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.

(the "Company")

Integrated Report for the Immediate Report (Transaction Report) published by the Company on 9.9.2009

(Including Amendments, Clarifications and Updates)

Table of Contents:

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1. Introduction

(Including Amendments, Clarifications and Updates)

1. **Introduction**

a. On 9.9.2009 the Company has published an Immediate Report (Transaction Report) regarding the Restructuring Plan of Zim Integrated Shipping Services Ltd. (a subsidiary company of the Company) ("**Zim**" and the "**Transaction Report**", respectively)[1].

b. Since the publication of the Transaction Report, significant progress has occurred in regard to the description presented in the framework of the Transaction Report concerning the formulation of the Restructuring Plan of Zim, as the Company has anticipated beforehand, in light of the unique circumstances of the matter. Accordingly, and as was set out *inter alia* in sub-section (e) of the Introduction of the Transaction Report, the Company published from time to time *inter alia* supplementary reports to the Transaction Report which included additional details in connection with the Restructuring Plan of Zim, its terms and the progress in formulating it. In addition, the Company had postponed the date of convening the General Meeting as set out in the original Transaction Report and accordingly published immediate reports and notifications in newspapers as required.

c. Considering the circumstances of the matter, the Company found it right to gather in one file for the convenience of the investors the Transaction Report and the rest of the reports regarding the matter including the supplementary reports to the Transaction Reports (the "**Integrated Report**"), which will enable, in the Company's opinion, to conveniently and fully review the development occurred in progressing the Restructuring Plan and in the resolutions approved during this period in the Company's institutions regarding this plan. Furthermore, the Integrated Report will assist in reviewing the data and the additional details regarding Zim or its Restructuring Plan as were presented in the Transaction Report and the additional reports in its regard.

d. It shall be mentioned that the resolutions which are the subject of the Transaction Report and which are brought to the approval of the Company's General Meeting, scheduled for 1.11.2009, at 16:00, in the Company's offices (as detailed in the Transaction Report and in updated report dated 19.10.2009), are detailed in section 4.3 of the Supplementary Report no. 3 dated 18.10.2009[2] (and according to the said in section 10.1 to the Transaction Report).

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[1] All the terms stated in this report shall have the meaning given to them in the Transaction Report and in its supplementary reports dated 24.9.2009, 7.10.2009 and 18.10.2009, all unless otherwise expressly stated.

[2] Considering the amendment of the typo in the framework of amendments and clarification which will be brought in section 2.d.2) below.

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2. **Amendments, Clarifications and Updates for the Transaction Report and the supplementary reports**

a. Further to the report given to the Company by Zim following the submission of Supplementary Report no. 3 dated 18.10.2009, it shall be clarified that the members of the representation of the debenture holders of Zim have notified Zim that on the basis of the Restructuring Plan of Zim as was presented in the Company's reports they intent to approve in the debenture holders' assembly that will be convened by Zim for this purpose, the outline of the settlement with Zim and to recommend to the other debenture holders to approve it.

b. Further to the description in section 3.5.8 of the Supplementary Report no. 3 dated 18.10.2009 it shall be clarified that in the framework of the settlement with the representation of the debenture holders of Zim it was agreed that "extraordinary" transactions (in their meaning under the Companies Law) only (as opposed to non- extraordinary transaction in their meaning under the Companies Law) of Zim with controlling shareholders or in which the controlling shareholders have personal interest, will be brought to the approval of the debenture holders' assembly (in a regular resolution), provided that in such assembly the holders of at least 25% of the unpaid balance of the debenture were present. If the aforesaid quorum was not present in the assembly assembled according to the terms of the deed of trust, the transaction shall be considered as approved by the debenture holders. The term "extraordinary" transactions shall not include transactions that were approved in accordance with the provisions of the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000 (the "**Relief Regulations**") as if Zim was a public company (it shall be noted that the provisions of Section 1.c. to the Relief Regulations shall not apply to Zim and it will not be required to wait 14 days for receipt of any objections from the debentures holders). For avoidance of doubt it shall be clarified, that the approval of an "extraordinary framework transaction" for the first time shall be brought to the approval of the debenture holders' assembly, as afore detailed. In addition, the trustees to the debentures holders will be entitled to choose jointly one of the brokers (out of a list of world leading brokers submitted by Zim) with whom Zim will work in any aspect relating to the examination of interested parties transactions in shipping matters in accordance to the mechanisms set by Zim currently. The trustees shall be entitled to change their choice once a year.

c. Amendment to Supplementary Report no. 2 dated 7.10.2009: In section 2.1, in the second paragraph, starting with the words "and accepted to convert it to a debt [..]" and until the end of the paragraph shall be deleted, and instead it shall be written "and also agreed that the debt resulting from the deductions of charter fees in the framework of the Restructuring Plan (in a sum which will not be less than 150 million USD) will be subordinated to the debt to the debentures holders in a liquidation, and will be paid to them *pari passu* with the repayment of the principal to the debentures holders, but in any case not before October 13, 2016. Such debt will not carry interest (the "**Settlement with the Related Corporation**")."

d. Amendment to Supplementary Report No.3 dated 18.10.2009:

1. In Section 3.5.7, in the tenth line, instead of "700 million USD (in respect of the company's value for the purpose of compensation to the debenture holders due to unexercised options in case of an "exit event") is shall be written "770 million USD".
2. In Section 4.3, which amends, *inter alia*, Sections 2.1 and 2.2 to the Transaction Report, at the end of each of these Sections instead of "14.10.2009" (reference to Supplementary Report No.3) it shall be written "18.10.2009".

e. Further to the Section 3.5 to the Supplementary Report No.3 dated 18.10.2009, the Company hereby updates, in accordance with report provided to it by Zim, that a dispute was raised with Bank Mizrahi Tefahot Ltd. (the "**Bank**") with respect to amounts mistakenly transferred to one of Zim's bank accounts, in which Zim had previously received credit from the bank, and in which the Bank has a set-off right for the repayment thereof, this instead of transferring these amounts to an account in which the Bank did not have a repayment right from other accounts. The Bank, without Zim's knowledge, had immediately reduced the credit line in the account, to which the above amounts were transferred, and repaid (allegedly) Zim's debt to the Bank (by way of set-off) in an amount of approx. 9.7 million USD, which is the entire amount provided to Zim as credit by the Bank, this from the amounts mistakenly transferred to the aforesaid account. Zim argues that the repayment of the credit amount as aforesaid by the Bank, while acting in contrary to the Standstill, which was in the Bank's knowledge, was unlawful, in bad faith, and while exploiting the mistake in transferring the amounts. Zim's view is that according to the law, the Bank should reinstate the situation as prior to the repayment of the credit as aforesaid. It shall be noted, that immediately when Zim became aware of the above, Zim approached the Bank in an attempt to reinstate the situation. At a certain stage of the contacts with the Bank, Zim was in the opinion that the dispute between the parties was resolved, however recently it became clear to Zim that its attempts to reach an agreement with the Bank were not successful. Therefore, Zim's board of directors in its meeting dated 25.10.2009 instructed Zim's management to take legal actions against the Bank in this matter.

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2. Immediate Report (Transaction Report) published by the Company on 9.9.2009

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Israel Corporation Ltd.

Form 046

Public

Registrar Number: 520028010

Securities of the Corporation are listed in the Tel Aviv Stock Exchange

Sort name: Israel Corporation

Address: P.O.B. 20456, Tel Aviv 61204

Tel: 03-6844517, 6844500, Fax: 03-6844587

Email: NOGAY@ISRAELCORP.COM

Date of Transmission: 09/09/2009

Reference: 2009-01-227796

To:	To:
The Securities Authority	The Tel Aviv Stock Exchange
www.isa.gov.il	www.tase.co.il

Immediate Report on the Convening of a Meeting

Regulation 36B (a) and 36C of the Securities Regulations (Periodic and Immediate Reports), 5700 -1970

Explanation: In the event any of the items on the agenda of the meeting is the approval of a transaction with a holder of control or the approval of an exceptional proposal, Form 133 or 138, respectively must be filled.

1. On: 08/09/2009 it was resolved to call a special meeting.

   Stock Exchange security number entitling its holder to participate at meeting 576017, to be convened on Wednesday, Date: 14/10/2009 at 16:00.

   Address: 23 Aranha Street, Millennium Tower, Tel Aviv.

2. The effective date for determining entitlement to participate in and vote at the meeting: 15/09/2009.

3. On the agenda:

   - ☐ Approval of actions or transactions requiring approval pursuant to Sections 255, 262 or 268 -275 of the Companies Law, 5759 – 1999 (hereinafter: the “Companies Law”);
   - ☐ A resolution pursuant to Section 121 (c) of the Companies Law authorising of the Chairman of the Board of Directors to fulfil the position of the CEO or to exercise his powers;
   - ☐ Approval of changes to the reporting format pursuant to Section 35B of the Securities Law;

☐ Merger pursuant to Section 320 of the Securities Law;

☐ An arrangement pursuant to Section 350 of the Companies Law;

☐ The appointment or dismissal of a director;

☐ The appointment of an outside director;

Is the appointment of the outside director in accordance with Section 239(d)of the Companies Law: _________

Explanation: Section 239(d) of the Companies Law provides that "in a company where, at the time of appointment of the outside director all members of the board of directors are of the same gender, the appointed outside director will be of the opposite gender."

