

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

Israel Corporation Ltd.

Millennium Tower, 23 Aranha Street, P.O.B. 20456, Tel-Aviv 61204

Tel: 03-6844517, Fax: 03-6844587

ISRAEL CORPORATION

Adv. Noga Yatziv

Company Secretary and Assistant to the President

October 7, 2009

To:

The Securities Authority

via MAGNA

To:

The Tel Aviv Stock Exchange Ltd.

via MAGNA

Dear Sir/Madam,

Re: Supplemental Report No.2 to the Transaction Report dated 9th September 2009

Further to the Transaction Report dated 9th September 2009 ("**the Transaction Report**")¹, and, *inter alia*, in accordance with what is stated in paragraph 6.2 of the Transaction Report, and further to the Supplemental Report to the Transaction Report dated 24th September 2009 ("**the First Supplemental Report**"), Israel Corporation Ltd ("**the Company**") is pleased to submit a second Supplemental Report to the Transaction Report, as follows:

1. Approval by the Audit Committee and the Board of Directors

- 1.1 On 30.9.2009 the Company's Audit Committee and Board of Directors held meetings during which they were presented with a review prepared by Dr. Yossi Bachar, an external, independent business consultant and expert, who had been asked by the Company's Board of Directors to examine the fairness of the method used by ZIM to calculate the projected returns on the Company's investment in it. Dr. Yossi Bachar explained to the Directors the manner in which he had carried out the requested appraisal, the work he had undertaken and the conclusion which he had reached, which was, that from a financial perspective, the method used by ZIM to calculate the level of the returns² is a fair one. Dr. Yossi Bachar's

¹ Unless specifically stated to the contrary, all the terms stated in this Report shall have the meanings given to them in the Transaction Report.

²The calculation regarding the level of returns is based on ZIM's own assumptions and anticipated results falling within the definition of forward-looking information predicated on forecasts concerning the state of the international shipping market, trends in supply and demand and various external factors beyond ZIM's control such as maritime transportation tariffs, fuel prices, etc. It cannot be said with any degree of certainty that these assumptions and projected results will actually come to fruition.

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

aforementioned conclusion was presented to the Company in a Fairness Opinion which he prepared, a copy of which is attached herewith as an exhibit to this Report.

- 1.2 In the light of the information, data and explanations, including the review and work of Dr. Yossi Bachar, which were presented before the Audit Committee and the Board of Directors as aforesaid, and in the light also of the recommendation made regarding ZIM's affairs by the Independent Directors Committee referred to in paragraph 1.b. of the First Supplemental Report, the Company's Audit Committee and Board of Directors estimate that the Company's investment in Zim is economically viable.³
- 1.3 Similarly, the Company's Audit Committee and Board of Directors were given a detailed assessment regarding the progress of proceedings involving the financial creditors and other parties who are expected to play an active role in ZIM's Agreed Restructuring Plan, the aim of which is to cover ZIM's anticipated cash-flow deficit of around one billion U.S. dollars during the five years of the Plan (2009-2013).
- 1.4 The updated picture presented to the Company's Audit Committee and Board of Directors regarding the situation vis-à-vis contacts with those parties who are declaredly involved in the Restructuring Plan, shows that understandings or agreements already exist with the overwhelming majority of them.

For the avoidance of all doubt, it is hereby made clear that consolidation of the Agreed Restructuring Plan is dependent upon and subject to its approval by all those participating in its implementation.
- 1.5 Following receipt of the said information, including the aforementioned results of the Fairness Inquiry carried out by Dr. Yossi Bachar, the Audit Committee and the Board of Directors re-approved the Company's investment in ZIM. The Audit Committee and the Board of Directors likewise reconfirmed that the Company's investment in ZIM as well as conversion of the funds comprised within that investment into ZIM shares are conditional upon and subject to approval of the Restructuring Plan by all those elements participating in it with the object of covering ZIM's projected cash-flow deficit within the five years of the plan (2009-2013) as indicated in paragraph 1.8 of the Transaction Report.
- 1.6 The Company's Audit Committee and Board of Directors took the aforementioned decisions, *inter alia*, on the basis of those principal justifications discussed in paragraph 7 of the Transaction Report and on the estimate that the investment in ZIM made economic sense³, as indicated by the appraisals, updates, information and data which had been submitted to the Company, including Dr. Yossi Bachar's Evaluation of Fairness Report and his conclusion that from a current financial point of view, ZIM's method of calculating the projected level of returns to be made on the Company's investment, if it went ahead, was fair.

³The aforementioned statement to the effect that the Company's investment in ZIM is likely to yield financial rewards amounts to forward-looking information based on assessments and information provided by ZIM which take into account, *inter alia*, the conditions of the international shipping market, trends in supply and demand, and ZIM's ability to realize its business plan, however, there is no certainty that this possibility will be realized.

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

2. **The Settlement with Related Corporations**

2.1 Paragraph 10.1h.(6) of the Transaction Report describing "the **Settlement with Related Corporations**" shall be reworded as follows:

"Some of the ship owners leasing their vessels to ZIM are Related Corporations (as defined in subparagraph "C" of the preamble to the Transaction Report). ZIM has reached an understanding with these Related Corporations according to which the charter fees payable to them under existing ship-charter contracts over the coming years are to be reduced by an aggregate sum of 150 million U.S. dollars. For more detailed information regarding this matter, kindly refer to the table set out in paragraph 4 of the First Supplemental Report and the explanatory notes which form a part thereof.

