



## Message from CEO

### Russell Ellwanger

Moving well into 2012, our growing capacity sends a clear message to all our current and potential customers that we are well positioned to meet any and all of their emerging needs for the foreseeable future. In Q1, our revenue rose 39% to \$168 million for the first quarter from \$120.6 million for the corresponding quarter of 2011. We have a very strong customer funnel, notably an increase in the number of masks that entered into our factories. If we compare the company new masks for Q1 of 2012 vs. Q1 of 2011, it is up 26%. 2009 was the year we rebranded ourselves as a specialty analog foundry and comparing Q1 of 2012 to Q1 of 2009, there is an 86% increase in mask layers entering the fabs - showing consistent growth and strong realization of design win activities.

The Nishiwaki factory has met or exceeded all our forecasted metrics since the acquisition and we can already see the same happening throughout 2012. We are continuing to convert the fab from IDM DRAM to our specialty flows and our efforts remain on target. By transferring the 0.18µm technology platform to Nishiwaki, it will allow Japanese and Far East customers to receive local foundry service of the most advanced and cost competitive offering of 0.18µm as well as provide a common process for multiple fab sourcing, a strong solution for high volume manufacturing.

We now have 40 active engagements in Korea. This has been enabled due to the proximity of the Nishiwaki fab as well as our extremely strong sales and technical support team in Korea. Given our significantly growing business in the Korean region, we recently announced our Technical Global Symposium (TGS) in Seoul, Korea, on June 21, prior to the US and Japan TGS events later on in the year. We intend this symposium to further strengthen our visibility among Korean semiconductor companies as well as highlight our latest technological advancements, and present our 2012 theme of the "Pursuit of Excellence" to our customers, including concrete actions that benefit them.

With regard to further expanding capacity, we remain very excited about our business opportunity in India. As previously announced, we are engaged with a strong consortium and have submitted a bid to the government to build and operate a 300mm wafer facility. This initiative enables us to develop a long term roadmap towards the 300mm wafer size, 90nm analog technology and companion chips in deep submicron technologies and it will also give us a major revenue stream during the portion of fab build out and fab operation.

For 2012 as a whole, we believe we will continue to grow at a double digit rate and expect that we will exceed industry growth.

In all of our business units, we continue to serve a growing number of customers in various technologies. The cornerstone of our strategy and all our tactics, meaning our day to day activities, is a focus on our close relationships with our customers – wherever they are. Our substantial industry outperformance over the past years is by virtue of our customers choosing to give us an ever increasing share of their business rather than the competition, as we continue to meet and exceed their expectations in our "Pursuit of Excellence."



## TGS Around the World

As we recently announced, TowerJazz will host during 2012 three TGS (Technology Global Symposium) events, in Korea, the US and Japan. We are excited to hold, for the second time, our symposium in Korea. Our business in Korea and the Asian-Pacific market has been growing rapidly in the past couple of years. We see many opportunities available for us in this region and this symposium will enhance and strengthen our visibility among the Korean semiconductor industry, by creating awareness for TowerJazz's broad range of specialty process technologies offerings and our advanced design enablement capabilities.

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## Upcoming Events



**DAC**  
June 4-6, 2012  
San Francisco, California, USA



**IMS 2012**  
June 19-21, 2012  
Montreal, Canada



**TGS Korea**  
June 21, 2012  
Gangnam-gu, Seoul, Korea



**Air Force Research Laboratory**  
**33rd Annual RHET meeting**  
October 23-24, 2012  
Irvine, CA, USA



**TGS USA**  
October 24-25, 2012  
Irvine, CA, USA

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During the symposium, our CEO, Mr. Russell Ellwanger, will provide a keynote while reviewing TowerJazz's engines of growth and future trajectory. In addition, our executives will present the latest technological advancements and growing business in our different business units, amongst them RF/HPA, Non-Volatile Memory (NVM), Power Management and Automotive, and CMOS Image Sensors (CIS) as well as our sophisticated set of design kits, accurate models and comprehensive analog IP portfolio. We will highlight throughout the day, the 2012 theme of "Pursuit of Excellence" in all the areas of the TowerJazz organization.

We aim to build trust and add value to our customers, vendors and employees. We will focus on application driven research topics that differentiate the Company in the specialty foundry market and prove our excellence at the national and international levels.

