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Date: 9th of September 2009

Israel Corporation Ltd
Transaction Report in Accordance with the Securities Regulations (Transaction between a Company and Controlling Shareholder therein), 5761-2001

Israel Corporation Ltd (the "**Company**") hereby announces that the Company's audit committee and Board have decided to call a special general assembly in the matter which is the subject of this report with regards to the restructuring plan for Zim Integrated Shipping Services Ltd ("**Zim**"), and all in accordance and subject to the described herein.

A brief description of the engagement and its main terms: (a) the Company's investment in Zim (in the sense of the transaction report herein); (b) arrangements with corporations related, directly and indirectly, to holders of controlling interests in the Company in such a way that an amount of 150 million US dollars will be reduced from the lease fees for ships, ownership of which is leased to Zim, and against which they will be issued with convertible promissory notes – and all as detailed in the transaction report.

Personal interest and the nature of the personal interest: Millennium Investment Elad Ltd ("**Millennium**") holds 46.94% of Israel Corp. Millennium is held by Mashat (Investment) Ltd ("**Mashat**") and Ofer Group Investment Ltd (80% and 20% respectively). Mashat is a private company held indirectly by foreign corporations, by a discretionary trust, of which Mr. Idan Ofer is a beneficiary. Ofer Group Investments Ltd directly holds 2.93% of the Company's share capital. Ofer Group Investment Ltd is a private company held in full by Ofer Holdings Group Ltd ("**Ofer Holdings**"), which is a private company held in equal parts by Orona Investment Ltd (a company which is indirectly held by Mr. Ehud Angel) and Lynav Holdings Ltd ("**Lynav**"). Mr. Ehud Angel has a special share which grants him among other things, under certain limitations and for certain matters, an additional vote on the Ofer Holdings board of directors. Lynav is controlled by a discretionary trust of which Mr. Idan Ofer is the main beneficiary. Mr. Idan Ofer directly holds 3.85% of the Company's share capital. In addition, Kirby Enterprises Inc., held indirectly by the discretionary trust which holds Mashat and of which as stated Mr. Idan Ofer is a beneficiary, holds 0.74% of the Company's share capital. Related corporations are a party to the "settlement with related corporations", and this as detailed in the transaction report. The related corporations are creditors of Zim and maintain a business relationship with Zim of many years standing (for further details see also the said in clauses 1.13 to 1.15 of the transaction report). For details and clarifications with regards the doubt of the existence of personal interest see clause 6.4 of the transaction report.

Personal interest of a Director and the nature of the interest: Mr. Idan Ofer and Mr. Ehud Angel could be considered as having a personal interest in approving the resolution which is the subject of this report since they are connected to related corporations, as detailed above. Mr. Amnon Lion, Mr. Yossi Rosen and Mr. Ron Moskowitz could be considered as having a personal interest in approving the resolution which is the subject of this report since they are serving as position holders in the aforementioned corporations or in corporations related to them or in corporations related to holders of controlling interests in the Company. In addition, according to the position of the Securities Authority regarding the personal interest that Bank Leumi Israel has in approving the discussed resolution, Mr. Moshe Vidman and Mr. Zeev Nehari, considering that they are position holders in Bank Leumi Israel Ltd have a personal interest in the discussed resolution. The Company disputes as stated the Securities Authority's position on the issue of the personal interest ascribed as aforementioned to Bank Leumi Israel Ltd. The aforementioned should be read subject to the said in clause 6.4 of the transaction report.

Notification of a call for a general assembly, the required majority and the date for determining eligibility of shareholders to vote at it: notice is hereby given that, on the 14th of October 2009, at 16:00, a special general assembly of the Company's shareholders will be gathered at the Company's offices, at 23 Arnea Street (Millennium Tower), on the agenda the aforementioned issue. The required majority at the assembly to approve the discussed resolution is a majority of the votes present at the assembly, eligible to vote, as long as one of the following is fulfilled: (a) on a reckoning of the 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 1% of all the voting rights in the Company. A shareholder is entitled to appoint a proxy who will be able to participate and vote on their behalf at the general assembly in accordance with the said in the Company's articles. The power of attorney will be deposited with the Company's registered office by 10:00 of the day of discussed general assembly. A shareholder is entitled to vote using section B' of the voting warrant. For this matter, a shareholder's vote using the voting warrant will be seen as if they had attended the assembly. The voting using the voting warrant, with regards to a shareholder

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interested in voting using the voting warrant as an alternative to personally attending the assembly and / or by proxy, will be by means of the second section of the voting warrant attached as Appendix C' of the transaction report. The voting warrant and the documents that must be attached to it as detailed in the voting warrant must be delivered to the Company's offices by 10:00 of the day of the discussed general assembly. In this matter the time of delivery is the time at which the voting warrants and the documents that must be attached to it arrive at the Company's offices. The determining date for determination of eligibility of the Company shareholder to vote at the general assembly, as stated in clause 182 of the Companies Law 5759-1999 ("**Companies Law**"), is the 15.9.2009 ("**Determining Date**"). In accordance with the Companies Regulations (proof of title of a share for purposes of voting at general assemblies), 2000, a shareholder in whose favour 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 with 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 addendum of the said regulations. A legal quorum will occur when there are present either in person or by proxy, five shareholders who have at least twenty five percent of the voting rights. If there is not present at the general assembly a legal quorum at the end of thirty minutes from the time determined for the assembly to start, the assembly will be adjourned for a week, for the same day, and same time and the same place, without the need to notify the shareholders of such, and if at the postponed assembly there is not a legal quorum after thirty minutes from the time determined for the assembly, those present will form a legal quorum. A shareholder is entitled to receive a certificate of title, as defined in clause 71 of the Companies Law, at the branch of the Stock Exchange member or by post, if they requested this. A request in this matter will be given in advance to a particular securities account. A shareholder, who is not listed, is entitled to receive by email, without remuneration, a link to the wording of the voting warrant and the position notices on the distribution site from the Stock Exchange member through whom they hold their shares, unless the Stock Exchange member that they are not interested in receiving the link as stated or that they are interested in receiving voting warrants by post for a payment; their notice regarding voting warrants will also apply to receipt of position notices. A position notice of a shareholder can be submitted up to ten days after the determining date for determining eligibility to vote at the general assembly, as stated in clause 182 of the Companies Law, which is the 15.9.2009. A position notice which includes the response of the Company's Board can be submitted no later than five days after the final date for sending position notices by shareholders as stated above. The voting warrant will be valid only if attached to it is a certificate of title of the unregistered shareholders (that is to say the person in whose favour the shares are listed with a Stock Exchange member and those same shares are included among the shares listed in the shareholders register in the name of a nominee company), or a photocopy of an ID, passport or certificate of incorporation, accordingly, if the shareholder is listed in the Company's books. The addresses of distribution site and the internet site of the Securities Authority and the Stock Exchange (respectively) on which can be found the voting warrant and the position notices are: www.magna.isa.gov.il; maya.tase.co.il.