In keeping with the Restructuring Plan, the Related Corporations have agreed to relinquish conversion of the 150 million U.S. dollar aggregate reduction into ZIM shares which was due to take place in 2016 (on those dates and in accordance with the mechanism specified in paragraph 10.1h.(6) of the Transaction Report) and to treat it instead as a deferred loan not repayable until at least 2016, the precise repayment dates and conditions of which shall be determined (*pari passu*) within the framework of an agreement to be worked out with holders of ZIM debenture stock. The Related Corporations have also agreed that ZIM's debt to them shall rank second in priority to the debt owed to the holders of ZIM debentures in the event that ZIM should fail to redeem those debentures ("**the Settlement with Related Corporations**")."

2.2 As stated in the Transaction Report, the Related Corporations' agreement to reduce their charter fees by 150 million U.S. dollars is subject to approval of "the Agreed Restructuring Plan" (as defined in subparagraph "F" of the preamble to the Transaction Report). Nevertheless, 60 million U.S. dollars of the total reduction (representing the current aggregate reduction in charter fees as indicated in the table set out in paragraph 4 of the First Supplemental Report) is not conditional on approval of the Restructuring Plan. It should also be made clear, that if the General Meeting fails to approve those decisions upon which the Transaction Report is based then the Related Corporations shall not include the 60 million U.S. dollar reduction within the overall figure owed to them by ZIM.

2.3 In the light of the contents of paragraph 2.1 above, the following changes shall be made to the cover of the Transaction Report and to the Transaction Report itself:

2.3.1 In the cover of the Transaction Report, in the paragraph entitled "A brief description of the engagement and its main terms", the words "and against which they will be issued with convertible promissory notes for ZIM shares" shall be replaced with: "and redemption of the debt with respect to the said reduction shall be deferred".

2.3.2 Paragraph 2.2 of the Transaction Report shall be reworded as follows:

"2.2 The Settlement with the Related Corporations regarding the reduction in the charter fees and deferment of the 150 million U.S. dollar debt redemption to the dates and upon the conditions specified in paragraph 2.1 of the Supplemental Report No.2"

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

2.3.3 In the heading to paragraph 4.2 of the Transaction Report the words "the conversion formula" shall be deleted and paragraph 4.2 of the Transaction Report shall be reworded as follows:

"4.2 The reclassification of the reduction (as defined in paragraph 2.1 of Supplemental Report No. 2) as a debt, the redemption of which shall be deferred until at least 2016 and which shall take place on the same dates and on the same terms as those applying to ZIM's debentures ("*pari passu*") under a settlement to be reached with the debenture holders, is a reasonable and fair arrangement. Similarly, the Related Corporations' agreement that the said debt shall rank second in priority to that owed by ZIM to its debenture holders if ZIM fails to redeem those debentures is fair and will assist ZIM in implementing the Agreed Restructuring Plan."

2.3.4 Paragraphs 7.8 and 7.9 of the Transaction Report (which were included in the Audit Committee's and Board of Directors' summary of explanations) shall be replaced with the following:

"7.8 The decision by the Related Corporations within the framework of the Agreed Restructuring Plan to reduce ZIM's charter fees over the coming years by the aggregate sum of 150 million U.S. dollars, instead of in 2016 converting the aggregate reduction into ZIM shares to classify the aforementioned sum as a deferred loan which need not be repaid until at least 2016 and on the same dates as have been fixed for the redemption of ZIM's debentures, and to regard the debt owed to them by ZIM as ranking second in priority to that owed to its debenture holders should it fail to redeem those debentures, constitutes an important development in implementation of the Agreed Restructuring Plan and is both fair and reasonable."

3. The Company wishes to point out that Supplemental Report, No. 2, shall be followed up by a further Supplemental Report containing such important additional information as shall be in the Company's possession on the date of its publication. Similarly, the Company shall in due course be releasing a Transaction Report in which all Supplemental Reports issued by the Company shall be integrated.

Yours faithfully,

Israel Corporation Ltd

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

Dr. Yossi Bachar
Economic Consulting and Investment Initiatives Ltd

7th October 2009

For the attention of:
The Board of Directors of the Israel Corporation Ltd
Tel Aviv

Dear Sirs,

Re: Appraisal of the fairness of the methodology employed by ZIM in calculating projected returns on the investment under review by the Israel Corporation Ltd

