



Message from CEO

Russell Ellwanger

We have just recently completed one of our annual Global Business Alignment Meetings where our sales team, business units and operations meet for an intense rationalization of our multi-year plan. I am more than pleased with our progress. It became clear how our worldwide presence continues to grow, creating better and closer technical and geographic alignment with our valued customers. By transferring processes between our Newport Beach, Nishiwaki and Migdal Ha'emek fabs, we offer multi-sourcing capabilities and enable strong sales synergies.

As we are about to commemorate our 4th anniversary of the merger with Jazz and as we recently celebrated the 1st anniversary of the Nishiwaki fab acquisition, we believe that one of the greatest benefits in the manner we have performed these acquisitions is that we have not tried to assimilate the acquired company's culture into the parent culture, but rather to take the best of each and create a collective culture of quality, innovation and trust.

We have previously stated that the cornerstone of our success is our close relationships with our customers, wherever they are. We focus to intently and genuinely listen to our customers' input and drive quick change throughout the company whenever we see a disconnect between how we view ourselves versus how our customers view us. As we continue to gain a performance based trust from our customers, which results in providing a unique value to them, we are confident we will maintain our growth and our lead in the specialty analog foundry segment.

However, even in the midst of immense growth, we have a common understanding that at times the most sublime innovation of all is simplification. Perhaps the true test of effective management is exactly that; the ability to simplify. At TowerJazz, we target growth with an underlying philosophy to:

- 1) Drive industry leading performance without added cost and unneeded complexities.
- 2) Improve efficiency and reduce process based bureaucracy.

This in turn will yield speed, a key factor of success. We thank our customers for their trust in us as a long-term partner and I appreciate, acknowledge and thank our employees for their capabilities, dedication, and passion which has propelled us to be the number one specialty foundry in the world.

Respectfully,

TowerJazz Technical Global Symposium (TGS) Events



TGS USA

October 31-November 1, 2012

The 7th annual North American TGS will take place on October 31–November 1, 2012 at the Hyatt Regency hotel in Irvine, CA. At the two-day event, we will offer updates on our specialty process technologies such as High Speed SiGe, CMOS image sensors, power management and others as well as our design enablement solutions. We will also provide case studies from our customers and presentations by industry experts and leaders in academia.

Our Aerospace & Defense focused day will take place October 31 and our commercial sessions will take place November 1. There is no registration fee for participation at TGS events.

This year, in conjunction with our TGS Aerospace & Defense day, we are hosting the Air Force Research Laboratory's 33rd Annual Radiation Hardened Electronics Technology (RHET) Meeting on October 30–31, 2012. RHET is a meeting for the entire space avionics community, with presentations oriented towards requirements, plans, and programs for the space and missile electronic systems technology base.

For more information on these events, please visit: www.towerjazz.com

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Upcoming Events



SNUG Boston

September 6, 2012
Boston Marriott Newton Hotel
Boston, CT., USA



CDNLive

September 10, 2012
David Intercontinental Hotel
Tel Aviv, Israel



IC China

October 23–25, 2012
Shanghai World Expo Exhibition Hall
Shanghai, China
Booth B11



RHET meeting

October 30–31, 2012
Irvine, CA, USA



TGS USA

October 31–November 1, 2012
Irvine, CA, USA



TGS Japan December 4, 2012



In order to address the growing needs of our customers worldwide, this year in addition to our 7th annual TowerJazz TGS in North America, we are hosting a TGS in Japan for the first time.

TGS Japan will take place in Tokyo on December 4, 2012. The event will focus on our technology offerings to the Asia-Pacific region, emphasizing offerings in our Japanese fab as well as our business strategy since the acquisition of the Micron fab in Nishiwaki. Over the past year, we have successfully engaged several IDMs and have started a number of technology transfer projects in the areas of power management,

mixed-signal and RF, and others to continue to win new business opportunities. We are looking forward to emphasizing to Japanese fabless companies and IDMs the local availability of our pure play foundry offerings and our commitment to growing our business in the APAC region.



