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Israel Corporation Ltd.

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ISRAEL CORPORATION

Adv. Noga Yatziv

Company Secretary and Assistant to the President

February 5, 2009

To:

The Securities Authority

Via MAGNA

To:

The Tel-Aviv Stock Exchange Ltd.

Via MAGNA

Dear Sir/Madam,

Re: **Immediate Report – Zim Integrated Shipping Services Ltd.**

Pursuant to the publications in various media in relation to Zim Integrated Shipping Services Ltd. (a subsidiary of the Company) ("**Zim**"), and pursuant to details given regarding Zim in the Report of the Board of Directors of the Company published on 27.11.2008, and pursuant to the report provided to the Company by Zim, the Company hereby reports as follows:

1. As mentioned in the said Report of the Board of Directors, alongside the global financial crisis and as part thereof, a number of negative developments have occurred in the international shipping market, which have increased in their intensity during the present period, including, *inter alia*, a high supply of ships in relation to a moderate demand, which leads to an increasing fall in the use of ships and in transportation fees. The continuation of the difficult conditions in international shipping markets continues to influence Zim in a negative manner, and *inter alia*, its business results, its compliance with financial covenants and its ability to raise capital as well as the terms of its financing.
2. In a similar way compared to many other shipping companies, Zim has taken and is taking various measures intended to cope with the changes in the market conditions,

including changes in its strategic planning, according to which Zim had planned significant increases in the forthcoming years both in relation to its transportation capability and the quantities transported. Within the scope of adjusting the strategic plan to the current market conditions, Zim is taking various measures, including: conducting negotiations with shipyards from which ships have been ordered; the return of certain leased ships (according to Zim's needs) to their owners at the end of the contractual lease periods; re-organization in light of the necessary changes in certain transportation lines, including reducing activity in certain markets; laying up ships which will be inactive due to the reduction in transportation lines¹; a study as to feasibility of exit from investments in areas associated with liner shipping, reduction in administration expenses, including laying off employees; etc. Zim has only partial control and flexibility over the amount of its costs. The amount of its control over costs varies according to the type of relevant actions taken, such as: closing of transportation lines, lay up of inactive ships, various operating costs, scope of workforce employed, scope of fuel consumption and the cost thereof, and the scope of activity at terminals.

3. It should be pointed out that the Israel Corporation advised in an Immediate Report dated 26.11.2008 that it would be willing in principle, to provide Zim with funds in the amount of up to USD 150 million during the course of 2009, if and to the extent that the circumstances will require it, at the discretion of the Israel Corporation, *inter alia* in view of the conditions in the shipping and international credit markets and their influence on Zim.
4. Within the scope of the changes in its strategic planning, as mentioned in paragraph 2 above, Zim is conducting negotiations with shipyards with which Zim has entered into contracts for the construction of ships, where the purpose of such negotiations from Zim's perspective is to cancel the purchase of a part of the ships which have been ordered or to defer the delivery dates of a part thereof and also to re-schedule part of the payments in relation to the purchase of ships by providing credit to Zim for certain sums.
5. Pursuant to contacts which have taken place between Zim and those banks which are financing Zim, the majority of the banks have agreed to change or waive compliance

¹ At this stage, 16 ships have been laid up, whose transportation capacity constitutes 20.5% of the total transportation capacity of Zim in TEU, however this figure is expected to increase during the course of 2009, so long as the crisis mentioned above continues.

with certain financial covenants until the end of 2008. It should be pointed out that in relation to a number of financial covenants, some of the banks have agreed to waive compliance with these for a longer period. Zim estimates that in light of the said agreement with the banks, it will comply with its financial covenants as at 31.12.2008², except for certain financial covenants (where the undertakings in relation thereto total USD 35 million approx.) with which Zim has not complied and which were presented in its financial statements as at 30 September 2008 as part of the short term obligations.

6. Zim and banks connected with the provision of financing for ships which have been ordered, have reached an understanding whereby discussions will be held between them during the months of February-March 2009 in relation to the continuation of the provision of financing to Zim and the amount thereof, and in relation to Zim's financial covenants. The accumulated financial scope of credit in relation to which the said discussions are to be held with the banks connected to the provision of financing for the acquisition of ships which have been ordered , totals USD 1,375 million.

The date for discussions with the banks has been fixed so as to take into consideration the negotiations between Zim and the shipyards, and the results thereof.

Based on the results of the contacts between Zim, the shipyards and the banks, it will be possible to assess the influence of the crisis on the financial position of Zim.

The Company will report once again as to material developments in relation to Zim as may be required.

Sincerely,

Noga Yatziv

² The provisions of this paragraph relating to Zim's estimate as to compliance with its financial covenants, is Prospective Information, based on Zim's estimates based on its estimations as to its annual results. However, there can be no certainty at this stage that such estimates will be realized and it is possible that various changes may be applicable.