Background

1. We have been asked by the Israel Corporation Ltd (hereinafter: "**the Israel Corporation**"), to examine from a financial point of view, the fairness of the methodology employed by ZIM in calculating projected returns on the investment (hereinafter: "**the returns estimate**") in ZIM Integrated Shipping Services Ltd (hereinafter: "**ZIM**" or "**the Company**") currently being reviewed by the Israel Corporation, if it decided to go ahead with the said investment. A copy of the returns estimate is attached herewith.
2. According to the information passed on to us, the Israel Corporation's 350 million dollar investment in ZIM with respect to which the returns estimate was prepared (hereinafter: "**the investment in ZIM**"), is part of a comprehensive Restructuring plan formulated by ZIM, the principal features of which were highlighted in a transaction report published by the Israel Corporation on 9th September 2009 (hereinafter: "**the Transaction Report**") and which is intended to provide an answer to the roughly one billion dollar cash-flow deficit expected to beleague the Company in the coming years (hereinafter: "**the Settlement**").
3. It is our understanding, that the returns estimate, which concludes by presenting the internal rates of return (IRR) to be made on the investment in ZIM under consideration by the Israel Corporation based on various scenarios regarding what the Company's operations will be worth at the end of 2012, constitutes part of the total information available to the Israel Corporation for the purposes of reaching a decision regarding the investment in ZIM.
4. According to the information given to us, the value of ZIM's operations as expressed in the returns estimate was calculated by using criteria derived from the projected results of the Company's operations for 2013. This forecast is based on ZIM's five-year business plan, which was the subject of an independent business review carried out by an external international body (hereinafter: "**the Business Plan Review Summary Report**"), and on the anticipated consequences resulting from implementation of the Settlement, as measured by ZIM.

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

The methodology upon which an assessment of "fairness" is predicated

5. In carrying out our fairness appraisal, we have, as required, concentrated only on the methodology which was employed to calculate the results estimate, the principal features of which may be described as follows:
 - 5.1 An indicative finding as to the projected enterprise value of ZIM's operations;
 - 5.2 The deduction of the balance of the financial debt as at 31st December 2012 from the recorded enterprise value and a calculation of their values adjusted in accordance with ZIM's equity value as at 31st December 2012;
 - 5.3 A calculation of the range of multiples resulting from the equity capital as at 31st December 2012 taken together with the EBITDA values, and the projected equity capital and net profit for 2013 ¹;
 - 5.4 The value of the range of multiples calculated as stated above in paragraph 5.3 taken in conjunction with the average multiples (throughout the last five years) of equivalent companies that were chosen from the comparison group ²;
 - 5.5 A calculation of the range of internal return rates on the investment currently being considered by the Israel Corporation (under the Settlement) and the range of equity capital calculated up to 31st December 2012 as stated above in paragraph 5.2.

The returns estimate no allowance has been made for the possible ramifications of capital arrangements within the framework of agreements entered into with bondholders and/or with unsecured financial creditors.

The information relied upon and the enquiries that we carried out

6. In evaluating the fairness of the methodology employed by ZIM as described above, we relied upon the following sources of information provided to us by the Company:
 - 6.1 The returns estimate;
 - 6.2 The activities results forecast for the years 2009-2013, which was prepared on the basis of ZIM's business plan;
 - 6.3 The Business Plan Review Summary Report;
 - 6.4 ZIM's accounts (the annual report for 2008 and the report submitted for the first half of 2009);
 - 6.5 Presentations submitted to the Israel Corporation's Board of Directors and to banks;
 - 6.6 Analysts' reports relating to the maritime transportation industry and the major companies operating within it;

¹ At the Company's request, it should be indicated that the results forecast for the year 2013 are based on various forward-looking assumptions regarding various criteria beyond the Company's control such as maritime transportation tariffs, fuel prices, etc. There is no certainty that in practice these assumptions shall be proved to have been correct.

² As presented to us, the comparison group included the 21 largest companies in the industry (in terms of view of transportation capacity); the comparative companies are the 8 public corporations from the comparison group, at least 66% of whose income is derived from container transportation.

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

- 6.7 Data, supporting calculations, data and reports relating to ZIM and other companies in the industry (some of which are attached as Exhibit "A");
 - 6.8 Conversations held with representatives of ZIM and the Israel Corporation's Board of Management;
7. In evaluating the fairness of the methodology employed by ZIM as described above, we took the following investigative measures:
- 7.1 We read the reports, presentations and reviews which were made available to us;
 - 7.2 We held conversations with the Company's representatives concerning the process by which the returns estimate was formulated;
 - 7.3 We examined the frequency with which multiples were used in order to estimate the value of companies in the maritime transportation industry;
 - 7.4 We analyzed data relating to similar companies within the sample group and the principal characteristics of typical companies not included in that group;
 - 7.5 We analyzed the median multiples in the last ten years of the sample companies used for comparison purposes;
 - 7.6 We compared ZIM's average [projected] TEU income during 2013 with that generated in previous years;
 - 7.7 We assessed ZIM's [anticipated] profits for 2013 (EBIT and EBITDAR³) compared to the profits made by ZIM and other companies within the industry in previous years.
 - 7.8 We calculated the implied weighted average cost of capital (Implied WACC)⁴ incorporated within the activities comparison referred to above in paragraph 5 and the [projected] results of activities for the year 2013 and compared them with the WACC of similar companies;
 - 7.9 We applied a financial model to the pecuniary debt [forecast] for 2012 and to the investment being evaluated by the Israel Corporation.

The contents of the fairness appraisal, reservations and assumptions

8. The work we have undertaken and the contents of this document are predicated on the following terms of reference, sources, declarations, disclaimers and assumptions:
- 8.1 That we have only examined the methodology employed by ZIM in making the returns estimate. We were not asked, and therefore have not addressed or carried out work in relation to any document and/or other matter, including the rest of the documents, data and information listed in paragraph 6 above and the exhibit

³ EBITDA plus rent.

