for approval of the Suits as derivative is that their approval shall be executed jointly and as one proceeding together with approval of this settlement as part of the derivative suite. Without final and peremptory approval of the settlement, approval of the suits as derivative shall be null and void.

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- 1.7.6. Without derogating from the foregoing, it was agreed that already at the time the court approved the Settlement Agreement (granted as said on 20.5.2012) and without waiting for the approval granted by the said meetings as specified in section 1.7.8 hereunder, the Suits against the Respondents/Defendants 4-12 specified in section 1.2 hereinabove shall be dismissed.
- 1.7.7. Within 60 days from the date the court granted its approval of the Settlement Agreement payment shall be made (by any of the Respondents/Defendants, except for Zim) to each of the law firms representing the Petitioners, in the amount of 150,000 U.S. dollars (in addition to VAT) in respect of dismissal of the claim against the Respondents/Defendants 4-12 specified in section 1.2 hereinabove (these fees may not be canceled irrespective of the meetings specified in section 1.7.8 hereby and are not contingent upon their results).
- 1.7.8. In the framework of the Settlement Agreement it was decided that within 14 days from the time the Honorable Court granted its approval of the Settlement Agreement (that is to say, as of 20.5.2012) Audit Committee, Board of Directors and general meetings of shareholders of Israel Corp. ("Half Meeting") shall be convened in accordance with the provisions set forth in Section 275 of the Companies Law, and meetings of the Audit Committee, Board of Directors and Zim's unsecured creditors (or approval thereof) shall be convened to the extent required, in the framework of which payment of the Settlement Amount shall be brought for approval in accordance with the Settlement Agreement and sections 1.7.3 and 1.7.4 hereinabove.
- 1.7.9. In the framework of the Settlement Agreement it was determined that to the extent that the approval of the competent organs of Zim and the Company is not granted (including the Company's general meeting) as specified in section 1.7.8 hereinabove, within 90 days

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from the time the Settlement Agreement was submitted for the court's approval (19.2.2012) any commitment the Respondents made shall be null and void, except for the commitment to pay the amounts specified in section 1.7.7 hereinabove. The Plaintiffs or any thereof, shall be entitled to renew the proceedings in the Suits.

At the same time, following approval of the Settlement Agreement by the court on 20.5.2012 the Parties agreed to adjust the dates set forth in section 1.7.9 hereinabove to the dates deriving from the Settlement Agreement approval date as said, in such manner that the count of days for the purpose of obtaining the required approvals by Zim's and the Company's competent organs as specified in section 1.7.8 hereinabove was extended until 1.8.2012.

1.7.10. In the framework of the Settlement Agreement, the Parties, including the Petitioners, declared that they were of the opinion that the settlement is both in favor of Zim and in favor of the Company and they would vote in the shareholders' meeting to approve the Settlement Agreement and the Settlement Amount.

1.7.11. In the framework of the Settlement Agreement it was determined that Petitioners/Plaintiffs and representatives thereof shall be entitled to receive remuneration and fees in the following rates:

- A. An amount equal to 5% of the Settlement Amount, in addition to VAT, shall be paid to each of the Petitioners' representatives' firms.
- B. An amount equal to 0.5% of the Settlement Amount shall be paid to each of the Petitioners themselves.
- C. Reimbursement in the amount of NIS 90,000 shall be paid to each of the Petitioners' representatives' firms.

The amounts specified in this section shall be paid by Ofer Holdings Group Ltd., which is among the

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Respondents/Defendants in the Suits as specified in section 1.2 hereinabove, within 14 days from the time the Settlement Agreement is approved by court and the confirmations specified in section 1.7.8 hereinabove are received, in addition to and irrespective of payment of the Settlement Amount by Zim.

1.8. It is clarified that the description specified hereinabove constitutes a summary only of the main points of the Settlement Agreement and that the full version of the Settlement Agreement shall be the binding version. In any event of discrepancy, deficiency or lack of conformity between the provisions set forth in the Settlement Agreement and the description provided hereinabove, the provisions set forth in the Settlement Agreement shall prevail.

