This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

Israel Corporation Ltd.

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ISRAEL CORPORATION

Adv. Noga Yatziv

Company Secretary and Assistant to the President

October 18, 2009

To:	To:
The Securities Authority	The Tel Aviv Stock Exchange Ltd.
via MAGNA	via MAGNA

Dear Sir/Madam,

Re: Supplemental Report No. 3 to the Transaction Report of September 9, 2009

Further to the transaction report of September 9, 2009[1] (**'the transaction report'**),[2] and *inter alia* in accordance with what is stated in paragraph 6.2 of the transaction report, Israel Corporation Ltd (**'the company'**) respectfully submits supplemental report no. 3 to the transaction report, as follows:

1. **General**

a. The current supplementary report, as set out below, is intended *inter alia* to provide details concerning the nature of the understandings that were reached with the vast majority of Zim's creditors, who are supposed to take part in the agreed restructuring plan (who represent more than 95% of the total debts and obligations of Zim to creditors that are included in the restructuring plan); term sheets have already been signed with some of these creditors and others are at advanced stages of giving approval. A small minority of Zim's creditors has expressed opposition or has not yet approved their acceptance of the plan; this minority represents merely a few per cent of Zim's total debts and obligations that are included in the restructuring plan. It should be clarified that reaching the agreed restructuring plan is subject to the condition that Zim, which is in discussions with the aforementioned

[1] Including the supplemental reports to the transaction report, which the corporation sent on 24 September 2009 and 7 October 2009.

[2] All the terms stated in this report shall have the meaning given to them in the transaction report, unless there is a stipulation to the contrary.

minority of Zim's creditors, reaches agreements, solutions or a framework that will allow the achievement of the goals of the restructuring plan.

b. Zim's restructuring plan, as described below, is made up of a set of various complex secondary settlements. We are referring to a settlement of debts and obligations in total sums of billions of dollars that need to be carried out simultaneously with many dozens of parties that are situated all over the globe and that are naturally have a wide variety of different interests, which sometimes also conflict with one another. The settlement is being made by dividing the creditors into groups according to the various types and terms of debt; each group is being offered certain terms that correspond to its characteristics, all of which in order to achieve an agreed balance between the different groups that are taking part in the arrangement.

c. According to the details of the outline settlement that is being worked out between Zim and the representative of the holders of Zim's bonds, the company agrees, in order to allow the arrangement to be made, to provide a 'safety net' by way of an undertaking to channel a sum of 75 million U.S. dollars into Zim on certain conditions and subject to reaching the goals of the agreed restructuring plan. This undertaking will be realized only in certain circumstances, as set out in paragraph 3.8 below. Corporations that are related to the controlling shareholders (hereafter: **'the related companies'**) have agreed within the framework of the arrangement that is being worked out that they will provide an additional 'safety net' in the form of an undertaking to channel 25 million U.S. dollars in the same circumstances as the company, as set out above (see paragraphs 3.8 and 3A below). The consent of the related **companies** to participate in providing a 'safety net' in the aforesaid amount is intended to make the total amount of the 'safety net' reach a sum of 100 million U.S. dollars, which is included in the settlement that is being worked out. The company's undertaking as aforesaid shall be additional to this, and without prejudice to the company's investment in Zim as stated in the transaction report. The undertaking of the related **companies** is in addition to the reduction in charter fees in a total amount of 150 million U.S. dollars (see paragraphs 3.6.9 to 3.9.12 below).

d. Moreover, the company has agreed to provide in addition a framework in a sum of up to 50 million U.S. dollars, which will be used as a financial reserve, in order to maintain flexibility in special circumstances, which is set out in full in paragraph 4 below.

e. The company would like to point out that following this supplementary report no. 3, a combined transaction report will be sent, for the sake of convenience; this will include the supplementary reports to the transaction report that the company has published, as well as additional technical updates.

2. **<u>The settlement — background</u>**

a. As set out in the transaction report, Zim is currently in an advanced stage of formulating and completing an overall agreed restructuring plan of its debts and the debts of some of its subsidiaries with financial creditors and other parties. Zim's restructuring plan is based on a voluntary settlement according to the nature and essence of which Zim is interested in reaching an agreement with all of the parties included therein, all of which while maintaining the possibility that Zim can initiate other proceedings of a specific solution regarding one creditor or another, provided that this will not derogate from the consent of other participants to complete the plan. As shall be explained below, since the date of the transaction report, there has been significant progress in the contacts with the various relevant parties for the purpose of formulating the agreed restructuring plan, and as of the date of this report, Zim has reached agreements with the vast majority of the financial creditors and the other parties, as stated in paragraph 1a above.

b. Zim's restructuring plan includes, *inter alia*, settlements with Zim's creditors, creditors of some of Zim's subsidiaries, the company and the related corporations (these corporations are included among the owners of the ships that charter ships to Zim, with whom Zim has had a business relationship for many years).

c. As set out in the transaction report, for the purposes of Zim's restructuring plan, the creditors have been classified into subcategories and the settlements with each one of these will be set out below.

It is clarified that the aforesaid classifications are non-binding classifications that are based on regarding the Zim group as a single entity and that are made within the framework of a voluntary creditors' arrangement. In Zim's opinion, it is possible that the creditors will be classified in this process in other categories that are mainly based on a distinction between Zim's secured creditors and its unsecured creditors, and it is possible that the terms offered to the various groups of creditors will be materially different.

d. Additional parties that are mainly employees, suppliers, regular service providers and authorities are not included in the arrangement and their debts are being paid and will continue to be paid in the normal course of Zim's business.

e. The settlements with the various groups of creditors are conditional, *inter alia*, on money being channeled into Zim by the company, and the approval of the general meeting of the company on the date determined for convening it, on the resolutions that are the subject of the transaction report (as set out in paragraph 4.3 below) is an essential condition for the existence of the settlement, and, as a consequence, and in view of Zim's position in the current circumstances, for Zim's continued activity.

3. **<u>A brief description of the agreements that have been reached with the groups that are included in the settlement</u>**

The following is a brief description of the agreements that have been reached, as of the date of this report, with the groups that are included in the settlement (as set out in paragraph 10.1h of the transaction report):

3.1 **<u>Secured financial creditors with collateral relating to existing ships</u>**:

3.1.1 These creditors are creditors of Zim's subsidiaries that own existing ships, where those ships are charged as collateral for the debt to these creditors, for which Zim is a guarantor.

3.1.2 The scope of the debts to these creditors, as of June 30, 2009, is estimated at 625 million dollars. The value of the collateral in Zim's books according to the financial statements as of June 30, 2009 is approximately 643 million dollars.[3]

3.1.3 We are referring to a large variety of loan agreements for various periods, and there are also differences in the loan periods and in the ratios of the collateral value to the debts. The guiding principle in these debt settlements is full payment of the debt, while the loan will in some cases be spread over a longer period than the original period, an agreed grace period will be given and a certain compensation will be given in the interest rate.

3.1.4 The settlements that were reached with the aforesaid creditors are based on the following principles:

- The settlements with the creditors were determined in accordance with four categories, according to (a) the balance of the loan period — short (less than five years) or long (five years or more), and according to (b) the ratio of the balance of the loan to the value of the subsidiary's collateral — high or low.

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[3] It should be noted that the aforesaid value of the collateral has been amended from the value stated in paragraph 2 of the supplementary report of September 24, 2009, because, *inter alia*, a sum of approximately 129 million U.S. dollars has been deducted for the decrease of two ships in capital charter for which the undertakings are included in paragraph 3.6.2 below, and these two ships do not serve as collateral for the amount of the debt that is the subject of this paragraph. Moreover, a sum of approximately two million U.S. dollars has been deducted for an additional ship for which the undertakings are short term ones (and included in paragraph 3.4 below) and therefore the ship has been classified as collateral within the framework of paragraph 3.4 below.

- With regard to the value of the collateral it should be stated that there is considerable difficulty in estimating the value of the aforesaid collateral in view of the lack of sale and purchase transactions for ships on the market in recent months, but in view of the fact that the alternative of the creditors who are financing ships is to realize the ship on the market, with all that this involves, and in view of the prevailing uncertainty, Zim is using an external expert in order to arrive at an estimate for this value, and this estimate has been used as a basis for determining the division of the creditors into the aforesaid groups.

3.1.5 The settlement that was reached with this group of creditors is characterized by grace periods that vary between eighteen months and thirty-six months from the date of completing the settlement, during which payments of capital will not be made or will be made in part only, and the payments of capital that were postponed from this period will be payable in installments at a later date. Moreover, the settlement includes in certain cases a postponement of the date of final payment of the capital for periods of up to ten years (i.e., until 2019) and also the implementation of a component of a ‘balloon’ loan that is repayable on the revised date of final payment, which applies on a scale of up to 40% of the total capital. In return, the settlement includes a certain increase in the interest rate to a level of between Libor + 200 points base rate per annum and Libor + 300 points base rate per annum, and a payment of a one-time commission in an amount of 0.5%-1%. As stated above, the specific settlement proposal for each financial creditor in this group is based on the original period of the loan and the quality of the collateral.

3.1.6 All the creditors that are included in this group have in principle given their consent to the settlement that was proposed to them in accordance with the aforesaid (some have signed a memorandum of understandings in this regard and some are at advanced stages of approving these and are about to sign).