Study of the documents: the Company's shareholders will be able to study the transaction report and the rest of the documents relating to the proposed resolution at the general assembly, at the Company's offices, Sunday – Thursday, between 09:00 – 16:00 by pre-arrangement, Tel: 03-6844500 as well as on the internet sites mentioned above.

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

Israel Corporation Ltd (the "**Company**") hereby announces that the Company's audit committee and Board have decided to call a special general assembly in the matter which is the subject of this report with regards to the Restructuring Plan for Zim Integrated Shipping Services Ltd ("**Zim**"), and all in accordance and subject to the described herein.

Introduction

- a. Together with the global financial crisis, and as part of it, there have been a number of negative developments in the shipping market, among them, among other things, a large supply of ships in relation to recession demand, a fact which has led to a decrease in the utilisation of the ships and the haulage fees. The tough conditions in the international shipping market continue to negatively affect Zim, among other things, its business results, its ability to meet financial criteria and its ability to raise capital as well as the terms of its financing, and this similar to other international shipping companies. As part of the steps Zim is taking which are intended to deal with the changes in the market, Zim is trying to put together a restructuring plan agreed upon with its various creditors, and this in addition to the rest of the steps being taken by Zim, including as detailed in the Company's periodical report (in the board of directors' report) of the 30th of June 2009.
- b. As will be detailed herein in this report, Zim is in an advanced process of putting together a restructuring plan for Zim with its financial creditors and other factors, while the Company's investment in Zim as well as the participation of the related corporations in the settlement (as detailed herein) is a vital component of the Zim restructuring plan.
- c. This report deals with approval of the Company's investment in ZIM as detailed herein in this report as well as approval of the settlement with the corporations related, directly or indirectly, to the holders of controlling interests in the Company who are ship owners leasing ships to ZIM (the "**Related Corporations**"), and all as detailed in this report.
- d. The agreed restructuring plan and its terms and conditions are subject to the approval of the financial creditors and other factors who are part of the plan and the results of the ongoing negotiations which are continuing with them, while correct as of the date of this report an agreed restructuring plan has yet to be fully formed (see also details in clause 6 herein).

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- e. Considering that as of the date of this report ZIM finds itself in the middle of negotiations with various factors with regards the putting together of an agreed restructuring plan and they do not have full details in the discussed matter or that giving certain details may harm the negotiation, the Company will send close to the date of the general assembly which is the subject of this report an immediate supplementary report/s, which will include further details regarding the agreed restructuring plan, its terms and the progress made in its formation. In as far as in question are essential details the supplementary report will be sent no later than 14 days before the date the general assembly is called for, and in as far as in question are non-essential details the supplementary report will be sent no later than 3 days before the date of the general assembly (see also details in clause 6 herein).
- f. The following terms will have the meaning given next to them in this report:
 - "**Agreed Restructuring Plan**", means – the signing of agreements or memorandums with "financial creditors" and "other factors" (as these terms are defined in clause 1.7 herein) which will be in totality the agreed restructuring plan or any other plan or outline as will be decided by an authorised judicial instance.
 - "**The Company's Investment in ZIM**", means – the intermediate cash flow amounts (as defined in clause 1.6a herein) as well as the balance of the Company's investment in ZIM in the amount of 250 million US dollars as detailed in this report as well as conversion of the above stated amounts in addition to the amount of "existing loan" (as defined in clause 1.4 herein) to ZIM share capital, and all subject to that detailed herein in this report.
- g. **The Company wishes to emphasise that there is no certainty that an agreed restructuring plan for ZIM will be formulated, among other things, in the event and certain factors do not take part in the restructuring plan that ZIM is trying to put together and / or in the event and certain factors act against ZIM, in the said case it is possible that ZIM will have to turn to the authorised judicial instance, including for purpose of carrying out a settlement under the aegis of the Court.**

1. **Background**

- 1.1. The Company directly holds 98.92% of ZIM's share capital, and in addition 0.18% of the holdings in ZIM are held by ZIM and its subsidiaries.
- 1.2. As stated in the Company's immediate report of the 27.11.2008, the Company announced that it would in principle be willing to give ZIM a cash infusion in the

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amount of 150 million US dollars, during 2009, if and as much as circumstances necessitate such and according to the Company's discretion.

- 1.3. As stated in the Board's report for the first quarter of 2009 which was published on the 27.5.2009, the Company undertook towards Zim to support them up to the sum of 100 million US dollars (which are part of the above stated 150 million US dollars), so long as negotiations with the financing banks continues (and this consequent to a condition placed by the financing banks for the continuation of the negotiations). This commitment was conditional on, among other things, Zim's financial creditors not taking any steps whatsoever against Zim during the period of negotiations.
- 1.4. Further to the said in the above clause 1.3, and as stated as part of the Company's immediate reports from the 2.6.2009 and 2.7.2009, in the months June and July 2009, and as part of the amount of the aforementioned 150 million US dollars, the Company has made available to Zim a total amount of 100 million US dollars (the "Existing Loan"), by a way of an owners loan for a 15 year period, at an interest rate of LIBOR + 1%, accumulated every 6 months to a fund (which can be converted at any time to ZIM shares according to the Company's discretion, and subject to the necessary approvals) ("Existing Loan Terms"). The existing loan will be considered as part of the Company's investment in Zim and will be converted with the approval of the agreed restructuring plan into Zim shares according to the determined in clause 1.10h(8) herein.
- 1.5. As stated in the Company's immediate report (transaction report) of the 2.8.2009 ("First Transaction Report"), the Company has called a shareholders' general assembly with regards to the intermediate cash infusion to Zim in order to enable Zim to complete and advance the negotiations with the financial creditors and other factors in order to reach an agreed restructuring plan. For details and more on this see the Company's immediate reports of the 2.8.2009; 18.8.2009; 25.8.2009. In addition see clause 6.4 herein.

As detailed in the first transaction report, on the 29.7.2009 and the 30.7.2009 (respectively) the Company's audit committee and Board authorised placing at Zim's disposal 40 million US dollars (the "Initial Sum"), at the terms of the existing loan (as stated in clause 1.4 above) and against sureties that Zim would

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provide the Company (the "Sureties"). With the general assembly's approval of the resolution which is the subject of this report the sureties will automatically be removed.