⁴ In order to free the weighted cost of capital from the range of values given in the returns estimate, we have assessed, for indication purposes only, ZIM's free cash-flow for 2013. The said estimate is based on ZIM's [projected] free cash flow (generated by ongoing and investment activities) for 2013 (in accordance with its value in ZIM's forecast model) and the following assumptions: an effective rate of tax of 18%; a long-term growth rate of 0.5%; investment in fixed assets at the level of the audited depreciation; and a level of investment in working capital commensurate with the assumptions underlying the Company's stated model.

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

referred to therein (which, as we have mentioned, served as the basis for the returns estimate prepared by ZIM);

- 8.2 That declarations made by those in charge of the Israel Corporation and ZIM to the effect that all the information submitted to us was complete without anything having been hidden or omitted from any important and/or relevant document and/or part of any such document and/or any piece of important and/or relevant data;
- 8.3 That the documents, data and information specified in paragraph 6 above, the exhibit referred to therein and all other documents submitted to us were in their final format and no changes were made to them after they were received by us;
- 8.4 That the information and data submitted to us, whether within the returns estimate or in any other format, including the data and information specified in paragraph 6 and the exhibit referred to therein, are correct, complete and precise in all their aspects. We have not accepted and/or taken upon ourselves any responsibility to carry out, and we have not carried out, any autonomous or independent verification or investigation or review of the information and data with which we have been provided as aforesaid in order to prepare this document.
- 8.5 That, as is hereby expressly made clear, in preparing this document we have worked on the premise that all the documents, forecasts, appraisals and fundamental assumptions on which the returns estimate is based, including those specified in paragraph 6 and the exhibits referred to therein, are correct, precise and complete and that we have not verified, reviewed, or carried out any autonomous and/or independent check with regard to thereto, but have assumed that all matters mentioned in these sources shall fully come to pass and in a timely manner. Clearly, if it emerges that the aforementioned documents, forecasts, appraisals and fundamental assumptions upon which the returns estimate is based are incorrect, imprecise and incomplete and/or did not come to pass and on time, then the opinion we have expressed in this document would be subject to revision. In so far as this matter is concerned, we should make it clear that there is no certainty that the scenarios given with respect to the value of the Company's activities at the end of 2012 and/or the projected results of the Company's activities for 2013 and/or the five-year business plan formulated by ZIM and/or the anticipated ramifications of implementing the settlement shall fully or partly be achieved or come to pass as the Company assumed they would when preparing the returns estimate.
- 8.6 That all the forecasts and estimates submitted to us and/or brought to our attention in any way, were prepared in a reasonable, precise, fair and conscionable manner, in reliance upon the most accurate appraisals and estimates made by the Israel Corporation and ZIM regarding the Company's future operations and financial performance as well as all other matters referred to in the said forecasts and appraisals.
- 8.7 That no substantial changes have taken place with regard to the assets, financial situation, activities' results, business operations and/or forecasts of ZIM and/or the Israel Corporation between the date on which the last documents submitted to us and which deal with the latter subjects were prepared and the date on which this document was published.

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

- 8.8 That we have not accepted and/or taken upon ourselves any responsibility to carry out and we have not carried out any autonomous or independent verification, check, estimate, appraisal or physical inspection of assets belonging to ZIM or the Israel Corporation and/or their obligations (whether conditional or otherwise). Similarly, we have not received the results of any such verification, check, estimate, appraisal or physical inspection.
9. With regard to the subject of the Israel Corporation's actual decision to invest in ZIM and all matters relating thereto, we wish to emphasize the following points:
 - 9.1 Our work in relation to the aforementioned methodology has been carried out solely from a financial point of view, and it may be that relevant, non-financial considerations exist which could influence the [Israel Corporation's] decision to invest in the Company. We have not been asked to relate to such extraneous considerations and of course have not done so in any way.
 - 9.2 The investment in ZIM involves numerous risk factors which we have not been asked to consider and of course have not done so in any way. In this context it ought to be noted that underlying the methodology employed by ZIM in preparing the returns estimate is the assumption that implementation of the Settlement would result in the Company no longer having any liquidity or other cash-flow difficulties until at least 2013. It goes without saying that there are no guarantees that this assumption will be proved to have been correct.
 - 9.3 Nothing in the work we have carried out or in this document should be interpreted as expressing an opinion concerning the Israel Corporation's decision to go ahead with its investment in ZIM, including with regard to the viability, reasonableness and the financial, taxation, legal, accounting or other implications involved in or which may result from that investment, to the extent that it shall actually be made.
 - 9.4 This document does not constitute, in any way, a valuation of ZIM or its activities. Similarly, we have not expressed herein any opinion regarding the appropriateness of any sums which may be invested in ZIM by the Israel Corporation.
 - 9.5 This document has been prepared in order to assist the Israel Corporation's Board of Directors during its deliberations regarding a possible investment in ZIM, and does not constitute a recommendation to the Board of Directors to approve the investment in ZIM or to the Israel Corporation's General Meeting on how to vote in relation to the investment in ZIM or in relation to any other matter.
 - 9.6 We have not organized any legal appraisal or investigation and have neither sought nor received any legal advice with regard to legal issues concerning ZIM and/or the Israel Corporation and/or the Israel Corporation's investment in ZIM and we assume that the Israel Corporation has acted in these matters, and will continue to do so, solely on the strength of appropriate legal advice.
 - 9.7 We have not been asked to examine and have not examined the terms relating to the realization and implementation of the investment in ZIM (including all the explanations and data submitted by ZIM or others to the Israel Corporation, to the extent that such explanations and information were forthcoming) and similarly we were not asked to examine and have not examined the regulatory, statutory,

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

administrative, governmental or other requirements, permits and consents needed in connection with and in order to carry out the investment in ZIM.

