

ZIM Integrated Shipping Services

Road Show - June 2014

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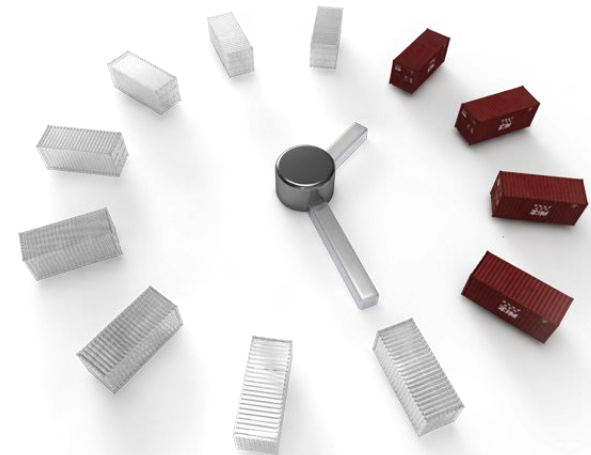
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The full and complete description of the transaction and IC's participation is included in the Israel Corporation Ltd.'s transaction report published on May 18, 2014.

Table of contents

- Introduction
- Industry Review
- Review Of The Business Plan
- Overview Of The Restructuring
- IC Investment Evaluation – Fairness Opinion



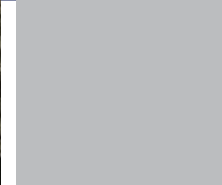
Leading provider of seaborne transportation

- ZIM is a global company, operating in the field of container shipping and related services
- 2013 Quantity carried : 2.5 M Teus
- Services: 78
- Number of operated vessels: 89
- Total fleet capacity: 350,000 Teus – Ranked 17-18 in the world
- Ports of (direct) call: 180
- Offices: about 450 in 127 countries
- Employees: approx. 5,000 worldwide
- Owned & partly owned TEU capacity: 43%
- Chartered TEU capacity: 57%
- Supplying 37,000 customers

69 Years of global expertise, experience & excellence

1945

ZIM is established



1950's

ZIM goes global in both cargo and passenger shipping lines



1960's

ZIM expands to bulk carriers, refrigerated vessels & tankers



1969

Israel Corp. buys c. 50% stake in ZIM from the government

1972

ZIM launches its first container service

1980's & 1990's

ZIM introduces new routes and services, presence in China



2004

Israel Corp. purchases the remainder of the government's stake

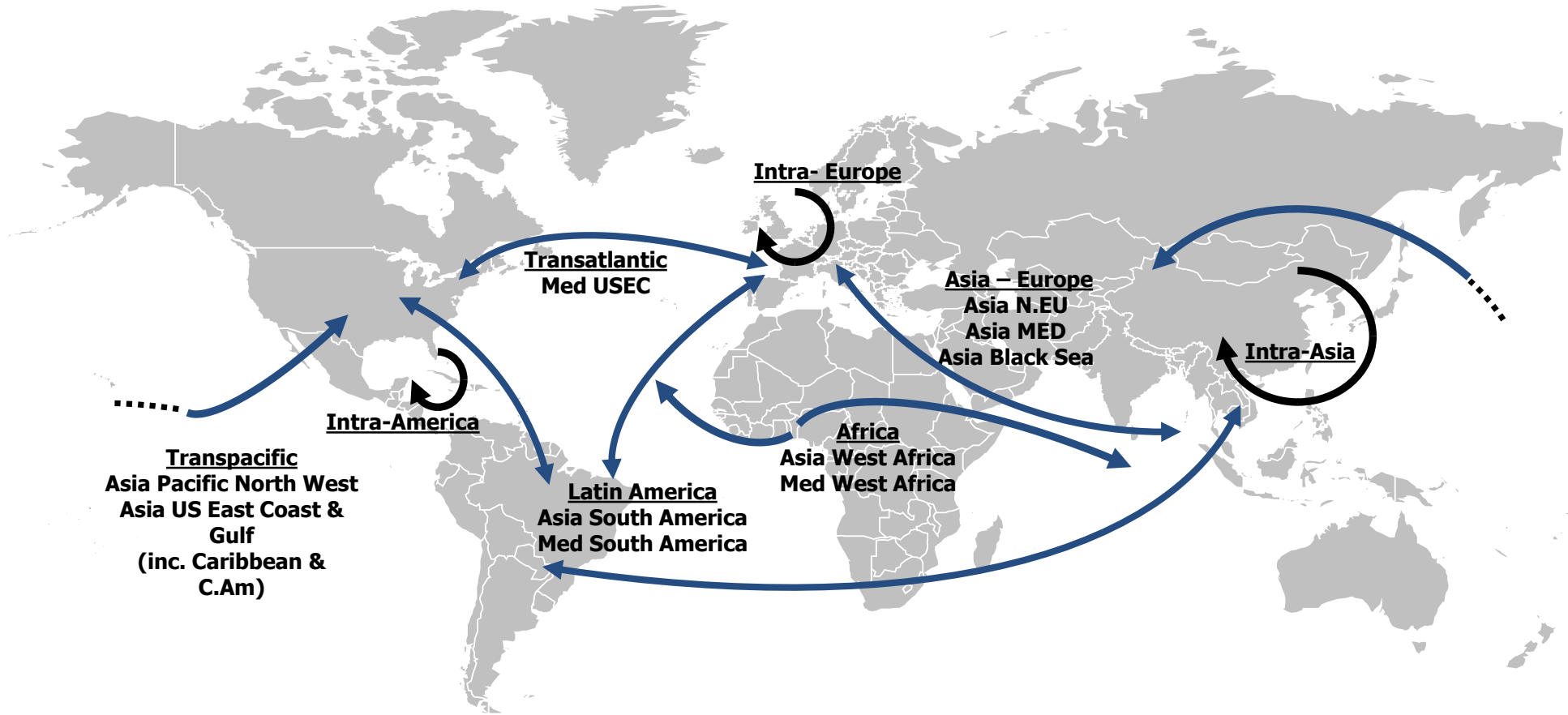


2009

ZIM deploys first mega vessels

ZIM's geographic coverage

ZIM operates 78 individual lines across 8 geographical trades (13 sub trades)



ZIM identified the opportunity to transform itself and "Refocus To Win"

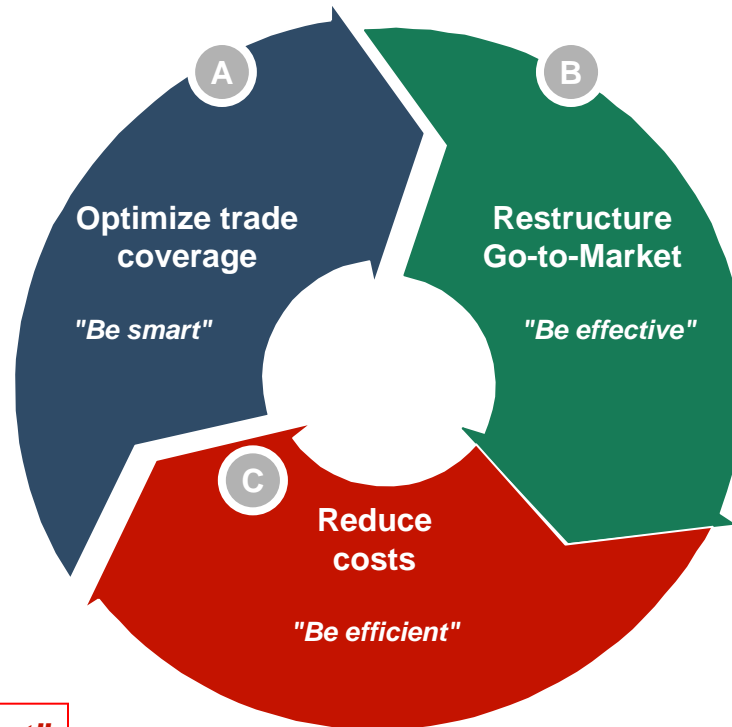
New strategic plan has been established in 2010 which resulted in strong and proven improvement

