

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

Israel Corporation Ltd.

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Adv. Maya Alcheh Kaplan

General Counsel (In house) and Company Secretary

March 30, 2011

TO:

THE SECURITIES AUTHORITY

THE TEL AVIV STOCK EXCHANGE LTD.

THROUGH THE MAGNA SYSTEM

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Dear Sir/ Madam,

Re: Immediate Report – Israel Corporation Ltd.

In accordance with the Companies Regulations (Easements in Transactions with an Interested Party), 2000 (hereinafter: the "**Dispensation Regulations**") and the Securities Law Regulations (Periodic and Immediate Reports), 1970, the Company hereby reports, as follows:

1. Introduction

- 1.1. On November 14, 2001, Zim Integrated Shipping Services Ltd ("**Zim**"), a subsidiary of the Company, entered into an agreement with interested parties, according to which Zim leased, starting from 15.4.2002, the "Zim Panama" ship (with a capacity of 5,000 TEU) (the "**Ship**") for a period of 10 years. Under the said agreement, three options were granted to Zim (one sided) whereby in the framework of each option Zim will be given the opportunity to extend the lease period for additional 2 years period, provided that each option will be exercised 12 months before the expiration of the previous lease period, i.e. Zim is required to exercise the first option until 15.4.2011 (the "**First Option Period**"). According to the said agreement, the lease fee during the original lease period were between USD 22,700 to USD 23,150 per day (updated on a two year basis as set forth in the agreement); and the lease fee for the First Option Period are 23,550 USD per day.

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1.2. At the time of decision on the exercise of the option, the Ship is being used and is required for the continuance of its operation. It should be noted that during its lease period the Ship was being operated by Zim (i.e it was not grounded).

2. Key Terms of the Transaction

Exercise an option to extend the Ship's lease period for additional 2 years for lease fee of USD 23,550 per day.

3. Description of the Transaction Details

- 3.1. Further to its contact as mentioned in the immediate report dated 27.2.2011, Zim contact once again to 3 major international brokers companies in the shipping field and asked for an update regarding market conditions for lease of ships similar to the Ship. In this framework, it was reported to Zim, according to 3 separate complementary estimations of the abovementioned brokers' companies, that no material changes were made in the shipping market conditions and in their estimations as reported in the immediate report of the Company dated 27.2.2011. Two of the brokers companies stated that transactions made recently regarding similar size of ships for periods of 12-36 months when the lease fees were approx. USD 27,500-30,750 per day. For further details and elaboration see the immediate report of the Company dated 27.2.2011, included herein by reference.
- 3.2. Prior to the approval of the engagements set forth in this report, and in order to properly examine its rentability, the Audit Committee and the Board of Directors were provided with the abovementioned 3 complementary estimations of companies which are among the 3 major international brokers companies in the shipping field as mentioned.
- 3.3. Zim is in the opinion, considering, *inter alia*, the aforementioned estimations, that the transaction described above is under better conditions than market conditions, this in accordance with the decisions of Zim's audit committee dated 22.3.2011 and Zim's board of directors dated 23.3.2011.

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4. **Summary of the Reasons Found by the Audit Committee and the Board of Directors in the Approval of the Transaction**

The Audit Committee and the Board of Directors of the Company in their meetings dated 29.3.2011, after being convinced that Zim's management, audit committee and board of directors examined the various aspects of the above transaction and its rentability, and following the recommendation of the management, have considered the abovementioned transaction and approved it, *inter alia*, on the basis of the essence of the following considerations:

- 4.1. The extension of the lease period, as a result of the exercise of the option, is under better conditions than market condition (on the basis of the aforesaid brokers' estimations and Zim's organs' decisions), and during Zim's ordinary course of business, in accordance to Regulation 1(5) of the Easement Regulations.
- 4.2. The extension of the lease period of the Ship is a part of an exercise of a one sided option granted to Zim under better conditions than market conditions.
- 4.3. The Ship is in Zim's service and the continuance of its operation is necessary to Zim.
- 4.4. Considering that the Ship is in Zim's service, the continuance of its operation will save costs which are involved with starting the operation of a new ship which is not leased by Zim.
- 4.5. The transaction described herein, considering all its aspects, is for Zim's benefit.

5. **The right of the Company's Shareholders to object the Easement as detailed in regulation 1(c) of the Easements Regulations**

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In accordance with Regulation 1.c of the Easements Regulations and with respect to section 2 above: (a) the Easement pursuant to regulation 1 of the Easements Regulations will not apply to the Company if one or more shareholders holding at least one percent of the issued capital or of the voting rights in the Company, has given notice of its objection to the granting of such Easement, provided that the objection was submitted to the Company, in writing, no later than fourteen days from the date on which this report was filed or from the date on which an amended report hereto was filed, if and to the extent filed; (b) in the event that such objection was filed, as stated in sub-section (a) above, the contemplated engagement will require an approval in accordance with the provisions of section 273 or 275 of the Companies Law, 1999, as the case may be.

Sincerely,

Israel Corporation Ltd.