Proposed terms of tenure and employment for the outside director: ______

☒ Other matters:

1. *See the attached herewith*

Details relating to the items on the agenda:

See the attached herewith *{Attached pdf file}*

Explanation: The detailing of the subjects will include the principal facts needed in order to properly understand any matter requiring voting at the meeting.

The wording of the proposed resolutions or a brief description of their principles:

See the attached herewith *{Attached pdf file}*

Will, to the best knowledge of the Company, the holder of control in the Company hold, at the effective date for the convening of the general meeting, shares conferring the required rate needed to adopt all the resolutions on the agenda of the general meeting, on the assumption that all the other shareholders will participate in the vote and that they will all vote against it: *No*

4. Attached: ☒ Wording of a written vote ☐ Statement of position ☐ Statement of the nominated to serve as a director in the corporation.

{Attached pdf file}

Explanation: if a written vote and/or a statement of position is attached, one must ensure that they have been prepared in accordance with the Companies Regulations (Written Vote and Statements of Position), 5766 – 2005.

Internet website address where voting may be done: __________

Explanation: This field must be filled in if the Company allows voting through the internet pursuant to Regulation 5 (c) of the Companies regulations (Written Vote and

Statements of Position), 5766- 2005:

The e-mail address to which a stock exchange member may deliver material which he is required to provide to the Company pursuant to Regulation 4 (c) (1) of the Companies regulations (*Written Vote* and *Statements of* Position), 5766 – 2005:

____

5. The quorum for the holding of the meeting:

   See the attached report.

6. In the absence of a quorum, the adjourned meeting will be held on: 21/10/2009, at 16:00.

   Address: *23 Aranha Street, Millennium Tower, Tel Aviv*

7. The place and times at which the proposed resolution for which the wording has not been provided in full in the details of the above agenda, may be viewed:

   See the attached herewith.

Reference of former documents in this regard (referring does not constitute incorporation by reference):
Former name of reporting entity:
The Israel Corporation Ltd.

Form structure updated 12/07/2009

Name of Electronic Reporter: Noga Yatziv. Position: Company's Secretary.
Aranha 23, Millennium Tower, Tel Aviv 61204. Phone – 03-6844517, Fax: 03-6844587, e-mail – nogay@israelcorp.com

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

Date: 9th of September 2009

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

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

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

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

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

Notification of a call for a general assembly, the required majority and the date for determining eligibility of shareholders to vote at it: notice is hereby given that, on the 14th of October 2009, at 16:00, a special general assembly of the Company's shareholders will be gathered at the Company's offices, at 23 Arnea Street (Millennium Tower), on the agenda the aforementioned issue. The required majority at the assembly to approve the discussed resolution is a majority of the votes present at the assembly, eligible to vote, as long as one of the following is fulfilled: (a) on a reckoning of the votes of the majority at the special meeting there will be included at least one third of all the votes of the shareholders not having a personal interest in approving the resolution, and participating in the vote; on reckoning all the votes of those shareholders, abstentions will not be taken into account;; (b) the total number of votes of those opposing from among the shareholders mentioned in sub-paragraph(a) above, will not exceed 1% of all the voting rights in the Company. A shareholder is entitled to appoint a proxy who will be able to participate and vote on their behalf at the general assembly in accordance with the said in the Company's articles. The power of attorney will be deposited with the Company's registered office by 10:00 of the day of discussed general assembly. A shareholder is entitled to vote using section B' of the voting warrant. For this matter, a shareholder's vote using the voting warrant will be seen as if they had attended the assembly. The voting using the voting warrant, with regards to a shareholder interested in voting using the voting warrant as an alternative to personally attending the assembly and / or by proxy, will be by means of the second section of the voting warrant attached as Appendix C' of the transaction report. The voting warrant and the documents that must be attached to it as detailed in the voting warrant must be delivered to the Company's offices by 10:00 of the day of the discussed general assembly. In this matter the time of delivery is the time at which the voting warrants and the documents that must be attached to it arrive at the Company's offices. The determining date for determination of eligibility of the Company shareholder to vote at the general assembly, as stated in clause 182 of the Companies Law 5759-1999 ("**Companies Law**"), is the 15.9.2009 ("**Determining Date**"). In accordance with the Companies Regulations (proof of title of a share for purposes of voting at general assemblies), 2000, a shareholder in whose favour a share is registered with a member of the Tel Aviv Stock Exchange Ltd., where such share is included amongst those shares of the Company that are registered in the shareholders' register in the name of a nominee company and who wishes to vote at the general meeting, will furnish the Company with a certificate from the Stock Exchange member with whom his right to the share is registered, regarding his title to the share, on the Record Date, pursuant to Form 1 of the addendum of the said regulations. A legal quorum will occur when there are present either in person or by proxy, five shareholders who have at least twenty five percent of the voting rights. If there is not present at the general assembly a legal quorum at the end of thirty minutes from the time determined for the assembly to start, the assembly will be adjourned for a week, for the same day, and same time and the same place, without the need to notify the shareholders of such, and if at the postponed assembly there is not a legal quorum after thirty minutes from the time determined for the assembly, those present will form a legal quorum. A shareholder is entitled to receive a certificate of title, as defined in clause 71 of the Companies Law, at the branch of the Stock Exchange member or by post, if they requested this. A request in this matter will be given in advance to a particular securities account. A shareholder, who is not listed, is entitled to receive by email, without remuneration, a link to the wording of the voting warrant and the position notices on the distribution site from the Stock Exchange member through whom they hold their shares, unless the Stock Exchange member that they are not interested in receiving the link as stated or that they are interested in receiving voting warrants by post for a payment; their notice regarding voting warrants will also apply to receipt of position notices. A position notice of a shareholder can be submitted up to ten days after the determining date for determining eligibility to vote at the general assembly, as stated in clause 182 of the Companies Law, which is the 15.9.2009. A position notice which includes the response of the Company's Board can be submitted no later than five days after the final date for sending position notices by shareholders as stated above. The voting warrant will be valid only if attached to it is a certificate of title of the unregistered shareholders (that is to say the person in whose favour the shares are listed with a Stock Exchange member and those same shares are included among the shares listed in the shareholders register in the name of a nominee company), or a photocopy of an ID, passport or certificate of incorporation, accordingly, if the shareholder is listed in the Company's books. The addresses of distribution site and the internet site of the Securities Authority and the Stock Exchange (respectively) on which can be found the voting warrant and the position notices are: www.magna.isa.gov.il; maya.tase.co.il.

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

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

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

Introduction

a. Together with the global financial crisis, and as part of it, there have been a number of negative developments in the shipping market, among them, among other things, a large supply of ships in relation to recession demand, a fact which has led to a decrease in the utilisation of the ships and the haulage fees. The tough conditions in the international shipping market continue to negatively affect Zim, among other things, its business results, its ability to meet financial criteria and its ability to raise capital as well as the terms of its financing, and this similar to other international shipping companies. As part of the steps Zim is taking which are intended to deal with the changes in the market, Zim is trying to put together a restructuring plan agreed upon with its various creditors, and this in addition to the rest of the steps being taken by Zim, including as detailed in the Company's periodical report (in the board of directors' report) of the 30th of June 2009.

b. As will be detailed herein in this report, Zim is in an advanced process of putting together a restructuring plan for Zim with its financial creditors and other factors, while the Company's investment in Zim as well as the participation of the related corporations in the settlement (as detailed herein) is a vital component of the Zim restructuring plan.

c. This report deals with approval of the Company's investment in ZIM as detailed herein in this report as well as approval of the settlement with the corporations related, directly or indirectly, to the holders of controlling interests in the Company who are ship owners leasing ships to ZIM (the "**Related Corporations**"), and all as detailed in this report.

d. The agreed restructuring plan and its terms and conditions are subject to the approval of the financial creditors and other factors who are part of the plan and the results of the ongoing negotiations which are continuing with them, while correct as of the date of this report an agreed restructuring plan has yet to be fully formed (see also details in clause 6 herein).

e. Considering that as of the date of this report ZIM finds itself in the middle of negotiations with various factors with regards the putting together of an agreed restructuring plan and they do not have full details in the discussed matter or that giving certain details may harm the negotiation, the Company will send close to the date of the general assembly which is the subject of this report an immediate supplementary report/s, which will include further details regarding the agreed restructuring plan, its terms and the progress made in its formation. In as far as in question are essential details the supplementary report will be sent no later than 14 days before the date the general assembly is called for, and in as far as in question are non-essential details the supplementary report will be sent no later than 3 days before the date of the general assembly (see also details in clause 6 herein).

f. The following terms will have the meaning given next to them in this report:

"**Agreed Restructuring Plan**", means – the signing of agreements or memorandums with "financial creditors" and "other factors" (as these terms are defined in clause 1.7 herein) which will be in totality the agreed restructuring plan or any other plan or outline as will be decided by an authorised judicial instance.

"**The Company's Investment in ZIM**", means – the intermediate cash flow amounts (as defined in clause 1.6a herein) as well as the balance of the Company's investment in ZIM in the amount of 250 million US dollars as detailed in this report as well as conversion of the above stated amounts in addition to the amount of "existing loan" (as defined in clause 1.4 herein) to ZIM share capital, and all subject to that detailed herein in this report.

g. The Company wishes to emphasise that there is no certainty that an agreed restructuring plan for ZIM will be formulated, among other things, in the event and certain factors do not take part in the restructuring plan that ZIM is trying to put together and / or in the event and certain factors act against ZIM, in the said case it is possible that ZIM will have to turn to the authorised judicial instance, including for purpose of carrying out a settlement under the aegis of the Court.