2. **Items on the agenda and proposed resolution**

2.1. Approval of payment of the Settlement Amount by Zim to the Company (as specified in section 1.7.1 hereinabove) and settlement of the Suits and concessions (as specified in sections 1.7.3 and 1.7.4 hereinabove) in the framework of the Settlement Agreement.

Text of proposed resolution: **“To approve payment of the Settlement Amount by Zim to the Company (as specified in section 1.7.1 hereinabove) and settle the Suits and concessions (as specified in sections 1.7.3 and 1.7.4 hereinabove) in the framework of the Settlement Agreement.”**

3. **Personal interest of controlling shareholder and nature thereof**

3.1. The controlling shareholder that might be considered as having personal interest in approval of the Resolution brought to the approval of the meeting convened in accordance with this Report is Millennium Investments Elad Ltd. (“Millennium”). Millennium holds approximately 46.94% of the Company's share capital. Millennium is held by Mashat (Investments) Ltd (“Mashat”) and Ofer Investments Group Ltd (“Ofer Investments Group”), in 80% and 20% holding rates respectively. Mashat

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is a private company held indirectly through foreign corporations by discretionary trust in which Mr. Idan Ofer is a prime beneficiary.

- 3.2. Ofer Investments Group, which holds directly 1.24% of the Company's share capital, is a shareholder in Millennium as specified hereinabove, and therefore, in light of the provisions set forth in Section 268 to the Companies Law, might be considered as having personal interest in the Resolution specified in Section 1.2 of this Report. Ofer Investments Group Ltd is a private company held fully by Ofer Holdings Group Ltd (“Ofer Holdings”) which is a private company whose ordinary shares are held equally by Orona Investments Ltd (that is controlled indirectly by Mr. Ehud Angel) and Lynav Holdings Ltd, controlled by a discretionary trust in which Mr. Idan Ofer is a prime beneficiary. Mr. Ehud Angel has a special share granting him, among other things, and under certain limitations and in certain circumstances, another vote in the Board of Directors of Ofer Holdings.
- 3.3. In addition, KIRBY ENTERPRISES Inc. that is held indirectly by the discretionary trust holding Mashat in which, as said, Mr. Idan Ofer is a prime beneficiary holds 0.74% of the Company's share capital. In addition, Mr. Idan Ofer holds directly 2.46% of the Company's share capital.
- 3.4. Millennium and Ofer Investments Group might be considered as having personal interest for the purpose of the Resolution brought for the meeting's approval in accordance with section 2 in this Report, in light of the identity of the Respondents/Defendants in the Suits as specified in section 1.2 of this Report, which are the Parties of the Settlement Agreement. The interest of Mr. Idan Ofer and KIRBY ENTERPRISES INC who directly hold the Company's shares as specified hereinabove also derives from this matter.

4. **Shareholders who might be considered as having personal interest in approval of the resolution**

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- 4.1. For the sake of caution and probably beyond necessary, the Company chose, for the purpose of passing the resolution on its agenda and solely for that purpose, to classify Bank Leumi le-Israel Ltd. ("Bank Leumi"), that holds, as of the Report Date, approximately 17.7% of the Company's share capital, as an entity that might have personal interest in passing the resolution brought for the Meeting's approval.
- 4.2. The Petitioners/Plaintiffs 1 and 2 as specified in section 1.2 hereinabove (the honorable gentlemen Yaakov Zelicha and Accountant Boaz Yifat) are a party to the Settlement Agreement and therefore might be considered as having personal interest in passing the resolution brought for the approval of the Meeting.