- 1.6. As stated, among other things, in the immediate report of the 26.8.2009 the Company's audit committee and Board decided on the 26.8.2009 the following:
 - a. To approve an immediate infusion of 60 million US dollars to Zim backed by suitable sureties that Zim would provide the Company with, the infusion is necessary and vital for Zim's continued activity. This sum and the initial sum ("Intermediate Infusion Amounts") will form an integral part of the Company's investment in Zim which is the subject of this report. With general assembly's approval of the Company's investment (including the intermediate infusion amounts) in Zim which is the subject of this report, the sureties placed for the intermediate infusion amounts will automatically be removed. In any other event, the Company will be able make available the intermediate infusion amounts that will continue to be backed by sureties, for immediate repayment (with advance notification).
 - b. To accept the related corporations' notice to the holders of controlling interest in the Company who are among the ship owners leasing ships to Zim that, if the Company's investment in Zim is not approved, they will reimburse Zim the amounts received by them from Zim as lease fees for the period commencing on the 2.8.2009 and up until the end of September 2009 (that is to say will reimburse the sums they indirectly received from the intermediate infusion amounts) (the "Last Date"). In noting that the general assembly which is the subject of this report was set to take place during October 2009, the related corporations have agreed, at Zim's request, that the last date be postponed to the end of October 2009.
 - c. To accept the related corporations' notice to the holders of controlling interest in the Company who are among the ship owners leasing ships to Zim, of their agreement to immediately reduce Zim's lease fees for the ships leased to them. The accumulated amount of the reduction in lease fees as stated in the coming years from the related corporations is an amount of 150 million US dollars as mentioned in clause 1.10 h(6) herein. The agreement of the said corporations

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for the stated reduction is subject to approval of the stated restructuring plan on all its terms, however, an amount of up to 60 million US dollars of the said amount (an ongoing accumulated amount of the present reduction rate in the lease fees) is not subject to approval of the agreed restructuring plan for Zim.

- 1.7. Further to that detailed in the first transaction report, and as reported by Zim to the Company, Zim is continuing to advance the negotiations with the various financial creditors (including foreign and local banks, Zim bond holders and leasing companies) (the "Financial Creditors") and other factors (including the Company and ship owners leasing ships and shipyards to Zim and from whom they ordered ships) (the "Other Factors") with the aim of formulating an agreed restructuring plan. Against this said restructuring plan the main points of which were presented to the financial creditors, correct as of this date there continues to exist a de facto agreement (without a signed agreement) with regards to a Standstill situation with the financial creditors who are part of the Standstill¹ according to which Zim only repays them the interest without paying off the principle and this until an agreed plan is formulated with the financial creditors and other factors. Payments of the principle which are not paid at this stage are deferred to a later date. Accordingly, financial creditors who are part of the Standstill are prevented in actuality from realising the various rights they have in accordance with the different financing agreements. In this context it should be noted that Zim believes that the situation they find themselves is due in the main from the crisis in the world trade and its implications on the haulage by sea, resulting from the crash in the scope of world trading. This situation has led Zim, which was in the middle of a process of expansion and purchasing of new ships, to a situation where on the one hand they have suffered losses and a deficit in the cash flow as a result of the ongoing activity and at the same time a significant difficulty has arisen in financing their commitments with regards to the expansion process. For details and more on Zim

¹ It should be noted that of late a disagreement with one of Zim's financial creditors (in this paragraph: the "Creditor") has arisen, as a consequence of which the creditor has taken, in contradiction to the Standstill, steps and legal proceedings with regards to a debt in the scope of 1% of Zim's total balance of debt. In the meantime the parties have reached agreements in principle and as of the date of this report the parties are formulating between them a detailed agreement.

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situation see the details brought in the Board's report and the financial reports for the second quarter of 2009 which were published on the 27.8.2009.

- 1.8. In light of the said, Zim estimates that in the coming years (2009 – 2013) they are likely to find themselves in a cash flow deficit (stemming from the business activity, from investment and loan repayment) in an amount estimated at one billion US dollars (details of the agreed restructuring plan are intended to give an answer to cash flow deficit, while as part of the plan among other things is included the reduction in the lease fees to the related corporations in the total amount of 150 million US dollars, the Company's infusion in the total amount of 350 million US dollars as well as conversion of the existing loan into ZIM shares). In light of this, Zim has formulated (with the aid of professional consultants) a restructuring plan, its principles will be detailed in brief herein (the "Restructuring Plan" or the "Settlement") which is meant to be the basis of the agreed restructuring plan as detailed in this report. It should be clarified the restructuring plan and its terms and conditions are subject to the agreement of the factors forming part of the plan and the results of the ongoing negotiations with them. In Zim's estimation, in light of the progress in negotiations with the financial creditors and other factors, there is a good chance that the negotiations will mature into an agreement near to the time the general assembly, which is the subject of this report, is called for.²
- 1.9. Subject to streamlining and cost-cutting steps, as detailed herein, Zim continues to manage its business around the world and operates the ships in its service on the various shipping routes.
- 1.10. **The Essence of the Principles of the Restructuring Plan (as these have been formulated up to the date of this report):**

² The said in this clause with regards to Zim's expected deficit or with regards to the possibility that negotiations with various factors will mature as stated into an agreement (including the said with regards to period of negotiations), are within the bounds of a forecast, based on Zim's evaluations among other things considering their estimates of their yearly results (including stemming from business activity, investments and loan repayments) as well as considering negotiations Zim had with various factors (according to the matter), however, there is no certainty at this stage that these estimates, beliefs or evaluations will be realised.

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- a. As stated, ZIM is in the advanced process of formulating an overall and agreed restructuring plan with the financial creditors and other factors. In addition, the proposed plan includes settlements opposite the Company as well as opposite the related corporations (these corporations are included among the ship owners leasing ships to Zim and with whom Zim is in a long-term business relationship, as detailed at length herein).
- b. The premise which is the basis of Zim's restructuring plan is that it should be assumed that the present difficult situation in the sea haulage market will continue in 2009 and 2010 and that only in 2011 will a gradual recovery in the sea haulage market start, which will be characterised by an improved utilisation rate of the ships and an increase in the haulage fees in such a way as to enable capital return and profitability.³
- c. On the basis of this, Zim intends to organise its debts and commitments in accordance with the principles detailed herein:
 - (1) The factors included in the settlement, which have been classified into different groups, are required to make concessions taking note of their relative rights.
 - (2) The factors included in a certain group in the settlement are required to make corresponding concessions to those required from the rest of the factors classified in that group.
 - (3) The required concessions from the financial creditors do not include a debts write-off, and in the main is deferment of payments of the principle.
 - (4) Guaranteed financial creditors enjoy preference in payment of their debt over non guaranteed financial creditors.
- d. As clarified above, the restructuring plan is based on Zim's business forecast for the coming years. Zim's activity and its business results are significantly

³ The said in this clause with regards to the assumption regarding a recovery in the sea haulage market and its affect on Zim as well as with regards to Zim's profitability are within the bounds of a forecast, based among other things on Zim's evaluation of the supply and demand trends and Zim's ability to realise its business plan, however, there is no certainty at this stage that these assumptions and evaluations will be realised.

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influenced by the scope of international trade which is a function of the world economic situation. As stated above the business forecast is based on certain assumptions regarding the world economy coming out the recession and recovery of the shipping transportation market and its materialisation is dependent, among other things, in the fulfilment of these assumptions which there is no certainty that they will be realised.