"Be smart"

Optimize our trade coverage and focus our attention on profitable trades in which we can play competitively

Key activities include:

Redesigning ZIM's coverage network across different trades and optimizing its assets' deployment



"Be effective"

Restructure ZIM's Sales and Customer Service operations to gain a competitive advantage

Key activities include:

Redesigning ZIM's Sales and Customer Service operations, realigning customer mix, optimizing land transportation pricing and increasing special cargo activity

"Be efficient"

Reduce costs aggressively in order to improve ZIM's competitive position

Key activities include:

Significantly reducing key variable costs (e.g. cargo handling and LT) and exploring reduction of main fixed costs (e.g. fuel and charter hire)

ZIM vs. Industry Q1-2014

ZIM's Q1-2014 operating margin is in the upper tier of the industry

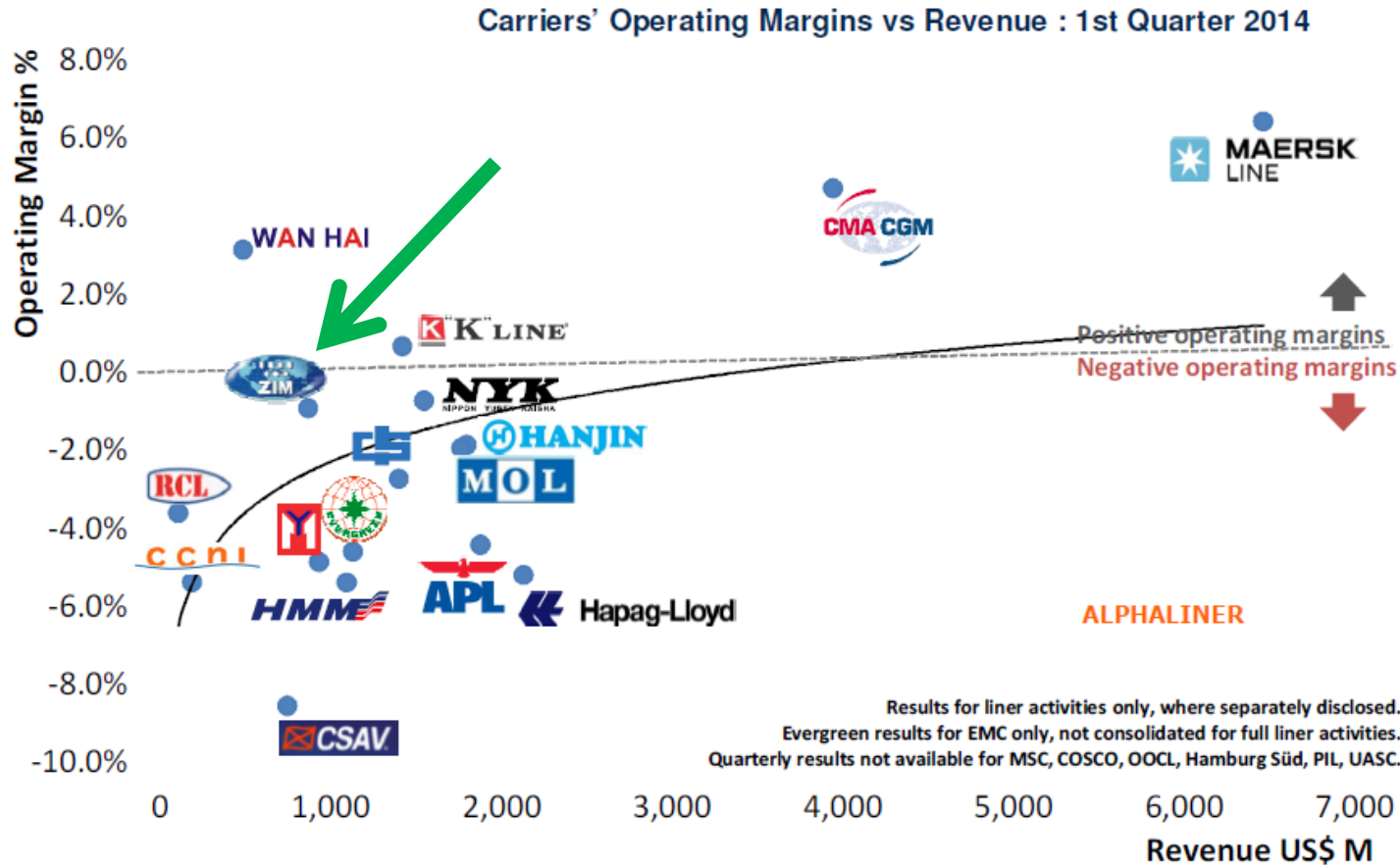
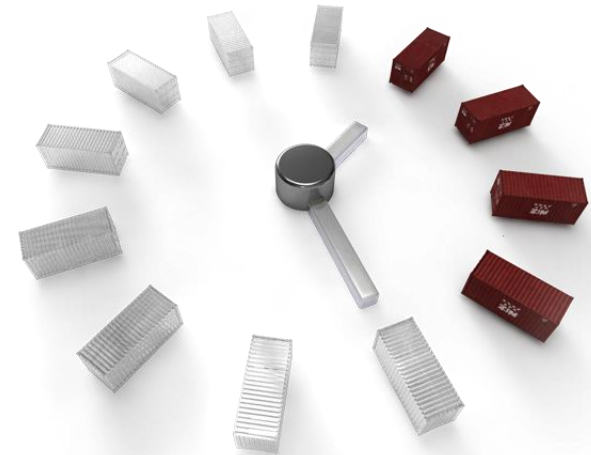