1. <u>Background</u>

1.1. The Company directly holds 98.92% of ZIM's share capital, and in addition 0.18% of the holdings in ZIM are held by ZIM and its subsidiaries.

1.2. As stated in the Company's immediate report of the 27.11.2008, the Company announced that it would in principle be willing to give ZIM a cash infusion in the amount of 150 million US dollars, during 2009, if and as much as circumstances necessitate such and according to the Company's discretion.

1.3. As stated in the Board's report for the first quarter of 2009 which was published on the 27.5.2009, the Company undertook towards Zim to support them up to the sum of 100 million US dollars (which are part of the above stated 150 million US dollars), so long as negotiations with the financing banks continues (and this consequent to a condition placed by the financing banks for the continuation of the negotiations). This commitment was conditional on, among other things, Zim's financial creditors not taking any steps whatsoever against Zim during the period of negotiations.

1.4. Further to the said in the above clause 1.3, and as stated as part of the Company's immediate reports from the 2.6.2009 and 2.7.2009, in the months June and July 2009, and as part of the amount of the aforementioned 150 million US dollars, the Company has made available to Zim a total amount of 100 million US dollars (the "Existing Loan"), by a way of an owners loan for a 15 year period, at an interest rate of LIBOR + 1%, accumulated every 6 months to a fund (which can be converted at any time to ZIM shares according to the Company's discretion, and subject to the necessary approvals) ("Existing Loan Terms"). The existing loan will be considered as part of the Company's investment in Zim and will be converted with the approval of the agreed restructuring plan into Zim shares according to the determined in clause 1.10h(8) herein.

1.5. As stated in the Company's immediate report (transaction report) of the 2.8.2009 ("First Transaction Report"), the Company has called a shareholders' general assembly with regards to the intermediate cash infusion to Zim in order to enable Zim to complete and advance the negotiations with the financial creditors and other factors in order to reach an agreed restructuring plan. For details and more on this see the Company's immediate reports of the 2.8.2009; 18.8.2009; 25.8.2009. In addition see clause 6.4 herein.

As detailed in the first transaction report, on the 29.7.2009 and the 30.7.2009 (respectively) the Company's audit committee and Board authorised placing at Zim's disposal 40 million US dollars (the "Initial Sum"), at the terms of the existing loan (as stated in clause 1.4 above) and against sureties that Zim would provide the Company (the "Sureties"). With the general assembly's approval of the resolution which is the subject of this report the sureties will automatically be removed.

1.6. As stated, among other things, in the immediate report of the 26.8.2009 the Company's audit committee and Board decided on the 26.8.2009 the following:

a. To approve an immediate infusion of 60 million US dollars to Zim backed by suitable sureties that Zim would provide the Company with, the infusion is necessary and vital for Zim's continued activity. This sum and the initial sum ("Intermediate Infusion Amounts") will form an integral part of the Company's investment in Zim which is the subject of this report. With general assembly's approval of the Company's investment (including the intermediate infusion amounts) in Zim which is the subject of this report, the sureties placed for the intermediate infusion amounts will automatically be removed. In any other event, the Company will be able make available the intermediate infusion amounts that will continue to be backed by sureties, for immediate repayment (with advance notification).

b. To accept the related corporations' notice to the holders of controlling interest in the Company who are among the ship owners leasing ships to Zim that, if the Company's investment in Zim is not approved, they will reimburse Zim the amounts received by them from Zim as lease fees for the period commencing on the 2.8.2009 and up until the end of September 2009 (that is to say will reimburse the sums they indirectly received from the intermediate infusion amounts) (the "Last Date"). In noting that the general assembly which is the subject of this report was set to take place during October 2009, the related corporations have agreed, at Zim's request, that the last date be postponed to the end of October 2009.

c. To accept the related corporations' notice to the holders of controlling interest in the Company who are among the ship owners leasing ships to Zim, of their agreement to immediately reduce Zim's lease fees for the ships leased to them. The accumulated amount of the reduction in lease fees as stated in the coming years from the related corporations is an amount of 150 million US dollars as mentioned in clause 1.10 h(6) herein. The agreement of the said corporations for the stated reduction is subject to approval of the stated restructuring plan on all its terms, however, an amount of up to 60 million US dollars of the said amount (an ongoing accumulated amount of the present reduction rate in the lease fees) is not subject to approval of the agreed restructuring plan for Zim.

1.7. Further to that detailed in the first transaction report, and as reported by Zim to the Company, Zim is continuing to advance the negotiations with the various financial creditors (including foreign and local banks, Zim bond holders and leasing companies) (the "Financial Creditors") and other factors (including the Company and ship owners leasing ships and shipyards to Zim and from whom they ordered ships) (the "Other Factors") with the aim of formulating an agreed restructuring plan. Against this said restructuring plan the main points of which were presented to the financial creditors, correct as of this date there continues to exist a de facto agreement (without a signed agreement) with regards to a Standstill situation with the financial creditors who are part of the Standstill [1] according to which Zim only repays them the interest without paying off the

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

principle and this until an agreed plan is formulated with the financial creditors and other factors. Payments of the principle which are not paid at this stage are deferred to a later date. Accordingly, financial creditors who are part of the Standstill are prevented in actuality from realising the various rights they have in accordance with the different financing agreements. In this context it should be noted that Zim believes that the situation they find themselves is due in the main from the crisis in the world trade and its implications on the haulage by sea, resulting from the crash in the scope of world trading. This situation has led Zim, which was in the middle of a process of expansion and purchasing of new ships, to a situation where on the one hand they have suffered losses and a deficit in the cash flow as a result of the ongoing activity and at the same time a significant difficulty has arisen in financing their commitments with regards to the expansion process. For details and more on Zim situation see the details brought in the Board's report and the financial reports for the second quarter of 2009 which were published on the 27.8.2009.

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

1.9. Subject to streamlining and cost-cutting steps, as detailed herein, Zim continues to manage its business around the world and operates the ships in its service on the various shipping routes.

1.10. **The Essence of the Principles of the Restructuring Plan (as these have been formulated up to the date of this report):**

a. As stated, ZIM is in the advanced process of formulating an overall and agreed restructuring plan with the financial creditors and other factors. In addition, the proposed plan includes settlements opposite the Company as well as opposite the related corporations (these corporations are included among the ship owners leasing ships to Zim and with whom Zim is in a long-term business relationship, as detailed at length herein).

b. The premise which is the basis of Zim's restructuring plan is that it should be assumed that the present difficult situation in the sea haulage market will continue in 2009 and 2010 and that only in 2011 will a gradual recovery in the sea haulage market start, which will be characterised by an improved utilisation rate of the ships and an increase in the haulage fees in such a way as to enable capital return and profitability.[3]

c. On the basis of this, Zim intends to organise its debts and commitments in accordance with the principles detailed herein:

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

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

(1) The factors included in the settlement, which have been classified into different groups, are required to make concessions taking note of their relative rights.

(2) The factors included in a certain group in the settlement are required to make corresponding concessions to those required from the rest of the factors classified in that group.

(3) The required concessions from the financial creditors do no include a debts write-off, and in the main is deferment of payments of the principle.

(4) Guaranteed financial creditors enjoy preference in payment of their debt over non guaranteed financial creditors.

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

e. In addition, since the path of activity expected for Zim is a deficit, the business plan is based among other things on the Company's investment in Zim including a cash infusion (in a total amount of 350 million US dollars) from the Company, its conversion and the conversion of the existing loan into Zim shares as well as the Company's agreement to the settlement and the necessary infusion as part of the settlement (including settling with related corporations, as detailed herein, which forms part of the settlement), while this agreement of the Company is a vital condition to the very feasibility of the restructuring plan.

f. Zim's restructuring plan is based on a voluntary settlement which of its very nature and essence necessitates agreement of all the factors included in the settlement. Zim is today on a positive path of negotiations with the various factors. If and as far as it becomes clear that there are real difficulties in reaching overall agreements which are meant within the required timeframe to achieve the settlement, Zim intends to examine other alternatives including executing a settlement under the aegis of the Court.

g. For the purposes of the restructuring plan Zim's creditors have been classified into the following groups:

(1) Guaranteed financial creditors with sureties on existing ships (this does not include financial creditors who are guaranteed with ships that are in construction or on order).

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

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

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

(5) Ship owners leasing to Zim.

(6) Non-guaranteed financial creditors, including bond holders.

(7) Shareholders (the Company).

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

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

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

(1) <u>Guaranteed financial creditors with sureties on existing ships:</u>

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

(2) <u>Guaranteed financial creditors with sureties on containers and on container leases (financial leasing):</u>

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

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

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

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

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

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

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

A meeting of bond holders (series A', B' and C') which convened on the 15th of August 2009 decided on the appointment of representatives of the bond holders and Zim has started negotiations with these representatives. As of the date of this report the negotiations opposite these representatives has yet to be completed.

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

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

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

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

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

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

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

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

   Correct as of this date Zim has reached an understanding with shipyards for the postponement of 14 ships in the range of two to 3 years. Most of the said postponements are accompanied by an update in the payment dates so as to correspond with the new delivery dates. The total scope of the payments the dates of which have changed or been postponed because of the said ships is 1.5 billion US dollars.

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

(8) Shareholders (the Company):

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

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

In addition, the Company's Board has approved in principle (after the approval in principle of the audit committee) that with approval of the agreed restructuring plan as stated, the Company's investment in Zim (including the existing loan) will be converted into Zim shares. The ratio of the conversion will be derived from Zim's equity at the time of conversion (Zim's equity according to Zim's financial reports of the 30th of June 2009 stands at 249 million US dollars).