3.2 **Financial creditors with collateral in containers and equipment and charters of containers and equipment (with financial chartering)**:

3.2.1 These creditors are direct creditors of Zim and have collateral in containers and equipment that are charged in their favor (or, alternatively, they are the owners, in the case of financial chartering that includes a right to purchase the asset at the end of the chartering period in return for a nominal price); this does not include creditors of a certain subsidiary that are its secured creditors and whose rights against Zim derive from Zim's guarantee for the subsidiary's debts.

3.2.2 The amount of the estimated debt as of June 30, 2009, to these creditors (for financial chartering the whole amount of the undertaking until the end of the chartering period is taken into account) is approximately 501 million dollars. The value of the collateral in Zim's books according to the financial statements as of June 30, 2009, is approximately 550 million dollars.

3.2.3 The settlements that have been reached with the aforesaid creditors are based on the following principles:

- The settlements with the aforesaid secured creditors were determined in accordance with the balance of the loan period — short (under three years) or long (three years or more).

- The value of the collateral was determined on the basis of Zim's estimate, which is based on an independent expert in the field, and according to Zim's estimate all of the aforesaid creditors have collateral whose value is equal to the full amount of the debt or most of the amount of the debt.

3.2.4 The settlement that was reached with this group is characterized by grace periods that vary between three months and 24 months from the date of completing the settlement, during which payments of capital will not be made or will be made in part only, and the payments of capital that were postponed from this period will be payable in installments at a later date. In return, the settlement includes a certain increase in the interest rate to a level of between Libor + 300 points base rate per annum and Libor + 400 points base rate per annum, providing additional collateral in the form of containers and equipment, and a payment of a one-time commission in an amount of 1%. As stated in the transaction report, the specific settlement proposal for each financial creditor in this group is based mainly on the quality of the collateral and the original period of the loan.

3.2.5 All the creditors that are included in this group have in principle given their consent to the settlement that was proposed to them in accordance with the aforesaid (some have signed a memorandum of understandings in this regard and some are at advanced stages of approving these and are about to sign).

3.3 **<u>Financial creditors with collateral in new ships that are under construction (for which there are finance arrangements)</u>**:

3.2.1 We are referring to twelve ships (two of which were recently delivered and the others are under construction or have not yet begun to be built); in order to finance these, finance agreements were signed with three different consortia, with Zim's guarantee.

3.2.2 The amount of the estimated debt as of June 30, 2009, to these creditors is approximately 420 million dollars. The value of the collateral in Zim's books according to the financial statements as of June 30, 2009, is approximately 470 million dollars. It should be pointed out that according to the finance agreements that were signed with them, these creditors were supposed to channel in additional money in order to complete the construction of the ships.

3.3.3 Zim has reached the following agreements with the banks that coordinate the consortia:

- Continued funding by the creditors who are members of the consortium for the purpose of completing the construction in an amount of more than 500 million U.S. dollars, which will be repair over a period of more than ten years.

- Spreading out the orders, deliveries and payments plan in accordance with what is agreed with the shipyard (see paragraph 3.7 below).

- Certain interim financing by the shipyard (as set out in paragraph 1.10H(7) of the transaction report) in return for giving it collateral.

The vast majority of the banks that are members of the aforesaid consortia have given their consent to the aforesaid plan. Notwithstanding, there remain three banks whose share in the financing consortia is relatively small, that are prepared in principle to participate in the plan, but they object to the continue channeling of new financing into Zim. Zim is working in an attempt to reach agreements also with these banks, who are included among the small minority of Zim's creditors mentioned in paragraph 1a above, and/or to find a solution with the consortia in which they are members.

3.4 **<u>Financial creditors that have other specific forms of collateral (book debts, real estate, etc.)</u>**:

Zim has several secured creditors with short-term loans that are participating in the settlement. Their total debt (which is secured by collateral) is approximately 48 million dollars.[4] The collateral for these debts is mainly book debts, real estate assets, financial assets and a ship. According to Zim's assessment, some of the creditors in this group have collateral that fully covers the debt (the value of the collateral for this group, according to Zim's books, is estimated at approximately 75 million dollars,[5] plus an additional amount of approximately two million U.S. dollars for the aforementioned ship).

The debt arrangement has been agreed in principle with all the creditors in this group and includes a certain grave period of up to eighteen months from the date of completing the settlement, after which the debts will be repayable.

3.5 **Unsecured financial creditors, including bond holders**

The amount of the estimated debt to these debtors as of June 30, 2009, is approximately 422 million dollars.[6]

A meeting of the bond holders (series A, B and C) that was held on August 16, 2009, decided to appoint a representation of the bond holders. Zim has held negotiations with this representation for the purpose of reaching agreements with regard to the details of the settlement in order to bring it as soon as possible before the meeting of Zim's bond holders for a vote. As of the date of this report, agreements have been reached in principle with the representation of Zim's bond holders with regard to the structure of the settlement on the basis of the elements set out below, and Zim is currently acting in order to put the settlement into writing. The agreement of the representation has not yet been received in writing.

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4 It should be noted that this amount is an amendment of the amount stated in paragraph 2 of the supplementary report of September 24, 2009, because the balance of the amount that was stated in the aforesaid supplementary report relates also to undertakings to certain creditors, mainly for credit to subsidiaries and companies held by Zim, that are not participating in the restructuring plan. Moreover, in this report an amount has been added to the aforesaid sum for a change in the classification of debt amounts (that were classified in the past within the framework of paragraph 3.5 below).

5 It should be noted that this value is an amendment of the amount stated in paragraph 2 of the supplementary report of September 24, 2009, because the balance of the amount that was stated in the aforesaid supplementary report relates also to undertakings to certain creditors, mainly for credit to subsidiaries and companies held by Zim, that are not participating in the restructuring plan. Moreover, in this report an amount has been added to the aforesaid sum for a change in the classification of debt amounts (that were classified in the past within the framework of paragraph 3.5 below).

6 This amount is an amendment of the amount stated in paragraph 2 of the supplementary report of September 24, 2009, because the balance of the amount that was stated in the aforesaid supplementary report relates also to undertakings to certain creditors, mainly for credit to subsidiaries and companies held by Zim, that are not participating in the restructuring plan, and it also relates to undertakings to creditors that are not financial creditors whose contribution to the settlement is regulated under another creditor group, and it also included amounts that have been deducted from this paragraph and transferred to paragraph 3.4 above because of a change in classification.

The arrangement that is being reached with the representation of Zim's bond holders as aforesaid (which will also be proposed to additional financial creditors in this group) has the following characteristics:

3.5.1 Postponing the payment of the capital of the debt until October 13, 2016. The repayment will take place on October 13, 2016, subject to Zim's compliance with a leverage ratio (net consolidated[7] debt divided by EBITDA is equal to or less than 3:1 — hereafter: **'leverage ratio'**).[8] If Zim does not comply with the leverage ratio, according to Zim's financial statements as of 30 June 2016, the payment of the capital of the bonds will be postponed, so that the capital of the bonds will be paid in four equal annual payments on October 13 of each of the years 2017-2020, subject to Zim's compliance with the leverage ratio according to its financial statements for June 30, whose date of approval precedes the aforesaid date of payment (non-compliance by Zim with the leverage ratio in each year as aforesaid will result in the postponement of the relevant payment of the capital for that year to the date of the next payment, provided that all of the amount of the capital of the bonds will be repaid on October 13, 2020, irrespective of Zim's compliance with the leverage ratio).

3.5.2 Zim will have the right to make early repayment (in full or in part) of the bonds at any time, provided that the early repayment of the bonds that bear index-linked interest (series A and series C) before their original date of repayment (according to the current terms of the bonds before the settlement) shall be made subject to the payment of agreed compensation for the period up to the original date of repayment of the bonds. Early repayment of any series of bonds that will be made after the original date of repayment for that payment of capital shall be made without any compensation.

3.5.3 On each of the following dates — with regard to bonds (series A), July 13 of each of the years 2012-2014; with regard to bonds (series B), July 13, 2012; and with regard to bonds (series C), October 13 of each of the years 2013-2015 — additional interest in an amount of 1.2% per annum (hereafter: **'the additional interest'**) shall be added to the original interest rate of each series for the original debt that was repayable on that date as aforesaid (namely, with regard to bonds (series A), 5.4% index-linked; with regard to bonds (series B), three-month

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7 'Net consolidated debt,' as defined in the memoranda of understandings that are being signed with the various creditors, means, in brief — at all times the cumulative amount of the financial liabilities of the Zim group, when adjusted by deducting amounts of cash and cash equivalents, negotiable securities and deposits of all the companies in the Zim group.

8 It shall be clarified that the way of calculating the leverage ratio is equal in regard to all financial creditors of ZIM (secured and unsecured).

dollar Libor + 2.4%; with regard to bonds (series C), 5.45% index linked). At the end of a period of twelve months from each of the aforesaid dates (until October 13, 2016), the aforesaid rate of interest shall be increased again (i.e., the additional interest as aforesaid shall increase for each period of twelve months as aforesaid by an amount of 1.2% until October 13, 2006). In order to remove doubt, it should be clarified that the additional interest shall not be added on October 13, 2016, and the interest rate on this date shall remain unchanged. The additional interest for the first period in which interest shall be added as aforesaid shall be paid in cash, on a current basis, each quarter (together with the original interest rate for the bonds) (hereafter, jointly: **'the current interest'**), until full payment of the capital of the bonds. The additional interest for the following periods shall accumulate (quarterly) until October 13, 2016 ('PIK interest') and shall be paid on October 13, 2016, provided that Zim complies with the leverage ratio and full repayment of the bonds on that date.