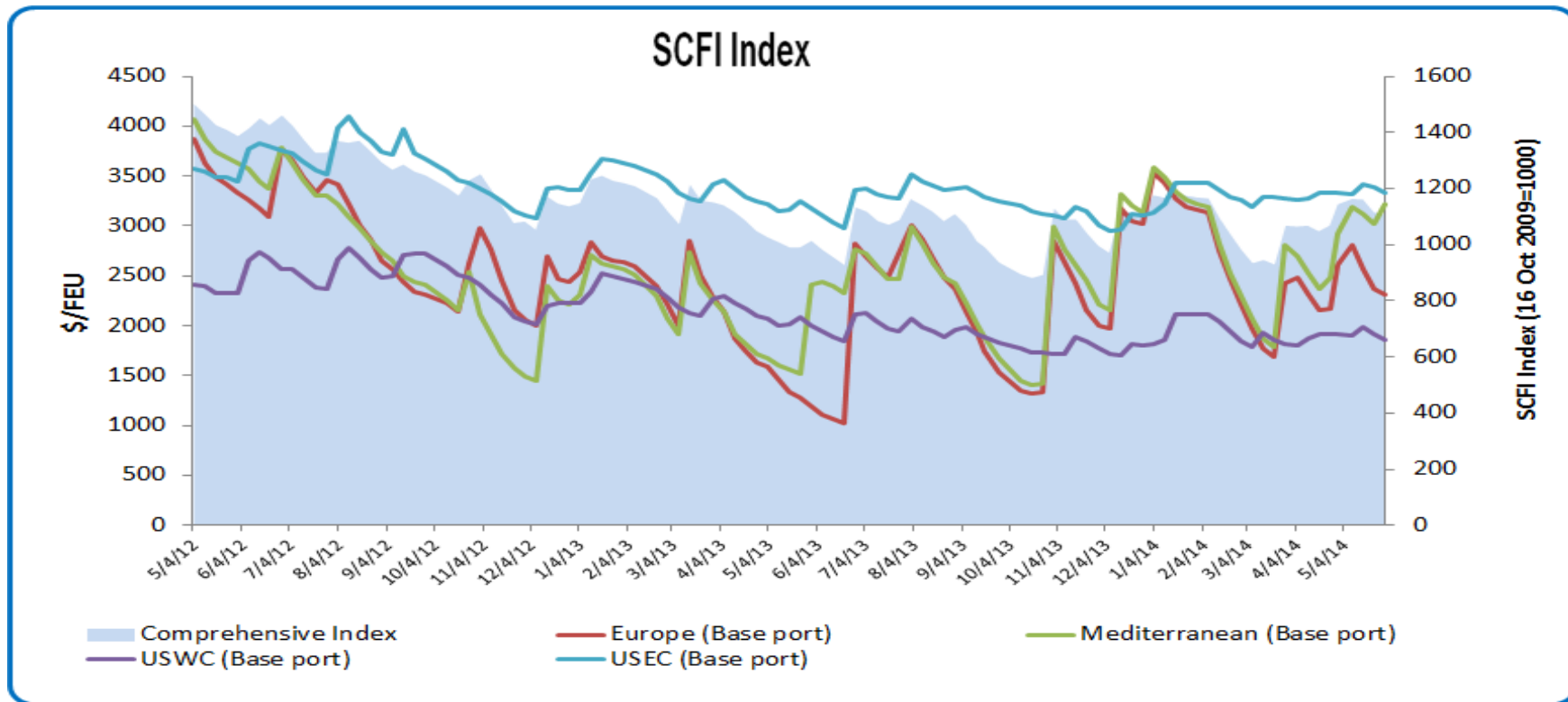
Table of contents

- Introduction
- Industry Review
- Review Of The Business Plan
- Overview Of The Restructuring
- IC Investment Evaluation – Fairness Opinion



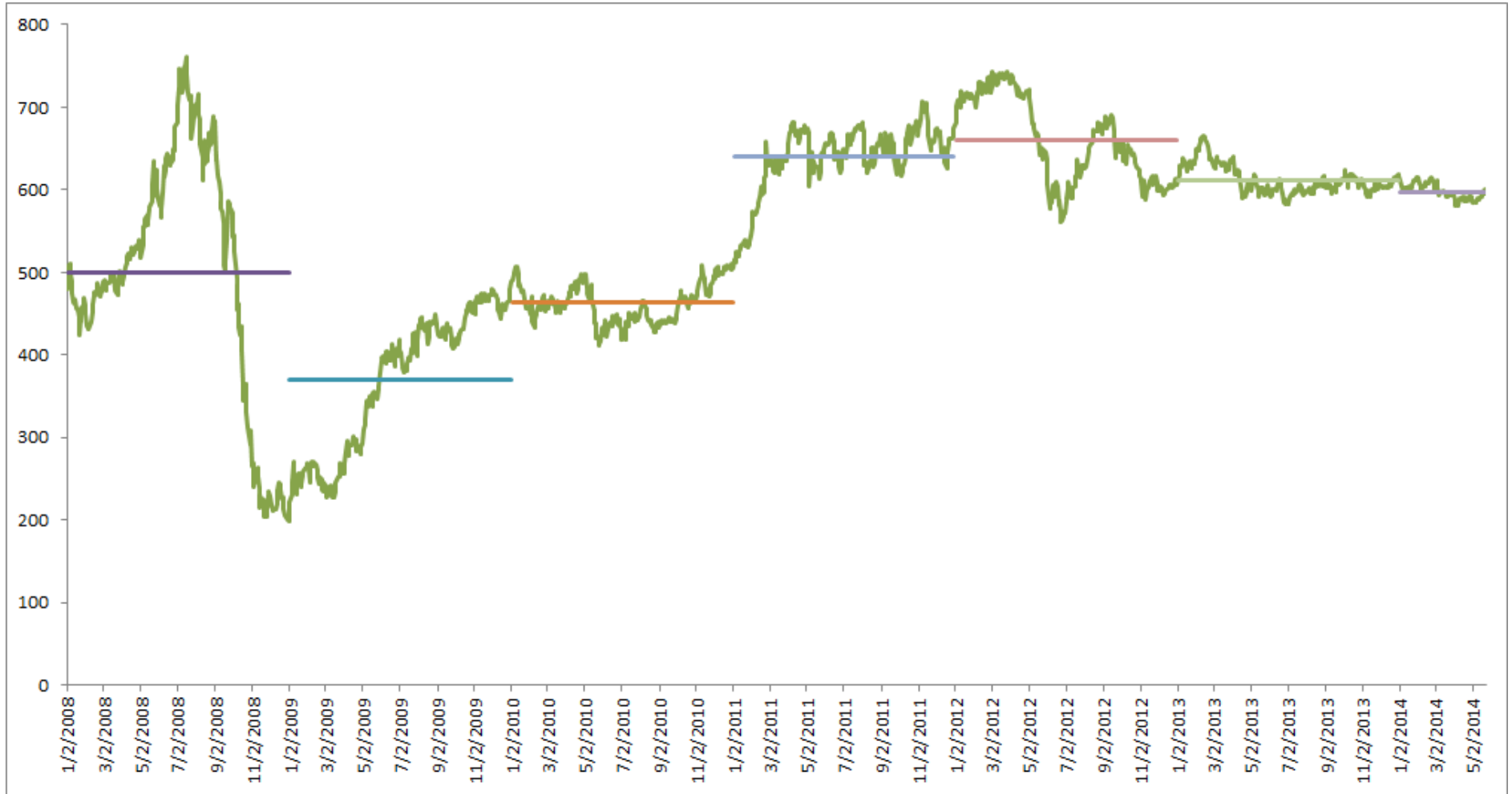
Shipping freight rates are cyclical

- Impacted by demand / supply ratio and carriers' policy
- Oversupply effects market spot freight rates
- SCFI index as of May 30, 2014:



Bunker cost – historical perspective

Singapore 380 fuel oil (\$/ton)



