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Israel Corporation Ltd.

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ISRAEL CORPORATION

Adv. Noga Yatziv

Company Secretary and Assistant to the President

September 30, 2009

To:
The Securities Authority
3 Canfei Nesharim st.
Jerusalem
via MAGNA

To:
The Tel Aviv Stock Exchange Ltd.
54 Ahad Haam st.
Tal Aviv
via MAGNA

Dear Sir/Madam,

Re: Immediate Report –Israel Corporation Ltd. ("the Company")

Pursuant to Regulations 1(2) and 1(5) of the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000 ("**the Relief Regulations**"), Israel Corporation Ltd. ("**the Company**") hereby reports as follows:

Background

1. In view of the present cash-flow situation of Zim Integrated Shipping Services Ltd. ("**Zim**"), a subsidiary of the Company, the essence of the agreements subject of this report is the request made by Zim of companies affiliated, directly or indirectly, with controlling shareholders of the Company to advance payments totaling an estimated sum of approximately 17 million dollars. The said companies, with the aim of assisting Zim in its said cash-flow position, met Zim's approaches and responded favorably to its request (all as stipulated below in this report).
2. Zim chartered under a time charter from companies affiliated, directly or indirectly, with the controlling shareholders of the Company ("**the Ship**

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Owners") two ships for a term of 10 years +/- 60 days (at Zim's option) for a fixed charter fees of 31,500 US Dollars per day for each ship ("**the Original Charter fees**"). For additional details relating to the two ships which are the subject of this report see sections 12 and 13 of the table in section 4 of the Company's Immediate Report dated 24.9.2009.

3. The commencement of the term of charter of one of the ships was on 31.03.08 and of the other ship on 11.05.09.
4. The above mentioned ships were chartered by Zim under a sub-charter to APL (Bermuda) Ltd. (a company which is not affiliated with Zim or its owners) ("**the Sub-Lessee**") for a term of 60 months (commencing on the date of the receipt of the ships by Zim from the Ship Owners under the primary charter) ("**the Fixed Charter Term**") with the Sub-Lessee having the possibility of extending the term for an additional 45 days at its discretion ("**the Additional Term**"). Furthermore, it was agreed that the Sub-Lessee shall have an option to extend the sub-charter of the second ship for an additional 24 months +/- 30 days (at the Sub-Lessee's option) ("**the Option Term**"). Notice of exercise of the option shall be delivered by the Sub-Lessee no later than 11.5.2013.
5. The charter fees for the ships which are sub-chartered is higher than the Original Charter fees and amounts to the sum of 39,700 US Dollars per day for the ship and the net charter fees for Zim (after deduction of the commission to the broker) amounts to 37,500 US Dollars per day for the ship.
6. The charter fees for the second ship during the optional term of 24 months is 35,000 US Dollars per day and the net charter fees for Zim (after deduction of the commission to the broker) amounts to 34,700 US Dollars per day.

The Agreements

7. It was agreed by Zim and the Ship Owners that the sub-charter agreements would be assigned to the Ship Owners and renewed (novation) by the Sub-Lessee and the Ship Owners so that in fact, Zim will not be a party to the agreement and the ships shall be chartered directly by the Ship Owners to the Sub-Lessee according to the provisions of the sub-charter agreements ("**the Substitute Contracts**"). Such assignment is subject to the consent of the Sub-Lessee, which may not refuse to approve the assignment on unreasonable grounds.
8. The lease fees under the sub-charter contracts shall be paid directly to the Ship Owners and the Ship Owners shall make an advance and pay up-front to Zim within 7 days of the Substitute Contracts entering into force the balance between the charter fees under the original charter contracts and the charter fees under the sub-charter contracts for the Fixed Charter Term (on the basis of 360 charter days

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per year subject to accounting for the off-hire periods¹ at the end of the sub-charter term), a sum estimated at approx. 17 million US Dollars (taking into account the reserve amount mentioned in section 10 below). The capitalization rate on the basis of which the calculation of the said sum was made is 1% (one percent)², and the nominal total is estimated at approx. 17.4 million US Dollars.