5. **Directors who have personal interest in passing the resolution**

The majority of directors serving in the Company, including directors who are among the Respondents/Defendants in the Suits as specified in section 1.2 hereinabove (that is to say, the honorable gentlemen Idan Ofer, Amnon Lion, Ze'ev Nahari, Prof. Gideon Langholtz and Ron Moskovitz) and directors serving as officers in corporations included among the Respondents/Defendants in the Suits as specified in section 1.2 of this Report (the honorable gentlemen Aviad Kaufman and Yoav Dopplet) might be considered as having personal interest in passing the resolution brought to the Meeting's approval as specified in section 2 hereinabove. Therefore, and while taking into account the provisions set forth in Section 278(B) of the Companies Law, all members of the Company's Audit Committee and/or Board of Directors were entitled to attend the meeting and vote in the Company's Audit Committee and/or Board of Directors meetings (as the case may be) as specified in section 8 hereunder.

6. **Transactions of the type of the transaction or similar transactions thereof**

To the best of the Company's knowledge, in the two years preceding the date of convening the Meeting, the Company and shareholders thereof did not engage in transactions that are similar to the transaction subject matter of this Report and the Company was not a party to a transaction similar to this transaction.

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It should be noted that in the framework of directors' customary terms of employment in the Company, directors who are among the Respondents/Defendants in the said Suits as specified in section 1.2 hereinabove, are entitled to receive exemption and indemnification letters and insurance coverage by virtue of resolutions passed by the Company's general meeting and competent organs⁵.

7. **The manner of determining consideration**

The Settlement Agreement, including the Settlement Amount paid by Zim to the Company, was determined in the framework of settlement proceedings conducted between the Parties to the Suits and approved by the court in its decision dated 20.5.2012. The reasons provided by the Company's Board of Directors and Audit Committee of the Settlement Agreement are specified in section 9 of this Report.

8. **Required approvals to pass the resolution on the Meeting's agenda**

8.1. The Company's Audit Committee, in its meetings dated 21.2.2012 and 22.5.2012, decided to approve unanimously the Settlement Agreement and the resolution brought for the Meeting's approval as specified in section 2 of this Report respectively.

In accordance with the said in section 5 of this Report and while taking into account the provisions set forth in Section 278(b) of the Companies Law, the following honorable gentlemen attended the Company's Audit Committee meeting dated 21.2.2012: Gideon Langholtz (external director), Ofer Termechi (external director) Amnon Lion, Ze'ev Nahari and Michael Bricker.

8.2. In its meetings dated 22.2.2012 and 29.5.2012 the Company's Board of Directors decided to approve unanimously the Settlement Agreement and

⁵ For further details see the Company's Immediate Reports dated 22.3.2001, 3.10.2011, 2.11.2011 and 8.11.2011 (Reference No.: 2011-01-290205, 2011-01-314658 and 2011-01-321351) and dated 2.8.2007, 11.9.2007, 25.9.2008, 24.3.2010, 30.8.2010 and 25.8.2011 (Reference No.: 2007-01-345580, 2007-01-391321, 2008-01-270852, 2010-01-428760, 2010-01-605556 and 2011-01-251919).

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the resolution brought for the Meeting's approval as specified in section 2 of this Report, respectively.

In accordance with the said in section 5 of this Report and while taking into account the provisions set forth in Section 278(b) of the Companies Law, the following honorable gentlemen attended the Company's Board of Directors meeting dated 22.2.2012: Amir Elstein, Idan Ofer, Yoav Dopplet, Ofer Termechi (external director), Zehavit Cohen, Amnon Lion, Eitan Raff, Ze'ev Nahari, Dan Ziskind, and Michael Bricker. The following honorable gentlemen attended the Company's Board of Directors meeting dated 29.5.2012: Amir Elstein, Idan Ofer, Ron Moskovitz, Aviad Kaufman, Gideon Langholtz (external director), Yoav Dopplet, Ofer Termechi (external director), Zehavit Cohen, Amnon Lion, Eitan Raff, Ze'ev Nahari, Dan Ziskind and Michael Bricker.

8.3. According to the Settlement Agreement, the resolution brought for the Meeting's approval as specified in section 2 of this Report is subject to the approval of the competent organs in Zim and its unsecured creditors to the extent required. The Settlement Agreement was approved by Zim Audit Committee and Board of Directors on 21.2.2012 and 22.2.2012 (respectively). The resolution brought for the Meeting's approval as specified in section 2 of this Report shall be brought before the competent organs in Zim and Zim's unsecured creditors (or approval thereof) to the extent required, in accordance with the Settlement Agreement.