Should the capital of the bonds not be repaid in full in the year 2016, as stated in paragraph 3.5.1 above, then: (a) the capital of the bonds (including the PIK interest as aforesaid) shall, until full repayment, incur payment of: (1) interest at the current rate of interest, plus (2) the PIK interest, at the rate thereof at the end of 2016, which shall continue to be added to the capital (quarterly); moreover, (b) Zim shall pay the holders of the bonds, on the date of payment of the current interest of the bonds in each of the years 2017-2020, an amount of 4.25 million dollars (each quarter), which shall first be credited to the PIK interest and thereafter to the next repayment of the capital.

3.5.4 The amount of the additional interest shall be reduced subject to the production of collateral by Zim at a fair market value,[9] in such a way that providing collateral for the unsecured financial creditors in an amount of 100 million dollars at least shall result in the rate of interest being 0.75%, whereas providing collateral at a fair market value of 150 million dollars at least shall result in the rate of interest being 0.4% (instead of 1.2%).

3.5.5 Zim shall pay its unsecured financial creditors a sum equal to 12.5% of the amount of net cash surpluses from Zim's operational activity each year, according to an agreed calculation mechanism (which is identical with regard to all of

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[9] 'Fair market value' shall be determined in accordance with the average of two valuations of reputable independents appraisers who shall be chosen by the trustees from a list that shall be agreed (the list shall include five names, except for the purpose of valuations of the value of containers, which shall include three names).

Zim's unsecured and unsecured financial creditors). These amounts (if any) shall be used to pay the PIK interest that has accumulated up to that year, in so far as there is any, and thereafter to repay capital payments. The provisions of this paragraph shall not apply in a case where Zim's leverage ratio is equal to or less than 3:1, but the PIK interest that has accumulated until that time (if any) shall be paid in cash.

3.5.6 The holders of the bonds (as well as the other unsecured creditors) shall be entitled to convert up to 35% of the unpaid balance of the capital of the bonds (including the PIK interest that has accumulated on it) into Zim's shares on Zim's first date of issue to the public or when an exit event occurs (i.e., when there is a transfer of control in Zim, a merger of Zim or a sale of all or most of Zim's assets, or a distribution of Zim's shares as a dividend in kind to the shareholders of the 'spin-off' company) at a price that will reflect a reduction of 15% on the price in an issue or an exit event. Zim shall be entitled to decide, at its sole discretion, that the existing conversion right with regard to all bonds that are not converted at the time of an exit event (except a spin-off) shall expire, subject to the fact that for bonds that are not converted as aforesaid, the holders of the bonds shall be paid a sum that will be calculated in accordance with the following: 35% of the balance of the debt (including the interest that has accumulated thereon — current + PIK), divided by the effective share price, and the result shall be multiplied by 15% of the effective share price. For the purpose of determining the balance of the capital that can be converted or for redemption as aforesaid, amounts of capital that were paid during the twelve months preceding the date of the first issue to the public or the exit event within the framework of a voluntary early repayment of the bond capital shall be taken into account, according to an agreed mechanism.

3.5.7 The holders of the bonds shall receive options for an issue of up to 12.5% of Zim's shares on the basis of full dilution according to an adjusted company value of 700 million dollars (it should be noted that together with the other unsecured creditors of Zim, the amount of the options for an issue of Zim shares may reach approximately 15%). The options shall expire on December 31, 2020. The options shall be exercisable, in whole or in part, in each of the following cases: (a) starting from the date of Zim's first issue to the public, for a period of twenty-four months thereafter; (b) when an exit event occurs, as defined in paragraph 3.5.6 above; (c) during the fourteen days prior to the date on which the options expire. Zim shall be entitled to decide, at its sole discretion, that all of the options that are realized at the time of an exit event shall expire, subject to the fact that should the exit event (apart from a spin off) reflect a company value that is equal to or less than 700 million dollars, the holders of the bonds shall be paid for options that were not realized as aforesaid, an amount equal to the economic value of the options in their possession. The options shall be subject to accepted adjustments. The options shall be transferable, provided that as long as Zim's shares are not listed for trading (including by way of a spin-off), the options shall be transferable to restricted investors as listed in the first schedule of the Securities Law, apart from investors listed in sub-sections (9), (10) and (11) of that schedule only. In addition, as long as Zim's shares are not listed for trading (including by way of a spin-off), the transfer of the options shall be subject to a right of first offer to the company.

3.5.8 The holders of the bonds that do not become shareholders of Zim according to the provisions of paragraphs 3.5.6 or 3.5.7 above shall be subject, until the first public offering of Zim's shares or until a spin-off or until immediately after a merger by ay of an exchange of Zim's shares for negotiable securities of a third party, to a right to be included in a sale of the controlling interest by the company in Zim ('drag along'),[10] and a proportional right to join in a sale of the company's controlling interest in Zim ('tag along').[11] Moreover, until a first public offering or until a spin-off or until immediately after a merger by way of an exchange of Zim shares for negotiable securities of a third party, the holders of the bonds who will realize the options as aforesaid shall be entitled to protection against dilution by means of a right to participate in future issues of shares in Zim (pre-emption), and to additional accepted minority protections that will be agreed between the parties.

3.5.9 A negative charge undertaking by Zim (solo), subject to certain exceptions, and an undertaking by Zim to provide collateral to unsecured creditors in the years 2012 and 2013 (whose total market value in 2013 shall amount to at least 59 million dollars).

3.5.10 Dividends shall be distributed in Zim only subject to Zim's compliance with the leverage ratio that is equal to or less than 3:1 and only after repayment of at least 50% of the capital of the debt to the holders of the bonds (and to the other unsecured

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[10] A mechanism whereby should the corporation sell the controlling interest in Zim, the corporation shall have the right to include the holders of the bonds in the sale transaction, and they will become shareholders in Zim in accordance with the provisions of paragraphs 3.5.6 or 3.5.7 above.

[11] A mechanism whereby should the corporation sell the controlling interest in Zim, the holders of the bonds who will become shareholders in Zim in accordance with the provisions of paragraphs 3.5.6 or 3.5.7 above shall have the right to be included in the sale transaction in proportion to their holdings in Zim.

financial creditors to whom the settlement is expected to apply) and all of the accumulated interest (current + PIK) up to that date, subject to what is stated in paragraphs 3.5.6 and 3.5.7 above).

3.5.11 The provision of a safety net by the company and the related **companies** (see paragraphs 3.8 and 3A of this report).

3.5.12 Additional grounds for demanding immediate repayment, which currently exist in the trust deeds (see also footnote 13 of paragraph 3.8.1 below) as follows: a ground for immediate repayment in the event of a further request by Zim for a settlement with its creditors; the filing of receivership, winding-up, settlement or compromise applications against Zim, which are not cancelled within 45 days or the filing of such applications by Zim; a failure by the principal shareholders to provide the safety net as stated in paragraph 3.8 below; a sale of all or most of Zim's assets in cash, unless after the sale the balance of the cash in Zim is sufficient to pay all of Zim's debts on time, and in such a case the parties will agree upon provisions concerning the manner of using the aforesaid cash. An amendment to the ground for immediate repayment concerning a real concern that Zim will stop making its payments, such that the ground will be satisfied in circumstances in which in the opinion of the trustee there is a real concern that Zim will not make payments that it is liable to make on time, in significant amounts.

3.5.13 Zim shall not be entitled to issue additional securities whose terms are identical or similar to the terms of the bonds as they will be after the settlement is made, including by way of increasing series of bonds, without the prior approval of the holders of the bonds in a special resolution. In addition, Zim shall not be entitled to issue bonds in Israel with preferable / better terms than the terms of the bonds, whether these relate to the dates of payment, the interest paid, the collateral, etc..

The company's investment in Zim and the provision of the safety net (as set out in paragraph 3.8 above) shall constitute a preliminary condition for the settlement with the holders of Zim's bonds coming into effect.

In the agreement that is being made between Zim and the representation as aforesaid, it is expected that it will be provided that the company's investment in Zim and its provision of the safety net (as set out in paragraph 3.8 above) and its undertaking to Zim with regard to these amounts shall be an irrevocable undertaking and any change thereto or waiver thereof shall be subject to the approval of the meeting of the holders of Zim's bonds by special resolution.

In view of the fact that the terms of the settlement are being made with the representation of the holders of Zim's bonds shortly before sending this report, Zim will act to implement and incorporate these terms in all of the agreements within the framework of the restructuring plan.

Within this framework, Zim shall update all the financial creditors (in accordance with what is agreed with them) when the settlement is made as aforesaid with the representation of the holders of the bonds, since this is supposed to apply also to the other unsecured financial creditors in accordance with the understandings that were reached with them in principle in the past.

3.6 **Ship owners who charter ships to Zim (including the related corporations):**

3.6.1 The parties who are members of this group include parties that charter ships for periods that exceed a year (since July 2009), as well as the related corporations. The settlement with this group of creditors is a reduction of the charter fees for a defined period.

3.6.2 The scope of the undertakings to these creditors as of June 30, 2009, is estimated at approximately 2,419 million dollars (the total undertakings to related corporations and to unrelated corporations, before a reduction, as set out in the table in paragraph 5 of the supplementary report of September 24, 2009).