The container shipping industry is cyclical

Cellular Fleet Growth vs Global Throughput

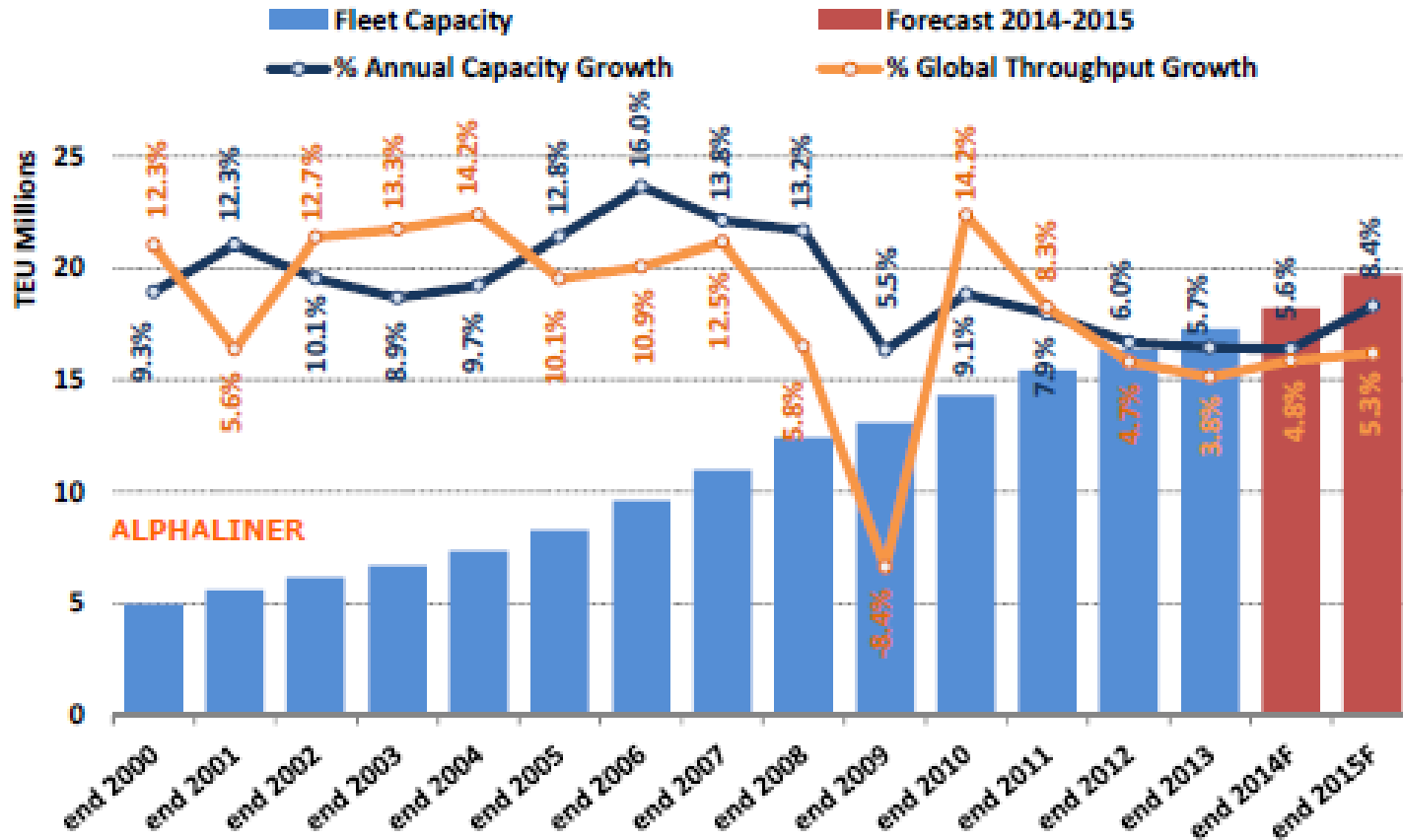
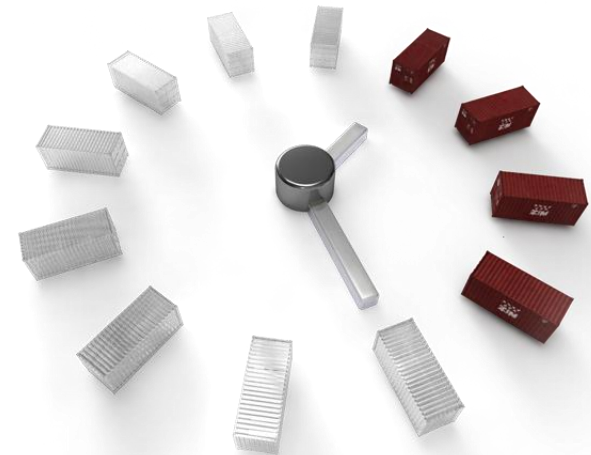
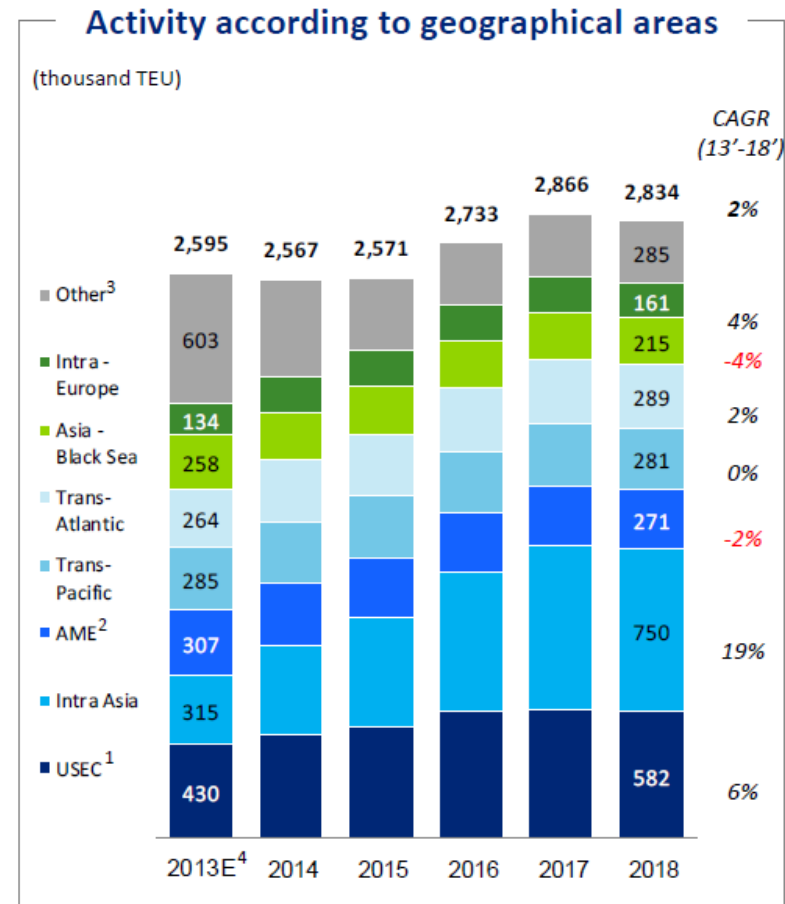
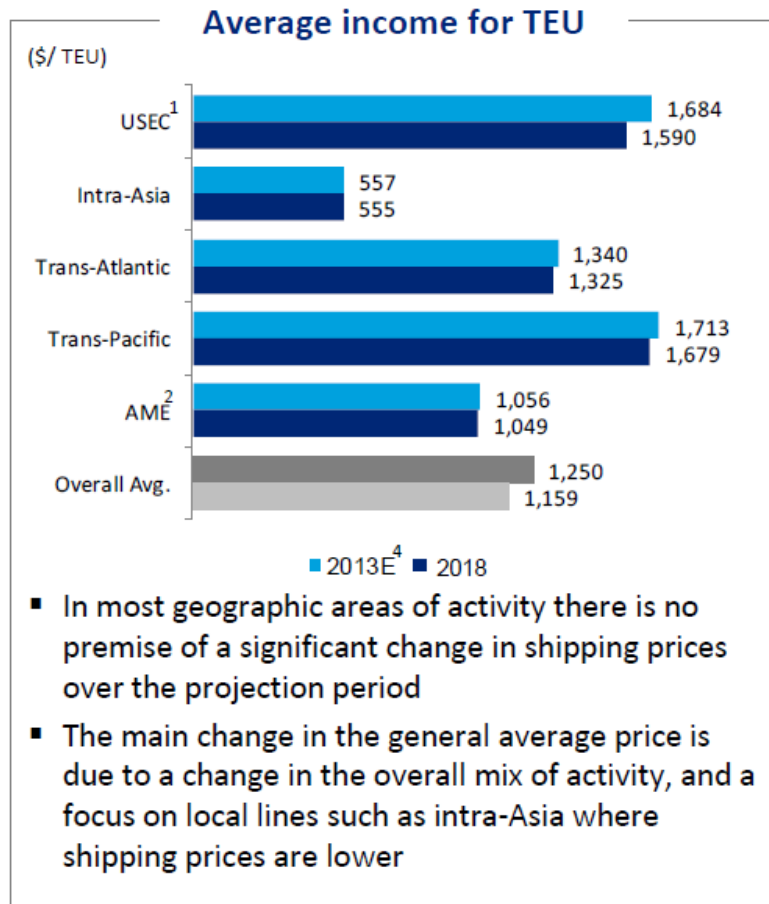


Table of contents

- Introduction
- Industry Review
- Review Of The Business Plan
- Overview Of The Restructuring
- IC Investment Evaluation – Fairness Opinion



Business plan – main assumptions and parameters



(1) Eastern U.S. Coast (All-Water) (2) Asia – India – the Mediterranean (3) including the intra-America, Africa, South America to the Mediterranean lines, as well as lines that have been shut down and those that are planned to be shut down in the course of the projection period (Asia - North Europe for example) (4) based on the Company's forecasts for 2013 according to the business plan

Business plan – main assumptions and parameters

- ZIM's future expenditures in 2014-2018 are the result of the following premises:
 - The assumed bunker price is \$620 per ton throughout the forecast years
 - Container investments totaling about \$70M per annum, and in IT systems totaling an additional \$ 20M (according to the past average investments)
- The Company assumes that it can streamline various expenditure items, and produce cost savings over 2014-2018 according to the following table:

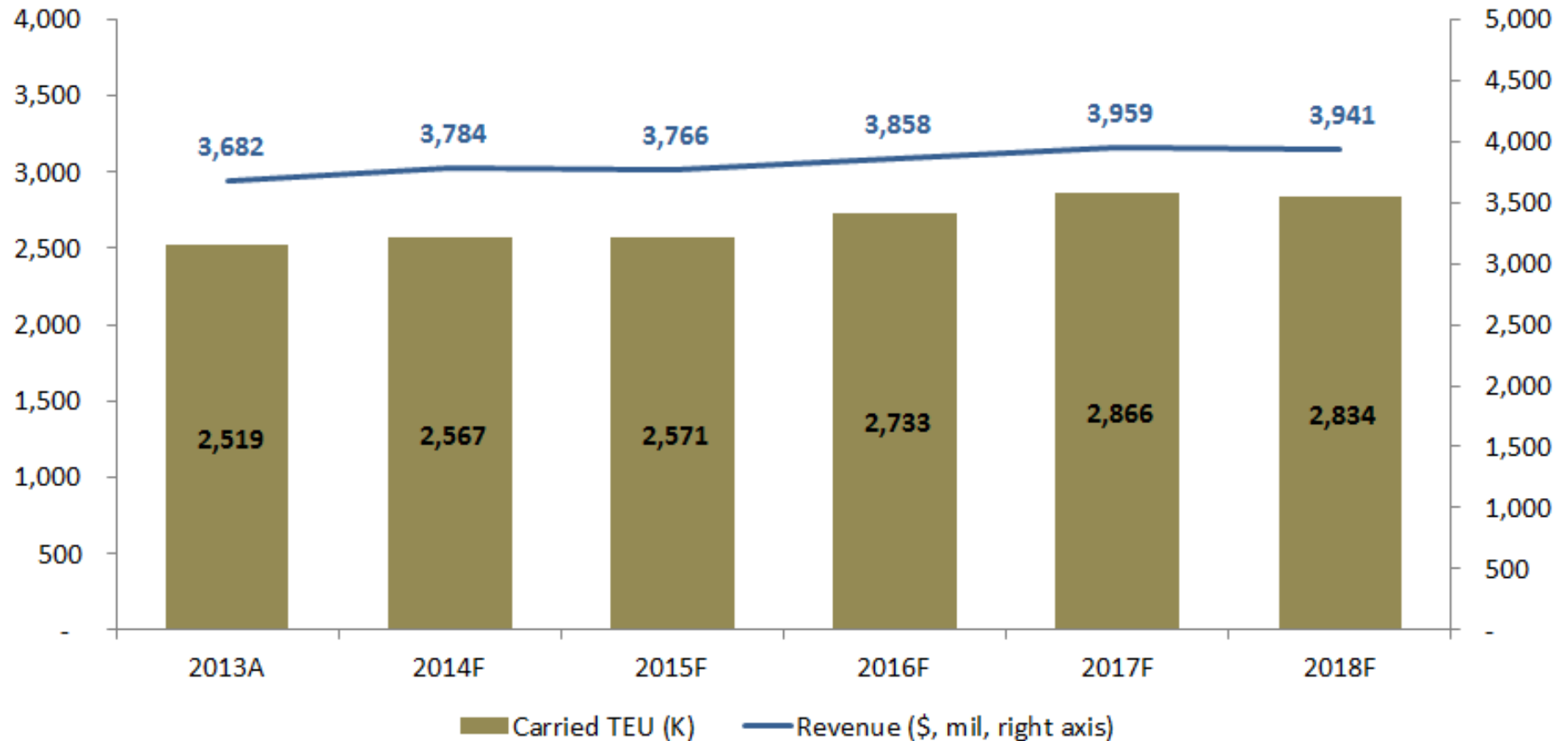
Expenditure item	Total costs (M \$)	accumulated improvement/ savings ¹ (M \$)	Expected savings rate
Fuel	5,001	187	3.7%
O/S Feeder	723	46	6.3%
Terminal costs	4,237	43	1.0%
Land transport	1,980	15	0.8%
Demurrage ²	1,134	138	12.1%
Balancing costs	1,426	20	1.4%
Commissions	1,022	32	3.1%
G&A	944	85	9.0%
Total	16,467	565	3.4%

• Average in 2014 YTD (May 22) is 598

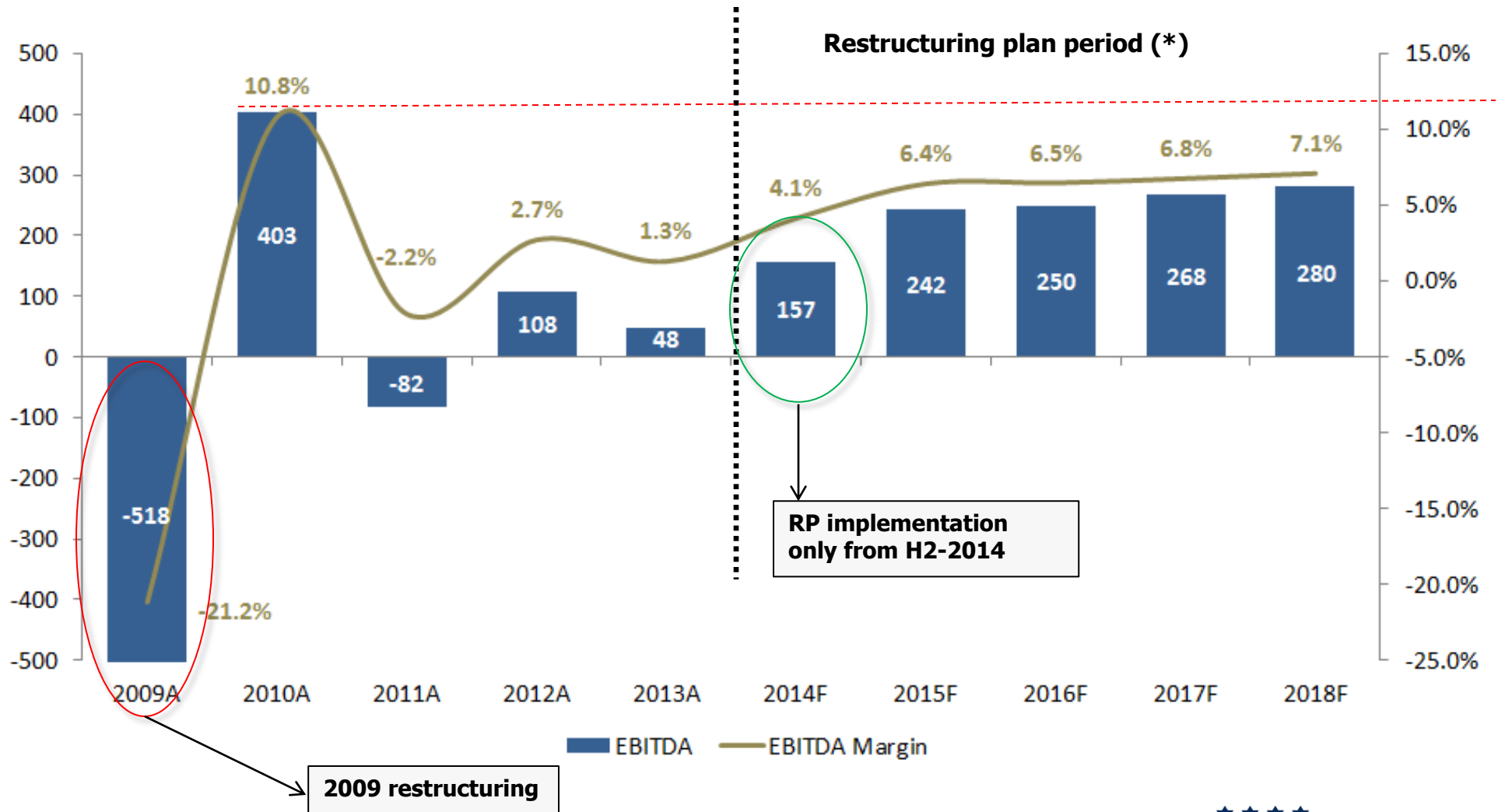
- According to the Company's current estimates, the total savings achieved in early 2014 are in line with the plan's forecasts

