

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

**ISRAEL CORPORATION LIMITED**

10<sup>th</sup> September, 2007  
Ref: 2007-01-390700

Securities Authority

Tel Aviv Stock Exchange

Dear Sirs,

**Immediate Report**

Further to the Immediate Report of the Company dated 16<sup>th</sup> July 2007 relating to a Letter of Intent between the Company and Tower Semiconductor Ltd. (an affiliated company) (“**Tower**”), the Company hereby gives notice that on 10<sup>th</sup> September agreements were entered into between the Company, the banks and Tower in accordance with which the banks and the Company will grant loans to Tower in an amount of \$ 60 million for the purpose of the purchase of sophisticated equipment, of which the share of the Company is up to \$ 30 million.

An Immediate Report of Tower on the matter is attached.

Yours faithfully,

Noga Yatziv

## **Tower Semiconductor Signs and Closes Credit Agreements for the Execution of its Capacity Ramp-Up Plan for Fab2**

**Definitive Agreements Secure \$60 Million of Credit Lines**

**Commences to execute Significant Capacity Expansion Plan in advanced technologies in a cost effective manner**

MIGDAL HAEMEK, Israel — September 10, 2007 — Tower Semiconductor Ltd. (NASDAQ: TSEM; TASE: TSEM), a pure-play independent specialty foundry, today announced that it has closed definitive agreements with its lender banks, Bank Leumi and Bank Hapoalim, and with Israel Corporation, a major shareholder, to secure \$60 million of credit lines, comprised of \$30 million from the Banks and \$30 million from Israel Corporation. These definitive agreements are based on the terms of the previously announced letters of intent.

The credit lines, together with the, approximately, \$40 million that were raised in June 2007 through the issuance of long-term bonds, are to be used for the execution of the Company's ramp-up plan. This expansion plan will increase significantly Fab2 capacity beyond the current 24,000 wafers per month, primarily in advanced technologies, as was initially announced on July 16, 2007.

"Fab2 continues to run at a utilization rate of higher than 90%, with customer forecasted demand exceeding the current capacity level", said Russell Ellwanger, chief executive officer of Tower Semiconductor. "In order to meet this demand, we have commenced the execution of the ramp-up plan which, when completed, will further increase the potential of our sales, cash flow and operational results, with a fast pay-back-period and a high rate of return-on-investment (ROI). We have placed purchase orders for a portion of the manufacturing tools and are in the final stages of negotiation with several equipment suppliers for the complete current set of tools for this stage of the expansion plan. The tools are predominantly used equipment originating from certain integrated device manufacturers (IDMs), such as AMD and Intel 200 millimeter copper manufacturing facilities. This enables us to purchase the manufacturing tools at low prices, as compared to purchasing them from the original equipment manufacturers. We expect the equipment to roll into Fab2 during the coming few quarters, with the first tools arriving next month".