- 9.8 This document is based on conditions and data which were valid on the date on which it was prepared, as well as on the information which was submitted to us prior to that date. Accordingly, despite the fact that future changes may influence and alter its conclusions, we have not undertaken or accepted upon ourselves any obligation to revise, check and reconfirm the contents of this document.

Miscellaneous

10. We confirm that we have no personal interest in ZIM and/or the Israel Corporation and/or the investment in ZIM, apart from the fact that we are entitled to be paid a predetermined fee by the Israel Corporation for providing our professional services within the framework of which we have submitted this document.
11. With regard to this document, the Israel Corporation has given an undertaking to the firm of Dr. Yossi Bachar Economic Consulting and Investment Initiatives Ltd (hereinafter: "**the Consultancy Firm**") that the total liability of the Consultancy Firm shall be limited and shall not exceed the overall value of the fee as aforesaid which is actually to be paid by the Israel Corporation for services within the framework of which this document has been submitted (hereinafter: "**the maximum liability figure**"). The overall limitation of liability towards the Israel Corporation as aforesaid shall apply regardless of the cause of action, including, but without prejudice to the generality of the foregoing, claims of negligence, breach of contract and/or any other claim whatsoever made in reliance upon contract or tort law relating to provision of the services within the framework of which this document has been submitted, including, but without prejudice to the generality of the foregoing, the content of the report, the assumptions upon which it was based, its conclusions, the manner in which it shall be understood or implemented (if at all), and the results of any decision taken by the Israel Corporation or anyone acting on its behalf as a result of or in connection with this document.

It has also been agreed in relation to the services provided [by the Consultancy Firm] to the Israel Corporation, within the framework of which this document has been produced, that beyond the maximum liability figure referred to above, neither the Israel Corporation and/or anyone acting on its behalf and/or any third party shall make any allegation and/or claim and/or demand against the Consultancy Firm regarding any matter connected with this document, including, but without prejudice to the generality of the foregoing, in connection with its contents, the assumptions upon which it is based, its conclusions, its ramifications, the manner in which it shall be understood or implemented (if at all), and the results of any decision taken by the Israel Corporation or anyone acting on its behalf as a result of or in connection with this document.

Similarly, it has been agreed in relation to provision of the said services, that should the Consultancy Firm be charged or sued or asked to pay any sum to any third party in connection with any matter based on, *inter alia*, this document and/or any cause of action resulting and/or connected, directly and/or indirectly with this document, then the Israel Corporation shall absolutely and irrevocably indemnify the Consultancy Firm against any such sum as aforesaid, immediately upon being first asked to do so, and shall also do so with respect also to all costs and/or payments incurred by and/or

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

charged to the Consultancy Firm in dealing with the demand and/or claim by the third party as aforesaid, including legal costs of any kind, provided always that the Consultancy Firm shall notify the Israel Corporation, at the first opportunity, of the existence of the aforementioned demand or claim.

12. No use may be made of this document and/or any report or information submitted to the Israel Corporation whether orally or in writing which is connected to this document, including by distributing, publishing, relying on, depending on, disclosing, referring to or quoting parts or all of it in any way, other than for the purposes of presenting this document before the Israel Corporation's Board of Directors and also, if and to the extent it shall be required, before the Israel Corporation's General Meeting.

No third party, apart from the Israel Corporation itself, shall be entitled to make any use of this document and/or any report or information submitted to the Israel Corporation whether orally or in writing which is connected to this document, or to rely upon it in any way. Despite the foregoing restriction, I have nevertheless agreed that this document may be attached to the reports which the Israel Corporation is legally obliged to submit regarding its investment in ZIM.

Summary

13. Based on and subject to all that has been said above, we have examined, from a financial point of view, the fairness of the methodology employed by ZIM in calculating the potential returns which the Israel Corporation's investment in ZIM is likely to yield. Our investigations, principally those described in paragraph 7 above, have led us to be able to make, *inter alia*, but mainly, the following points:
- 13.1 Multiples are commonly used in order to estimate the value of companies operating in the maritime transportation industry;
- 13.2 The multiples used in carrying out the valuations as aforesaid, also include those which were used to make the returns estimate - capital multiples (price to book ratios), the EBITDA multiple (EV/EBITDA) and the net profit multiple (P/Net income), which in turn were based on an [economic] forecast for the year following the date on which the valuation was made.
- 13.3 The forecasts for the [maritime transportation] industry which we have read do not in general go beyond the year 2013, a fact which makes it difficult to predict what the situation will be beyond that specific point in time;
- 13.4 The level of uncertainty in the market makes it difficult to predict how the maritime transportation industry will fare during the years ahead;
- 13.5 The companies looked at within the sample group for comparison purposes (the 21 leading companies in the industry from the point of view of transportation capacity) together provide more than 87% of transportation capacity in the industry and they constitute the main group from which most of the statistics in that industry are compiled;
- 13.6 The companies which we examined from outside the sample group from which the companies looked at for comparison purposes were taken (those ranked 22 to 40 from the point of view of transportation capacity within the industry), are essentially small, private concerns specializing in various niche fields;