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

(9) Streamlining Steps:

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

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

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

1.11. The cooperation of many years between Zim and the related corporations – cooperation between Zim and the related corporations has gone on continuously since 1969, many years before the present holders of controlling interests in the Company acquired controlling interests (the present holders of controlling interests purchased control in the Company in 1999). After purchase of control of Zim from the State (in 2004) the Company carried out comprehensive settlements, as reported to the general public, in order to regulate the shipping transactions with the interested parties at ZIM, and this particularly in light of the Company's desire that its conduct be transparent and fare opposite its shareholders. For details regarding the strength of the ships leased from related corporations see clauses 1.12 and 1.13 herein.

1.12. The Shipping Strength in the Service of Zim

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

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

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

1.13. Details of Ships Leased to Zim from Related Corporations

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

No.	Age of the Ship in Years	Container Capacity (TEU)	Agreement Lease Period	Daily Lease Fees in Accordance with Existing Agreement in US Dollars	The Standing Down Period of the Ships in the Last 12 Months
1.	28	4,850CC[4]	27/03/2006 – 26/03/2011	20,000	
2.	7	4,992	28/02/2002 – 31/12/2011	23,000	
3.	7	4,992	06/07/2002 – 07/05/2012	23,000	
4.	17	3,005	30/06/2008 –	25,900	As of the –

4 This means – car haulage capacity.

			30/05/2013		05.06.09 until today[5]
5.	17	3,005	01/10/2008 – 01/09/2013	25,750	As of the – 29.05.09 until today[5]
6.	3	4,250	30/11/2006 – 01/10/2016	23,000[6]	
7.	2	4,250	25/04/2007 – 24/02/2017	23,000[6]	
8.	2	4,250	14/05/2007 – 15/03/2017	23,000[6]	
9.	2	4,250	08/08/2007 – 10/07/2017	23,000[6]	
10. [7]	3	4,250	07/06/2006 – 08/04/2016	23,000	
11. [7]	2	4,250	01/11/2007 – 02/10/2017	23,000	
12.	1	6,350	31/03/2008 – 30/01/2018	31,500	
13.	0	6,350	11/05/2009 – 12/03/2019	31,500	
14.[7]	7	4,992	15/04/2002 – 15/02/2012	23,000	
15.[7]	5	4,992	14/06/2004 – 15/04/2014	21,900	
16.[7]	5	4,992	19/07/2004 – 20/05/2014	21,900	

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

As a result of the reduction in the lease fee as stated in clause 1.10h(6) above, the overall amount of the aforementioned lease fees which will be paid to the related corporations will be reduced by an accumulated amount

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

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

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

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

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

(a) The total amount of Zim's commitments to the related corporations during the period of the restructuring plan which is the subject of this report (from the middle of 2009 to 2013) stands at 464 million US dollars[8] (in nominal terms, and following the reduction amounts totalling 150 million US dollars from the leas fees as mentioned above) – and a present value of 395 million US dollars[9]; it should be noted that in neutralising the operational costs estimates of the leased ships, the total amount of Zim's commitments to related corporations during the restructuring plan

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8 The said nominal amount includes among other things: (a) lease fees for the plan period (2009 – 2013) as detailed in the table in clause 1.13 above (the amount does not include a reduction in the amount of 3,500 US dollars per day for standing down 2 ships as stated in footnote 6 above); (b) some 53 million US dollars for future commitments for the lease of ships that have yet to be received but are due to be received during the plan period; (c) some 21 million US dollars for commitments to lease 2 ships (as detailed as part of the Company's last periodical report (in the Board's report)); (d) debt to the related corporations in the amount of 13 million US dollars (principle and interest) for cancellation of lease ships as stated in the immediate report of the 30.4.2009.

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

years is a nominal amount of 295 million US dollars, and a present value of 250 million US dollars[10]

(b) The total amount of Zim's commitments during the period of the restructuring plan which is the subject of this report (from the middle of 2009 to 2013) is 3.6 billion US dollars which is composed among other things from amounts of the debt principles, commitments for payment of lease fees in nominal terms and commitments for the purchase of ships in nominal terms (following the reduction amount of 150 million US dollars from the lease fees as mentioned above). The said amount does not include commitments for employee rights and derivatives in the total amount of 103 million US dollars;

(c) The total amount of Zim's existing commitments to related corporations from 2014 and henceforth is the nominal amount of 430 million US dollars[11]. It should be noted that in neutralising the operational costs estimates of the leased ships, the total amount of ZIM's commitments to related corporations in the period 2014 and henceforth is a nominal amount of 313 million US dollars.

1.16. <u>Further Details</u>

a. Details regarding Zim's assessment on present market conditions for leasing ships similar to those leased from related corporations as shown above will be published as part of the supplementary report that will be sent shortly.

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

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

b. Attached as **Appendix A'** the main points of the forecasted cash flow for financing Zim's deficit commitments in the coming years.

c. Attached as Appendix B' Zim's financial reports (consolidated) for the 30.6.2009.

2. Description of the Main Points of the Engagements

2.1. The Company's investment in Zim including the conversion of the Company's investment amount into Zim shares as stated in this report. Upon approval of the agreed restructuring plan as stated in this report, in the years 2009 – 2010, an infusion in the amount of 250 million US dollars will be carried out in instalments (as part of the Company's investment in Zim), and the Company's investment amount will be converted into Zim shares as clarified in this report.

2.2. The settlements with the related corporations with regards to the reduction in the lease fee and the issue of promissory notes convertible into Zim shares according to the conversion formula (as detailed in clause 1.10h(6) above).

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

3.1. Millennium Investment Elad Ltd ("**Millennium**") holds 46.94% of Israel Corp. Millennium is held by Mashat (Investment) Ltd ("**Mashat**") and the Ofer Group Investment Ltd (80% and 20% respectively). Mashat is a private company held indirectly by foreign corporations, by a discretionary trust, of which Mr. Idan Offer is a beneficiary. The Offer Group Investments Ltd directly holds 2.93% of the Company's share capital. The Ofer Group Investment Ltd is a private company held in full by Ofer Holdings Group Ltd ("**Ofer Holdings**"), which is a private company held in equal parts by Orona Investment Ltd (a company which is indirectly held by Mr. Ehud Angel) and Lynav Holdings Ltd ("**Lynav**"). Mr. Ehud Angel has a special share which grants him among other things, under certain limitations and for certain matters, an additional vote on the Offer Holdings board of directors. Lynav is controlled by a discretionary trust of which Mr. Idan Ofer is the main beneficiary. Mr. Idan Ofer holds directly 3.85% of the Company's share capital. In addition, Kirby Enterprises Inc., held indirectly by the discretionary trust which holds Mashat and of which as stated Mr. Idan Ofer is a beneficiary, holds 0.74% of the Company's share capital.

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

4. <u>How the Amount the Company Would Invest in Zim was Determined and the Conversion Formula</u>

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

4.2. The conversion formula which is the subject of the settlements with the related corporations was determined on the basis of the following premises: (a) against the sums reduced as stated in clause 1.10h(6) above promissory notes convertible into Zim shares will be issued, which will be converted (not at the discretion of the receivers of the promissory notes) in 2016 or at the time of issue of Zim shares to the public, according to the earlier of the two. In the event that Zim issues its shares to the public by September 2016, the conversion mechanism for Zim shares will be a derivative of the issue value of Zim. In the event and by September 2016 Zim doesn't issue its shares to the public, each party (Zim and the ship owners) will appoint an independent assessor, and the conversion mechanism will be a derivative of the Zim value according to an average of the two as stated assessments of Zim. If the value of Zim at the date of the said conversion is lower from the overall amount stated in the totality of convertible promissory notes for Zim shares issued (to related corporations, other ship owners and additional factors related to the agreed restructuring plan, in as far as they receive convertible promissory notes) then the promissory notes will be converted to Zim shares in a proportional manner between the recipients of the promissory notes in accordance with the amount stated on these notes, and the owners of the convertible promissory notes will not be entitled to any further rights beyond this; (b) In return for their contribution to the agreed restructuring plan by way of reducing the lease fees as clarified above, the related corporations will be given the opportunity to enjoy the possibility of Zim's recovery; (c) Determination of the value of Zim in the future for purposes of realisation of the convertible promissory notes is not dependent on the related corporations.

5. The Necessary Approvals

5.1. The Company's audit committee approved the resolution the subject of this report on the 8th of September 2009 (for further details see clause 6.3 herein).

5.2. The Company's Board committee approved the resolution the subject of this report on the 8th of September 2009 (for further details see clause 6.3 herein).

5.3. The resolution which is the subject of this report is brought for approval by the Company's general assembly which will be called as determined in clause 10 herein. 10

6. Further Details

6.1. As stated above, the agreed restructuring plan and its terms are subject as stated to the agreement of the factors which form part of the plan and the results of the continuing negotiations with them, while as of the date of this report as yet no agreed restructuring plan has been fully formulated.

6.2. As stated above, the Company will send close to the date of the general assembly which is the subject of this report an immediate supplementary report/s, which will include further details in relation to the agreed restructuring plan, its terms and the progress of its formulation. In as far as in question are essential details the supplementary report will be sent no later than 14 days before the date the general assembly is called for, if the details are non-essential than the report will be sent no later than 3 days before the date of the assembly.