TGS Korea Summary June 21, 2012



We held our second TowerJazz Technical Global Symposium (TGS) in Korea at the Grand Intercontinental Hotel in Seoul on June 21, 2012. This event was attended by over 120 participants from over 55 local semiconductor companies

and academic institutions, among them current and potential Korean customers. This year TGS was even better attended and more successful than before and was a great awareness builder for TowerJazz's advanced and specialized process offerings in Korea.

The successful one-day symposium commenced with a keynote speech from our CEO, Russell Ellwanger, highlighting our latest business achievements and providing an update on our facility in Nishiwaki, Japan. Next, we provided an overview on our broad range of process offerings including: SiGe BiCMOS, CMOS image sensor (CIS), power management (BCD), and others. In addition, we shared our design enablement capabilities such as our sophisticated set of design kits, accurate models and comprehensive analog IP portfolio.

We would like to thank our sponsors for their support:



Roundtable Message from our Executives

In this issue, we feature a message from Dr. Itzhak Edrei, TowerJazz President since November 2011. He previously served as Executive VP of TowerJazz Business Units and Business Development since 2008 and Sr. VP of Product Lines and Worldwide Sales since 2005. Dr. Edrei has been with Tower since its establishment and previously was employed with National Semiconductor.

During this past year, we have combined our sales and business units under one management staff to directly benefit our customers with a technical sales force that not only understands their needs, but partners with our business units to support their specific roadmap activities. For this reason, we continue to add enhanced technical capabilities amongst our expanding global sales team. We have also significantly increased our capabilities across all of our business units, leading to new customer engagements and increased design wins and revenue.

One of our main values at TowerJazz is to be "close to the customer" both geographically and from a

cultural aspect. Having a worldwide employee base spanning four continents, along with the close interaction between our sales and business unit teams, provides us with the opportunity to better realize our customers' needs and to be able to meet and exceed their expectations.

By striving to understand the requirements of our customers, we are constantly refining our wide range of processes to enable their success through flexible solutions that help them achieve the best time to market. Our business activities are designed with specific goals in mind to attain the desired results and provide the highest possible quality of service to our

customers. In combination with our advanced foundry offerings, technical sales force and multi-sourcing capabilities, our R&D initiatives play a major role in the Company's success. Our R&D team is consistently aligned with our customers' roadmaps for their next generation products.

Since joining TowerJazz more than 20 years ago, it is with great pride that I have experienced the Company's amazing growth and significant achievements over the years and especially what we have accomplished recently. I look forward to our further growth and success along with our valued customers and partners.

Q2 2012 Financial Results Highlights

Revenue

- Quarterly revenues of \$168.6M, up 21% vs. \$139.7M in Q2 2011
- H1'12 revenues of \$336.7M vs. \$260.3M in H1'11, up 29%

Profitability

- Q2 2012 EBITDA of \$52M, with \$33M cash from operations
- Q2 2012 Non-GAAP gross profit of \$68M, representing 40% gross margins
 - With 31% operating margins and 27% net margins

Balance Sheet

- \$171M cash balance as of June 30, 2012
- Strong & solid financial ratios
 - Current ratio of 1.7X as of June 30, 2012
 - 2.15X Net debt/EBITDA ratio

Social Responsibility at TowerJazz

Hosting eCamp 2012



In July 2012, we hosted, for the second time, "eCamp," an international English speaking summer camp in Israel focused on **technology, media arts and gaming** for children and teens ages 7-18, from 30 different countries, who come together to develop their creative and tech skills and to explore the wonders of Israeli innovation.

A group of over 200 youngsters visited our manufacturing facilities in Migdal Ha'emek, Israel. Their visit consisted of meetings with

our leading engineers, from which they learned about TowerJazz's advanced solutions and our unique and specialized technologies. Later the group visited our production line gallery while experiencing how it is to wear the "bunny suit" and got familiar with our manufacturing process.