Ship owners who are not related corporations

3.6.3 Zim has contacted all of the creditors that charter ships on a long term basis (more than a year from the month of July 2009) and proposed to them that they continue their contractual relationship of chartering the ships at reduced prices. For the reduction in the original contractual price to the reduced contractual price these ship owners shall be entitled to compensation either in a deferred payment of cash or in the extension of the duration of the charter or according to a track that combines both types of compensation.

3.6.4 The ship owners have been divided into two groups on the basis of the length of the balance of the charter period from July 2009 onwards (according to the charter agreement that was signed with each ship owner and with regard to each ship individually), as follows:

3.6.4.1 Companies chartering ships on a medium term basis, where the period of the charter agreement with them ends by December 31, 2012 (hereafter: **'the medium term group'**).

3.6.4.2 Companies chartering ships on a long term basis, where the period of the charter agreement with them ends after December 31, 2012 (hereafter: **'the long term group'**). This group is divided into two additional sub-groups — a group with whom the charter agreement ends by December 31, 2014, and a group where the charter agreement ends after January 1, 2015.

3.6.5 Because of a desire to take into account Zim's needs, in so far as possible, and because of the various needs of the charter companies, Zim proposed to each of the charter groups several options for contracting with them on various terms, where the variable factors between one option and another are: the amount of the reduction, the amount that will be paid as a deferred debt and the period of extending the original charter agreement. The aforesaid contract tracks are proposed to each charter company with regard to each specific ship according to its charter period.

3.6.6 The principles that underlie the settlements that were proposed to the ship owners (that are not related corporations) are as follows:

a. Giving a reduction on the contractual price until the end of the charter period or until an agreed date, whichever is the earlier of the two (hereafter: **'the reduction period'**). The agreed date is June 12, 2012, for the medium term group and December 12, 2012, for the long term group.

b. For the difference between the contractual price and the reduced price, each ship owner is entitled to compensation. The compensation will be given on one of the two tracks set out below (the financial debt track or the period extension track) or on an intermediate track, which combines (in various degrees) the two tracks, as follows:

- <u>The financial debt track</u>: the ship owner will be entitled to a payment in the amount of the difference between the contractual price and the reduced price, and as collateral for this amount the ship owner shall be given promissory notes that can be converted into shares, which may be converted if the ship owner so decides on the conditions set out in paragraph c below.

On the financial debt track, if there is a change in market prices of chartering the ship during the original contractual period that remains after the period of the reduction, such that the market price exceeds the original charter price, then the ship owner shall be paid the market price. The difference between the original charter price and the price that will actually be paid (in whole or in part, according to the track chosen by the ship owner) shall be deemed payments on account of the payment of the financial debt.

- The period extension track: a ship owner who chooses this track will waive the debt for the amounts of the reduction and instead the period of the charter will be extended (at the original charter prices or at the market prices during the extension period, whichever is the higher) in addition to the original period of the contract for an additional period whose length shall be determined in accordance with the amount of the reduction.

  Zim has a right to notify the ship owner of cancellation or termination of the extension period six months before the date on which the original charter contract ends or at stage during the period of the extension, in return for the payment of the debt (capital + PIK interest).

- The combined track: a hip owner who waives a part of the debt to him shall receive a partial extension of the charter period, where the length of the extension is a function of the amount of the waiver.

In the combined track, if during the period of the reduction there is a change in the market prices of chartering the ships in such a way that the market price exceeds the reduced price, each ship owner as aforesaid shall be entitled to a market price upside mechanism according to which Zim will give him promissory notes that are convertible into shares for the value of up to half the increase in the price above the reduced charter price up to the original charter price (in other words, their value will be limited to half the difference between the reduced charter price and the original charter price). These promissory notes shall not bear interest and shall be converted, upon the option of the ship owner, into

Zim shares at the price of the share at the time of issue. If Zim does not make a public offering by July 1, 2016, or if the ship owner does not exercise his right to the conversion, then the promissory notes shall be paid on the same dates and in the same manner as the payment of the financial debt as set out in paragraph c below.

c. Zim’s debt to the ship charter companies that chose the financial debt track (or the combined track with regard to the element of the financial debt therein) shall be paid in the following manner:

- The ship owner shall be given promissory notes that are convertible into shares, which allow him to redeem the debt (capital + PIK interest that is not paid in cash on a current basis) in return for the issue of Zim’s shares on the date of Zim’s public offering, at the issue price. Should Zim not make a public offering by July 1, 2016, then the right of conversion shall expire and the promissory notes will be paid as a financial debt as set out below.

- Instead of realizing the promissory notes by converting them into shares, the ship owner can opt to have the capital of the debt repaid on July 1, 2016.

- The amount of the debt will not bear current interest, but it will bear cumulative annual interest that will be accumulated and paid on the date of the repayment of the capital (PIK) at an agreed rate.

It should be pointed out that as of the date of this report, according to the current choices of the ship owners on the various tracks, the total debt for which promissory notes that are convertible into shares will be issued is expected to be in an estimated amount of approximately 50 million U.S. dollars.

3.6.7 As of the date of this report, agreements in principle that have not yet been signed have been reached with all the ship owners (who are not related corporations). Some of those agreements in principle are still subject to the approval of the banks that finance the ships according to finance agreements with the ship owners (these approvals are expected to be received in the near future).

Ship owners that are related corporations

3.6.8 For details with regard to settlements with the related corporations, see the company's supplementary report no. 2 of October 7, 2009. It should be clarified that the total reduction in a sum of 150 million dollars from related corporations, as set out in the aforementioned report, constitutes a larger reduction amount out of the total undertakings to them during the settlement period than the amount of the reduction given by the ship owners that are not related corporations out of the total undertakings to them during the same period, as set out above.

3.6.9 In this regard it should be clarified that the amount of 150 million US dollars that is mentioned, *inter alia*, in the aforesaid supplementary report is an amount that is linked to the U.S. dollar and does not bear interest. This debt will be repaid according to the dates of repayment of Zim's bonds (*pari passu*) as shall be determined in the settlement with the holders of Zim's bonds (see in this regard paragraph 3.5 above), and in any case not before the year 2016.

3.6.10 With regard to the consent of the related **companies** to participate in providing Zim with a 'safety net' in a sum of 25 million U.S. dollars, see paragraph 3A below.

3.7 **Shipyards from which there are open orders for ships:**

3.7.1 There are three shipyards from which subsidiaries of Zim have ordered ships that are under construction or whose construction has not yet begun, and for which Zim is a guarantor (in whole or in part) for the undertakings of the relevant subsidiaries to those shipyards. The scale of the open undertakings to these shipyards is estimated as of June 30, 2009, in a sum of 2,501 million dollars (in addition, prepayments were made in a total amount of approximately 652 million dollars). As set out in the transaction report and in the supplementary report of September 24, 2009, Zim has reached understandings to postpone the construction and/or delivery of ships while changing (in certain cases) the structure of the financing for the purpose of the ships.

3.7.2 All of the creditors who are members of the group have confirmed in principle their consent to the settlement that was proposed to them in accordance with the aforesaid. As of the date of this report, Zim has signed with two shipyards consent documents that reflect the understandings that were reached as aforesaid (and as set out in the transaction report and in the supplementary report of September 24, 2009). Zim estimates that in the near future an agreement will also be signed to postpone the construction and/or delivery of ships with the additional shipyard, with which understandings in principle have already been reached.[12]

3.8 **Shareholders (of the company):**

3.8.1 In addition to what is set out in the transaction report, according to the structure of the settlement that is being reached with the representation of the holders of Zim's bonds, the company will give an undertaking to Zim to channel a sum of 75 million U.S. dollars (out of a total of 100 million dollars, as will be explained below), if one of the following events occurs: (a) an immediate repayment event occurs according to one of the series of bonds[13] that is not remedied in accordance with the terms of the bonds (except for the ground for immediate repayment that the company has ceased to be the controlling shareholder in Zim); or (b) Zim's accountants included a 'going concern' query in its financial statements; or (c) Zim did not make a payment to the holders of the bonds on time, and this was not remedied in accordance with the terms of the bond; (d) Zim applies to make an additional settlement with its creditors other than in the normal course of business. The company's undertaking to Zim as aforesaid shall be an irrevocable undertaking; a change to this undertaking or a waiver of it shall

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12 The aforesaid with regard to Zim's assessment concerning the signing of agreements with the additional shipyard as aforesaid (including the date thereof) is prospective information that is based on Zim's assessments and depends *inter alia* upon the completion of the legal documents with that shipyard, and there is no certainty that the aforesaid assessments will be realized.

