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Re: Supplemental Report to the Transaction Report Dated September 9, 2009

Further to the Transaction Report dated September 9, 2009 (hereinafter: the "**Transaction Report**")[1], and, *inter alia*, in accordance with that stated in section 6.2 of the Transaction Report, Israel Corporation Ltd. (hereinafter: the "**Company**") respectfully submits a first Supplemental Report to the Transaction Report, as follows:

1. General

a. The Company wishes to note that subsequent to this first Supplemental Report, an additional Supplemental Report shall follow, which shall include additional material details which the Company shall possess at that time.

b. The Company also wishes to note that for the purpose of the decision-making process in the matters which are the subject of the Transaction Report at the Company's institutions, a few months ago, a designated committee was appointed by the Board of Directors, comprising the following independent directors: Amir Elstein – Chairman, David Brodet, Gideon Langholz, Zehavit Cohen and Yaakov Amidror. The committee's job shall be to examine, on a regular basis, the progress and the updates in the outline of the Restructuring Plan, as was also noted in section 6.1 of the Company's Immediate Report dated August 2, 2009 (Reference No: 2009-01-183768). The committee continues with its activities and shall bring its recommendations to the Audit Committee and the Board of Directors of the Company, as noted in section 6.3 of the Transaction Report.

c. As set forth in the Transaction Report, the subject-matter of the Transaction Report is, *inter alia* and essentially, the Company's investment in ZIM, as part of the Agreed Restructuring Plan for ZIM, and also in arrangements with the related corporations.

For the sake of convenience, below is a table giving details of the Company's investment in ZIM:

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[1] All of the terms stated in this Report shall have the meaning ascribed thereto in the Transaction Report, unless otherwise expressly determined.

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Components of the Company's Investment in ZIM	Date of the Injection	Date and Mechanism of the Conversion	Company's Projected Holding Percentage in ZIM Following the Conversion	References	Notes
An existing loan in the amount of US$ 100 million.	In accordance with the decisions of May 2009 – injected in June and July 2009.	Upon approval of the Agreed Restructuring Plan – the conversion ratio will be derived from ZIM's shareholders' equity as of the conversion date, in such manner that the value of the Company pursuant to which the conversion shall be made is the shareholders' equity in ZIM's books as of the date of the conversion pursuant to ZIM's last known financial statement.	99.6% - based on ZIM's current shareholders' equity as of June 30, 2009 (US$ 249 million).	See Immediate Reports dated June 2, 2009 and July 2, 2009.	
Interim injection amounts, composed of US$ 40 million and US$ 60 million, which are included in the total injection amount, in the sum of US$ 350 million, as part of the Agreed Restructuring Plan.	Beginning of August 2009 / August 31, 2009			See section 1.11 of the first Transaction Report dated August 2, 2009 and also the Immediate Report dated August 26, 2009.	The securities in respect of the interim injection shall be removed automatically upon the approval of the general meeting.
US$ 250 million (the balance of the injection amount out of the total of US$ 350 million)	Approval of the Agreed Restructuring Plan.			See the Transaction Report.	

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2. **Details of the Debt[2] and the Securities to the Types of Creditors of ZIM, Who are Participating in the Restructuring Plan[3] - Section 1.10.g/h of the Transaction Report – Accurate As Of June 30, 2009**

Types of Creditors	Estimated Amount of the Debt - In US$ Millions	Value of the Securities in ZIM's Books (according to the financial statements as of June 30, 2009)
Financial creditors secured by securities regarding existing ships (does not include financial creditors secured by ships under construction or which have been ordered).	625	774
Financial creditors secured by containers and lessors of containers.	501	Approximately 550
Financial creditors secured by new ships under construction (in respect of which financing arrangements exist).[4]	420	470
Financial creditors secured by other specific securities (customers' debts, real-estate, etc.)	81	46
Owners of ships who are leasing ships to ZIM.	2,419[5]	None
Shipyards at which there are open orders for ships.	2,501[6]	

[2] Does not include liabilities in respect of the financial leasing of ships (included in the balance of the lease fees; see section 6 below), derivatives and others.

[3] It shall be noted that additional entities, who are mainly employees, suppliers, the providers of regular services and authorities are not included in the arrangement, and their debt shall be paid in ZIM's normal course of business.

[4] The book value of the ships under construction is less impairment in the amount of US$ 95 million.

[5] The amount of the total liabilities to related parties and the total liabilities to non-related parties (before reduction) as set forth in the table in section 5 below.

[6] In addition, advance payments were made to the shipyards in a total amount of approximately US$ 652 million.