In all of our business units we are making strides to expand our capabilities leading to increased design wins. It is our vision to partner with our customers to not only understand their needs, but to exceed their expectations. We are utilizing our multi-sourcing sites by combining the capabilities across our fabs.

Please join us for the Annual TGS event on June 21, 2012 at the Grand Intercontinental Hotel in Seoul, Korea.

**Our 2012 TGS events:**

Thursday, June 21, Grand InterContinental Hotel, Gangnam-gu | Seoul, Korea

Sponsored by:



Wednesday-Thursday, October 24-25, Hyatt Regency Irvine | Irvine, CA, USA

Tuesday, December 4, Tokyo Conference Center Shinagawa | Tokyo, Japan

**For more details on TowerJazz Global Symposiums, please visit [www.towerjazz.com/tgs2012.html](http://www.towerjazz.com/tgs2012.html).**

## Q1 2012 Financial Results Highlights

### Revenue

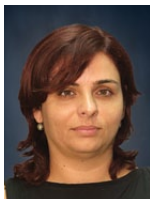
- Q1 2012: \$168.0M, **up 39%** vs. \$120.6M in Q1 2011
- Q2 2012 Guidance: \$163-173M with mid-range guidance representing **20% growth** YoY
- FY 2011: \$611M, **up 20%** Y/Y vs. \$509M in 2010 and **up 2X** vs. \$299M in 2009

### Profitability

- Q1 2012 EBITDA of **\$40M**, with **\$34M** cash from operations, excluding debt related payments
- Q1 2012 non-GAAP gross **margins up** from 33% to **35%**, with GAAP gross & operating profit up by **\$5M** each

### Balance Sheet

- **\$158M cash balance** as of March 31, 2012
- **Signed with GE Capital on \$50M Credit line at LIBOR/TIBOR+2.6%**
- **Strong & solid financial ratios**
  - **Current ratio of 1.61X** as of March 31, 2012
  - **2.1X Net debt/EBITDA ratio**



## Roundtable

### Message from our Executives

*In this issue, we feature a message from Zmira Shternfeld-Lavie, Vice President of Process Engineering R&D, General Manager of TOPS Business Unit since 2007. She joined the R&D Group as Thin Film Section Manager when it was established in 1996. Zmira has over 20 years of experience with Si processing technologies and management in fabrication as well as in the R&D arena.*

TOPS is a unique foundry service we offer to IDMs as well as fabless companies with their own process flows who need to expand capacity, secure additional manufacturing sites, or need to progress from an R&D line to a production line. When transferring process flows, we provide customers a smooth transition from previous production facilities to TowerJazz fabs. In addition, for selected customers, our expert engineers provide R&D development support for their next generation platforms and products.

We are working with our customers to carefully identify their needs, while enabling the option for dedicated production lines and/ or manufacturing tools. The main advantages we have over our competition is our world-class engineering team, well-established transfer methodologies and vast manufacturing experience which ensures fast

time-to-market and low risk services. With a combination of well-known IP protection and capacity flexibility commitment, we guarantee customer confidence and satisfaction.

We are pursuing process transfer activities not only in the regions of our manufacturing facilities, but also in the BRIC countries (Brazil, Russia, India and China). We currently have several opportunities in those regions which we are working to have materialize this year.

Since the acquisition of the Japan fab, we have already won multiple IDM TOPS projects, assisted by the implementation of our well known transfer methodologies. The first customer is expected to run production by the end of this year. The Japanese acquisition also enabled us to win a TOPS customer located in Asia Pacific that started process transfer activities to our Israeli Fab.

We are involved in multiple MEMS projects from several customers. For example, we have produced a navigation grade accelerometer and gyroscope as well as products in the audio industry. We also possess MEMS capabilities for commercial applications and have produced working samples for our customers in record time. In addition, in order to provide a full solution to our customers, we can provide ASIC design support and foundry services for driver manufacturing.

By having four manufacturing sites spanning over three continents, we offer our customers capacity flexibility with geographical alignment. It provides us with cross-qualification capability which brings great advantage to our customers enabling capacity and technology access all over the world. We are in fact the first and second source – providing one complete solution in multiple regions.

## Social Responsibility at TowerJazz

### TowerJazz Demonstrates Strong Connection and Responsibility to Local Community

*Contributes to Establishment of "Multidisciplinary Center for Learning and Realization of Individual's Skills"*

At TowerJazz, we believe in contributing to neighboring communities while emphasizing the importance of education in order to provide opportunities to residents that will benefit society.