13 The following is a synopsis of the main relevant grounds for immediate repayment according to Zim's bonds: (a) Non-payment of any amount due to the holders of the bonds, subject to remedy periods; (b) appointment of a temporary or a permanent liquidator for Zim, or the granting of a temporary or permanent winding-up order for Zim (except winding-up for the purposes of a merger with another company or a change of Zim's structure) or Zim's adopting a valid resolution to wind up Zim, subject to remedy periods; (c) persons with charges on Zim's property realize the charges that they have on Zim's assets or a material part thereof; (d) a lien is imposed on Zim's assets, or a material part thereof, and the lien is not removed within 45 (forty-five) days of the date on which it was imposed; (e) an act of the enforcement office is carried out against all of Zim's assets, or a significant part thereof, and the act is not cancelled within 45 (forty-five) days of the date on which it was carried out; (f) a receiver is appointed for Zim and/or for all of Zim's assets, or a significant part thereof, and the appointment is not cancelled within 45 (forty-five) days on which it came into effect; (g) Zim stops making its payments and/or gives notice of its intention to stop making its payments and/or there is a real concern that it will stop making its payments and/or it stops doing business and/or it intends to stop doing business and/or it is reasonable that it will stop doing business; (h) an application is filed in the court to suspend proceedings under section 350 of the Companies Law, 5759-1999, against Zim, and the application as aforesaid is not cancelled within 30 (thirty) days of the date on which the application was filed; (i) Zim breaches or does not comply with any material term or undertaking that are included in the bond and/or this deed, and the trustee regards this as a significant danger to the rights of the holders of the bonds, and Zim does not comply with the term within 15 (fifteen) days of the date on which the trustee gave a written warning of this. For details of the agreement between Zim and the representation of the holders of the bonds to amend the grounds for demanding immediate repayment, see paragraph 3.5.12 above.

be subject to the approval of the meeting of holders of the bonds in a special resolution, and Zim will undertake to the holders of the bonds that it will insist upon its rights with regard to the realization of this undertaking and it will authorize the trustees for this purpose to act on its behalf and in its stead and at its expenses in this matter, according to the instructions of holders representing a majority of 66% of the unpaid balance of the capital of the bonds. It should be clarified that the company shall be entitled to channel the aforesaid amount or a part thereof even before these events happen, should there be, in the company's opinion, a concern that one of these events might occur and channeling this money shall be deemed compliance with the company's undertaking under this paragraph. The aforesaid undertaking shall remain in force until at least 50% of the unpaid balance of the capital of the debt of the bond holders is paid, including the interest that has accrued thereon. This undertaking shall not be conditional upon the parties making the undertaking being controlling shareholders of Zim, directly or indirectly, on the date on which the undertaking is realized. According to the structure of the settlement that is being made, if and when the safety net is realized, the amount that will be channeled by the company shall be provided as a dollar loan[14] with low interest at a rate of 10% of the rate of interest of series B of Zim's bonds (current interest + PIK, respectively), as set out in paragraph 3.5 above, subject to the PIK interest being paid only after the full repayment of the debt to the holders of the bonds (hereafter: **'the safety net interest'**). Subject to the aforesaid, the loan shall be repaid at the same time as repayment of the capital of the bond holders (*pari passu*), but in any case not before the year 2016. Zim's debt to the company that arises from the realization of the safety net shall have lower priority than the debt of the unsecured financial creditors participating in the settlement, should Zim be wound up. The company's undertaking regarding the safety net is in addition to the amount of the company's investment in Zim.

As stated in paragraph 3A below, in order to complete a sum of 100 million U.S. dollars for the 'safety net' according to the agreement being reached with the representation of the bond holders, the related **companies** have agreed to undertake to Zim to channel a sum of 25 million dollars in the aforesaid circumstances and in accordance with certain conditions (so that the company's share shall be 75 million U.S. dollars only).

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[14] Or as a sheqel loan, at the discretion of the board of directors of the corporation, and in such a case the interest applicable shall be as provided in series A of Zim's bonds and in accordance with the details set out later in the main paragraph, *mutatis mutandis*.

It is clarified that the aforesaid undertakings will come into effect upon the approval of the settlement with the bond holders and upon realizing the goals of the agreed restructuring plan.

The arrangements described as aforesaid are referred to heretofore and hereafter as: **'the safety net.'**

3.8.2 It should be noted that even if it is taken into account that all the promissory notes will be realized for capital of Zim and/or all the options (that will be given to the unsecured creditors and ship owners who are not related corporations, as described in paragraphs 3.5 and 3.6 above), on the assumption that Zim has a minimal value in an amount of 700 million U.S. dollars, then the company will still retain control (more than 50%) of Zim.

3.9 **Covering Zim's expected deficit in the years of the plan:**

As stated in the transaction report, the restructuring plan is intended to provide a solution for the cash flow deficit that Zim is expected to experience in the years 2009-2013, in an amount that is estimated at approximately a billion U.S. dollars. Below is a table that summarizes the cash flow significance of the planned settlement with each group of creditors, as set out above, in order to cover the aforesaid cash flow deficit (subject to the note at the bottom of the table):[15]

[15] What is stated above with regard to Zim's estimate concerning the amount of the contribution of each group of creditors, and the combined amount, constitutes prospective information that is based on Zim's assessments with regard to the completion of the settlements with each creditor, including those creditors who at this stage do not agree to join in the settlement, as well as those who have not yet signed any legal documents for joining the settlement, and there is no certainty that the aforesaid assessments will be realized.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

Name of group	The amount (the cash flow significance) in millions of U.S. dollars	Notes
Secured financial creditors[16]	Approximately 108	It should be noted that this group of creditors has agreed to the postponement of payments of capital on a greater scale of approximately 229 million dollars, but it will be paid for in party during the period of the settlement in such a way that the net effect during the period of the settlement is approximately 108 million dollars as aforesaid.
Unsecured financial creditors, including holders of bonds	Approximately 211	
Ship owners who charter ships to Zim (which are not related corporations)	Approximately 150	
Related corporations	Approximately 150	
Shipyards from which there are open orders and secured banks for ships under construction	Approximately 423 – shipyards (positive) Approximately (394) – banks (negative) Net — approximately 29	The negative 'contribution' of secured banks for ships under construction derives from a change in the existing finance arrangements, a partial earlier payment of the existing debt; a shortening of the payment schedule for a part of the debt as opposed to the original payment schedule — all of which *inter alia* in return for the continued financing of the ships by providing new credit on a scale of more than 500 million dollars (which is not included in the aforesaid negative contribution)
Other	Approximately	Including various expenses for

16 These include: secured financial creditors — (a) with collateral relating to existing ships; (b) with collateral in containers and equipment and container charter companies; (c) with other specific collateral.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

expenses	(53)	implementing the settlement, such as an expected charter of replacement ships for those whose delivery has been deferred, the costs of implementing the restructuring plan, etc.
Shareholders (the company)	Approximately 450	Namely, the company's investment in Zim, which is composed of: the existing loan (100 million dollars), the amounts of the interim cash flow (100 million dollars), the balance of the investment in a sum of 250 million dollars and converting these amounts into Zim shares.
Total	Approximately 1,045*	

* This amount also includes a contribution of creditors (who are not related parties or the company) that at this stage have not yet agreed to join the plan, as explained above, in a total amount of approximately 70 to 80 million U.S. dollars. As stated above, Zim is continuing at this time to hold negotiations with those creditors in order to persuade them to join the agreed restructuring plan or to arrive at a settlement that will allow its implementation.

It should be clarified that achieving the goals of the agreed restructuring plan is subject to Zim, which is in discussions with the minority of Zim's creditors who have expressed opposition or have not yet confirmed that they are joining the plan, reaching agreements, solutions or a framework that will allow the realization of the goals of the restructuring plan. It should also be noted that, as stated at the end of paragraph 3.5 above, Zim is taking steps to implement and integrate the framework mentioned in the aforesaid paragraph within the set of agreements that form the restructuring plan.

3A. **Participation of the related companies in providing Zim with the 'safety net'**

The related **companies** agreed within the framework of the agreement that is being drawn up with the representation of the holders of Zim's bonds to participate in providing a 'safety net' by way of an undertaking to Zim to channel a sum of 25 million U.S. dollars that can be realized in the circumstances set out in paragraph 3.8 above. The consent of the aforesaid **companies** to participate in providing a 'safety net' in the aforesaid amount is intended to complete the total amount of the safety net in a sum of 100 million U.S. dollars that is included in the agreement that is being worked out with the representation of the holders of Zim bonds.

Amounts that will be channeled as aforesaid, if and when the safety net is realized, will be provided as a loan to Zim that will have a lower priority to the bonds in winding-up, and will be paid *pari passu* with the payments of capital to the holders of the bonds but in any case not before 2016. The aforesaid debt will bear interest at a rate of the safety net interest (as defined in paragraph 3.8 above), like the interest that will be paid to the company when the safety net that it will give to Zim is realized. This undertaking shall be valid until the repayment of at least 50% of the unpaid balance of the capital of the debt to the holders of the bonds (and the full accrued interest (current + PIK) thereon). The other terms that will apply with regard to the company as set out in paragraph 3.8 above shall apply with regard to the related **companies**' giving of the safety net, *mutatis mutandis*.

The undertaking of the aforesaid **companies** to contribute to the safety net in a sum of 25 million U.S. dollars is in addition to a reduction in a sum of 150 million U.S. dollars for charter fees as set out in the transaction report and in supplementary report no. 2 of October 7, 2009. It is clarified that the aforesaid undertaking will come into effect upon approval of the settlement with the holders of the bond and upon realization of the goals of the agreed restructuring plan.

4. **Resolutions of the audit committee and the board of directors of the company with regard to providing the 'safety net' and approval of the amount of the reserve**

4.1 Decision of the audit committee and board of directors of the company

The audit committee and board of directors of the company decided on October 14, 2009, as follows:

a. To approve the giving of the safety net by the company to Zim in a sum of 75 million U.S. dollars (as set out in paragraph 3.8 above) and the contribution of the related **companies** in providing the 'safety net' to Zim in a sum of 25 million U.S. dollars as set out in paragraph 3A above.