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

- 13.7 The average⁵ EBITDA (X 5.4) and capital (X1.1) multiples deducted for the comparative companies during the last ten years are similar and even higher than the external multiples quoted in the returns estimate and which are based on the average multiples of the comparative companies during the previous five years;
- 13.8 The range of the implied weighted average cost of capital (WACC) when compared to the value of activities given in the returns estimate and the activities results forecast for the year 2013 (9.2%- 15.4%), which was calculated as stated in paragraph 7.8 above, is similar and even on the high side by comparison with the implied weighted average cost of capital figures for the comparative companies⁶ (7.1% - 12%)⁷;
- 13.9 The estimate of ZIM's TEU income for the year 2013 (1,418 dollars per TEU) is consistent (approximately) with the long-term direction in the progression of the Company's data. A similar trend can also be seen in data relating to the industry as a whole.
- 13.10 The estimate regarding ZIM's EBITDAR margin for the year 2013 (20.8%) is comparable to the Company's average EBITDAR margin for the years 2001 to 2008 (19.6%);
- 13.11 The estimate regarding ZIM's operating profit (EBIT margin) for the year 2013 (10.6%) is lower than the average for the industry during the period 1995 to 2008 (11.8%)⁸;
- 13.12 The methodology employed by ZIM in preparing the returns estimate as aforesaid, is based on the assumption that as a result of the Settlement's implementation the Company is not expected to encounter liquidity or other cash-flow difficulties until at least 2013;
- 13.13 The total figure given for the Israel Corporation's investment in ZIM in the returns estimate, includes also the unsecured loan which the Israel Corporation granted to ZIM during the months of June and July of this year (amounting to 100 million dollars), all or part of which, according to our understanding⁹, is likely under certain conditions to become a sunk cost from an economic point of view;

⁵ The median average multiples of the comparative companies for the years between 2000 and the present day, discounting those years in which the multiple for each company was high or low..

⁶ With regard to this matter it ought to be emphasized that we are not speaking here of a weighted cost of capital assumed and/or calculated by ZIM but a figure derived from data used in preparing the returns estimate based on the assumptions set out in paragraph 7.8 above.

⁷ Source: Revised analysts reports as received from ZIM.

⁸ Received from ZIM in reliance on financial and shipping information providers.

⁹ During the months of June and July 2009 the Israel Corporation provided ZIM with an owners' loan of 100 million dollars repayable over 15 years together with interest at the LIBOR rate + 1%, the interest being added to the principal every 6 months (hereinafter: "**the existing loan**"). The existing loan may be exchanged at any time in the Israel Corporation's discretion for ZIM shares. In accordance with the approval in principle given by the Israel Corporation's Board of Directors in September 2009, the existing loan is to be converted into ZIM share capital once the Settlement has been approved, in addition to the 350 million dollar investment required from the Israel Corporation under the terms of the Settlement. In the light of the stance taken by the Board of Directors that "the Israel Corporation's investment in ZIM ... bearing in mind ZIM's current situation, was and still is required and essential in order to enable ZIM to continue functioning as a going concern" (the Transaction Report, p.13) and the warning which the Israel Corporation published in the Transaction Report (on p.3) stating that without approval of the Restructuring Plan "it may be that ZIM will have to turn to the courts, in order, *inter alia*, to implement an arrangement

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

For the avoidance of doubt it ought to be emphasized that the figures quoted above relating to ZIM's activities results for the year 2013 constitute part of the data and information that was presented to me as stated in paragraph 6, the accuracy of which, as made abundantly clear in paragraph 8 above, we were not asked to verify or check independently and no such verification or independent check was carried out.

- 14. On the basis of what has been stated above, it is our opinion that from a financial point of view, as at today's date, the methodology which ZIM employed in calculating the range of returns which are likely to be generated by the investment being considered by the Israel Corporation, if carried out, is fair.**

Naturally, what has been stated above reflects our subjective opinion and it is entirely possible that our finding regarding the fairness of the methodology as aforesaid will not be seen as a definitive judgment and may be at odds with the opinion held by others.

