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

16th July, 2007 Ref: 2007-01-326536

Securities Authority

Tel Aviv Stock Exchange

Dear Sirs,

Immediate Report

Israel Corporation ("the Company") gives notice that at the request of Tower Semiconductors Ltd. ("Tower") and after approval by the Board of Directors of the Company, a Letter of Intent between the Company and Tower was entered into on 16.7.2007 in accordance with which the Company will participate in the placement of a loan of up to \$ 30 million at the disposal of Tower for the purpose of the purchase of sophisticated equipment. The loan to be placed by the Company is part of the amount to be raised by Tower for the purchase of the equipment inclusive of loans in the amount of \$30 million to be put at the disposal of Tower by Bank Leumi LeIsrael Ltd. and Bank Hapoalim ("the Banks"). The credit line to be placed by the Company as above may from time to time be used by Tower as against the order of equipment and will be in the same amount as is from time to time placed by the Banks. The loan will bear interest at a rate equal to the rate of interest paid to the Banks and will entitle the Company to the usual commissions. In addition Tower will allot to the Company option warrants exercisable for shares up to March 2010 at an exercise price of \$ 2.04 per share. The amount of the loan is repayable not later that March 2010.

Placement of the loan is subject to receipt of all approvals that Tower is by law obligated to obtain as well as signature of detailed agreements between the Company and the Banks and between Tower.

Yours faithfully,

Noga Yatziv