The audit committee and the board of directors decided to approve the giving of the safety net by the company, which will be realized in the circumstances set out in paragraph 3.8 above, *inter alia* for the reason that giving such an undertaking would help to complete the making of the settlement with the holders of Zim's bonds and the agreed restructuring plan and also in view of the significant progress that had been made in completing the goals of the agreed restructuring plan, with all of its components.

b. To approve the contribution of the related **companies** to providing the 'safety net' to Zim in a sum of 25 million U.S. dollars, as set out in paragraph 3A above, *inter alia* for the following reasons: (1) The amount of the undertaking of these **companies** was intended to bring up the total amount of the safety net to 100 million U.S. dollars, which is included in the agreement that is being reached with the representation of the holders of Zim's bonds; and (2) the consent of the related **companies** to give such an undertaking reduces by a factor of 25% the amount of the undertaking that the company would have had to give had it not been for that consent. In addition, the audit committee and the board of directors approved the terms of the loan that the related **companies** will give to Zim (as set out in paragraph 3A above) if and when the aforesaid undertaking is realized, since they regard these terms in the circumstances of the case as reasonable and fitting terms.

c. Moreover, it was decided to approve a framework of an additional sum of up to 50 million U.S. dollars that will be used as a financial reserve, for the purpose of maintaining flexibility in special circumstances relating to Zim's liquidity needs and operational needs (hereafter: **'the amount of the reserve'**). The amount of the reserve, in whole or in part, shall be used (even though the company hopes that there will be no need for this) in accordance with a decision of the board of directors of the company and at its discretion, with a view to the circumstances that will prevail (and in the aforesaid case, the amount of the reserve, in whole or in part, as applicable, shall be regarded as an integral part of the company's investment in Zim, including for the purpose of converting it in Zim's share capital or, at the discretion of the board of directors of the company, it shall be credited as a shareholder's loan to Zim or in any other way). The aforesaid decision is being made *inter alia* in view of the fact that the amount of the reserve may be necessary *inter alia* on account of the large scale of the agreed restructuring plan and the need to take into account unexpected or variable factors, in the circumstances of the case. It should be clarified that there is no certainty at this stage that the amount of the reserve will be used, in whole or in part, and also that the board of directors of the company will approve the giving of the amount of the reserve.

The audit committee and the board of directors of the company made the aforesaid decisions, *inter alia*, on the basis of the main reasons that were mentioned in paragraph 7 of the transaction report and supplementary report no. 2 of October 7, 2009, and in addition on the basis of the synopsis of the reasons as set out above, and also on the basis of the assessment that the company's investment in Zim is economically viable (especially when taking into account the provision of the safety net and the amount of the reserve),[17] *inter alia* in view of the

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[17] What is stated above with regard to the investment of the corporation in Zim as aforesaid being likely to be economically viable constitutes prospective information that is based on assessments and information provided by Zim *inter alia* in view of the conditions of the international shipping market, supply and demand trends and Zim's ability to implement its business plan, but there is no certainty that this possibility will be realized.

assessments, updates, information and figures that were presented to the company, including a fairness assessment document that was prepared by Dr Yossi Bachar and his conclusion (see below), and also in view of the fact that approval of the investments in Zim and providing the safety net and the amount of the reserve are essential for Zim's continued activity.

4.2 The opinion of Dr Yossi Bachar

It was reported to the board of directors of the company that Dr Yossi Bachar, after he was updated with regard to the giving of the safety net to Zim by the company in a sum of 75 million U.S. dollars and the giving of the amount of the reserve and the possibility of using it, as well as with regard to additional details that are being included in the framework of the settlement that is being worked out with the representation of the holders of Zim's bonds, reconfirmed his conclusion, as set out in the fairness opinion that was attached as an appendix to supplementary report no. 2 of October 7, 2009, concerning the fairness of the methodology that was used by Zim to calculate the range of the yield that might be derived from the investment being considered by the company in Zim (including the undertaking to provide the safety net as aforesaid and the amount of the reserve). Dr Yossi Bachar's document (through the Economic Consulting and Business Development Company Ltd), which constitutes an integral part of the original fairness assessment, is attached as **appendix A** of this supplementary report.

4.3 Substitution of paragraph 2 of the transaction report

It follows *inter alia* from the aforesaid that paragraph 2 of the transaction report should be as follows:

2.1 The company's investment in Zim, including the conversion of the amount of the company's investment in Zim into shares as stated in the transaction report of September 9, 2009, and as stated in the supplementary reports to the aforesaid transaction report. Subject to the obtaining of written approvals for the agreements with financial creditors and other parties on a scale and in a general manner that will allow the realization of the goals of the agreed restructuring plan (namely, that will result, to an extent that is not less than 90%, in covering Zim's anticipated cash flow deficit in the years of the aforesaid plan as stated in paragraph 1.8 of the transaction report), the company will channel money into Zim in installments during the years 2009-2010 a sum of 250 million U.S. dollars or up to 300 million dollars as stated in paragraph 2.3 below (as a part of the company's investment in Zim), and the amount of the company's investment in Zim will also be converted into Zim's shares, as clarified in the transaction report of September 9, 2009. Moreover, the company will give Zim a 'safety net' in a sum of 75 million U.S. dollars, as set out in supplementary report no. 3 of October 14, 2009.

2.2 The settlements with the related corporations in so far as they concern the reduction in charter fees and the postponement of the repayment of the loan in a sum of 150 million U.S. dollars to the dates and on the terms as set out in paragraph 2.1 of supplementary report no. 2 of October 7, 2009. Moreover, the related **companies** will provide Zim with a safety net in a sum of 25 million U.S. dollars as well as the terms of the loan that will be provided by these **companies**, if and when the safety net is realized, all of which as set out in supplementary report no. 3 of October 14, 2009.

2.3 Providing a framework of an additional amount of 50 million U.S. dollars, which will serve as a financial reserve, for the purpose of maintaining flexibility in special circumstances with regard to Zim's liquidity needs and operational needs (**'the amount of the reserve'**). The amount of the reserve, in whole or in part, shall be used on such dates and in such amounts as the board of directors of the company shall decide, at its discretion, in view of the circumstances that will prevail. Should the amount of the reserve be used (in whole or in part), then this amount shall constitute an integral part of the company's investment in Zim, and shall be converted into Zim's shares in accordance with the conversion mechanism set out in the transaction report with regard to the company's investment in Zim or, at the discretion of the board of directors of the company, it shall be credited as a shareholder's loan or in any other way.

Therefore, the total amount of the company's contribution within the framework of the agreed restructuring plan that is being approved by the general meeting of the company is a sum of up to 400 million U.S. dollars (in addition to the existing loan in a sum of 100 million U.S. dollars, which will be converted into Zim shares and constitutes an part of the company's investment in Zim), and the balance of the money transferred to Zim may reach up to a sum of 300 million U.S. dollars.

2.4 It should be clarified that the company's investment in Zim, including the amount of the reserve (in whole or in part), in so far as it is used and converted into capital (according to the decision of the board of directors of the company as aforesaid), shall be converted into Zim's share capital as set out in the transaction report. Shortly after any amount is transferred, the conversion into Zim's shares shall be made, as determined by Zim's net worth as set out in the most recent financial statements of Zim before the date of the conversion.

5. **Supplement to appendix A of the transaction report — forecasted cash flow taking into account the restructuring plan***

Millions of U.S. dollars	July 2009 – Dec. 2010**	2011	2012	2013	Total
Cash flow (useable) from current activity	(244)	205	442	610	1,013
Net cash flow for investment activity, after financing	24	(42)	(77)	(45)	(140)
Net cash flow from sale of assets	34	174	15	15	238
Cash flow for financing activity***	153	(306)	(329)	(379)	(861)
Change in cash for the period	(33)	31	51	201	

* The figures in the above table reflect the terms of the restructuring plan as known on October 12, 2009, on the assumption that the restructuring plan will be completed and realized, and they do not reflect any changes in the restructuring plan that may be made prior to the date of its approval. It should be clarified that there may be changes to the above table *inter alia* as a result of completing the negotiations with the last parties that are participating in the plan and its results. Moreover, it should be noted that it is possible that certain amounts may be classified under another item in the table, because of a different accounting classification, but this will not affect the total cash flow.

** In the conditions of uncertainty that exist in the international shipping market, there is a difficulty in making specific forecasts for short periods of time. Moreover, various variables may move between the first quarter of the year 2009 and the first quarter of the year 2010. In addition, the premise underlying Zim's restructuring plan is that only in the year 2011 will a gradual recovery begin in the marine shipping market (see also paragraph 1.10b of the transaction report). For these reasons, *inter alia*, the figures with regard to the second half of the year 2009 are given together with the figures for the year 2010.

*** Including credit lines for current activity.

What is stated in the above table constitutes prospective information that is based, *inter alia*, on Zim's estimates and assumptions with regard to the supply and demand trends in the marine container shipping market, estimates and assumptions with regard to various exogenous figures that depend *inter alia* on various external factors that are not under Zim's control, such as marine shipping rates, oil prices, ship charter rates, etc., and it depends on Zim's ability to complete the agreed restructuring plan and Zim's ability to realize the business plan in the coming years, including the realization of an investment plan and/or the realization of assets, receiving ships that were ordered on time and obtaining financing on certain terms, repayment of loans, etc.. There is no certainty at this stage that the assumptions and assessments will be realized in the future.