(1) compared to actual expenses in 2013 (2) Demurrage refers to the collection of money from customers who did not return on time the containers after their arrival at the destination port

Business plan – main assumptions and parameters



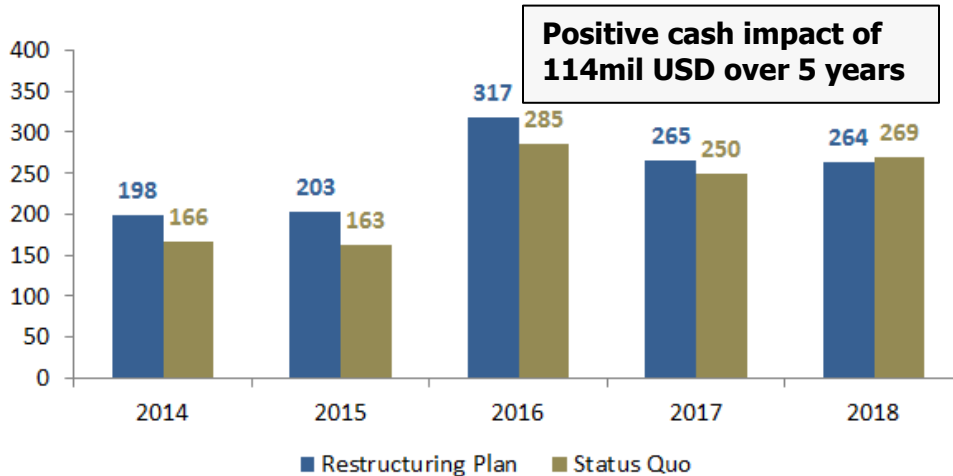
Business plan – EBITDA and EBITDA margin



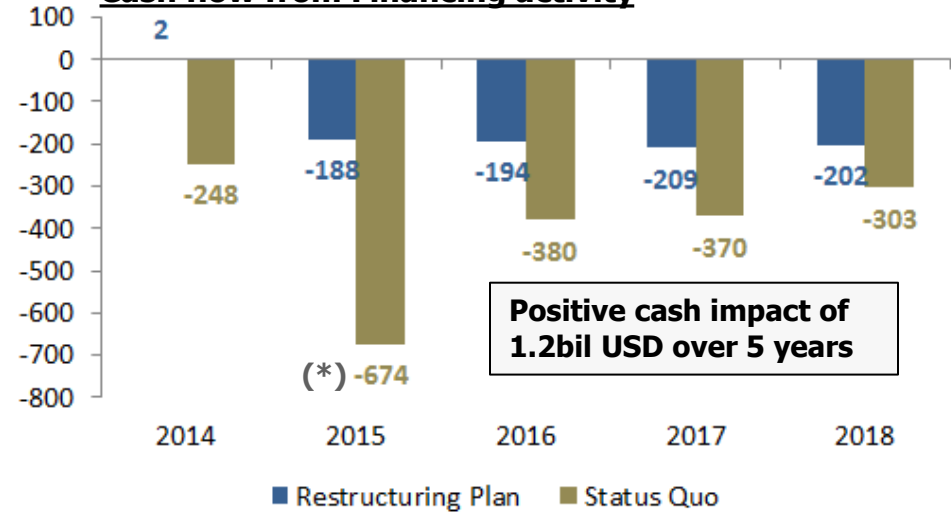
(*) 2014 – 2018 reflect adjusted EBITDA that includes an adjustment to the lease fees as a consequence of the accounting effects.

Business plan – cash flow and cash balance

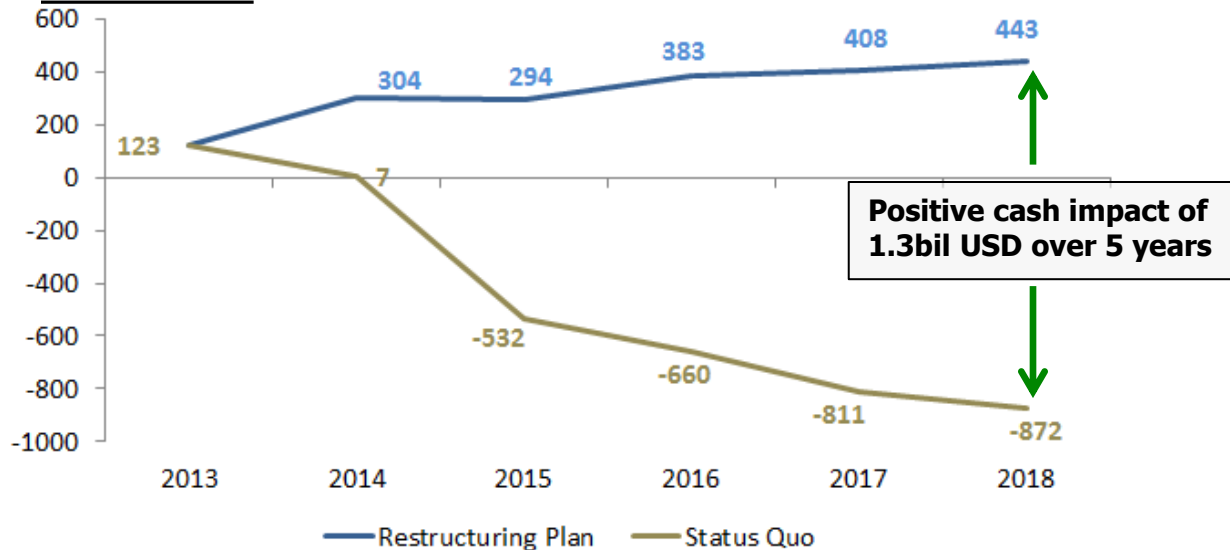
Cash flow from ordinary activity



Cash flow from Financing activity



Cash Balance



(*) 2015 is particularly high (approximately 508 million Dollars) due to the repayment of loans from banks financing ships and other loans, which have been deferred from previous periods.

Q1-2014 Vs. Q1-2013 (Q1 -2014 still not reflecting the RP impact)

Consolidated income statements (US\$M)

	1-3/2014	1-3/2013	Diff.	%
Income from voyages and related services	866.5	918.2	(51.7)	-6%
Cost of voyages and related services	(836.1)	(930.4)	94.3	10%
Gross profit (loss)	30.4	(12.2)	42.6	
Other operating income	2.3	2.6	(0.3)	-12%
General and administrative expenses	(41.1)	(37.2)	(3.9)	-10%
Results from operating activities	(8.4)	(46.8)	38.4	82%
Net finance expenses	(49.2)	(60.2)	11.0	18%
Share of profit of associates	2.3	1.9	0.4	21%
Loss before income tax	(55.3)	(105.1)	49.8	47%
Income taxes	(6.2)	(5.0)	(1.2)	-24%
Loss for the period	(61.5)	(110.1)	48.6	44%
Attributable to:				
Owners of the Company	(63.1)	(111.5)	48.4	43%
Non-controlling interests	1.6	1.4	0.2	14%
Loss for the period	(61.5)	(110.1)	48.6	44%

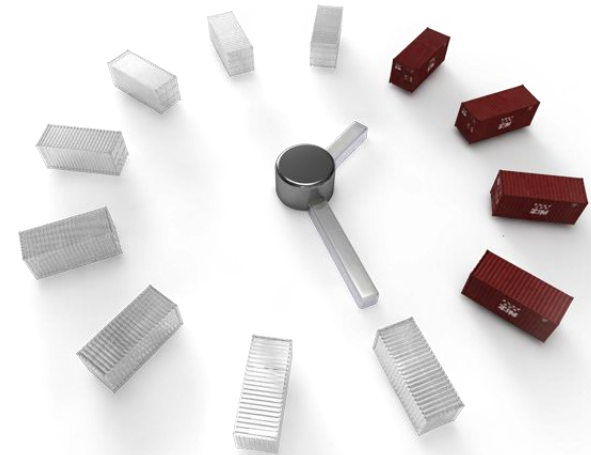
Main Parameters

	1 - 3/2014	1 - 3/2013	Diff.	%
EBIT	(8.4)	(46.8)	38.4	
EBITDA	29.1	(5.9)	35.0	
Carried QTY ('000 TEU)	617.0	602.0	15.0	2.5%
Avg. Revenue (\$/TEU)	1213.0	1282.0	(69.0)	-5.4%