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Types of Creditors	Estimated Amount of the Debt - In US$ Millions	Value of the Securities in ZIM's Books (according to the financial statements as of June 30, 2009)
Unsecured financial creditors, including bondholders.	452	None
Shareholders (the Company)[7]	50	None[8]

3. **Details of the Engagements for the Purchase of Ships and Their Equipment* – Section 1.10.h(7) of the Transaction Report**

Below are details of ZIM's engagements with shipyards for the purchase of ships and their equipment, accurate as of June 30, 2009:

Year of the Agreement	2006	2006	2007	2007	2007
Number of Ships	4	5	3	9	1
Size of the Ships (TEU)	8,400	10,000	10,000	12,600	2,450
Purchase Amount in US$ Millions (each ship)	122.9	133.8	132.6	170.9	**57.1
Total Purchase Amount in US$ Millions	491.6	669	397.8	1538.1	**57.1
Expected Delivery Date	2009/10	2009/10/12	2012	2012 - 2015	2012

[7] A convertible loan which was received from the Company is included in accordance with the contractual amount.

[8] After June 30, 2009, additional amounts were injected into ZIM, according to the details set forth in the table in section 1 above. With regard to the total amount injected of US$ 100 million, which is included in the total injection amount of US$ 350 million, as part of the agreed Restructuring Plan, which was injected in August 2009, securities were provided to the Company in the value of US$ 100 million (according to a valuation provided by ZIM).

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Accurate as of June 30, 2009, the balance for payment in respect of the purchase of the ships and their equipment amounts to approximately US$ 2,501 million, and the projected payment schedule is as follows:

Year	Millions of Dollars ***
2009	385
2010	311
2011	92
2012	329
2013	205
2014	325
2015	854
Total	2,501 ****

* Includes data based on the understandings reached with the shipyards.

** The purchase amount is denominated in Japanese yen.

*** Does not include amounts in respect of a ship of 2,450 TEU and two ships of 4,250 TEU, which were sold to a third party and to related corporations, respectively, and were leased back. The lease fees in respect of these ships are included in the details given in section 5 below. The data include certain changes to the payment schedule, which were made after the balance sheet date, following the understandings reached with the shipyards.

**** An additional amount of approximately US$ 652 million was paid to the shipyards as an advance payment.

4. **Supplemental Details with Regard to the Reduction of the Related Corporations and an Estimate of the Current Market Conditions – Sections 1.14 and 1.16(a) of the Transaction Report**

Further to that stated in sections 1.14 and 1.16(a) of the Transaction Report, below is a table which specifies and compiles details, accurate as of August 31, 2009, in connection with the full list of the ships leased from the related corporations, as presented in section 1.13 of the Transaction Report, **including** supplemental details with regard to the reduction in the lease fees from the related corporations as stated in section 1.14 of the Transaction Report, and also details of ZIM's assessments with regard to the current market conditions for the leasing of ships similar to those leased from the related corporations as stated in section 1.16(a) of the Transaction Report:

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No.	Age of Ship in Years	Capacity of Containers (TEU)	Term of Lease Agreement	Daily Lease Fees According to the Existing Agreement, in US Dollars	Period of the Laying-Up of Ships in the Last 12 Months	Rate of Reduction in the Daily Lease Fees – in Percentages / in US Dollars *		Estimated Assessment of Current Market Conditions in US Dollars **
1.	28	CC 4,850[9]	– 27/03/2006 26/03/2011	20,000		35%	7,000.00	NA[10]
2.	7	4,992	– 28/02/2002 31/12/2011	23,000		35%	8,050.00	23,300
3.	7	4,992	– 06/07/2002 07/05/2012	23,000		35%	8,050.00	23,300
.4	17	3,005	– 30/06/2008 30/05/2013	25,900	Commencing from June 5, 2009 to the present day[11]	35%	9,065.00	8,400
5.	17	3,005	– 01/10/2008 01/09/2013	25,750	Commencing from May 29, 2009 to the present day[11]	35%	9,012.50	8,400

[9] Means – the capacity for the transportation of cars.

[10] This data is not available due to the fact that, at the present time, there are no transactions in the market for similar ships for these periods, and there is no forecast for similar transactions due to the age of the ship.