6.3. The resolutions which are the subject of this report that were approved in principle by the Company's audit committee and Board were based on information existing at the time this report was given as well as the assumptions presented to the Board by ZIM and the Company's management. Shortly after receiving the information and further data with regards to the agreed restructuring plan, the Board's committee (recommends) in the matter of ZIM as well as the audit committee and the Company's Board will meet, and after examining the information and further data related to the agreed restructuring plan which are expected to be accepted in the near future, the audit committee and the Board will again meet and discuss the resolutions which are the subject of this report, and consequently and immediate supplementary report will be sent in the matter, together with the audit committee's and the Board's arguments.

6.4. As stated in the immediate report of the 18.8.2009, the Company wishes to clarify that in response to a reasoned and detailed appeal to the Securities Authority regarding the lack of personal interest on the part of Bank Leumi Israel Ltd ("BLI") in approving the resolution which is the subject of this report, on the 17.8.2009 the Securities Authority stated their position according to which BLI has a personal interest in approving the discussed resolution, and that BLI votes should not be included in the quorum of a third of the votes of shareholders who are non interested parties needed out of the total of votes cast in approval of the said transaction, in accordance with the instructions of clause 275 of the Companies Law, 5759-1999 ("**Companies Law**") and this based on the Securities Authority's position that holder's of controlling interests in the Company have a personal interest in the transaction being approved (the "**Authority's Position**").

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

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

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

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

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

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

7.1. The shipping industry is a highly cyclical one which is currently in the midst of a severe crisis. To the best of the Company's knowledge, based on what Zim has passed on to them from various publications, shareholders in a number of foreign shipping companies intend to carryout or have carried out in this period substantial capital infusions to their companies because of the severe crisis in the industry.

7.2. The initial estimates presented to the Company by Zim, based, among other things, on the estimates given to Zim by professional international advisors, indicate that at the end of the restructuring plan Zim will be stabilised and with the return of the market to normal economic activity (including the said in clause 1.10 above) the Company's investment in Zim is likely to be economically beneficial.[12]

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

7.3. The Company's investment in Zim (including an infusion of balance in the amount of 250 million US dollars), considering Zim's situation, was and is necessary for the continued operation of Zim as a "going concern".

7.4. The Board were aware that Zim's continued operation as a "going concern" is extremely important both from a national, security, the economy as a whole perspective (including as a result of the international implications in light of Zim's global activity, and the fact that a majority of the banks and other financing bodies of Zim are international bodies with influence over other corporations in the Israeli economy) and from the perspective of the thousand of employees and service providers of Zim and its subsidiaries, and those related to Zim's activity.

7.5. The Company's avoidance from supporting Zim might cause possible damage to the Company and its Group, including as a result the possibility of facing difficulties in the future in securing new financing as well as recycling existing financing from financial institutions both national and international. In addition, this might damage the Company's reputation in Israel and abroad and a loss of the Company's investment in Zim and this in addition to the loss of the potential embodied in Zim.

7.6. Based in the information received from Zim, Zim is advancing the steps to formulating an agreed restructuring plan with the financial creditors and other factors.

7.7. It is customary that a parent company which fully controls a subsidiary supports it in difficult times, and this is especially the case for holding companies such as the Company and a subsidiary such as Zim.

7.8. The agreement of the related corporations to reduce as part of the agreed restructuring plan Zim's lease fees in the coming years in the accumulated amount of 150 million US dollars, against convertible promissory notes, benefits Zim and is an important layer in the formulation of an agreed restructuring plan and marker to other ship owners.

7.9. The conversion formula for Zim shares the subject of the settlement with the related corporations (as detailed in clause 1.10h(6) above) is fitting and reasonable, as detailed above.

7.10. Taking into consideration all the circumstances, the Board found that approval of the Company's investment in Zim and the formulation of the agreed restructuring plan (including the settlements with the related corporations) is necessary and vital for Zim and is in the best interests of the Company.

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

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

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

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

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

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

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

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

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

10.1. Notice is hereby given that a special general assembly of the Company's shareholders will convene at 16:00 o'clock on the 14th of October 2009, at the Company's offices at 23 Arnea Street, (Millennium Tower), Tel Aviv on the agenda approval of the actions, transactions and engagements as stated in clause 2 above, at one and the same time, including all the acts incidental to or involved in and relating to them or the performance thereof.

10.2. The majority required at the meeting to approve the said resolution is a majority of the votes of those present at the meeting, personally or by proxy, who are entitled to attend the vote, provided one of the following will obtain: (a) on reckoning votes of the majority at the special meeting there will be included at least one third of all the votes of the shareholders not having a personal interest in approving the resolution, and participating in the vote; on reckoning all the votes of those shareholders, abstentions will not be taken into account; (b) the total number of votes of those opposing from among the shareholders mentioned in sub-paragraph(a) above, will not exceed 1% of all the voting rights in the Company.

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

10.4. A shareholder may vote at the meeting by means of the voting warrant. In this connection, the vote of a shareholder who has voted by means of a voting warrant will be deemed to have been present and attended the meeting. The vote by means of a voting warrant in relation to a shareholder who wishes to vote by means of a voting warrant in lieu of participating at the meeting personally or by proxy, will be made by using the second section of the voting warrant attached as **Appendix C'** of this report. The voting warrant and the documents that must be attached to it as detailed in the voting warrant should be submitted to the offices of the Company by 10:00 on the day the general assembly which is the subject of this report. In this connection, the submission date is the date, on which the voting warrant and the attached documents, reached the offices of the Company.

10.5. The date determining eligibility of a shareholder to vote at the general assembly, as stated in clause 182 of the Companies Law, is the 15.9.2009 (the "**Determining Date**").

10.6. In accordance with the Companies Regulations (Proof of Title to a Share for Voting Purposes at General Assemblies) 2000, a shareholder in whose favour a share is registered with a member of the Tel Aviv Stock Exchange Ltd., where such share is included amongst those shares of the Company that are registered in the shareholders' register in the name of a nominee company and who wishes to vote at the general meeting, will furnish the Company with a certificate from the Stock Exchange member with whom his right to the share is registered, regarding his title to the share, on the Record Date, pursuant to Form 1 of the Schedule to the above Regulations.

10.7. A legal quorum will be constituted when there are present, personally or by proxy, five shareholders holding at least twenty-five percent of the voting rights. Should a quorum not be present at the general assembly after half an hour has elapsed from the time appointed for commencement of the assembly, the assembly will be adjourned for a week to the same day, time and place, without there being any duty to give notice of such fact to the shareholders, and if at the adjourned meeting no quorum is present after half an hour has elapsed from the time appointed for the assembly, the members present will constitute a quorum.

11. General

11.1. A directive given by the Securities Authority:- pursuant to regulation 10 of the Securities Regulations (Transaction between a Company and a Controlling party thereof), 2001: the Securities Authority is entitled, within 21 days of the date of the filing of this report, to direct the Company to provide by a given date, explanations, details, information and documents relating to the offer or engagement, as the case may be, to which the report relates, and also to instruct the Company to amend the report in such manner and time as it prescribes. In such a case, the Authority may direct that the date for the general assembly be adjourned until such a date as will fall not earlier than three business days or later than twenty-one days after the date of the publication of the amendment to the report.

11.2. The Company’s representatives for purposes of handling the Immediate Report, are: Ms Noga Yaziv, advocate, Company secretary, at 23 Arnea Street, Millennium Tower, Tel-Aviv, Tel: 03-6844500.

11.3. The Company's shareholders may study this report and the other documents pertaining to the resolutions proposed for the general assembly at the Company’s offices on Sundays to Thursdays, between 09:00 – 16:00, by prior arrangement, Tel: 03-6844500.

Sincerely,

Israel Corporation Ltd.

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Appendix A'

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

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

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

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

2. The above infusion is based on the following assumptions:

2.1. Delivery of the new ships and payment for them will be executed according to the updated schedule.

2.2. Financing of the ships according to the original financing agreements.

2.3. Recovery of the shipping industry in 2011.

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

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

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ISRAEL CORPORATION LTD.

WRITTEN VOTE

Pursuant to the Companies Regulations (Written Vote and Statements of Position), 5766 - 2005 (hereinafter: "the Voting Regulations")

First Part

1. **Company Name:** Israel Corporation Ltd. (hereinafter: **"the Company"**).

2. **Type of Meeting, time and place of its convening:** Special General Meeting which is to be held at the Company's offices at 23 Aranha Street (Millennium Tower), Tel Aviv, on October 14, 2009 at 16:00 (hereinafter: **"the Meeting"**) and at every adjourned meeting.

3. **Details of the Issues on the Agenda for which Voting May Be Made through the Written Vote:**

   On the Agenda:

   Approval of actions, transactions and engagements with respect to the formulating of an Agreed Restructuring Plan for Zim Integrated Shipping Services Ltd. (“**Zim**”), as stated in Section 2 of the Immediate Report (Transaction Report) which was published by the Company simultaneously with the publication of this Written Vote ("**Transaction Report**").

   A Brief Description of the Main Points of the Proposed Resolution:

   Approval of the actions, transactions and engagements as specified in section 2 of the Transaction Report, as one piece, and the approval of all the actions involved in connection therewith or with their execution.

4. **Viewing of Documents:** Shareholders of the Company can view the Transaction Report and the other documents regarding the proposed resolution of the General Meeting, at the Company's offices, Sunday through Thursday, between the hours 09:00 - 16:00 after prior coordination at telephone 03-6844500, and on the website of the Securities Authority and the Tel Aviv Stock Exchange Ltd., as provided below.