- e. In addition, since the path of activity expected for Zim is a deficit, the business plan is based among other things on the Company's investment in Zim including a cash infusion (in a total amount of 350 million US dollars) from the Company, its conversion and the conversion of the existing loan into Zim shares as well as the Company's agreement to the settlement and the necessary infusion as part of the settlement (including settling with related corporations, as detailed herein, which forms part of the settlement), while this agreement of the Company is a vital condition to the very feasibility of the restructuring plan.
- f. Zim's restructuring plan is based on a voluntary settlement which of its very nature and essence necessitates agreement of all the factors included in the settlement. Zim is today on a positive path of negotiations with the various factors. If and as far as it becomes clear that there are real difficulties in reaching overall agreements which are meant within the required timeframe to achieve the settlement, Zim intends to examine other alternatives including executing a settlement under the aegis of the Court.
- g. For the purposes of the restructuring plan Zim's creditors have been classified into the following groups:
 - (1) Guaranteed financial creditors with sureties on existing ships (this does not include financial creditors who are guaranteed with ships that are in construction or on order).
 - (2) Guaranteed financial creditors with sureties on containers and on container leases (financial leasing).
 - (3) Guaranteed financial creditors who are guaranteed with ships that are in construction (with regards to them there are financing settlements).

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- (4) Guaranteed financial creditors with other specific sureties (client debts, real estate and so forth).
- (5) Ship owners leasing to Zim.
- (6) Non-guaranteed financial creditors, including bond holders.
- (7) Shareholders (the Company).

Some of the aforementioned groups were further classified into sub-groups, as detailed herein.

It should be noted, that other factors mainly employees, suppliers ongoing service providers and authorities are not included in the settlement and their debt will be repaid through Zim's normal business activity.

h. The following is a description of the characteristics of proposed arrangements with the groups included in the discussed settlement:

(1) Guaranteed financial creditors with sureties on existing ships:

The settlement opposite this group is characterised by a grace period during which no payments or only partial payments on the principle will be made, rescheduling the debt for a longer period than the original period with regards some of the financial creditors, while at the same time raising the interest rate somewhat. The specific settlement for each of the financial creditors in this group is based on (a) the original loan period and (b) the value of the surety in relation to the level of debt.

(2) Guaranteed financial creditors with sureties on containers and on container leases (financial leasing):

The settlement opposite this group is characterised by a grace period during which no payments or only partial payments on the principle will be made, rescheduling the debt for a longer period than the original period with regards some of the financial creditors, while at the same time raising the interest rate somewhat. The specific settlement for each of the financial creditors in this group is based on (a) the original loan period and (b) the value of the surety in relation to the level of debt.

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(3) Guaranteed financial creditors who are guaranteed with ships that are in construction (with regards to them there are financing settlements):

In question are 12 ships for which financing arrangements were signed with three different consortiums in order to finance them. In light of Zim's financial situation, the said consortiums notified that they would not allow drawing on the remainder of the loans. The settlement regarding the financing and purchase of these ships is still in negotiations and as yet it has not been finalised. When it is finalised Zim will complete its main points. In the meantime Zim has taken possession of 2 of the aforementioned ships, possession of which was enabled consequent to a loan from the shipyard as detailed in sub-clause (7) herein.

(4) Guaranteed financial creditors with other specific sureties (client debts, real estate and so forth):

In question are debts of a scope which are relatively limited in relation to the rest of the financial creditors. Zim will try and reach individual agreements with these financial creditors based on principles which correspond to the principles of the other settlements (value of the surety in relation to the level of debt, type of surety etc.).

(5) Non-guaranteed financial creditors, including bond holders:

Settlement opposite this group involves postponement of payment of the principles to a determined date in a number of years after the guaranteed debts have been paid in full or after a substantial decrease in the overall scope of Zim's debt, while paying a certain rate of interest during the period and the right to participate in Zim's profits according to the mechanism decided. In addition, this group will be offered the right to convert the balance of the debt into Zim share capital if certain conditions are fulfilled in accordance with an agreed conversion mechanism.

A meeting of bond holders (series A', B' and C') which convened on the 15th of August 2009 decided on the appointment of representatives of the

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bond holders and Zim has started negotiations with these representatives. As of the date of this report the negotiations opposite these representatives has yet to be completed.

(6) Ship owners leasing ships to Zim, including related corporations:

The factors counted among this group include ship leasers for periods exceeding a year, and among them related corporations. Zim intends that this group of creditors will agree to decrease the lease fees for a defined period.

From the factors counted among this group Zim has reached an understanding with the related corporations on the basis of the aforementioned, while the decrease opposite the related corporations is an accumulated amount of 150 million US dollars. Against the amounts reduced as stated Zim will issue convertible promissory notes for Zim shares, which will be converted (not at the discretion of the receivers of the promissory notes) in 2016 or at the time of issue of Zim shares to the public, according to the earlier of the two. In the event that Zim issues its shares to the public by September 2016, the conversion mechanism for Zim shares will be a derivative of the issue value of Zim. In the event and by September 2016 Zim doesn't issue its shares to the public, each party (Zim and the ship owners) will appoint an independent assessor, and the conversion mechanism will be a derivative of the Zim value according to an average of the two as stated assessments of Zim. If the value of Zim at the date of the said conversion is lower from the overall amount stated in the totality of convertible promissory notes for Zim shares issued (to related corporations, other ship owners and additional factors related to the agreed restructuring plan, in as far as they receive convertible promissory notes) then the promissory notes will be converted to Zim shares in a proportional manner between the recipients of the promissory notes in accordance with the amount stated on these notes, and the owners of the convertible promissory notes will not be entitled to any further rights beyond this ("Conversion Formula" and the "Settlement with Related Corporations", accordingly). Consequent to the

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understandings reached with the ship owners (who are not related corporations) it is possible that there will be certain adjustments to the said settlements which, if and as far as there are any, will be detailed in the supplementary report as stated in sub clause j of the introduction to this report.

The agreement of these related corporations to the reduction in the lease fees paid as stated is subject to approval of the restructuring plan on all its terms. That said, a reduction in the amount of 60 million US dollars of the said amount (which is an accumulated amount of present rate of reduction in the lease fees) is not dependent on approval of the restructuring plan.

As of the date of this report the details relating to the settlements with ship owners who are not related parties have as yet to be agreed. Zim is in negotiations with them with the intent of reaching an agreement regarding a reduction in the lease fees on the basis of the principles implemented in the settlement with related corporations, and proportional to scope of commitments opposite them.

(7) Shipyards at which there are open orders for ships:

Zim is in advanced negotiations with shipyards with whom they engaged for the purpose of building ships, and correct as of this date has reached with these bodies the following main understandings:

1. Postponement of the build and / or delivery of the ship (as of this date ZIM has signed agreements to change the delivery date of several of the ships being built as well as a change in the payment date for some of those ships).

Correct as of this date Zim has reached an understanding with shipyards for the postponement of 14 ships in the range of two to 3 years. Most of the said postponements are accompanied by an update in the payment dates so as to correspond with the new delivery dates. The total scope of the payments the dates of which

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have changed or been postponed because of the said ships is 1.5 billion US dollars.

2. Change in the financing structure for the ship purchase, including receiving financing from the shipyards – Zim has reached an understanding with a shipyard to receive financing in the amount of 155 million US dollars to finance payment of the balance of the remuneration for the ship being built and this at different terms agreed between the parties. Out of the said financing amount Zim has received as of this date an amount of 129 million US dollars, a financing which has enabled Zim to purchase 2 ships during July 2009.