[11] As of the date of this Report, 13 ships had been laid up out of the fleet of ships operated by ZIM. Two of these ships are ships which are leased from related corporations. Commencing from the date of the laying-up of the ship, the lease fees were reduced in an amount of approximately US$ 3,500 per day. The total of the reductions in respect of the laying-up of the said ships up until August 31, 2009 is approximately US$ 640,500. The reduction shall be performed as long as the ships are laid up, and are not returned to service. The said reduction is in addition to the reduction of the US$ 150 million. The laying-up of the ships is done for a specific period of time, which is determined in accordance with the needs of ZIM in its various transportation lines.

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No.	Age of Ship in Years	Capacity of Containers (TEU)	Term of Lease Agreement	Daily Lease Fees According to the Existing Agreement, in US Dollars	Period of the Laying-Up of Ships in the Last 12 Months	Rate of Reduction in the Daily Lease Fees – in Percentages / in US Dollars *		Estimated Assessment of Current Market Conditions in US Dollars **
.6	3	4,250	– 30/11/2006 01/10/2016	23,000[12]		35%	2,931.25	22,250
.7	2	4,250	– 25/04/2007 24/02/2017	23,000[12]		35%	2,931.25	22,250
.8	2	4,250	– 14/05/2007 15/03/2017	23,000[12]		35%	2,931.25	22,250
.9	2	4,250	– 08/08/2007 10/07/2017	23,000[12]		35%	2,931.25	22,250
10.[13]	3	4,250	– 07/06/2006 08/04/2016	23,000		35%	8,050.00	22,250
11.[13]	2	4,250	– 01/11/2007 02/10/2017	23,000		35%	8,050.00	22,250

[12] The said ship is a ship which is jointly owned (in equal shares) by ZIM and the related corporations. The related corporations and ZIM have four jointly owned ships in total. Therefore, in actual fact, only half of the lease fees in respect of the four jointly owned ships, as stated, less the operating fees paid to the related corporations which bear these costs, are attributed to the said related corporations. Accordingly, the reduction of the lease fees in respect of these jointly owned ships shall be implemented solely out of the lease fees paid to the said related corporations, which amount to (after the deduction of the said operating fees) US$ 8,375 per ship per day.

[13] Commencing from May 1, 2009, an amount of US$ 5,000 out of the lease fees was deferred during 2009, and an amount of US$ 2,200 in 2010, in respect of each ship, up until 2011. In respect of these ships, lease fees in an amount of approximately US$ 3.1 million were deferred until August 31, 2009, and up until the end of 2010, an additional deferral is planned, in the amount of approximately US$ 7.1 million. These amounts shall be paid by ZIM to the related corporations during 2011 in four equal installments, without interest. The said deferrals do not constitute part of the reduction in the amount of US$ 150 million.

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No.	Age of Ship in Years	Capacity of Containers (TEU)	Term of Lease Agreement	Daily Lease Fees According to the Existing Agreement, in US Dollars	Period of the Laying-Up of Ships in the Last 12 Months	Rate of Reduction in the Daily Lease Fees – in Percentages / in US Dollars *		Estimated Assessment of Current Market Conditions in US Dollars **
.12	1	6,350	- 31/03/2008 30/01/2018	31,500		35%	11,025.00	27,000
.13	0	6,350	– 11/05/2009 12/03/2019	31,500		35%	11,025.00	27,000
14.[13]	7	4,992	– 15/04/2002 15/02/2012	23,000		35%	8,050.00	23,300
15.[13]	5	4,992	– 14/06/2004 15/04/2014	21,900		35%	7,665.00	23,300
16.[13]	5	4,992	– 19/07/2004 20/05/2014	21,900		35%	7,665.00	23,300

* The total of the daily reduction fees, in the calculation of the reduction period (which is commencing from July 1, 2009 to December 15, 2012, or to the date of the termination of the lease agreement in respect of any ship, whichever is the earlier of the two dates) produces a total of US$ 150 million, and distributed over the years: 2009 – approximately US$ 19.5 million; 2010 – approximately US$ 43.0 million; 2011 – approximately US$ 50.0 million; 2012 – approximately US$ 37.5 million. The said reduction shall be effected by deducting the amount of the reduction from the lease fees actually paid or through payment by the related corporation of the amount of the reduction to ZIM at least one business day prior to any payment of lease fees pursuant to the original lease agreement. It shall be noted that the reduction period, and accordingly, also the rate of reduction, may vary pursuant to the agreements which shall be reached with the shipowners which are not related corporations, however, in any event: (a) the amount of the reduction shall not be less than US$ 150 million; and (b) the reduction period shall not go beyond December 31, 2013.