9. The balance of the charter fees for the Additional Term and the Option Term, if exercised by the lessee, shall be paid by the Ship Owners to Zim within 5 business days from the receipt of the charter fees by the Ship Owners.
10. To secure the fulfillment of the Substitute Contracts by the Sub-Lessee and the performance of payment by it to the Ship Owners, a non-significant reserve was left with the Ship Owners out of the sum of the balance between the Original Charter Fees and the charter fees under the sub-charter contracts (determined on the basis of five days of charter per year together with the capitalization amount).
11. At the end of the sub-charter term, Zim and the Ship Owners shall settle accounts (both with regard to the off-hire periods and with regard to non-payment or deductions from the charter fees as clarified below). If for any reason (other than reasons which are the liability of the Ship Owners or subject to their control) the Sub-Lessee does not pay the charter fees under the Substitute Contracts or makes deductions from the charter fees payable to the Ship Owners which have not been agreed, then the parties shall settle accounts with regard to the reserve amount mentioned in section 10 above. If the sum which has not been paid by the Sub-Lessee to the Ship Owners is higher than the reserve amount, then Zim shall have to indemnify the Ship Owners for the remaining sum. If the reserve amount is higher than the sum which has not been paid by the Sub-Lessee, the Ship Owners shall pay Zim the balance of the reserve amount. If the termination of the charter takes place before the designated time for reasons connected to the Sub-Lessee, Zim shall be entitled to demand that the Ship Owners initiate action in order to collect from the Sub-Lessee the sums owed by it.
12. Upon the termination of the sub-charter term of both ships (the termination of the novation) the ships shall be returned to the charter of Zim pursuant to the original charter contracts between Zim and the Ship Owners.
13. The Zim management as well as the audit committee and the board of directors of Zim believe that the said agreement is part of the steps initiated by Zim in order to deal with its cash-flow situation, it can only generate benefit for Zim and it is in the present course of business of Zim and on market terms, as stipulated below.

¹ The length(s) of time for which the lessee is exempt from paying charter fees under the provisions of the agreement and the law.

² See in addition section 15 below.

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14. It should be noted that the agreement which is the subject of this report does not derogate from the transaction report of the Company dated 9.9.2009 and the supplementary report of 24.9.2009 ("**the Transaction Report**") concerning the reduction of the aggregate sum of approx. 150 million US Dollars in the charter fees paid by Zim to Related Corporations (as defined in the Transaction Report) which include the Ship Owners who are the subject of this report. Accordingly, no later than 5 business days after the date when each installment of the charter fees is to be paid pursuant to the original charter contract between Zim and the Ship Owners, the Ship Owners shall transfer to Zim a sum constituting the reduction rate of the charter fees (amounting to 11,025 US Dollars for each ship as stipulated in the Transaction Report) for the ships which are the subject of this report.

Explanations of the Manner of Determining the Provisions of the Agreement

15. In view of the present cash-flow position of Zim, the essence of the above mentioned agreement is Zim's request of the Ship Owners to advance payments to it on account of the sum of the balance between the charter fees pursuant to the original charter contracts and the charter fees pursuant to the sub-charter contracts stipulated above until the termination of the sub-charter term, in an amount estimated at approx. 17 million US Dollars (taking into account the reserve amount mentioned in section 10 above). The capitalization rate on the basis of which the calculation was made is 1% (one percent). The Ship Owners, with the aim of assisting Zim in its cash-flow position as stated above met Zim's approaches and responded favorably to its request to pay it up-front the future payments as stated above. The capitalization rate reflects interest lacking any risk (the yield on debentures of the US Government, for a term of two years which is an approximation of the average length of life of the future payments which are the subject of the transaction).

A Summary of the Reasons of the Audit Committee and the Board of Directors for Approval of the Transaction or the Agreement

16. The audit committee and the board of directors of the Company, after being convinced that the Zim management, its audit committee and board of directors had examined the various aspects of the said agreement and its feasibility for Zim, and following the recommendation of the Company's management, reviewed the agreement and approved it, on the basis of the recommendations of the Zim management and the audit committee and the board of directors of Zim and, inter alia, on the basis of the main considerations set out below:
 - A. The essence of the agreement in question is advancing payments to Zim, and this in view of the cash-flow situation of Zim.
 - B. The agreement can only benefit Zim.

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- C. The capitalization rate for the payments advanced to Zim as stated above, at the rate of 1% (one percent), is reasonable and fair, and on terms preferable to market rates. On the basis of the position of the Zim organs, which appears reasonable in the given circumstances, the agreement in question which is part of the steps initiated by Zim in order to deal with its cash-flow situation is in the present course of business of Zim.
- D. The consent of the Ship Owners to advance payments to Zim as stated above and to meet its approaches is vital for Zim and to its benefit.
- E. The agreement which is the subject of this report, in view of all its details, is in the interest of Zim.

Additional Remarks

- 17. In accordance with Regulation 1C. of the Relief Regulations: (A) the relief pursuant to Regulation 1 of the Relief Regulations shall not apply to the Company if one shareholder or more holding at least one percent of the issued equity of the voting rights in the Company, gives notice of his objection to the granting of the said relief and provided that the objection is filed with the Company in writing no later than fourteen days from the date of the filing of this report or from the filing date of a report correcting this report, if such report is filed; (B) If an objection is filed as stated in sub-section (A) above, the said agreement shall require an approval pursuant to the provisions of section 275 of the Companies Law, 1999.
- 18. If for any reason the settlement which is the subject of this report does not enter into force within 21 days from the date when it was approved by the Company's board of directors (as stipulated below), each party may notify the other party of the annulment of the settlement.
- 19. The agreements included in the settlement stipulated above were approved: on 26.08.09 by the audit committee of Zim; on 26.08.09 by the board of directors of Zim; on 30.09.2009 by the Company's audit committee; on 30.09.2009 by the Company's board of directors.

Yours sincerely,

Israel Corporation Ltd.