(8) Shareholders (the Company):

As part of the agreed restructuring plan it is expected that the Company will need to give Zim a cash infusion (against shares) in the amount of 350 million US dollars, while the balance of the cash infusion is an amount of 250 million US dollars as clarified herein. The Company as acquiesced to infuse the stated amount in instalments during 2009 – 2010.

On the 8.9.2009 the Company's Board approved in principle (after an approval in principle of the audit committee) to infuse Zim the balance of the amount a sum of 250 million US dollars as part of the agreed restructuring plan. The intermediate cash flow amounts mentioned in clause 6.1a above form part of the infusion amount of 350 million US dollars as part of the agreed restructuring plan and as part of the Company's investment in Zim. Accordingly, the balance of the Company's infusion amount as part of the agreed restructuring plan, when this is approved, in an amount of 250 million US dollars.

In addition, the Company's Board has approved in principle (after the approval in principle of the audit committee) that with approval of the agreed restructuring plan as stated, the Company's investment in Zim (including the existing loan) will be converted into Zim shares. The ratio of the conversion will be derived from Zim's equity at the time of

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conversion (Zim's equity according to Zim's financial reports of the 30th of June 2009 stands at 249 million US dollars).

For further details of the audit committee and Board as stated approval see clause 6.3 herein.

(9) Streamlining Steps:

In addition to the said, Zim is continuing the steps taken to significantly improve efficiency which have been and are being carried out, including closing non-profitable shipping lines, unification of other shipping lines while cutting operation costs, standing down ships, return of leased ships to their owners, reducing management costs, including by way of cutting the workforce.

Completion of the restructuring plan, the principles of which are described above, and its full realisation are intended to close Zim's expected cash flow deficit for the years 2009 – 2013, as detailed in clause 1.8 above. The said plan in actuality divides the cash flow burden, in the years when the deficit was accumulated, between the financial creditors and other factors, in such a way that every factor takes part in the plan and contributes to the stabilisation of Zim.

The said above with regards to closing the cash flow deficit, as well as with regards to the stabilisation of Zim is within the bounds of a forecast and is based, among other things, on Zim's estimate regarding business results and on assumptions regarding recovery of sea haulage market and there is no certainty Zim's estimates or assumptions in this matter will be realised.

- 1.11. The cooperation of many years between Zim and the related corporations – cooperation between Zim and the related corporations has gone on continuously since 1969, many years before the present holders of controlling interests in the Company acquired controlling interests (the present holders of controlling interests purchased control in the Company in 1999). After purchase of control of Zim from the State (in 2004) the Company carried out comprehensive settlements, as reported to the general public, in order to regulate the shipping transactions with the interested parties at ZIM, and this particularly in light of the Company's desire that its conduct be transparent and fare opposite its shareholders. For details

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regarding the strength of the ships leased from related corporations see clauses 1.12 and 1.13 herein.

1.12. The Shipping Strength in the Service of Zim

The following Table details and concentrates correct as of the 31st of August 2009, the number of ships in the service of Zim according to category: קטגוריות:

	Container Ships		Other Ships	Total
	Number of Ships	Container Capacity (TEU)		
Fully owned ships by Zim (directly or indirectly through subsidiaries)	20	80,166		20
Joint Ships (through subsidiaries) with Interested Parties in the Company (leased by Zim)	4	17,000		4
<u>Ships Leased from Interested Parties in the Company</u>				
For short periods (up to 5 years)	2	6,010	1	3
For long periods (over 5 years)	9	46,160		9
<u>Ships from Third Parties</u>				
For short periods (up to 5 years)	39	68,358		39
For long periods (over 5 years)	19	80,198		19
Total:	93	297,892	1	94

1.13. Details of Ships Leased to Zim from Related Corporations

The following Table, which details and concentrates correct as of the 31st of August 2009, items related to the fleet of ships leased from related corporations:

No.	Age of the Ship in Years	Container Capacity (TEU)	Agreement Lease Period	Daily Lease Fees in Accordance with Existing Agreement in US Dollars	The Standing Down Period of the Ships in the Last 12 Months
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1.	28	4,850CC ⁴	27/03/2006 – 26/03/2011	20,000	
2.	7	4,992	28/02/2002 – 31/12/2011	23,000	
3.	7	4,992	06/07/2002 – 07/05/2012	23,000	
4.	17	3,005	30/06/2008 – 30/05/2013	25,900	As of the – 05.06.09 until today ⁵
5.	17	3,005	01/10/2008 – 01/09/2013	25,750	As of the – 29.05.09 until today ⁵
6.	3	4,250	30/11/2006 – 01/10/2016	23,000 ⁶	
7.	2	4,250	25/04/2007 – 24/02/2017	23,000 ⁶	
8.	2	4,250	14/05/2007 – 15/03/2017	23,000 ⁶	
9.	2	4,250	08/08/2007 – 10/07/2017	23,000 ⁶	
10. ⁷	3	4,250	07/06/2006 – 08/04/2016	23,000	
11. ⁷	2	4,250	01/11/2007 – 02/10/2017	23,000	
12.	1	6,350	31/03/2008 – 30/01/2018	31,500	
13.	0	6,350	11/05/2009 –	31,500	

⁴ This means – car haulage capacity.

⁵ From the date the ship was stood down the lease fees have been reduced by an amount of 3,500 US dollars per day.

⁶ The ship in question is a joint ship (in equal parts) by Zim and the related corporations. The related corporations and Zim have 4 joint ships in total. Therefore, in fact, only half of the lease fee for the 4 joint ships as stated, less operation fees paid to the related corporations which carry these cost, refer as stated to the related corporations.

⁷ As of the 1.5.2009 an amount of 5,000 US dollars was deferred from lease fee during 2009 and an amount of 2,000 US dollars in 2010 for each ship and this until 2011.

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			12/03/2019	
14. ⁷	7	4,992	15/04/2002 – 15/02/2012	23,000
15. ⁷	5	4,992	14/06/2004 – 15/04/2014	21,900
16. ⁷	5	4,992	19/07/2004 – 20/05/2014	21,900

1.14. Further details regarding the ships leased to Zim from related corporations taking into account the restructuring plan

As a result of the reduction in the lease fee as stated in clause 1.10h(6) above, the overall amount of the aforementioned lease fees which will be paid to the related corporations will be reduced by an accumulated amount of 150 million US dollars and this over a period of several years (it is hereby clarified that the reduction in the lease fees will apply only to those years). The period of the reduction has yet to be finalised, and it is dependent among other things on the settlements between Zim and the other ship owners. In addition, the specific reduction in lease fee for each leased ship has yet to be determined. Details regarding the reduction attributed to the ships leased to Zim from related corporations (which in accumulation will bring in the said total amount of 150 million US dollars) will be published as part of the supplementary report that will be sent soon.