Yours faithfully,

Dr. Yossi Bachar Economic Consulting and Investment Initiatives Ltd

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

The Returns Estimate

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	5 Year Peer Multiples Average since 19-Aug-2004 to 19-Aug-2009									
Adjusted Net Debt (as at 31-Dec-2012) ¹ (\$m)	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	Yang Wan Ever-Ming Hui green CSCL DOIL NOL Hanlin HMM Median									
Implied Equity Value (\$m)	363	613	863	1,113	1,363	1,613	1,863	2,113	2,363										
Implied Multiples																			
EV/2013 EBITDA	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	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	0.43 x	0.73 x	1.03 x	1.33 x	1.63 x	1.92 x	2.22 x	2.52 x	2.82 x	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	\$318m	1.1 x	1.9 x	2.7 x	3.5 x	4.3 x	5.1 x	5.9 x	6.6 x	7.4 x	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

Illustrative IRR Analysis²

Total Equity Value (\$m)	363	613	863	1,113	1,363	1,613	1,863	2,113	2,363
Value to Existing Shareholders (\$m)	363	613	863	1,113	1,363	1,613	1,863	2,113	2,363
Money Invested by Shareholders (\$m)	450	450	450	450	450	450	450	450	450
Absolute Gain / (Loss) (\$m)	(87)	163	413	663	913	1,163	1,413	1,663	1,913
Cash-on-Cash Return (x)	0.8 x	1.4 x	1.9 x	2.5 x	3.0 x	3.6 x	4.1 x	4.7 x	5.3 x
Illustrative IRR ² (%)	-7%	11%	24%	35%	45%	53%	61%	67%	74%

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.
² Illustrative IRR analysis assumes full rejection at plan approval and full return after 3 years (at Q4/2012).
 Comments:(a) 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.
 (b) The calculation does not include any potential impact of equity upside that may be provided by the company to the unsecured lenders (incl. bondholders)

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

Exhibit "A"

→ Average TEU income and ZIM's profitability figures for the years 2001 to 2008

	2001	2002	2003	2004	2005	2006	2007	2008
Average CARGO revenue per carried TEU	1,114	988	1,037	1,149	1,286	1,270	1,399	1,461
EBITDAR adjusted - Group	20.3%	15.5%	18.0%	23.9%	24.5%	21.1%	18.3%	14.1%
EBITDA adjusted - Group	8.7%	6.6%	8.8%	10.1%	9.1%	5.6%	6.7%	-2.0%
EBIT adjusted - Group	4.0%	1.7%	4.0%	6.0%	6.6%	2.9%	3.8%	-5.0%

Source: ZIM

→ Average TEU income in the industry

	1995	1996	1997	1998	1999	2000	2001
Average revenue per TEU	1,660	1,486	1,278	1,401	1,781	1,817	1,544
YoY change	-	-10.5%	-14.0%	9.6%	27.1%	2.0%	-15.0%
	2002	2003	2004	2005	2006	2007	2008
Average revenue per TEU	1,340	1,661	1,834	1,824	1,610	1,755	1,856
YoY change	-13.2%	24.0%	10.4%	-0.5%	-11.7%	9.0%	5.8%

Source: Received from ZIM, in reliance upon other sources

→ Sample group and comparative companies used by ZIM in preparing the returns estimate

Rank	Name	Current Fleet (owned + charter)			Size		Leverage	Contain
		Capacity (^{'000} TEU)	Ships	% of Fleet Chartered	Market Cap (\$m)	Enterprise Value (\$m)	Net Debt / EV (%)	Shipping a Total Reve
1	APM-Maersk	2,042	543	43%	25,148	43,508	42%	47%
2	Mediterranean Shipping	1,529	423	44%	Private	Private	NA	100%
3	CMA CGM Group	1,001	361	65%	Private	Private	NA	100%
4	Evergreen Line	615	169	43%	1,948	2,436	20%	100%
5	NOL	524	135	68%	2,864	4,111	30%	86%
6	CSCL	504	149	43%	7,491	7,892	5%	99%
6	COSCO	487	127	46%	2,122	1,941	(9)%	33%
7	Hapag-Lloyd	460	147	37%	Private	Private	NA	100%
9	NYK	415	113	26%	5,186	15,314	66%	25%
10	Hanjin Shipping	374	89	58%	1,490	3,181	53%	77%
11	OOIL	347	78	39%	3,281	4,761	31%	99%
12	MOI	342	90	52%	7,249	14,573	50%	34%
13	Hamburg Süd Group	337	118	57%	Private	Private	NA	100%
14	K Line	322	91	46%	2,555	7,191	64%	46%
15	Yang Ming Line	318	79	39%	994	2,526	61%	96%
16	CSAV Group	280	85	88%	603	917	34%	NA
17	Hyundai M.M.	274	55	71%	2,870	6,500	56%	66%
19	PIL (Pacific Int. Line)	192	106	33%	Private	Private	NA	NA
20	UASC	155	43	27%	Private	Private	NA	NA
21	Wan Hai Lines	124	68	19%	1,091	1,212	10%	100%
18	ZIM	267	92	60%	Private	Private	NA	100%

Source: Received from ZIM, in reliance upon other sources.