5. **The Required Majority:**

The majority required at the meeting to approve the said resolution is a majority of the votes of those present at the meeting, by themselves or by a Proxy instruments, who are entitled to attend the vote, provided one of the following will obtain: (a) on reckoning votes of the majority at the special meeting there will be included at least one third of all the votes of the shareholders not having a personal interest in approving the resolution in question, and who are present at the meeting; on reckoning all the votes of those shareholders, abstentions will not be taken into account; (b) the total number of votes of those opposing from among the shareholders mentioned in sub-paragraph(a) above, will not exceed the rate of 1% of all the voting rights in the Company.

6. **Personal Interest:**

In the second part of the written vote, a place is left to mark whether a shareholder has a personal interest in the said vote and for a description of the nature of the personal interest. Where a shareholder has not marked the said place or not described the nature of the personal interest, his vote will not be taken into account.

7. **Validity of the Written Vote**

7.1 The written vote will only be valid if confirmation of ownership of the unregistered shareholder is attached to it (that is to say, someone in whose favor the shares are registered with a stock exchange member and those shares are included amongst the shares registered in the shareholders' register in the name of a nominee company), or a photocopy of an identity card, passport or certificate of incorporation, as the case may be, if the shareholder is registered in the Company's books.

7.2 This written vote, plus the documents attached to it, must be delivered to the Company's offices up to 10:00 of the day of the meeting. In this matter the time of the delivery is the time at which the written vote and the documents attached to it reach the Company's offices.

8. **The Company does not allow voting through the Internet.**

9. **The address for the delivery of the written votes and statements of position:** At the Company's offices, at 23 Aranha Street (Millennium Tower), Tel Aviv.

10. **The last day for the delivering of the statements of position:** Statements of position of a shareholder may be submitted up to 10 days after the Effective Date for the determining of entitlement of a shareholder in the Company to vote at a general meeting, as stipulated in Section 182 of the Companies Law, which is on September 15, 2009. A statement of position which will include the response of the Company's board of directors may be submitted by no later than five days after the last date for the sending of position statements by shareholders as stated above.

11. **The addresses of the distribution Web site and the Internet Web site of the stock exchange on which the written votes and the position statements are to be found:**

- The distribution Internet Web site of the Securities Authority: www.magna.isa.gov.il
- The Internet Web site of the stock exchange: maya.tase.co.il

12. **Additional comments as required under the Voting Regulations:**

12.1 A shareholder is entitled to receive the confirmation of ownership, as defined in Section 71 of the Companies Law, at a branch of a stock exchange member or to be sent by mail, if he requests this. A request in this matter will be given in advance to a specific securities account.

12.2 A shareholder who is not registered is entitled to receive a link by e-mail, without charge, of the wording of a written vote and statements of position on the distribution site from a stock exchange member through which he holds his shares, unless he has notified the stock exchange member that he is not interested in receiving such links or that he is not interested in receiving statements votes by mail in consideration for payment; his notice in the matter of the written vote will also apply in the matter of receiving the statements of position.

12.3 One or more shareholders holding shares at a rate that constitutes 5% or more of the total of the voting rights in the Company and also anyone holding the said rate out of the total of all the voting rights which are not held by a holder of control in the Company, as defined in Section 268 of the Companies Law, is entitled to view the written vote as detailed in Regulation 10 of the Voting Regulations.

12.3.1 As of the date of the sending of this written vote, the quantity of shares constituting 5% of the total of voting shares in the Company is: 380,882 ordinary shares at a par value of NIS 1 each of the Company.

13.3.2 As of the date of the sending of this written vote, the quantity of shares constituting 5% of the total of the voting shares in the Company which are not held by a holder of control in the Company are: 171,253 ordinary shares at a par value of NIS 1 each of the Company.

12.4 A shareholder will indicate the manner of his vote regarding every issue on the agenda and for which he can vote through this written vote, in the second part of the written vote.

**

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ISRAEL CORPORATION LTD.

WRITTEN VOTE

Pursuant to the Companies Regulations (Written Vote and Statements of Position), 5766 - 2005 (hereinafter: "the Voting Regulations")

Second Part

Part A:

1. **Company Name:** Israel Corporation Ltd. (hereinafter: "**The Company").**
2. **Company No.**: 52-002801-0
3. **Company Address (for delivery and dispatch of written votes):** 23 Aranha Str. (Millennium Tower), Tel Aviv.
4. **The Time of the meeting:** on October 14, 2009 at 16:00 and any adjourned meeting.
5. **Type of meeting**: Special General Meeting.
6. **The effective date**: on September 15, 2009
7. **Voting on the internet:** The Company does not allow voting over the internet.

Part B (to be filled in by the shareholders);

1. **Shareholder's Details**

   1.1 Shareholder's name: ____

   1.2 ID No.: ____

   1.3 Passport No. (if the shareholder does not hold an Israeli ID card):

   ____

   1.4 The country in which the passport was issued (if the shareholder does not hold an Israeli ID card): _____

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1.5 The passport is valid until (if the shareholder does not hold an Israeli ID card): __________________

1.6 The corporation No. (if the shareholder is a corporation): ____________

1.7 The country of incorporation (if the shareholder is a corporation): _________

2. **Manner of Voting**

The Subject on the Agenda	**The Manner of the Voting**[1]			**Are You a Holder of control or Someone on His Behalf**[2]	
	For	Against	Abstain	No	Yes*
Approval of actions, transactions and engagements with respect to the formulating of an Agreed Restructuring Plan for Zim, as stated in Section 2 of the Immediate Report (Transaction Report) which was published by the Company simultaneously with the publication of this Written Vote					

*** Please specify the nature of the relevant link:**

____

____

3. **Notes Pursuant to the Voting Regulations**:

1 Not filling in this part will be deemed as abstention from voting on the subject.

2 A vote of a shareholder who has not filled this column or who has filled it in “yes” without specifying, will not be counted.

A. Shareholders holding shares through a stock exchange member (pursuant to Section 177 (1) of the Companies Law, 5759 – 1999) - this written vote is only valid if confirmation of ownership is attached.

B. For shareholders registered in the Company's register of shareholders – a valid written vote together with a copy of a ID card/passport/ certificate of incorporation.

Date: _______________

____

Shareholder's Signature

3. Supplementary Report dated 24.9.2009

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

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

1. General

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

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

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

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

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

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

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Components of the Company's Investment in ZIM	Date of the Injection	Date and Mechanism of the Conversion	Company's Projected Holding Percentage in ZIM Following the Conversion	References	Notes
the sum of US$ 350 million, as part of the Agreed Restructuring Plan.				2009.	
US$ 250 million (the balance of the injection amount out of the total of US$ 350 million)	Approval of the Agreed Restructuring Plan.			See the Transaction Report.	

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

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

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

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Types of Creditors	**Estimated Amount of the Debt - In US$ Millions**	**Value of the Securities in ZIM's Books (according to the financial statements as of June 30, 2009)**
Financial creditors secured by securities regarding existing ships (does not include financial creditors secured by ships under construction or which have been ordered).	625	774
Financial creditors secured by containers and lessors of containers.	501	Approximately 550
Financial creditors secured by new ships under construction (in respect of which financing arrangements exist).[4]	420	470
Financial creditors secured by other specific securities (customers' debts, real-estate, etc.)	81	46
Owners of ships who are leasing ships to ZIM.	2,419[5]	None
Shipyards at which there are open orders for ships.	2,501[6]	
Unsecured financial creditors, including bondholders.	452	None
Shareholders (the Company)[7]	50	None[8]

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

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

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

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

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

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

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

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

Year	Millions of Dollars ***
2009	385

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

2010	311
2011	92
2012	329
2013	205
2014	325
2015	854
Total	2,501 ****

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

** The purchase amount is denominated in Japanese yen.

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

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

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

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

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

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

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

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

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No.	Age of Ship in Years	Capacity of Containers (TEU)	Term of Lease Agreement	Daily Lease Fees According to the Existing Agreement, in US Dollars	Period of the Laying-Up of Ships in the Last 12 Months	Rate of Reduction in the Daily Lease Fees – in Percentages / in US Dollars *		Estimated Assessment of Current Market Conditions in US Dollars **
.5	17	3,005	01/10/2008 – 01/09/2013	25,750	Commencing from May 29, 2009 to the present day[11]	35%	9,012.50	8,400
.6	3	4,250	30/11/2006 – 01/10/2016	23,000[12]		35%	2,931.25	22,250
.7	2	4,250	25/04/2007 – 24/02/2017	23,000[12]		35%	2,931.25	22,250
.8	2	4,250	14/05/2007 – 15/03/2017	23,000[12]		35%	2,931.25	22,250
.9	2	4,250	08/08/2007 – 10/07/2017	23,000[12]		35%	2,931.25	22,250

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

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No.	Age of Ship in Years	Capacity of Containers (TEU)	Term of Lease Agreement	Daily Lease Fees According to the Existing Agreement, in US Dollars	Period of the Laying-Up of Ships in the Last 12 Months	Rate of Reduction in the Daily Lease Fees – in Percentages / in US Dollars *		Estimated Assessment of Current Market Conditions in US Dollars **
10.[13]	3	4,250	– 07/06/2006 08/04/2016	23,000		35%	8,050.00	22,250
11.[13]	2	4,250	– 01/11/2007 02/10/2017	23,000		35%	8,050.00	22,250
.12	1	6,350	- 31/03/2008 30/01/2018	31,500		35%	11,025.00	27,000
.13	0	6,350	– 11/05/2009 12/03/2019	31,500		35%	11,025.00	27,000
14.[13]	7	4,992	– 15/04/2002 15/02/2012	23,000		35%	8,050.00	23,300
15.[13]	5	4,992	– 14/06/2004 15/04/2014	21,900		35%	7,665.00	23,300