6. **Forecasted statement of income taking into account the restructuring plan**

Millions of U.S. dollars	July 2009 – Dec. 2010*	2011	2012	2013
Profit and loss				
Income from sea voyages and ancillary services	4,238	3,878	4,824	5,465
Operating profit (loss)	(392)	103	355	514

* In the conditions of uncertainty that exist in the international shipping market, there is a difficulty in making specific forecasts for short periods of time. Moreover, various variables may move between the first quarter of the year 2009 and the first quarter of the year 2010. In addition, the premise underlying Zim's restructuring plan is that only in the year 2011 will a gradual recovery begin in the marine shipping market (see also paragraph 1.10b of the transaction report). For these reasons, *inter alia*, the figures with regard to the second half of the year 2009 are given together with the figures for the year 2010.

What is stated in the above table constitutes prospective information that is based, *inter alia*, on Zim's estimates and assumptions with regard to the supply and demand trends in the marine container shipping market, estimates and assumptions with regard to various exogenous figures that depend *inter alia* on various external factors that are not under Zim's control, such as marine shipping rates, oil prices, ship charter rates, etc., and it depends on Zim's ability to complete the agreed restructuring plan and Zim's ability to realize the business plan in the coming years, including the realization of an investment plan and/or the realization of assets, receiving ships that were ordered on time and obtaining financing on certain terms, repayment of loans, etc.. There is no certainty at this stage that the assumptions and assessments will be realized in the future.

7. **Update to footnotes in the transaction report**

7.1 Footnote 1 in the transaction report should be updated as follows: As stated in the transaction report, recently a disagreement has arisen with one of Zim's financial creditors (in this paragraph: **'the creditor'**) as a result of which the creditor (instead of merely standing still) has taken action and legal proceedings to collect a debt in an amount of approximately 1.5% of Zim's financial debts. Zim reached a settlement with this creditor, in which the debt will be spread in accordance with the principles of the settlement with the group of financial creditors, whose debts are secured by containers and equipment, and charter companies for containers and equipment (with financial chartering) to which the creditor belongs as set out in paragraph 3.2 of this report.

7.2 Footnote 7 in the transaction report should be updated as follows: Starting on May 1, 2009, a sum of 5,000 U.S. dollars during the year 2009 and a sum of 2,200 U.S. dollars in the year 2010 have been deferred from the charter fees for each ship, until the year 2011.

7.3 It should be clarified that footnote 8 in the transaction report relates to a sum of approximately 295 million U.S. dollars and not to a sum of approximately 464 million U.S. dollars, as stated in paragraph 1.15(a) of the transaction report.

7.4 It should be further clarified that footnote 11 in the transaction report relates to a sum of approximately 313 million U.S. dollars and not to a sum of approximately 430 million U.S. dollars, as stated in paragraph 1.15(c) of the transaction report.

8. **Postponement of the general meeting that is the subject of the transaction report**

Further to an immediate report of October 12, 2009, with regard to a postponement of the meeting that is the subject of the transaction report, the company will give notice in a separate transaction report that the special general meeting that is the subject of the transaction report will be postponed to November 1, 2009, at 4:00 p.m., at the company's offices at 23 Aranha Street, Millennium Tower, Tel-Aviv. For details, see the aforesaid immediate report.

Sincerely,

Israel Corporation Ltd

Dr. Yossi Bachar

Economic Consulting and Investment Initiatives Ltd

October 18, 2009

The Board of Directors
Israel Corporation Ltd
Tel-Aviv

Dear sirs,

Re: An examination of the fairness of the methodology that was used by Zim to calculate the range of yields that may be derived from the investment that the Israel Corporation is considering making in Zim

Supplementary to our letter of October 7, 2009

Background

1. On October 7, 2009, we submitted to the Israel Corporation Ltd (hereafter — **'the Israel Corporation'**) the conclusions of our work in examining the fairness, from a financial viewpoint, of the methodology used by Zim Integrated Shipping Services Ltd (hereafter — **'Zim'** or **'the company'**) to calculate the range of yields that may be derived from the investment that the Israel Corporation is considering making in Zim, should it decide to make it (hereafter — **'the original fairness examination'** and **'the first yield calculation'**, as applicable).

2. As stated in the original fairness examination, the investment being made by the Israel Corporation is a part of a comprehensive restructuring plan that Zim is drawing up, the details of which are set out in the transaction report published by the Israel Corporation on September 9, 2009, in order to resolve the cash flow deficit that the company is expected to undergo in the coming years (hereafter — **'the settlement'**).

3. As we have been told, recently an agreement has been reached in principle between Zim and a representation of the holders of the bonds with regard to changes in the settlement. As we were told, the main changes that affect the yields that may be derived from the investment being considered by the Israel Corporation are a possible dilution of the holdings of the Israel Corporation in Zim and a potential increase in the scope of the investment of the Israel Corporation in Zim, as set out below:

   3.1 Zim's unsecured creditors will be given a right (option) to buy, by way of an issue, approximately 15% of the company's share capital according to a company valuation of 700 million dollars;

   3.2 Zim's unsecured creditors will be given a right (option), at the time Zim's shares are offered to the public or when other defined events occur, [1] to convert 35% of the balance of the debt due to them into shares (by way of an issue) at a price that is approximately 15% lower than the issue price or the defined event, as applicable;

   3.3 When certain conditions that testify to a significant deterioration in Zim's financial position occur, the Israel Corporation shall provide the company, by way of a shareholder's loan, with a sum of up to 75 million dollars[2] (hereafter **— 'the shareholder's loan'**).

4. We have also been told that in addition to the aforesaid the board of directors of the Israel Corporation has decided that, should a need arise at its sole discretion, the Israel Corporation will provide Zim, by way of an increase of the amount of the investment or the giving of a loan, an additional amount of up to 50 million dollars (hereafter **— 'the amount of the reserve'**).

5. Against the background of the aforesaid changes and their effect on the range of yields that may be derived from the investment that the Israel Corporation is

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[1] A transfer of control in the company; a merger; a sale of most or all of the company's assets; a distribution of the company's shares as a dividend in kind.

[2] As we have been told, a similar undertaking to provide a loan in an amount of up to 25 million dollars, has been given by related parties.

considering making in Zim, Zim has revised the first yield calculation.

6. In the revised yield calculation made by Zim, which is attached to this letter (hereafter — **'the revised yield calculation'**), Zim applied a similar methodology to the methodology that was used by it in the first yield calculation, while making the changes that were required by what is stated in paragraphs 3 and 4 above.

In the revised yield calculation, Zim presents two possible scenarios with regard to the range of yields that may be derived from the investment that the Israel Corporation is considering making in Zim. In the first scenario, the range of yields is calculated in a situation where the Israel Corporation is not required to invest the amount of the reserve and the conditions that require it to provide the shareholder's loan are not satisfied, so that the amount of the investment will stand at 450 million dollars.[3] In the second scenario, the range of the yields is calculated in a situation where the Israel Corporation is required to invest the amount of the reserve and the conditions that require it to provide the full amount of the shareholder's loan are satisfied. From conversations with representative of Zim it transpires that, for reasons of conservatism, they chose to present the making of the shareholder's loan and the amount of the reserve as a capital investment, so that the amount of the Israel Corporation's investment that was used to calculate the yield range in the second scenario is 575 million dollars.[3]

In both scenarios the company assumed that the creditors will realize the capital rights given to them as stated in paragraphs 3.1 and 3.2 above. For this purpose Zim has assumed that the option described in paragraph 3.1 will be realized in any case where the value of the net worth of the company as of 31 December 2012 is greater than 595 million dollars and a public offering of Zim's shares

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[3] The amounts include the loan in the sum of 100 million dollars, which the Israel Corporation gave Zim in the months of June and July 2009. As we have been told, this loan can be converted at any time into Zim's shares, at the discretion of the Israel Corporation. According to the approval in principle given by the board of directors of the Israel Corporation in September 2009, the loan will be converted into Zim's share capital when the settlement is approved.

will indeed take place, so that the unsecured creditors will realize their right as stated in paragraph 3.2 above.

7. Following the aforesaid revision, we have been asked by the Israel Corporation to examine, from a financial viewpoint, whether there has been any change in our position regarding the fairness of the methodology used by Zim in making the revised yield calculation.

8. **In this context it should be clarifies that, as in the original fairness examination, so too in this letter we have not been asked — and consequently we are not expressing an opinion — about the forecasts, the assessments and the assumptions that were used by Zim to prepare the revised yield calculation, about the results that arise therefrom (with regard to the values of the actual yield range) and about the viability of the investment in Zim. The examination that we made focuses solely on the fairness of the methodology that Zim used to make the yield calculation, all of which as stated, *inter alia,* in paragraphs 8 and 9 of the original fairness examination.**

9. To remove doubt it should be pointed out that this letter constitutes an integral part of the original fairness examination, and together therewith it constitutes our complete work, and no use should be made of the original fairness examination without attaching this letter, and *vice versa*. It should also be emphasized that everything stated in paragraphs 8, 9, 10, 11 and 12 of the original fairness examination also applies, *mutatis mutandis*, to this letter.

Conclusion

10. **On the basis of the aforesaid, and after examining, from a financial viewpoint, the revised yield calculation made by Zim, we remain of the opinion that from a financial viewpoint, as of today, the methodology used by Zim to calculation the yield range that may be derived from the investment that the Israel Corporation is considering making in Zim, if at all, is fair.**

Naturally, the aforesaid is based on our subjective opinion and it is possible

that determining the fairness of a methodology as aforesaid does not provide a uniform criterion, and different persons may have different opinions on this subject.