This visit provided a magnificent experience for the kids and teens as well as our employees, who were amazed by the excitement and interest of this young and enthusiastic group.

We intend to continue this rewarding cooperation with eCamp in the upcoming years, while supporting and believing in the younger generation and understanding the important influence of their education to the future of society and the semiconductor industry.

For more information about eCamp, please visit:
<http://ecamp4u.com>



Attendees dressed in clean room "bunny" suits at Fab2 Gallery during eCamp.

Getting to Know Us



Selena Kang

Administrative & Sales
Specialist | TowerJazz Korea

Selena joined TowerJazz in May 2011.

Q. Please tell us about your position, focus areas, etc.

A. As an Administrative & Sales Specialist, I primarily handle administrative work for the TowerJazz Korea office. Moreover, mainly I manage the logistical customer support process as well as sales support activities for business in Korea. I usually spend half of my day interacting with customers, supporting their needs and getting to know their business development status, and the other half communicating and discussing our customers' needs and sales related issues with our corporate office.

Q. What do you enjoy about your position... what are some of the challenges?

A. Working for a foreign company and interacting with various colleagues from different regions is an exciting and enjoyable thing for me. It is a great experience to learn different business cultures and perspectives of people who can broaden my knowledge. However, when it comes to dealing with local customers, I realize cultural differences can sometimes be an obstacle for business to go smoothly and

it can be difficult serving as a "middleman" coordinating between the Company and our customers. However, this is an integral part of my job and I continue learning to find ways to handle this as efficiently as possible.

Q. Please tell us about your past experiences (work-related and educational):

A. In fact, this is my first official job after graduating from university. There, I specialized in hospitality management which is a totally different field from the semiconductor industry. But, when I did an internship in the sales and marketing department of a hotel, I was able to learn these roles as well as business operations which helped me a great deal to adapt in my role at TowerJazz. Furthermore, although I'm now working in Korea, I used to live overseas. I graduated from a middle school in New Zealand, went to a high school in the Philippines and attended a university in Singapore.

Q. What are your hobbies?

A. I love travelling. Actually, I love to experience new things, eat delicious food and meet new people, and I guess travelling brings me all of these pleasures at once! I've just been to Bangkok and Pattaya in Thailand for my summer vacation in July, and had a great time visiting exotic temples and relaxing on the beach. However, since I'm not able to go on trips frequently, I get into online travelling blogs and books, and enjoy getting information in my spare time.



DAC 2012 Summary



In June, TowerJazz participated at the Design Automation Conference (DAC) in San Francisco. During this successful conference, members of the team from our Worldwide Design Center in Netanya, Israel, along with design personnel from Newport Beach, CA presented demos of our advanced solutions with several of our EDA vendor partners including: Cadence, Mentor, Solido, Synopsys, and Tanner EDA. The demos were well attended by our mutual customers and other companies interested in potential business opportunities with TowerJazz.

"We believe DAC was a success for us this year as we were able to engage with a wide audience to present, with our partners, the design and manufacturing solutions we offer to our customers. We also connected with IP providers to further expand our unique design services, offerings and capabilities. We look forward to exhibiting and presenting at DAC again in 2013," said Ofer Tamir, Director of CAD, Design Enablement & Support, Worldwide Design Center, TowerJazz.