1.15. In order to complete the picture, the following is additional details regarding Zim's commitments towards the related corporations correct as of the 30.6.2009:

- (a) The total amount of Zim's commitments to the related corporations during the period of the restructuring plan which is the subject of this report (from the middle of 2009 to 2013) stands at 464 million US dollars⁸ (in nominal

⁸ The said nominal amount includes among other things: (a) lease fees for the plan period (2009 – 2013) as detailed in the table in clause 1.13 above (the amount does not include a reduction in the amount of 3,500 US dollars per day for standing down 2 ships as stated in footnote 6 above); (b) some 53 million US dollars for future commitments for the lease of ships that have yet to be received but are due to be received during the plan period; (c) some 21 million US dollars for commitments to lease 2 ships (as detailed as part of the Company's last periodical report (in the Board's report)); (d) debt to the related corporations in the amount

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terms, and following the reduction amounts totalling 150 million US dollars from the lease fees as mentioned above) – and a present value of 395 million US dollars⁹; it should be noted that in neutralising the operational costs estimates of the leased ships, the total amount of Zim's commitments to related corporations during the restructuring plan years is a nominal amount of 295 million US dollars, and a present value of 250 million US dollars¹⁰

- (b) The total amount of Zim's commitments during the period of the restructuring plan which is the subject of this report (from the middle of 2009 to 2013) is 3.6 billion US dollars which is composed among other things from amounts of the debt principles, commitments for payment of lease fees in nominal terms and commitments for the purchase of ships in nominal terms (following the reduction amount of 150 million US dollars from the lease fees as mentioned above). The said amount does not include commitments for employee rights and derivatives in the total amount of 103 million US dollars;
- (c) The total amount of Zim's existing commitments to related corporations from 2014 and henceforth is the nominal amount of 430 million US dollars¹¹. It should be noted that in neutralising the operational costs estimates of the leased ships, the total amount of ZIM's commitments to

of 13 million US dollars (principle and interest) for cancellation of lease ships as stated in the immediate report of the 30.4.2009.

⁹ The capitalisation rate used for calculations in this clause was 8%.

¹⁰ The leases in question from the related corporations are part of Time Charter contracts. These lease fees include ship operational costs (such as: crew, maintenance, living expenses, insurance, oils and so forth). In certain circumstances of shortening or cancelling the lease period or in the event of the ship being stood down, it is customary to deduct the component of operational costs (all or a significant part thereof) from the lease fees.

¹¹ The said nominal amount includes among other things: (a) lease fees for the period 2014 and henceforth for existing leases as detailed in the Table in clause 1.13 above; (b) 150 million US dollars for existing commitments for the lease of ships that have yet to be received in 2014 and henceforth; (c) some 5 million US dollars for commitments for the lease of 2 ships (as detailed as part of the Company's last periodical report (Board's report)).

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related corporations in the period 2014 and henceforth is a nominal amount of 313 million US dollars.

1.16. Further Details

- a. Details regarding Zim's assessment on present market conditions for leasing ships similar to those leased from related corporations as shown above will be published as part of the supplementary report that will be sent shortly.
- b. Attached as **Appendix A'** the main points of the forecasted cash flow for financing Zim's deficit commitments in the coming years.
- c. Attached as Appendix B' Zim's financial reports (consolidated) for the 30.6.2009.

2. Description of the Main Points of the Engagements

- 2.1. The Company's investment in Zim including the conversion of the Company's investment amount into Zim shares as stated in this report. Upon approval of the agreed restructuring plan as stated in this report, in the years 2009 – 2010, an infusion in the amount of 250 million US dollars will be carried out in instalments (as part of the Company's investment in Zim), and the Company's investment amount will be converted into Zim shares as clarified in this report.
- 2.2. The settlements with the related corporations with regards to the reduction in the lease fee and the issue of promissory notes convertible into Zim shares according to the conversion formula (as detailed in clause 1.10h(6) above).

3. Personal Interest and the Nature of the Personal Interest of the Holders of Controlling Interests

- 3.1. Millennium Investment Elad Ltd ("**Millennium**") holds 46.94% of Israel Corp. Millennium is held by Mashat (Investment) Ltd ("**Mashat**") and the Ofer Group Investment Ltd (80% and 20% respectively). Mashat is a private company held indirectly by foreign corporations, by a discretionary trust, of which Mr. Idan Ofer is a beneficiary. The Ofer Group Investments Ltd directly holds 2.93% of the Company's share capital. The Ofer Group Investment Ltd is a private company held in full by Ofer Holdings Group Ltd ("**Ofer Holdings**"), which is a private company held in equal parts by Orona Investment Ltd (a company which is indirectly held by Mr. Ehud Angel) and Lynav Holdings Ltd ("**Lynav**"). Mr. Ehud

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Angel has a special share which grants him among other things, under certain limitations and for certain matters, an additional vote on the Offer Holdings board of directors. Lynav is controlled by a discretionary trust of which Mr. Idan Ofer is the main beneficiary. Mr. Idan Ofer holds directly 3.85% of the Company's share capital. In addition, Kirby Enterprises Inc., held indirectly by the discretionary trust which holds Mashat and of which as stated Mr. Idan Ofer is a beneficiary, holds 0.74% of the Company's share capital.

3.2. As stated above, the related corporations are a party to the "settlement with the related corporations" (as detailed in clause 1.10h(6) above). The related corporations are creditors of ZIM maintaining a business relationship of many years with ZIM (for further details see the said in clauses 1.13 to 1.15 above). For details and clarifications with regards the doubt relating to the existence of personal interests see clause 6.4 herein.

4. How the Amount the Company Would Invest in Zim was Determined and the Conversion Formula

4.1. The amount the Company would invest in Zim which is the subject of this report, as detailed above, was determined among other things on the basis of Zim's immediate and vital needs, in light of the position of Zim's financing banks, and considering the outline of the restructuring plan Zim formulated together with their professional advisors, and considering Zim's forecasted cash flow deficit in the coming years, as well as the necessary supplement to the expected contribution of the financial creditors and other factors to the agreed restructuring plan in order to cover Zim's forecasted cash flow deficit for the years 2009 – 2013.

4.2. The conversion formula which is the subject of the settlements with the related corporations was determined on the basis of the following premises: (a) against the sums reduced as stated in clause 1.10h(6) above promissory notes convertible into Zim shares will be issued, which will be converted (not at the discretion of the receivers of the promissory notes) in 2016 or at the time of issue of Zim shares to the public, according to the earlier of the two. In the event that Zim issues its shares to the public by September 2016, the conversion mechanism for Zim shares will be a derivative of the issue value of Zim. In the event and by September 2016 Zim doesn't issue its shares to the public, each party (Zim and the ship owners)

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will appoint an independent assessor, and the conversion mechanism will be a derivative of the Zim value according to an average of the two as stated assessments of Zim. If the value of Zim at the date of the said conversion is lower from the overall amount stated in the totality of convertible promissory notes for Zim shares issued (to related corporations, other ship owners and additional factors related to the agreed restructuring plan, in as far as they receive convertible promissory notes) then the promissory notes will be converted to Zim shares in a proportional manner between the recipients of the promissory notes in accordance with the amount stated on these notes, and the owners of the convertible promissory notes will not be entitled to any further rights beyond this; (b) In return for their contribution to the agreed restructuring plan by way of reducing the lease fees as clarified above, the related corporations will be given the opportunity to enjoy the possibility of Zim's recovery; (c) Determination of the value of Zim in the future for purposes of realisation of the convertible promissory notes is not dependent on the related corporations.