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

No.	Age of Ship in Years	Capacity of Containers (TEU)	Term of Lease Agreement	Daily Lease Fees According to the Existing Agreement, in US Dollars	Period of the Laying-Up of Ships in the Last 12 Months	Rate of Reduction in the Daily Lease Fees – in Percentages / in US Dollars *		Estimated Assessment of Current Market Conditions in US Dollars **
16.[13]	5	4,992	19/07/2004 – 20/05/2014	21,900		35%	7,665.00	23,300

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

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

Additional Notes:

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

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

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

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

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

	Related Parties			**Non-Related Parties**[14]
	Before the Reduction *	Amount of the reduction	After the Reduction	Before the Reduction **
	Millions of Dollars			
2009	63.8	(19.5)	44.3	127.4
2010	139.5	(43.0)	96.5	199.3
2011	159.9	(50.0)	109.9	178.9
2012	132.1	(37.5)	94.6	156.3
2013	119.0		119.0	136.7
2014 and thereafter	429.7		429.7	576.7
Total	1,044.0	(150.0)	894.0	1,375.3

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

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

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

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

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

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

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

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

**** Including credit lines for current operations.

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

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

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

Millions of US Dollars, With the Exception of Operating Data	07/09 – 12/10 *	2011	2012	2013
Profit and Loss/ Operating Data				
Income from voyages and related services	4,223	3,878	4,824	5,465
Operating profit (loss)	(423)	103	354	514
Amount transported (in thousands of TEU)	3,046	2,514	2,946	3,234
Average price per TEU (in US dollars)	1,154	1,276	1,368	1,418
Capacity of the fleet of ships at the end of the period (in thousands of TEU)	367	358	398	434

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

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

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

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

9. ZIM's Financial Statement for 2008

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

Sincerely yours,

Israel Corporation Ltd.

4. Supplementary Report No. 2 dated 7.10.2009

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.

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

[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.

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 returns[2] is a fair one. Dr. Yossi Bachar's 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

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[2]The 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.

[3]The 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.

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 sense[3], 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.

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 <u>Settlement with Related Corporations</u> "**)."

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"

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 of 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 beleaguer 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.

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.

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[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.

<u>The information relied upon and the enquiries that we carried out</u>

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;

    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 EBITDAR[3]) 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.

<u>The contents of the fairness appraisal, reservations and assumptions</u>

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

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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 9in 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.

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 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.

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, 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 is 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 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;

13.7 The average[5] 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 companies[6] (7.1% - 12%)[7];

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[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.

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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 understanding[9], is likely under certain conditions to become a sunk cost from an economic point of view;

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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

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

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Plan "it may be that ZIM will have to turn to the courts, in order, *inter alia*, to implement an arrangement under their protection", it may be assumed that without implementation of the Restructuring Plan and the Israel Corporation's 350 million dollar investment a situation could well arise in which none or part only of the existing loan will be repaid.

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The Returns Estimate

ZIM Enterprise Value at YE 2012 ($m)		3,000	3,250	3,500	3,750	4,000	4,250	4,500	4,750	5,000
Adjusted Net Debt (as at 31-Dec-2012)[1] ($m)		2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637
Implied Equity Value ($m)		363	613	863	1,113	1,363	1,613	1,863	2,113	2,363
Implied Multiples	*Metrics*[1]									
EV/2013 EBITDA	*$ 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	*$ 839m*	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
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

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*

Illustrative IRR Analysis[2]									
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 injection 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)

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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	1,339	1,461
EBITDAR adjusted - Group	20.3%	15.5%	18.9%	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%	4.9%	6.9%	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

		Current Fleet (owned + charter)			Size		Leverage	Contair
Rank	Name	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	MOL	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.

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→ 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	4.33 x	4.33 x	4.25 x	4.65 x	NA	NA	3.71 x	4.81 x
2001 Average	3.96 x	3.96 x	3.55 x	3.55 x	NA	NA	3.94 x	5.29 x
2002 Average	4.35 x	4.35 x	2.96 x	4.86 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	3.96 x	3.96 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
2006 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	7.86 x	7.78 x	7.93 x	6.21 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	6.41 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	5.60 x	10.49 x	6.99 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	0.65 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	0.60 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	1.67 x
2005 Average	1.43 x	1.43 x	1.24 x	1.32 x	1.61 x	1.09 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	1.19 x	1.09 x	0.91 x	0.85 x	1.30 x	0.95 x	1.94 x	0.61 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	1.09 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	1.69 x
Current (19-Aug-2009)	1.21 x	1.08 x	1.02 x	0.83 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.

5. Immediate Report dated 12.10.2009 regarding the postponement of the General Meeting which is the subject of the said Transaction Report.

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.

Form 47
Public

Registrar Number: 520028010

Securities of the Corporation are listed in the Tel Aviv Stock Exchange

Sort name: Israel Corporation

Address: P.O.B. 20456, Tel Aviv 61204

Tel: 03-6844517, 6844500, Fax: 03-6844587

Email: NOGAY@ISRAELCORP.COM

Date of Transmission: 12/10/2009

Reference: 2009-01-251406

To:	To:
The Securities Authority	The Tel Aviv Stock Exchange
www.isa.gov.il	www.tase.co.il

Immediate Report on the Postponement or Cancellation of a Meeting

Regulation 36B (d) and 36C of the Securities Regulations (Periodic and Immediate Reports), 5700 -1970

1. The Corporation informs of the postponement of a *Special Meeting scheduled for October 14, 2009*. Reference number of the report regarding the Convening of the Meeting *2009-01-227796*.

2. The reason for postponement: *the purpose of the said postponement of the Special Meeting, is, inter alia, to provide ZIM the possibility to complete the settlements of the Agreed Restructuring Plan with the different parties and to enable the Company to submit in a Supplemental Report additional details regarding the settlements which had been formulated in the framework of the Agreed Restructuring Plan.*

3. The Meeting shall be convened on Wednesday, *October 28, 2009 in 16:00 at 23 Aranha Street, Millennium Tower, Tel Aviv, Israel*.

4. The effective date for eligibility to participate and vote in the Meeting is *September 15, 2009.*

5. Agenda: *subjects as specified in the report dated 09/09/2009 Reference no. 2009-01-227796.*

   Proposed resolutions or brief description of their essence: __________

6. Attached: ☐ Written Vote ☐ Position Notice

7. Quorum for Meeting: *see Immediate Report dated 09/09/2009.*

Reference of former documents in this regard (referring does not constitute incorporation by reference):
Former name of reporting entity:
The Israel Corporation Ltd.

Form structure updated 12/07/2009

Name of Electronic Reporter: Noga Yatziv. Position: Company's Secretary.
Aranha 23, Millennium Tower, Tel Aviv 61204. Phone – 03-6844517, Fax: 03-6844587, e-mail – nogay@israelcorp.com

6. Supplementary Report No. 3 dated 18.10.2009

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.

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 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

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.

clarified that reaching the agreed restructuring plan is subject to the condition that Zim, which is in discussions with the aforementioned 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)

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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.

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.

- 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 **Financial creditors with collateral in new ships that are under construction (for which there are finance arrangements)**:

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

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

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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.

settlement into writing. The agreement of the representation has not yet been received in writing.

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

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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).

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 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%).

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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).

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 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).

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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.

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 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 **<u>Shareholders (of the company)</u>:**

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

[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.

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 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

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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*.

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).

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.

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.

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.

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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. **<u>Forecasted statement of income taking into account the restructuring plan</u>**

Millions of U.S. dollars	July 2009 – Dec. 2010*	2011	2012	2013
<u>Profit and loss</u>				
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. **<u>Update to footnotes in the transaction report</u>**

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

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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 <u>include</u> 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

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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.

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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.

7. Immediate Report dated 19.10.2009 regarding the postponement of the General Meeting which is the subject of the Transaction Report

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.

Registrar Number: 520028010

Form 47

Public

Securities of the Corporation are listed in the Tel Aviv Stock Exchange

Sort name: Israel Corporation

Address: P.O.B. 20456, Tel Aviv 61204

Tel: 03-6844517, 6844500, Fax: 03-6844587

Email: NOGAY@ISRAELCORP.COM

Date of Transmission: 19/10/2009

Reference: 2009-01-258336

To:	To:
The Securities Authority	The Tel Aviv Stock Exchange
www.isa.gov.il	www.tase.co.il

Immediate Report on the Postponement or Cancellation of a Meeting

Regulation 36B (d) and 36C of the Securities Regulations (Periodic and Immediate Reports), 5700 -1970

1. The Corporation informs of the postponement of a *Special Meeting scheduled for October 28, 2009*. Reference number of the report regarding the Convening of the Meeting *2009-01-251406*.

2. The reason for postponement: *the purpose of the postponement of the Special Meeting as aforesaid, is, inter alia, to enable the Company to submit in a Supplemental Report (which was submitted simultaneously with this report) additional details regarding the arrangements formulated in the framework of ZIM's Restructuring Plan, and this within a reasonable time as stated in the Transaction Report.*

3. The Meeting shall be convened on *Sunday, November 1, 2009 in 16:00 at 23 Aranha Street, Millennium Tower, Tel Aviv, Israel*.