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** Under current market conditions, new lease transactions are, generally speaking, for the short-term (up to two years). In the absence of transactions of similar ships for the said periods, it is difficult to determine a market price for such transactions (there is no agreed lease price on which a willing lessor and a willing lessee would agree), and therefore the estimate was calculated based on the projected average lease fees for similar ships (in size and in age) for a lease period which is identical to the original lease period of each ship, as set forth above in the table. After consultation with one of the three largest international brokerage companies (as stated in the Company's Immediate Report On the "Framework Transaction" dated 2006, Reference no. 2006-01-025350) which gave forecasts and indications with regard to the lease fees in the coming years, based on the assumption that the lease market would return to an acceptable level of operations in about three years' time, the projected averages for similar ships were calculated by the management of ZIM, and an estimate was determined for each ship, in accordance with the number of years of the lease.

Additional Notes:

1. The above table does not include any reference to the two container ships of 4,250 TEU which are expected to be received by ZIM in the months of August and September 2010, and which are leased for a period of 12 years. These ships were purchased within the framework of ZIM's engagement in an agreement with a third party (a non-related party) in the months of October and November 2007 at a contract price of approximately US$ 73 million per ship. During October 2007, an agreement was reached between ZIM and a related corporation as to details of the cooperation regarding the said purchase, as specified in Note 22.c.3.b.2 of the Company's Financial Statements for the year 2008 (Reference no. 2009-01-073791). The original lease fees for each ship during the relevant period for the purpose of the reduction are US$ 28,200 per day, and the projected reduction in respect of each ship, as stated, is in the amount of approximately US$ 9,870 per day.

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2. It shall be noted that ships nos. 6 – 13 (inclusive) form part of the ships which are the subject of the transactions described in the Transaction Report that was published by the Company on November 14, 2004, as approved on December 9, 2004 by the Company's general meeting.

3. Ship no. 12 is sub-leased to a non-related third party, for daily lease fees of US$ 37,500 (net, less the brokerage commission), up until March 31, 2013 (lease fees which are higher than the original lease fees, which are US$ 31,500, before the reduction, and approximately US$ 20,475 after the reduction).

4. Ship no. 13 is sub-leased to a non-related third party, for daily lease fees of US$ 37,500 (net, less the brokerage commission), up until May 11, 2014 (lease fees which are higher than the original lease fees, which are US$ 31,500, before the reduction, and approximately US$ 20,475 after the reduction).

5. **Annual Details Regarding Liabilities to the Related Corporations and Other Shipowners – Section 1.15 of the Transaction Report – Accurate as of June 30, 2009**

	Related Parties			**Non-Related Parties**[14]
	Before the Reduction *	Amount of the reduction	After the Reduction	Before the Reduction **
	Millions of Dollars			
2009	63.8	(19.5)	44.3	127.4
2010	139.5	(43.0)	96.5	199.3
2011	159.9	(50.0)	109.9	178.9
2012	132.1	(37.5)	94.6	156.3

[14] Details with regard to the reductions as shall be agreed upon with non-related parties shall be updated in the table, in the appropriate column, insofar as such information shall be received by the Company.

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2013	119.0		119.0	136.7
2014 and thereafter	429.7		429.7	576.7
Total	1,044.0	(150.0)	894.0	1,375.3

* Includes a future liability for the leasing of ships with regard to each period of the leasing thereof (in a total of approximately US$ 253 million) which have not yet been received, and which are due to be received during the period of the plan (two ships of TEU 4,250. For details, see the first note in section 4 above).

** Includes a future liability for the leasing of ships (in a total of approximately US$ 245 million) which have not yet been received, and which are due to be received during the period of the plan. The said undertaking is in connection with three ships, out of which two ships are of TEU 4,250 and one ship is of TEU 2,450. The transaction pertaining to the two ships is for a period of 7 – 8 years, with daily lease fees of US$ 28,200, whereas the transaction pertaining to the single ship is for a period of 15 years, at a daily lease price of US$ 13,400, and also an option to purchase at a price of US$ 13.5 million or to lease for five additional years at a daily price of US$ 9,500. The table takes the lease option into account.