9. **Summary of the reasons provided by the Audit Committee and the Board of Directors**

The Company's Audit Committee (in its meetings dated 21.2.2012 and 22.5.2012), and the Company's Board of Directors (in its meetings dated 22.2.2012 and 29.5.2012) approved the Settlement Agreement and the resolution brought for the Meeting's approval as specified in Section 2 of this Report and based upon the following considerations and parameters:

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- 9.1. The Settlement Agreement does not create financial liability to the Company and is expected to generate the Company, in the future, the Settlement Amount of NIS 45M in nominal value.
- 9.2. Taking into account Zim's position, that is undergoing a recovery plan approved by the Company's shareholders' meeting in November 2009, and is expected to comply with a business plan that was lately amended for the purpose of continuing its business activities and ensuring the success of the recovery in light of difficult conditions of the global shipping market, continuation of Suits would significantly burden Zim's financial and business operations.
- 9.3. Members of the Company's Audit Committee and Board of Directors are of the opinion that the damage that Zim and the Company may have suffered due to continuation of the legal proceeding until termination thereof outweighs the benefit deriving from continuation of the proceeding irrespective of its outcomes.
- 9.4. The directors wished to note that upon the query made by the Plaintiffs/Petitioners prior to filing of the Suits in 2009, and thereafter, the Company's Board of Directors held meetings in the framework of which the allegations subject matter of the Suits were examined and it was decided that there was no room, cause or sense in submitting the said Suits. In the framework of approval of the Settlement Agreement members of the Company's Audit Committee and Board of Directors reiterated the Company's position according to which the Company's investment in Zim's share capital in 2008 and provision of a loan to Zim in the amount of 100 million dollars, finalized on July 2009 were made for the Company's benefit in accordance with the provisions set forth in any law and were not flawed.
- 9.5. Taking into account the foregoing, the members of the Company's Audit Committee and Board of Directors are of the opinion that the Settlement Agreement is in favor of the Company.

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In light of the foregoing, members of the Company's Audit Committee and Board of Directors are of the opinion that the Settlement Agreement is fair and reasonable and in the Company's favor.

10. **Notice concerning convening of a General Meeting**

A notice is hereby delivered that a special meeting of the Company's shareholders will be convened on Monday, July 9, 2012 at 11:00 in the Company's offices in 23 Aranha Street, Millennium Tower, Tel Aviv, whose agenda shall include the passing of the resolutions specified in this Report.

11. **Required majority for the purpose of passing resolutions in the Meeting**

Pursuant to Section 275(a) in the Companies Law, the required majority for the purpose of passing the aforesaid Resolution is an ordinary majority of shareholders attending the meeting themselves or through proxy, who are entitled to take part in the voting provided that one of the following is fulfilled: (a) in a count of majority votes, the majority votes will include a majority of the shareholders votes that do not have personal interest in the approval of the transaction, and present at the Meeting; in the count of the entire votes of the aforesaid shareholders abstaining votes shall not be taken into account; (b) the total number of opposing votes amongst the shareholders specified in subparagraph (a) shall not exceed two percent of all the voting rights in the Company.

12. **Determining date**

The determining date for the purpose of establishing a shareholder's entitlement to vote in the Meeting is the end of the trading day in the Stock Exchange on Wednesday, June 6th, 2012, and if no trade is conducted on the determining date, then in the first preceding trading day thereof.

13. **Proof of share ownership**

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Pursuant to the Companies Regulations (Proof of Share Ownership for the Purpose of Voting at a General Meeting) 5760-2000, a shareholder in whose favor a share is registered with a member of the Tel Aviv Stock Exchange and that share is listed as part of the Company's shares listed in the Register of Shareholders in the name of a nominee company and is interested in voting in the General Meeting, shall furnish the Company a confirmation from the Stock Exchange member in which his entitlement for voting is registered, concerning his ownership of the share on the determining date, in accordance with Form 1 in the addition to the said Regulations.