5. The Necessary Approvals

- 5.1. The Company's audit committee approved the resolution the subject of this report on the 8th of September 2009 (for further details see clause 6.3 herein).
- 5.2. The Company's Board committee approved the resolution the subject of this report on the 8th of September 2009 (for further details see clause 6.3 herein).
- 5.3. The resolution which is the subject of this report is brought for approval by the Company's general assembly which will be called as determined in clause 10 herein. 10

6. Further Details

- 6.1. As stated above, the agreed restructuring plan and its terms are subject as stated to the agreement of the factors which form part of the plan and the results of the continuing negotiations with them, while as of the date of this report as yet no agreed restructuring plan has been fully formulated.
- 6.2. As stated above, the Company will send close to the date of the general assembly which is the subject of this report an immediate supplementary report/s, which will include further details in relation to the agreed restructuring plan, its terms and the

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progress of its formulation. In as far as in question are essential details the supplementary report will be sent no later than 14 days before the date the general assembly is called for, if the details are non-essential than the report will be sent no later than 3 days before the date of the assembly.

- 6.3. The resolutions which are the subject of this report that were approved in principle by the Company's audit committee and Board were based on information existing at the time this report was given as well as the assumptions presented to the Board by ZIM and the Company's management. Shortly after receiving the information and further data with regards to the agreed restructuring plan, the Board's committee (recommends) in the matter of ZIM as well as the audit committee and the Company's Board will meet, and after examining the information and further data related to the agreed restructuring plan which are expected to be accepted in the near future, the audit committee and the Board will again meet and discuss the resolutions which are the subject of this report, and consequently and immediate supplementary report will be sent in the matter, together with the audit committee's and the Board's arguments.
- 6.4. As stated in the immediate report of the 18.8.2009, the Company wishes to clarify that in response to a reasoned and detailed appeal to the Securities Authority regarding the lack of personal interest on the part of Bank Leumi Israel Ltd ("BLI") in approving the resolution which is the subject of this report, on the 17.8.2009 the Securities Authority stated their position according to which BLI has a personal interest in approving the discussed resolution, and that BLI votes should not be included in the quorum of a third of the votes of shareholders who are non interested parties needed out of the total of votes cast in approval of the said transaction, in accordance with the instructions of clause 275 of the Companies Law, 5759-1999 ("**Companies Law**") and this based on the Securities Authority's position that holder's of controlling interests in the Company have a personal interest in the transaction being approved (the "**Authority's Position**").

The Company believes that personal interest should not be attributed to BLI in approving the discussed resolution, and this is BLI's position too, as verbally stated to the Company.

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The Company is of the position that there is nothing in the resolution subject of the first transaction report regarding intermediate cash infusion to create personal interest in the holders of controlling interests in the Company or such which crosses the bounds of clauses 270(4) and 275 of the Companies Law, however, taking a cautionary and conservative stance, and considering the concerns that may give rise to a claim of any personal interest in the resolution which is the subject of the first transaction report and that the resolution enters the realms of the said clauses, the Company chose to bring the resolution for approval of the general assembly in accordance with the instructions of clause 275 of the Companies Law. The resolution which is the subject of the first transaction report with regards to making available intermediate cash flow amounts was taken by the audit committee and the Board with only the best interests of the Company without the influences of any personal interests whatsoever before them. There is nothing in the Company's decision as stated to approve the need for the said procedure or to express the Company's position regarding the existence of personal interests of the holders of controlling interests in the Company.

In addition, the Company is of the opinion that there is doubt whether the resolution which is the subject of this report on the matter of the Company's investment in Zim creates personal interest for the holders of controlling interest in the Company or whether it crosses the bounds of clauses 270(4) and 275 of the Companies Law, however, taking a cautionary and conservative stance, and considering the concerns that may give rise to a claim of any personal interest in the resolution which is the subject of the first transaction report and that the resolution enters the realms of the said clauses, and noting that in any case it is brought for approval within the scope of the settlement decision with the related corporations, the Company has chosen to bring the resolution regarding the Company's investment in Zim for approval by the general assembly in accordance with the instructions of clause 275 of the Companies Law. There is nothing in the Company's decision as stated to approve the need for the said procedure or to express the Company's position regarding the existence of personal interests of the holders of controlling interests in the Company's investment in Zim in and of itself.

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6.5. In addition, as stated in the Company's immediate report of the 25.8.2009, after examining the personal interests of certain voters at the general assembly which took place on the 20.8.2009 on the matter of the intermediate cash infusion to Zim, the Securities Authority was of the opinion that most of the voters who voted to approve the resolution have a personal interest. The Company's opinion is different, and the Company retains and maintains all the rights and arguments with regards to this.

7. **The Audit Committee's and Board's Reasons in Brief**

The Company's audit committee and Board have considered, examined and approved, as stated in clause 6.3 above, approval of the discussed resolution on the basis, among other things, of the recommendations of the Company's management as well as on the basis of the following considerations:

- 7.1. The shipping industry is a highly cyclical one which is currently in the midst of a severe crisis. To the best of the Company's knowledge, based on what Zim has passed on to them from various publications, shareholders in a number of foreign shipping companies intend to carryout or have carried out in this period substantial capital infusions to their companies because of the severe crisis in the industry.
- 7.2. The initial estimates presented to the Company by Zim, based, among other things, on the estimates given to Zim by professional international advisors, indicate that at the end of the restructuring plan Zim will be stabilised and with the return of the market to normal economic activity (including the said in clause 1.10 above) the Company's investment in Zim is likely to be economically beneficial.¹²
- 7.3. The Company's investment in Zim (including an infusion of balance in the amount of 250 million US dollars), considering Zim's situation, was and is necessary for the continued operation of Zim as a "going concern".

¹² The aforementioned with regards to the Company's investment in Zim being potentially economically beneficial is within the bounds of a forecast, based on the estimates and information given by Zim which among other things takes into consideration the conditions of the international shipping market, the demand and supply trends and Zim's ability to realise its business plan, however, there is no certainty that this possibility will be realised.

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- 7.4. The Board were aware that Zim's continued operation as a "going concern" is extremely important both from a national, security, the economy as a whole perspective (including as a result of the international implications in light of Zim's global activity, and the fact that a majority of the banks and other financing bodies of Zim are international bodies with influence over other corporations in the Israeli economy) and from the perspective of the thousand of employees and service providers of Zim and its subsidiaries, and those related to Zim's activity.
- 7.5. The Company's avoidance from supporting Zim might cause possible damage to the Company and its Group, including as a result the possibility of facing difficulties in the future in securing new financing as well as recycling existing financing from financial institutions both national and international. In addition, this might damage the Company's reputation in Israel and abroad and a loss of the Company's investment in Zim and this in addition to the loss of the potential embodied in Zim.
- 7.6. Based in the information received from Zim, Zim is advancing the steps to formulating an agreed restructuring plan with the financial creditors and other factors.
- 7.7. It is customary that a parent company which fully controls a subsidiary supports it in difficult times, and this is especially the case for holding companies such as the Company and a subsidiary such as Zim.
- 7.8. The agreement of the related corporations to reduce as part of the agreed restructuring plan Zim's lease fees in the coming years in the accumulated amount of 150 million US dollars, against convertible promissory notes, benefits Zim and is an important layer in the formulation of an agreed restructuring plan and marker to other ship owners.
- 7.9. The conversion formula for Zim shares the subject of the settlement with the related corporations (as detailed in clause 1.10h(6) above) is fitting and reasonable, as detailed above.
- 7.10. Taking into consideration all the circumstances, the Board found that approval of the Company's investment in Zim and the formulation of the agreed restructuring

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plan (including the settlements with the related corporations) is necessary and vital for Zim and is in the best interests of the Company.