4. The effective date for eligibility to participate and vote in the Meeting is *September 15, 2009*.

5. Agenda: *subjects as specified in the report dated 09/09/2009 Reference no. 2009-01-227796.*

   Proposed resolutions or brief description of their essence: ___________

6. Attached: ☐ Written Vote ☐ Position Notice

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

7. Quorum for Meeting: *see Immediate Report dated 09/09/2009.*

Reference of former documents in this regard (referring does not constitute incorporation by reference):
Former name of reporting entity:
The Israel Corporation Ltd.

Form structure updated 18/10/2009

Name of Electronic Reporter: Noga Yatziv. Position: Company's Secretary.
Aranha 23, Millennium Tower, Tel Aviv 61204. Phone – 03-6844517, Fax: 03-6844587,
e-mail – nogay@israelcorp.com

8. Immediate Report dated 21.10.2009 regarding the letter of the Israel Securities Authority in the matter of "Personal Interest of Institutional Entities – Voting at the Company Meeting in Light of their Holdings of Debentures of Zim"

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.

Form 121
Public

Registrar Number: 520028010

Securities of the Corporation are listed in the Tel Aviv Stock Exchange

Sort name: Israel Corporation

Address: P.O.B. 20456, Tel Aviv 61204

Tel: 03-6844517, 6844500, Fax: 03-6844587

Email: NOGAY@ISRAELCORP.COM

Date of Transmission: 21/10/2009

Reference: 2009-01-261027

To:	To:
<u>The Securities Authority</u>	<u>The Tel Aviv Stock Exchange</u>
www.isa.gov.il	www.tase.co.il

Immediate Report

The Event: Letter of the Israel Securities Authority

Israel Corporation Ltd. hereby reports that it received a letter from the Israel Securities Authority regarding "Personal Interest of Institutional Entities – Voting at the Company Meeting in Light of their Holdings of Debentures of Zim" which is attached herewith.

{Attached PDF}

The date when the event first became known to the corporation: 20/10/2009, time: 18:00.

Reference of former documents in this regard (referring does not constitute incorporation by reference):

Former name of reporting entity:
The Israel Corporation Ltd.

Form structure updated 18/10/2009

Name of Electronic Reporter: Noga Yatziv. Position: Company's Secretary.
Aranha 23, Millennium Tower, Tel Aviv 61204. Phone – 03-6844517, Fax: 03-6844587,
e-mail – nogay@israelcorp.com

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

{Emblem of the State of Israel}

ISRAEL SECURITIES AUTHORITY

Corporations Division
22 Kanfei Nesharim Street, Jerusalem 95464
Tel: 02-6556444; Fax: 02-6513160
www.isa.gov.il

2nd of Cheshvan 5770
20th of October 2009

Mr. Nir Gilad, CEO
Israel Corporation Ltd. (hereinafter – "**the Company**")
23 Aranha Street
Tel Aviv 61204

By Facsimile
No.: 03-6844587

Re: Personal Interest of Institutional Entities – Voting at the Company Meeting in Light of their Holdings of Debentures of Zim

In the discussions held between the staff of the Securities Authority (hereinafter – "**the Authority Staff"**) and the management of the Company and its legal counsel, relating to the injection[56] transaction by the Company into Zim Integrated Shipping Services Ltd. (hereinafter – "**Zim"**) to be brought for the approval of the Company's shareholders at the meeting to be convened on the 1st of November, 2009 (hereinafter – "**the Meeting"**), the Authority Staff has been asked, by you, to examine whether rules can be created, upon the fulfillment of which, the Authority Staff will not intervene in the classification of an institutional entity as someone who has no personal interest in the approval of the transaction.

In this matter, an Institutional Entity is a body which manages the monies of others – mutual fund, provident fund, advance study fund, etc. (hereinafter "**the Institutional Entity"** or the "**Managed Portfolio").**

The personal interest which we have been asked to examine arises from the holding by a shareholder of the Company of debentures of Zim also, a Company which is almost wholly owned (99%) by the Company.

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[56] The transaction described in the Company's immediate report of September 9, 2009 (Reference 2009-01-227802) and in three supplementary reports to this report published on September 24, 2009, October 7, 2009 and October 19, 2009 (hereinafter – the "**Transaction").**

The underlying assumption of our examination is that the Institutional Entities fulfill their duty under the Companies Law, 5759 – 1999 (hereinafter – "**the Companies Law"**), to examine their personal interests in the approval of the Transaction. This duty follows from the express requirement of the Companies Law, according to which a shareholder must notify the Company whether it has a personal interest, and if it does not file such notice, then it will not vote and its vote will not be taken into account (Section 276 of the Companies Law).

After examination of all the circumstances of the case, we hereby inform you, that the Authority Staff will not intervene in the declaration of an Institutional Entity made upon voting with its shares in favour of the approval of the Transaction, that it has no personal interest in the approval of the Transaction, so far as its excess interest over the other shareholders arises from the fact that such body or other Institutional Entity from the same investment house holds debentures issued by Zim as well, **provided that none of the following exists:**

1. **The decisive consideration in its decision –** The decisive consideration in the decision of the Institutional Entity to vote with its shares in favour of the approval of the Transaction will be decided based on the holdings of the Institutional Entity, or the holdings of an Institutional Entity related to it, in the debentures of Zim.

For this purpose the splitting of the votes may constitute an indication that the Institutional Entity has voted due to its holdings of debentures of Zim – If, despite the voting of the Institutional Entity in favour of approving the Transaction, another Institutional Entity in the same investment house has voted against the Transaction, and these entities usually act in tandem or in coordination in connection with the analysis of the economic viability of a transaction. An example of such coordination is the fact that these entities have joint investment committees, or that the officers in the investment committees of these entities are the same individuals, or that, even though the investment committees in the same investment house are different, they usually have joint meetings in order to make voting decisions and to vote in the same way so far as the interests represented in their managed portfolios are similar.

To the extent that Institutional Entities in the same investment house usually act in tandem after having jointly analysed a transaction, and one of them has voted against the transaction, such may be indicative of the fact that the decision of the other entity to vote in favour of the transaction has been decided due to its consideration of its holding of debentures of Zim. Such cooperation may characterise different portfolios in the same area of funds management (e.g., cooperation between different provident funds in the same investment house), but also between different areas of funds management (e.g., the provident funds' area and the advanced study funds' area or the pension fund and the insurance area.)

2. **The Institutional Entity has not found that its interest as a creditor is significantly lower than its interest as a shareholder** – if, after examination by the Institutional Entity, of its excess interest, it has not found, that the interests of the Institutional Entity as a creditor in the Managed Portfolio is lower by 30% or more than its interest as a shareholder in the same portfolio. For this purpose –

Managed Portfolio – one or a number of Managed Portfolios so far as the management thereof is done jointly;

Interest as a shareholder – the mathematical product of the rate of holdings in the Company's capital, included in the Managed Portfolio, multiplied by the amount injected from the Company into Zim; For this purpose, in accordance with the Amended Transaction Report of October 19, 2009, the injection which is approved by the Company is in the sum of $400 million ($300 million, including reserve, which are to be injected into Zim, should the Transaction be approved at the meeting, and a further $100 million which indeed were injected into Zim during the course of August 2009, but are fully secured and therefore, they will be returned to the Company should the Transaction not be approved at the meeting). It will be noted that examinations of the interest as a shareholder may also be made under economic models, however these are much more complex and require countless assumptions.

Interest as a creditor – the amount "salvageable" in the arrangement. For this purpose, the salvageable amount is the amount which the Institutional Entity sees at the time of voting at the debenture holders' meeting of Zim, as the amount by which the Institutional Entity improves its situation on the assumption that there will be an arrangement, relative to its situation in the absence of an arrangement (i.e. – dissolution). In other words, this amount is the difference between the present value of the amounts to be received for Zim's debentures in the Managed Portfolio on the assumption that the arrangement will be fulfilled, and the estimated amount expected to be received for these debentures upon dissolution.

It is to be clarified in this matter that the Authority Staff will not accept a position according to which the “salvageable” amount which the Institutional Entity sees before it when voting on Zim’s debenture arrangement, is different from its interest as a creditor when the Institutional Entity seeks to examine its personal interest in voting with the Company shares.

Additional Comments:

In accordance with the amendment to the Transaction Report of October 19, 2009, the general meeting of the Company which will be held on November 1, 2009 is also being asked to approve a “safety net”, at the rate of $ 75 million, the injection of which is not certain, but rather dependant on the fulfilment of the circumstances and the conditions detailed in the said Transaction Report (including the “going concern” warning for Zim, breach of the conditions of the trust deed, etc. and other conditions). An Institutional Entity which has added part of the safety net amount to its interest as a shareholder, by reason that it has found, wearing its shareholder’s cap, that despite the arrangement, the conditions that trigger the safety net may be fulfilled and therefore it is exposed to its injection, is required to weigh the influence of the injected amount of the safety net also on its interest as a creditor.

Our position relates only to the issue of the classification of the personal interest arising from the holding of debentures of Zim by a Company shareholder, and no interpretation is to be drawn from this on other legal issues, which may arise in connection with the said circumstances.

We ask that you publish the contents of this letter in the Transaction Report by no later than the 21st of October 2009 before the opening of trade (i.e. before 09.30).

Yours Faithfully,

(Signed)

Eli Daniel, Adv.

CC: Advocate Zvi Efrat, from the Gorniztky & Co. Law Offices (By Fax: 03 -5606955).