14. **Quorum**

According to the Company's Articles, the quorum required for the purpose of convening the Meeting shall constitute five shareholders (in person or by proxy) that hold at least 25 percent of the voting rights. If no quorum attends the General Meeting after thirty minutes from the time set for the beginning of the Meeting, the Meeting will be adjourned by a week to the same date, time and place, without having to notify shareholders about the same, and if no quorum is present in the adjourned meeting after thirty minutes following the time set for the meeting, the shareholders who are present in the meeting shall constitute a quorum

15. **Voting by proxy**

A shareholder entitled to attend and vote in the meeting may vote in person or by proxy in accordance with the provisions set forth in the Company's Articles of Association. A shareholder wishing to vote by a proxy as specified hereinabove, shall deposit the power of attorney in the Company's registered office at least 48 hours before the date scheduled for the meeting or the adjourned meeting.

16. **Voting by a voting paper**

Pursuant to the Companies Regulations (Voting Paper and Position Papers) 5765-2005, a shareholder entitled to attend and vote in the meeting, is entitled to vote in

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the resolution brought to the Meeting's approval using a voting paper. For the purpose of this matter, the vote of a shareholder who voted using a voting paper shall be considered as if he was present and attended in the Meeting. Voting by a voting paper with regard to a shareholder interested to vote using a voting paper instead of attending the Meeting in person and/or through proxy, shall be executed by using the second part of the voting paper enclosed as **Appendix A** in this Report.

The voting paper and documentation enclosed thereof as specified in the voting paper shall be furnished to the Company's offices up to 72 hours before the time the Meeting is convened. For the purpose of this matter, the time of furnishing the voting paper is the time in which the voting paper and the documents enclosed thereof arrived to the Company's offices. The last date to furnish position papers is up to 10 days following the determining date. A member of the Stock Exchange will send through email, at no cost, a link to the format of the voting paper and voting papers in the distribution website, to each shareholder who is not registered in the Register of Shareholders and whose shares are listed with the Stock Exchange member, unless the shareholder notified the member of the Stock Exchange that he is not interested to receive a link as said or that he notified that he was interested in receiving voting papers through mail in return for payment of delivery charges only.

Links to the Israel Securities Authority website and the Tel Aviv Stock Exchange website (respectively) consisting of voting papers and position statements (to the extent they are submitted to the Company), within their meaning in Section of the Companies Law are: Israel Securities Authority Distribution website: www.magna.isa.gov.il ("Distribution Website"); and Tel Aviv Stock Exchange website: <http://maya.tase.co.il>

17. **Israel Securities Authority instruction**

Pursuant to Regulation 10 in the Securities Regulations (Transaction between a Company and Controlling Shareholder Therein) 5761-2001, Israel Securities

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Authority is entitled to instruct the Company, within 21 days from the date of submitting this Report, to furnish within a period of time it deems reasonable, any explanation, details, information and documents related to the offering or engagement, as the case may be, subject matter of the Report, and instruct the Company to modify the Report in the manner and at the time it deems fit; in such event the Authority is entitled to instruct the adjournment of the General Meeting to a date that will be no earlier than three business days and no later than 21 days from the date of publication of the amended report.

18. **Company's representatives for the purpose of handling the Immediate Report**

Advocates Zvi Efrat and/or Nurit Traurik from Gornitzky & Co, whose address is 45 Rothschild Blvd. Tel Aviv, 65784; Phone: 03-710-9191; Fax: 03-560-6555.

19. **Review of documents**

The Company's shareholders may review the transaction report and the version of the proposed resolutions in the Company's offices from Sunday-Thursday between 09:00-16:00 following scheduling in advance on the phone: 03-6844500.

Sincerely,

Israel Corporation Ltd.

Names of signatories on the transaction report and positions thereof:
Nir Gilad – President and Chief Executive Officer
Avisar Paz – CFO