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

8.1. In the audit committee's decision of the 8th of September 2009, to approve the resolution which is the subject of this report, the following directors participated: Zahavit Cohen, Mr. David Brodetand Yaacov Amidror (who also serves as a director at Zim), also present was Mr. Amir Elstein.

8.2. In the Company's Board's decision of the 8th of September 2009, to approve the resolution which is the subject of this report the following Board members participated: Moshe Vidman, Amir Elstein, Zahavit Cohen, Yaacov Amidror, Amnon Lion, Ron Moskovitz, and David Brodet, also present during part of the deliberation were the Misters Idan Ofer and Ehud Angel (who didn't take part in the voting, as clarified herein).

8.3. Out of consideration of the fact that a majority of the Board members may have a personal interest in approving the resolution the subject of this report, pursuant to clause 278(b) of the Companies Law, 5759-1999, all the directors are entitled to participate and vote on this resolution of the Board. Despite the aforementioned, and for reasons of caution, Misters Idan Ofer, Ehud Angel, did not participate in the vote on the resolution which is the subject of this report.

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

9.1. Misters Idan Ofer and Ehud Angel may be deemed as having a personal interest in approval of the resolution which is the subject of this report, since they are connected to the related corporations (as detailed in clause 3 above).

9.2. Misters Amnon Lion, Yossi Rosen and Ron Moskovitz may be deemed as having a personal interest in approval of the resolution which is the subject of this report, since they serve as position holders in some of the corporations mentioned in clause 3 above or in corporations related to them or in corporations related to controlling shareholders. In addition, in accordance with the position of the Securities Authority regarding the personal interest of BLI in approving the discussed resolution, Misters Moshe Vidman and Zeev Nehari, considering that

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they are position holders at Bank Leumi Israel Ltd have a personal interest in the discussed resolution. The Company disputes as stated the position of the Securities Authority on the issue of the personal interest attributed to BLI as stated above.

9.3. The said in clauses 9.1 and 9.2 above should be read subject to the said in clause 6.4 above.

10. Notice on the Convening of a General Assembly, the Required Majority and the Effective Date for Eligibility of a Shareholder to Vote:

10.1. Notice is hereby given that a special general assembly of the Company's shareholders will convene at 16:00 o'clock on the 14th of October 2009, at the Company's offices at 23 Arnea Street, (Millennium Tower), Tel Aviv on the agenda approval of the actions, transactions and engagements as stated in clause 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.

10.2. The majority required at the meeting to approve the said resolution 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 subparagraph(a) above, will not exceed 1% of all the voting rights in the Company.

10.3. A shareholder may appoint a proxy who may attend and vote on their behalf at the general assembly pursuant to the Company's articles of association. Power of attorney letters will be deposited at the Company's registered office by 10:00 of the day of the general assembly which is the subject of this report.

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 warrant in lieu of participating at the meeting personally or by proxy, will

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be made by using the second section of the voting warrant attached as **Appendix C'** of this report. The voting warrant and the documents that must be attached to it as detailed in the voting warrant should be submitted to the offices of the Company by 10:00 on the day the general assembly which is the subject of this report. In this connection, the submission date is the date, on which the voting warrant and the attached documents, reached the offices of the Company.

- 10.5. The date determining eligibility of a shareholder to vote at the general assembly, as stated in clause 182 of the Companies Law, is the 15.9.2009 (the "**Determining Date**").
- 10.6. In accordance with the Companies Regulations (Proof of Title to a Share for Voting Purposes at General Assemblies) 2000, a shareholder in whose favour 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 with 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 legal 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 assembly after half an hour has elapsed from the time appointed for commencement of the assembly, the assembly 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 is present after half an hour has elapsed from the time appointed for the assembly, the members present will constitute a quorum.

11. General

- 11.1. A directive given by the Securities Authority:- pursuant to regulation 10 of the Securities Regulations (Transaction between a Company and a Controlling party thereof), 2001: the Securities Authority is entitled, within 21 days of the date of the filing of this report, to direct the Company to provide by a given date, explanations, details, information and documents relating to the offer or

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engagement, as the case may be, to which the report relates, and also to instruct the Company to amend the report in such manner and time as it prescribes. In such a case, the Authority may direct that the date for the general assembly be adjourned until such a date as will fall not earlier than three business days or 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, are: Ms Noga Yaziv, advocate, Company secretary, at 23 Arnea Street, Millennium Tower, Tel-Aviv, Tel: 03-6844500.
- 11.3. The Company's shareholders may study this report and the other documents pertaining to the resolutions proposed for the general assembly at the Company's offices on Sundays to Thursdays, between 09:00 – 16:00, by prior arrangement, Tel: 03-6844500.

Sincerely,

Israel Corporation Ltd.

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Appendix A'

Re: **Summary of the Cash Infusions Forecasted to Finance Zim's Commitments Deficit in the Coming Years**

1. Summary of the accumulated cash infusions from the middle of 2009 to 2013 (in millions US dollars), **without taking into account the agreed restructuring plan**, is as follows:

Operational Infusion	1,041
Investment in Ships Less Financing	(337)
Net Infusion from Realisation of Assets	238
Infusion from Financing Activities	(1,678)
Total	(736)

Note: the accumulated infusion for the above stated period totals an amount of 736 million US dollars, however, because of the timing differences; the maximum deficit (in 2012) is some billion US dollars.

2. The above infusion is based on the following assumptions:
- 2.1. Delivery of the new ships and payment for them will be executed according to the updated schedule.
 - 2.2. Financing of the ships according to the original financing agreements.
 - 2.3. Recovery of the shipping industry in 2011.

The aforementioned infusion is within the bounds of a forecast, which is based on Zim's estimates, taking into consideration, among other things, the aforementioned assumptions as well as Zim's estimation of its yearly results (including those stemming from the business activity, from investments and loan repayments), market conditions, Zim's working capital and so forth, however, there is no certainty at this stage that these assumptions, estimates, beliefs or assessments, such as the aforementioned infusion, will be realised.

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As part of the supplementary report, as stated in sub-clause d' to the introduction to the reporting which is the subject of this appendix, will be attached Zim's forecasted cash infusion in the coming years, as brought above, and this taking into account the terms of the agreed restructuring plan.