6. **Supplemental Details to Appendix A of the Transaction Report – The Projected Cash Flow* Without Taking the Restructuring Plan into Account ****

Millions of US Dollars	7/09 – 12/10 ***	2011	2012	2013	Total
Cash flow from current operations	(275)	204	466	646	1,041
Cash flow for investment operations, net after financing	(112)	(58)	(122)	(45)	(337)
Cash flow, net, from the sale of assets	34	174	15	15	238
Cash flow for financing operations ****	(518)	(344)	(469)	(396)	(1,727)
Change in cash for the period	(871)	(24)	(110)	220	
Total cumulative cash flow deficit	(871)	(895)	(1,005)	(785)	(785)

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* The main basic assumptions in the preparation of the cash flow are as follows: the cash flow from current operations is based on the projected profit and loss, as specified in section 7 below. The cash flow for investment operations is based on the contractual liabilities with the shipyards, subject to certain understandings that were reached by June 30, 2009. The cash flow for financing operations is based on financial liabilities from financial creditors, subject to the understandings prior to the standstill. The projected cash flow does not include loans which were provided by the Company to ZIM during 2009.

** Insofar as additional information is received with regard to the Restructuring Plan, an updated projected cash flow will be published.

*** Given the conditions of uncertainty which prevail in the international shipping market, it is difficult to prepare individual projections for short-term periods. Furthermore, certain variables may vary between the last quarter of 2009 and the first quarter of 2010. In addition, the basic assumption underlying the basis of ZIM's Restructuring Plan is that only in 2011 will there be a gradual recovery in the marine transportation market (and also see section 10.1.b of the Transaction Report). For these reasons, *inter alia*, the data are presented with regard to the second half of 2009, together with the data for 2010.

**** Including credit lines for current operations.

The data specified in the table do not include investments in ZIM which were made by the Company in the months of June, July and August 2009, and they also do not include investments which shall be made by the Company in the course of the Restructuring Plan.

That stated in the table in section 6 may be deemed to be forward-looking information which is based, *inter alia*, on ZIM's assessments and assumptions with regard to the trends of supply and demand in the marine container transportation market, on assessments and assumptions with regard to various exogenous data which are dependent, *inter alia*, on various external factors which are beyond ZIM's control, such as the tariffs for marine transportation, oil prices, the tariffs for leasing ships, etc., and which are also dependent on ZIM's ability to realize its business plan in the coming years, including the realization of the investment plan and/or the realization of assets, the receipt of ships which have been ordered on time, and the obtaining of financing upon certain conditions, the repayment of loans, etc. There is no certainty whatsoever, at this point in time, that these assessments and assumptions will be realized in the future.

7. Statement of Profit and Loss, Without Taking the Restructuring Plan into Account

Millions of US Dollars, With the Exception of Operating Data	07/09 – 12/10 *	2011	2012	2013
Profit and Loss/ Operating Data				
Income from voyages and related services	4,223	3,878	4,824	5,465
Operating profit (loss)	(423)	103	354	514
Amount transported (in thousands of TEU)	3,046	2,514	2,946	3,234
Average price per TEU (in US dollars)	1,154	1,276	1,368	1,418

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Capacity of the fleet of ships at the end of the period (in thousands of TEU)	367	358	398	434

* Given the conditions of uncertainty which prevail in the international shipping market, it is difficult to prepare individual projections for short-term periods. Furthermore, certain variables may vary between the last quarter of 2009 and the first quarter of 2010. In addition, the basic assumption underlying the basis of ZIM's Restructuring Plan is that only in 2011 will there be a gradual recovery in the marine transportation market (and also see section 10.1.b of the Transaction Report). For these reasons, *inter alia*, the data are presented with regard to the second half of 2009, together with the data for 2010.

That stated in the table in section 7 may be deemed to be forward-looking information which is based, *inter alia*, on ZIM's assessments and assumptions with regard to the trends of supply and demand in the marine container transportation market, on assessments and assumptions with regard to various exogenous data which are dependent, *inter alia*, on various external factors which are beyond ZIM's control, such as the tariffs for marine transportation, oil prices, the tariffs for leasing ships, etc., and which are also dependent on ZIM's ability to realize its business plan in the coming years, including the realization of the investment plan and/or the realization of assets, the receipt of ships which have been ordered on time, and the obtaining of financing upon certain conditions, the repayment of loans, etc. There is no certainty whatsoever, at this point in time, that these assessments and assumptions will be realized in the future.

8. Update With Regard To The Negotiations Being Held With The Shipyards

Immediately prior to the publication of this Supplemental Report, ZIM reached an understanding, in principle, with one of the shipyards, regarding an additional deferral in the delivery date of four ships, in such a manner that these ships – which were due to have been delivered, originally, during 2010 – will be delivered in the years 2014 or 2015, in accordance with ZIM's needs.

9. ZIM's Financial Statement for 2008

Attached herewith, as an Appendix to this Supplemental Interim Report, is ZIM's Financial Statement for 2008.

Sincerely yours,

Israel Corporation Ltd.