Press Releases

June 1, 2012–August 29, 2012



8/09—TowerJazz Presents Strong Revenue and Margins Growth in Second Quarter 2012 Financial Results: Revenues of \$168.6 million, up 21% Year-over-Year with an EBITDA of \$52 million



7/24—Synopsys Mixed-Signal IC Design Solution Qualified for TowerJazz Power Management Reference Flow 2.0



6/27—TowerJazz CEO, Russell Ellwanger to Receive the Ruppin Academic Center Honorary Fellowship Award



6/25—Radiation Hardened SRAM Designed by RedCat Devices and Fabricated in TowerJazz's 0.18um Process Flow Withstands 15 Mrad Total Ionization Dose



6/20—TowerJazz Announces AEC-Q100 Automotive Qualification for its Industry Leading 0.18um BCD Process



6/19—X-Ray Imaging Applications to Benefit from Development of Wafer-Scale CMOS Imaging Technology



6/12—Phasor Solutions and TowerJazz Demonstrate Paradigm Shift in Multi-Billion Dollar Satellite Communications and Radar Market



5/22—TowerJazz Finds a Unique Solution for Advanced ESD and Power Domain Checking in Calibre PERC

Featured TowerJazz News



TowerJazz CEO, Russell Ellwanger to Receive the Ruppin Academic Center Honorary Fellowship Award

Mr. Ellwanger honored for his contribution to Israel's socio-economic landscape and for his business achievements as a leading industrialist of a multinational company.

Mr. Ellwanger was chosen for his business achievements as well as for his personal stature and his contribution to Israel as a leading industrialist and a visionary for TowerJazz's social responsibility principals and community service charter: 'Educational and vocational development with a focus on gender equality and minority integration.'

Together with Mr. Ellwanger, the Ruppin Honorary Fellowship Award will be given to Nobel Prize Laureate, Prof. Roger D. Kornberg of Stanford University Medical School.



Breakthrough in rad-hard ICs

Radiation hardened SRAM designed by RedCat Devices and fabricated in TowerJazz's 0.18um process flow withstands 15 Mrad Total Ionisation Dose.

RedCat Devices, a fabless company specialising in the development of radiation hard (rad-hard) components for civilian and special applications, and TowerJazz, have announced a breakthrough achievement in the design and fabrication of radiation hard integrated circuits (ICs).

The developed technology opens multi-billion markets that require specific components able to withstand high dose radiation. Such doses lead to errors and irreversible failures in standard CMOS products. The markets include electronics for communication, observation and navigation systems as well as new applications, such as production of medical devices sterilised with high doses of gamma radiation and further tracking of these devices.



TowerJazz Announces AEC-Q100 Automotive Qualification for its Industry Leading 0.18um BCD Process

TowerJazz announced its industry leading 0.18-micron Bipolar-CMOS-DMOS (BCD) process has been qualified to meet the certification requirements of the AEC-Q100 standard as defined by the Automotive Electronics Council (AEC). AEC-Q100 is a system standard that defines critical stress tests conducted for the purpose of qualifying an integrated circuit (IC) for automotive applications. TowerJazz attained AEC-Q100 qualification in cooperation with a Korean customer who serves as a supplier for a giant Korean automotive manufacturer.

This accomplishment further builds awareness of the strength of TowerJazz's power management offering and enables expansion of its market reach into Korea, focusing on the manufacturing of automotive ICs. The worldwide automotive semiconductor market is estimated to grow from \$30.8 Billion in 2012 to \$46.9 Billion in 2015 according to a forecast from PricewaterhouseCoopers.



Phasor Solutions & TowerJazz move forward with SiGe for communications

TowerJazz's silicon germanium BiCMOS process was chosen over traditional gallium arsenide solutions due to its ability to operate in the 12GHz to 15GHz band. What's more, the process allows multiple analogue and digital functions to be integrated into a single chip. Foundry firm TowerJazz and Phasor Solutions, have together developed a new phased array technology for communications on the move using SiGe process platforms from TowerJazz.

Phasor is targeting the multi-billion dollar satellite communications and radar market with a unique design that is claimed to provide an order of magnitude improvement over competing solutions.

Phasor recently demonstrated a proprietary technology which allows moving vehicles (aircraft, ships or trucks) to communicate with stationary satellites, or antennas that track moving satellites, with no moving parts. Technically, the system is able to self-align to a desired signal source and track it in real time, which the firm says has never been done before.