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

→ Average EV/EBITDA multiples for the comparative companies (without HMM and Hanjin and observations > 20 or < 0)

	Indices		Underlying Companies					
	ZIM Peers (all)	ZIM Peers (ex CSCL)	Yang Ming	Wan Hai	Evergreen	CSCL	OOIL	NOL
2000 Average	4.93 x	4.93 x	4.25 x	4.65 x	NA	NA	3.71 x	4.81 x
2001 Average	3.98 x	3.98 x	3.55 x	3.55 x	NA	NA	3.94 x	5.29 x
2002 Average	4.35 x	4.35 x	2.98 x	4.88 x	3.22 x	NA	4.08 x	7.31 x
2003 Average	4.92 x	4.92 x	4.72 x	5.68 x	4.14 x	NA	4.03 x	5.84 x
2004 Average	3.98 x	3.98 x	4.42 x	4.63 x	4.27 x	NA	3.54 x	2.94 x
2005 Average	4.12 x	4.12 x	4.42 x	4.38 x	5.17 x	NA	3.54 x	3.08 x
2008 Average	5.91 x	5.91 x	6.40 x	5.69 x	8.80 x	NA	5.16 x	3.49 x
2007 Average	7.88 x	7.78 x	7.93 x	8.21 x	11.55 x	18.32 x	7.26 x	5.94 x
2008 Average	6.30 x	5.60 x	6.83 x	4.65 x	8.14 x	10.32 x	3.77 x	4.60 x
2009 YTD Average	9.50 x	9.50 x	13.68 x	8.41 x	12.45 x	NA	8.41 x	10.93 x
1 Year (since 20-Aug-2008)	8.19 x	8.11 x	10.05 x	5.80 x	10.49 x	8.99 x	6.53 x	7.89 x
3 Year (since 20-Aug-2006)	7.60 x	7.34 x	8.18 x	5.72 x	10.29 x	10.67 x	6.22 x	5.90 x
5 Year (since 20-Aug-2004)	6.33 x	6.17 x	6.70 x	5.33 x	8.33 x	10.67 x	5.26 x	4.67 x
7 Year (since 20-Aug-2002)	5.79 x	5.68 x	5.97 x	5.31 x	7.09 x	10.67 x	4.86 x	4.73 x
All Data - Since Jan-2000	5.37 x	5.29 x	5.33 x	5.03 x	6.81 x	10.67 x	4.62 x	4.99 x
Current (19-Aug-2009)	11.50 x	11.50 x	NA	8.10 x	NA	NA	14.91 x	NA

Source: Received from ZIM, in reliance upon other sources

→ The comparative companies' average P/B multiples

	Indices			Underlying Companies							
	ZIM Peers (all)	ZIM Peers (ex CSCL)	ZIM Peers (ex CSCL, Hanjin, HMM)	Yang Ming	Wan Hai	Evergreen	CSCL	OOIL	NOL	Hanjin Shipping	HMM
2000 Average	1.13 x	1.13 x	1.13 x	1.06 x	1.77 x	NA	NA	0.33 x	1.20 x	NA	NA
2001 Average	0.68 x	0.68 x	0.68 x	0.85 x	1.10 x	NA	NA	0.26 x	0.70 x	NA	NA
2002 Average	0.72 x	0.72 x	0.78 x	0.80 x	1.52 x	0.79 x	NA	0.28 x	0.72 x	0.55 x	0.60 x
2003 Average	1.34 x	1.34 x	1.53 x	2.31 x	1.99 x	1.35 x	NA	0.77 x	1.23 x	0.97 x	0.78 x
2004 Average	1.47 x	1.47 x	1.47 x	1.80 x	1.85 x	1.38 x	NA	1.19 x	1.12 x	1.12 x	1.87 x
2005 Average	1.43 x	1.43 x	1.24 x	1.32 x	1.61 x	1.00 x	NA	1.12 x	1.05 x	1.02 x	2.78 x
2006 Average	1.00 x	1.00 x	0.98 x	0.91 x	1.30 x	0.93 x	NA	0.98 x	0.79 x	0.77 x	1.33 x
2007 Average	1.49 x	1.46 x	1.35 x	1.20 x	1.62 x	1.12 x	5.43 x	1.29 x	1.55 x	1.22 x	2.24 x
2008 Average	1.10 x	1.09 x	0.91 x	0.85 x	1.30 x	0.95 x	1.34 x	0.81 x	0.85 x	0.81 x	2.24 x
2009 YTD Average	0.96 x	0.86 x	0.74 x	0.64 x	1.12 x	0.79 x	1.59 x	0.51 x	0.62 x	0.47 x	1.53 x
1 Year (since 20-Aug-2008)	0.91 x	0.84 x	0.69 x	0.61 x	1.06 x	0.75 x	1.40 x	0.44 x	0.58 x	0.50 x	1.75 x
3 Year (since 20-Aug-2006)	1.22 x	1.15 x	1.03 x	0.92 x	1.36 x	0.97 x	1.92 x	0.88 x	1.03 x	0.94 x	1.97 x
5 Year (since 20-Aug-2004)	1.26 x	1.22 x	1.10 x	1.06 x	1.45 x	1.02 x	1.92 x	0.96 x	1.02 x	0.94 x	2.08 x
7 Year (since 20-Aug-2002)	1.26 x	1.23 x	1.18 x	1.29 x	1.58 x	1.08 x	1.92 x	0.91 x	1.03 x	0.94 x	1.77 x
All Data - Since Jan-2000	1.15 x	1.13 x	1.09 x	1.15 x	1.53 x	1.07 x	1.92 x	0.75 x	1.00 x	0.92 x	1.60 x
Current (19-Aug-2009)	1.21 x	1.08 x	1.02 x	0.88 x	1.40 x	1.12 x	2.00 x	0.80 x	0.95 x	NA	1.40 x

source: Received from ZIM, in reliance upon other sources.