Sincerely,

Dr Yossi Bachar Economic Consulting and Business Development Ltd

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

Revised Yield Calculation — Without Investing Reserve and Providing Shareholder's Loan

ZIM Enterprise Value at YE 2012 ($m)		**3,000**	**3,250**	**3,500**	**3,750**	**4,000**	**4,250**	**4,500**	**4,750**	**5,000**
Adjusted Net Debt (as at 31-Dec-2012)[1] ($m)		2,489	2,383	2,383	2,383	2,383	2,383	2,383	2,383	2,383
Implied Equity Value ($m)		**511**	**867**	**1,117**	**1,367**	**1,617**	**1,867**	**2,117**	**2,367**	**2,617**
Implied Multiples	*Metrics*[1]									
EV/2013 EBITDA	*$ 698m*	4.3 x	4.7 x	5.0 x	5.4 x	5.7 x	6.1 x	6.4 x	6.8 x	7.2 x
P/2013 Book Value	*$ 1,092m*	0.47 x	0.79 x	1.02 x	1.25 x	1.48 x	1.71 x	1.94 x	2.17 x	2.40 x
P/2013 Net Income	*$ 318m*	1.6 x	2.7 x	3.5 x	4.3 x	5.1 x	5.9 x	6.6 x	7.4 x	8.2 x
Conversion Analysis										
Total debt outstanding with 35% conversion rights		422	422	422	422	422	422	422	422	422
Portion of debt outstanding with conversion rights to be converted		35%	35%	35%	35%	35%	35%	35%	35%	35%
Amount of debt converted		148	148	148	148	148	148	148	148	148
IPO Discount		15%	15%	15%	15%	15%	15%	15%	15%	15%
Implied equity value (incl. discount)		435	737	949	1,162	1,374	1,587	1,799	2,012	2,224
Stake acquired via conversion		34.0%	20.1%	15.6%	12.7%	10.7%	9.3%	8.2%	7.3%	6.6%
Upside Sharing										
Stake acquired via warrants		0%	15%	15%	15%	15%	15%	15%	15%	15%
ZIM Value		700	700	700	700	700	700	700	700	700
Cash proceeds		0	105	105	105	105	105	105	105	105
Illustrative IRR Analysis[2]										
Total equity value ($m)		511	867	1,117	1,367	1,617	1,867	2,117	2,367	2,617
Existing shareholders ownership pro forma at IPO		66%	65%	69%	72%	74%	76%	77%	78%	78%
Value to existing shareholders ($m)		337	562	775	987	1,199	1,412	1,624	1,836	2,049
Money Invested by Shareholders[3] ($m)		450	450	450	450	450	450	450	450	450
Absolute Gain / (Loss) ($m)		(113)	112	325	537	749	962	1,174	1,386	1,599
Cash-on-Cash Return (x)		0.7 x	1.2 x	1.7 x	2.2 x	2.7 x	3.1 x	3.6 x	4.1 x	4.6 x
Illustrative IRR[2] (%)		-9%	8%	20%	30%	39%	46%	53%	60%	66%

5 Year Peer Multiples Average since 19-Aug-2004 to 19-Aug-2009

	Yang Ming	**Wan Hai**	**Ever-green**	**CSCL**	**OOIL**	**NOL**	**Hanjin**	**HMM**	***Median***
EV/2013 EBITDA	6.7 x	5.3 x	8.3 x	10.7 x	5.3 x	4.7 x	NA	NA	***5.3 x***
P/2013 Book Value	1.1 x	1.5 x	1.0 x	1.9 x	1.0 x	1.0 x	0.9 x	2.1 x	***1.0 x***
P/2013 Net Income	14.8 x	10.0 x	15.9 x	21.9 x	6.3 x	6.6 x	15.2 x	18.4 x	***15.0 x***

Yellow shading represents range of typical trading multiples observed in the industry during last 5 years

[1] Based on the restructuring plan and adjusted for the shipowner concessions. Debt figures do not include an excess cash cushion estimated at $100 mil - $200 mil. at the end of 2012.

Net debt also includes all proceeds from conversion of debt and exercise of warrants ($253m), excluding scearios when no exercise is assumed;

and proceeds from equity injectios by the shareholders during 2009 ($450m).

The metrics represents forecasts that are uncertain and are subject to the disclaimer included in footnote 2 to the complemantry report no.2 published by Israel Corp dated October 7, 2009.

[2] Illustrative IRR analysis assumes full injection at plan approval and full return after 3 years (at Q4/2012)

Comment: this slide is not an estimated valuation of Zim. Rather it is an indicative return analysis based on the 2013 results forecast with certain industry multiples applied.

[3] Money invested by existing shareholders include injections of 450 during 2009.

Revised Yield Calculation — Including Investment of Reserve and Providing Shareholder's Loan

ZIM Enterprise Value at YE 2012 ($m)		**3,000**	**3,250**	**3,500**	**3,750**	**4,000**	**4,250**	**4,500**	**4,750**	**5,000**
Adjusted Net Debt (as at 31-Dec-2012)[1] ($m)		2,258	2,258	2,258	2,258	2,258	2,258	2,258	2,258	2,258
Implied Equity Value ($m)		**742**	**992**	**1,242**	**1,492**	**1,742**	**1,992**	**2,242**	**2,492**	**2,742**
Implied Multiples	*Metrics[1]*									
EV/2013 EBITDA	*$ 698m*	4.3 x	4.7 x	5.0 x	5.4 x	5.7 x	6.1 x	6.4 x	6.8 x	7.2 x
P/2013 Book Value	*$ 1,217m*	0.61 x	0.81 x	1.02 x	1.23 x	1.43 x	1.64 x	1.84 x	2.05 x	2.25 x
P/2013 Net Income	*$ 318m*	2.3 x	3.1 x	3.9 x	4.7 x	5.5 x	6.3 x	7.0 x	7.8 x	8.6 x

Yellow shading represents range of typical trading multiples observed in the industry during last 5 years

5 Year Peer Multiples Average since 19-Aug-2004 to 19-Aug-2009

	Yang Ming	Wan Hai	Ever-green	CSCL	OOIL	NOL	Hanjin	HMM	*Median*
EV/2013 EBITDA	6.7 x	5.3 x	8.3 x	10.7 x	5.3 x	4.7 x	NA	NA	***5.3 x***
P/2013 Book Value	1.1 x	1.5 x	1.0 x	1.9 x	1.0 x	1.0 x	0.9 x	2.1 x	***1.0 x***
P/2013 Net Income	14.8 x	10.0 x	15.9 x	21.9 x	6.3 x	6.6 x	15.2 x	18.4 x	***15.0 x***

Conversion Analysis									
Total debt outstanding with 35% conversion rights	422	422	422	422	422	422	422	422	422
Portion of debt outstanding with conversion rights to be converted	35%	35%	35%	35%	35%	35%	35%	35%	35%
Amount of debt converted	148	148	148	148	148	148	148	148	148
IPO Discount	15%	15%	15%	15%	15%	15%	15%	15%	15%
Implied equity value (incl. discount)	630	843	1,055	1,268	1,480	1,693	1,905	2,118	2,330
Stake acquired via conversion	23.4%	17.5%	14.0%	11.6%	10.0%	8.7%	7.8%	7.0%	6.3%
Upside Sharing									
Stake acquired via warrants	15%	15%	15%	15%	15%	15%	15%	15%	15%
ZIM Value	700	700	700	700	700	700	700	700	700
Cash proceeds	105	105	105	105	105	105	105	105	105
Illustrative IRR Analysis[2]									
Total equity value ($m)	742	992	1,242	1,492	1,742	1,992	2,242	2,492	2,742
Existing shareholders ownership pro forma at IPO	62%	67%	71%	73%	75%	76%	77%	78%	79%
Value to existing shareholders ($m)	456	669	881	1,093	1,306	1,518	1,730	1,943	2,155
Money Invested by Shareholders[3] ($m)	575	575	575	575	575	575	575	575	575
Absolute Gain / (Loss) ($m)	(119)	94	306	518	731	943	1,155	1,368	1,580
Cash-on-Cash Return (x)	0.8 x	1.2 x	1.5 x	1.9 x	2.3 x	2.6 x	3.0 x	3.4 x	3.7 x
Illustrative IRR[2] (%)	-8%	5%	16%	25%	33%	40%	46%	52%	58%

[1] Based on the restructuring plan and adjusted for the shipowner concessions. Debt figures do not include an excess cash cushion estimated at $100 mil - $200 mil. at the end of 2012.

Net debt also includes all proceeds from conversion of debt and exercise of warrants ($253m);

and proceeds from equity injectios by the shareholders during 2009 ($500m - including the reserve) in addition to safety net of $100m proivded at YE 2010 by the shareholders ($75m)

and related parties ($25m), the later treated also as additional debt.

The metrics represents forecasts that are uncertain and are subject to the disclaimer included in footnote 2 to the complemantry report no.2 published by Israel Corp dated October 7, 2009.

[2] Illustrative IRR analysis assumes full injection at plan approval and full return after 3 years (at Q4/2012)

[3] Money invested by existing shareholders include injections of $500m during 2009 and $75m as safety net at YE 2010.

Comment: this slide is not an estimated valuation of Zim. Rather it is an indicative return analysis based on the 2013 results forecast with certain industry multiples applied.