Table of contents

- Introduction
- Industry Review
- Review Of The Business Plan
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- IC Investment Evaluation – Fairness Opinion



The restructuring deal framework

- **Total Liability to Equity swap of 1.4Bil USD**
- **On balance sheet debt (A,C,D,Dockyard and financial leases) totaling of 1.2Bil USD – very long maturity**

After the Arrangement									Prior to the Arrangement				Groups of Creditors
Rate of the holdings in ZIM's capital after completion of the Arrangement ⁽²⁾	Scope of the debt converted into capital	Total scope of the debt	Scope of the off-balance sheet debt	Debt in respect of financial leases	Loan from Dockyard	Series D	Series C	Tranche A	Security for repayment of the debt ⁽¹⁾	Total scope of the debt	Scope of the off-balance sheet debt	Scope of the balance sheet debt	
(In millions of Dollars)									(In millions of Dollars)				
16.5%	189	329					112	217	217	518		518	Ship financiers (not including VesselCo)
7.5%	103	626	⁽⁴⁾ 174	402			50		627	729		729	Ship financiers entitled to the VesselCo mechanism
18.9%	364	530	⁽³⁾ 403			104	23			894	713	181	Third Party Ship Owners
1.8%	44	29	16			⁽⁵⁾ 11	⁽⁵⁾ 2			73	25	48	Related Ship Owners – Zodiac
0%	169	159	159							328	135	193	Interested Party Corporations
20.4%	235	187					138	49	49	422		422	Bondholders
⁽⁴⁾ 0%	238									238	13	225	The Company
2.9%	33	29					20	9	9	62		62	Financial Institutions and Others
0%	57									57		57	XT and Millennium
0%		93			66		27			93		93	Dockyard
68.0%	1,432	1,982	752	402	66	115	372	274	902	3,414	886	2,528	Total

(1) The value of the security was determined in accordance with the parties' consent pursuant to the Arrangement.

(2) Excluding (a) the State's special share; and also (b) potential dilution by virtue of the allocation of securities pursuant to the Compensation Plan.

(3) This balance does not include the possibility of the extension of two ships of 5,000 TEU, as set forth in section 3.3.2 (a).

(4) Excluding an allocation of 32% to the Company. (Israel Corp.)

(5) It was agreed that the entitlement shall be calculated prior to the effect of the arrangements for modification of the lease terms, as set forth in section 3.3.2 above.

(6) The off-balance sheet debt (in the event of VesselCo) is instead of a balance sheet debt (Tranche A) and because the debt prior to the Arrangement does not include an operating component, then also the off-balance sheet debt after the Arrangement does not include the liability in respect of the operating component.

New debt instruments and key terms – Long maturity, low fixed charges

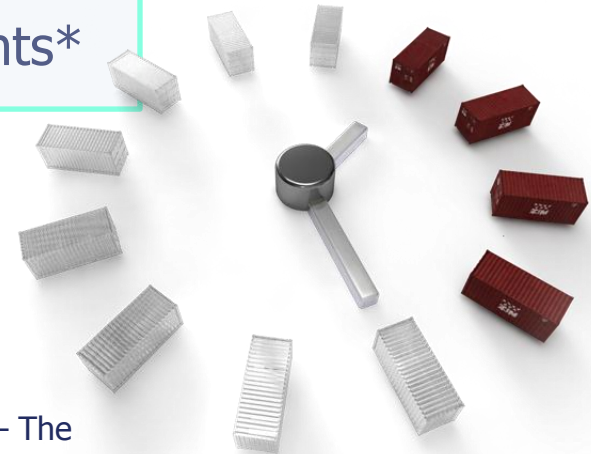
Obligation Type		Summary	Pricing	Amortization	Maturity
Partially Secured Debt (Secured Portion)	Tranche A (1 st Lien Security)	<ul style="list-style-type: none"> 100% LTV, based on recent asset appraisals 	<ul style="list-style-type: none"> Margin: 2.80% 	<ul style="list-style-type: none"> Fixed amortization profile Final repayment: Final repayment amount equal to assumed scrap value 	<ul style="list-style-type: none"> Earlier of: (i) 7 years from Closing; and (ii) original contractual maturity plus 16 months
	Tranche C	<ul style="list-style-type: none"> \$371m unsecured debt facility 	<ul style="list-style-type: none"> Fixed: 3.00% 	<ul style="list-style-type: none"> No fixed amortization First priority cash sweep (as defined below) 	<ul style="list-style-type: none"> 9 years from Closing of the transaction
Partially Secured Debt + Other Unsecured Claims	Tranche D	<ul style="list-style-type: none"> \$115m unsecured debt facility 	<ul style="list-style-type: none"> Fixed: 3.00% Fixed: 2.00% PIK Interest 	<ul style="list-style-type: none"> No fixed amortization Second priority cash sweep (as defined below) 	<ul style="list-style-type: none"> 9 years from Closing of the transaction
	Tranche E	<ul style="list-style-type: none"> \$65m unsecured debt facility 	<p>First 9 years:</p> <ul style="list-style-type: none"> Fixed: 0.25% Fixed: 1.75% PIK Interest <p>Years 10 to 12:</p> <ul style="list-style-type: none"> Fixed: 2.00% 	<ul style="list-style-type: none"> No fixed amortization No cash sweep 	<ul style="list-style-type: none"> 12 years from Closing of the transaction
Cash Sweep Mechanism		<ul style="list-style-type: none"> Tested quarterly <ul style="list-style-type: none"> 50% of cash above \$150m in current account (with 50% to go to Capital Reserve Account) 75% of cash above \$200m in current account (with 25% to go to Capital Reserve Account) 100% of cash above \$250m in current account First to repay Tranche C. When Tranche C fully repaid, payments go to Tranche D. When Tranche D fully repaid, payments go to Tranche A 			

Undertakings and Waivers by Israel Corporation - Highlights

<ul style="list-style-type: none"> ■ Equity 	<ul style="list-style-type: none"> ■ New equity investment of \$200 million ■ Proceeds applied to a capital reserve account for mega vessels, new-build arrangements and general corporate purposes approved by the board (but not subject to cash flow sweep and not for purposes of repayment of existing debts) ■ Post-restructuring equity allocation of 32%
<ul style="list-style-type: none"> ■ Receivables Financing 	<ul style="list-style-type: none"> ■ Israel Corporation to arrange and put in place at Closing (subject to due diligence) a committed secured receivables facility of \$50 million on arm's length commercial terms, for 2 years from Closing, secured by receivables at a rate of 1:2
<ul style="list-style-type: none"> ■ Waiver of deferred debt to ZIM 	<ul style="list-style-type: none"> ■ The waiver of a deferred debt of ZIM to Israel Corporation in a total amount of approximately 238 million Dollars.
<ul style="list-style-type: none"> ■ Guarantee 	<ul style="list-style-type: none"> ■ The provision of a guarantee by the Israel Corporation in an amount of up to 10 million Dollars, to secure ZIM's undertakings pursuant to the arrangement being formulated with the State, pursuant to the terms and conditions for amending the State's special share

Table of contents

- Introduction
- Industry Review
- Review Of The Business Plan
- Overview Of The Restructuring
- IC Investment Evaluation – Fairness Opinion Highlights*



*The fairness opinion regarding the debt settlement was submitted to the ZIM Committee – The Board of Directors of the Israel Corporation. The ZIM Committee is an independent, special committee which was appointed by the Board of Directors of Israel Corporation.

