

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

27th August, 2006

Securities Authority

Tel Aviv Stock Exchange

Dear Sirs,

Immediate Report

Further to the Immediate Report of Israel Corporation Ltd. (the "Company") dated 17th May 2006, the Company gives notice as follows:

On the evening of 24th August 2006 an agreement was entered into between the Company and Tower Semiconductor Ltd. ("**Tower**") relating to the investment by the Company of US \$100 million in Tower in consideration for Capital Notes convertible into 65,789,474 shares in Tower. Such investment is subject to several conditions including approval by the General Meeting of Tower and the coming into force of the amendment to the finance agreement between Tower and Bank Leumi LeIsrael Ltd. and Bank Hapoalim Ltd., which amendment was agreed upon on the evening of 24th August 2006. The amounts invested by the Company in connection with the purchase of equipment for Tower will be regarded as part of the aforesaid investment by the Company in Tower.

Yours faithfully,

Noga Yatziv
Company Secretary