

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

May 26, 2011

TO:

THE SECURITIES AUTHORITY
THROUGH THE MAGNA SYSTEM

THE TEL AVIV STOCK EXCHANGE LTD.
THROUGH THE MAGNA SYSTEM

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 28, 2000, 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 28.6.2002, the "Zim California" ship (with a capacity of 5,000 TEU) (the "**Ship**") for a period of 10 years. Under the said agreement, three (one sided) options were granted to Zim whereby in the framework of each option Zim will be given the opportunity to extend the lease period of the Ship 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 28.6.2011 (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 the decision regarding the option exercise, the Ship is being used and is required to Zim for the continuance of its operation. It should be noted that the Ship was operated by Zim during its lease period (i.e., the Ship 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. 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 3 separate estimations of companies which are among the 3 major international brokers companies in the shipping field of which the price range of lease fee of similar ships is approx. USD 27,000-29,000.

3.2. 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 and Zim's board of directors dated 23.5.2011.

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 25.5.2011, 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

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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**

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.