The Company's business plan – Financial Forecast¹

(\$, M)	2013 <i>Actual</i>	2014 <i>Forecast</i>	2015 <i>Forecast</i>	2016 <i>Forecast</i>	2017 <i>Forecast</i>	2018 <i>Forecast</i>	PY
Carried TEU (K)	2,519	2,567	2,571	2,733	2,866	2,834	
YoY Growth	4.7%	1.9%	0.1%	6.3%	4.9%	-1.1%	
Avg. Revenue p/TEU ²	1,251	1,250	1,220	1,182	1,155	1,159	
Total Revenues	3,682	3,784	3,766	3,858	3,959	3,941	3,981
YoY growth	-7.0%	2.8%	-0.5%	2.5%	2.6%	-0.5%	1.0%
EBIT ³	(191)	112	158	165	183	187	189
% of revenues	-5.2%	3.0%	4.2%	4.3%	4.6%	4.8%	4.8%
EBITDA ³	48	241	276	280	294	295	298
% of revenues	1.3%	6.4%	7.3%	7.3%	7.4%	7.5%	7.5%
CAPEX (net of asset sales)		8	(24)	(33)	(31)	(27)	(95)
Tax payments		(18)	(20)	(21)	(26)	(26)	(27)
Change in working capital		12	(48)	60	(2)	(7)	-
Free cash flow (FCF)		242	184	286	235	235	176

(1) for the detailed forecast of the business plan model, see Chapter 3; (2) based on the containerized cargo revenues only; (3) profitability data adjusted to ship leasing prices agreed upon in the Company's refinancing discussions

The Company's business plan – derived value

Results summary

(\$,M)

Permanent growth	1%		
WACC	11.5%	12.0%	12.5%
NPV ¹	866	857	849
RV	1,055	988	927
EV	1,921	1,846	1,777
Net financial debt ²	970		
Equity Value	951	875	806
Derived multiples:			
EV/EBITDA 2014	x8.0	x7.7	x7.4
EV/Revenues 2014	x0.51	x0.49	x0.47

Under the Company's business plan, ZIM's equity value is estimated at about \$ 860 – 890M reflecting multipliers of about 7.7x and 0.49x on the EBITDA and projected revenues for 2014, respectively. This value reflects the anticipated holdings of Israel Corporation after the completion of the transaction (32%) value of \$275–285M

Sensitivity analysis

(\$,M)

Following are some sensitivity analyses on the value of ZIM shares under this scenario:

		<i>Permanent growth</i>		
		0%	1%	2%
WACC	11%	915	1,034	1,178
	12%	779	875	991
	13%	663	743	836
		<i>Yield Tranche C/D³</i>		
		8%	9%	10%
WACC	11%	1,006	1,034	1,059
	12%	847	875	901
	13%	715	743	768

- (1) The present value is as of the end of March 2014 – in respect of 2014 only quarters 2-4 were taken. (2) Based on the assessment of the economic value of the gross debt and expected cash balances after the implementation of the debt settlement. (3) Return to Tranche E higher by 4 basis points

Conservative scenario (a reduction of \$ 25m of the profit a year) – Financial Forecast¹

(\$, M)	2013	2014	2015	2016	2017	2018	PY
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	
Carried TEU (K)	2,519	2,567	2,571	2,733	2,866	2,834	
YoY Growth	4.7%	1.9%	0.1%	6.3%	4.9%	-1.1%	
Avg. Revenue p/TEU ²	1,251	1,250	1,220	1,182	1,155	1,159	
Total Revenues	3,682	3,784	3,766	3,858	3,959	3,941	3,981
YoY growth	-7.0%	2.8%	-0.5%	2.5%	2.6%	-0.5%	1.0%
EBIT ³	(191)	87	133	140	158	162	164
% of revenues	-5.2%	2.3%	3.5%	3.6%	4.0%	4.1%	4.1%
EBITDA ³	48	216	251	255	269	270	273
% of revenues	1.3%	5.7%	6.7%	6.6%	6.8%	6.9%	6.9%
CAPEX (net of asset sales)		8	(24)	(33)	(31)	(27)	(95)
Tax payments		(18)	(20)	(21)	(26)	(26)	(27)
Change in working capital		9	(48)	60	(2)	(7)	-
Free cash flow (FCF)		215	159	261	210	210	151

(1) for the detailed forecast of the business plan model, see Chapter 3; (2) based on the containerized cargo revenues only; (3) profitability data adjusted to ship leasing prices agreed upon in the Company's refinancing discussions

The Company's business plan – derived value

Results summary

(\$,M)

Permanent growth	1%		
WACC	11.5%	12.0%	12.5%

NPV 1	773	766	758
RV	968	847	747
EV	1,741	1,612	1,506

Net financial debt ²	954		
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Equity Value	787	659	552
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Derived multiples:

EV/EBITDA 2014	x8.1	x7.5	x7.0
EV/Revenues 2014	x0.46	x0.43	x0.4

Under the premises of the conservative scenario, ZIM's equity value at the date of completion of the settlement is estimated at about \$640–680M reflecting multipliers of about 7.5x and 0.43x on the EBITDA and projected revenues for 2014, respectively. This value reflects the anticipated holdings of Israel Corporation after the completion of the transaction (32%) value of \$205–220M.

Sensitivity analysis

(\$,M)

Following are some sensitivity analyses on the value of ZIM shares under this scenario:

		<i>Permanent growth</i>		
		0%	1%	2%
WACC	11%	693	795	920
	12%	576	659	759
	13%	476	545	626

		<i>Return Tranche C/D³</i>		
		9%	10%	11%
WACC	11%	770	795	818
	12%	634	659	682
	13%	519	545	568

(1) The present value is as of the end of March 2014 – in respect of 2014 only quarters 2-4 were taken. (2) Based on the assessment of the economic value of the gross debt and expected cash balances after the implementation of the debt settlement. (3) Return to Tranche E higher by 4 basis points

Analysis of the settlement in its entirety, from the perspective of Israel Corporation (according to the conservative scenario)

Israel Corporation receives:

32% of ZIM shares
Valued about \$205–220M

Israel Corporation gives:

Injection of \$200M

Waiver of a subordinated debt (loans of \$225M and debt of approximately 45M ILS)

Undertaking to ensure a credit line of \$50M for two years

State guarantee of \$10M for 10 years

Economic value	\$200M	~\$0M	<\$5M	<\$3M
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- In liquidation there is no value (total debt is significantly higher than the value of assets)
- Ability to create value in the negotiations process is low

- Market conditions with LTV of 1:2 (subject to DD)
- As long as the company is active – the risk is embodied in the conditions
- The potential damage in case of bankruptcy
- Damage expectancy of \$5M reflects a loss of the entire guarantee with 10% probability or loss of half of the guarantee with 20% probability

- The State did not exercise its rights in the past
- The rights required in case of an emergency
- Damage expectancy of \$3M reflects a loss of the entire guarantee with 30% probability. It is important to note that the present value of the damage decreases as the date of realization of the guarantee is prolonged

Summary

- Examining the Fairness of the arrangement from the perspective of Israel Corporation was done using the Company's business plan as the basis and with various adjustments derived from the analysis we performed
- For the purpose of the opinion, ZIM was valued under different scenarios from which the value of the holdings of Israel Corporation after the settlement was derived
- Under the scenario based on the Company's business plan ZIM's equity value is about \$860–890, reflecting a derived value for Israel Corporation holdings (after the settlement) of about \$275–285M
- In light of the analysis we performed and the risks identified and given that this is a second debt settlement within several years we studied the value also under the more conservative scenario assumptions, based on a reduction of \$25M per annum in profit. ZIM's equity value in this scenario is about \$640–680M, reflecting a derived value for Israel Corporation holdings of about \$205–220M
- This suggests that even in the more conservative scenario, the value of the Israel Corporation's stake in ZIM is higher than the injection performed, and the difference may be attributable to other components provided by the Israel Corporation under the settlement

