

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

August 7, 2008

To:  
The Securities Authority  
via MAGNA

To:  
The Tel Aviv Stock Exchange Ltd.  
via MAGNA

Dear Sir/Madam,

Re: **Immediate Report**

The Company hereby reports that Tower Semiconductor Ltd. ("**Tower**") is conducting negotiations with banks that provided it with credit (Bank Leumi Ltd. and Bank Hapoalim Ltd.) and also with the Israel Corporation, in connection with a restructuring arrangement of its debts, that the result of which will be a substantial reduction to the level of its debts to the banks and to the Company. As part of the said arrangement, the Company will make an investment in Tower. These negotiations are in an advanced stage and their completion is subject to the signing of a binding agreement and the fulfillment of additional conditions. The Company wishes to point out that there is no certainty at this stage concerning the conclusion of such an agreement.

Sincerely

Noga Yatziv