In January 2012, a Multidisciplinary Center for Learning opened in Migdal Haemek, Israel after a financial contribution of \$100,000 US dollars provided by TowerJazz. This donation was the largest of the contributions received and serves to demonstrate TowerJazz's strong

connection and responsibility to the local community.

The Multidisciplinary Center for Learning provides services for children between the ages of 6-12 and focuses on children at risk, with learning, emotional, and behavioral disabilities, and/or social issues who may require different teaching methods according to their needs and based on professional recommendations. At the Center, students receive therapies such as movement therapy, art, music, drama, personal training and

interaction with animals. Children also receive enrichment classes and help with homework. In addition, students receive didactic service which is provided by a professional diagnostician assigned by the municipal authority and the Ministry of Education.

TowerJazz will continue its support of the Multidisciplinary Center for Learning with an optional activity during the upcoming summer school vacation that will be performed voluntarily by TowerJazz employees.

## Getting to Know Us



### Itai Farber

Account Manager Development  
 TowerJazz, Santa Clara, CA

*Itai joined TowerJazz in 1996 (Tower Semiconductor at that time). He has served in his current position since 2009. His previous positions (all were in Migdal Haemek) include Electrical Testing Engineer, Electrical Testing and Device section head, Program Manager and Account Manager.*

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

A. I am an account manager located in Santa Clara, CA and I support TowerJazz's local customers as well as support the sales team with new customers. My main focus area is to ensure customer satisfaction, working closely with the customer's team at TowerJazz to support their needs. Another very important aspect of my role at TowerJazz is serving as the bridge between the customer and the fabs. As many customers deal today with more than one fab within our organization, and sometimes more than one business unit, there are multiple interfaces to manage.

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

A. I enjoy direct interaction with customers the most; getting to know the people, helping our team to understand their needs and helping the customers better understand the other side as well. I also enjoy the teamwork very much. We have great people who work all over the world:

Migdal Haemek, Israel (MH), Newport Beach, CA (NPB), and most recently, Japan (TJP). And, of course, the team in Santa Clara, CA (TSU) which has been like a family to me for the last three years.

As for the challenges, on a daily basis we are always striving to meet -- and exceed -- our customers' expectations and make sure to also match their product strategies with TowerJazz's business goals and interests. Internally, it is a challenge to maintain routine communication and keep up to date with the teams in MH and in TJP. Taking into account the time differences you find yourself online day and night!

One big challenge I faced when I transferred to the US from Israel was for my family and the kids to adjust to a new place, new school, new friends, and a different language. It was very tough in the beginning, but we have managed to integrate into a different culture just fine.

**Q. When did you transfer from Israel to the US? What are some of the main cultural differences you have experienced between the two regions?**

A. We moved to the US in 2009. One major difference is the mixture of people and cultures. For example, just in our TSU office, there are people from five different origins. The culture differences reflect in the daily lives of these people and lead to tolerance and respect of others. This really demonstrates what a small world we live in.

**Q. Are you married; how long? Do you have kids?**

A. I am happily married to my wife, Ayellet and we have four amazing kids (Shahar, Ido, Yoav and Gili)

**Q. What are some of your hobbies?**

A. Once I find some free time... after work and handling the four kids... I like bike riding.

**Q. What is your favorite travel destination?**

A. All of us in the family love to travel outside of the city, to go explore nature (hiking or biking) and if we are lucky, we find a place without internet and cell phone signal!

## Press Releases

February 28, 2012–May 31, 2012

**cadence**

5/14—TowerJazz Introduces Reference Flow 2.0, Featuring Key Cadence Technology, for its Power Management Platform

**TOWERJAZZ**

5/09—TowerJazz and GE Capital Sign Definitive Asset Based Loan Agreement to Provide Up to 4 Billion Yen Credit Line (Approximately \$50 Million)



5/08—TowerJazz to Host 2012 Global Symposium in Korea, US and Japan

**GSA EUROPEAN EXECUTIVE ChipEx 2012**

4/30—TowerJazz Announces Sponsorship of GSA Executive Forum and ChipEx 2012 Conferences, Gains Market Visibility in Europe and Israel

**TOWERJAZZ**

4/23—TowerJazz Announces Availability of its CMOS Image Sensor Platform in Multiple Fabs to Better Serve Needs of its Worldwide Customer Base

**NEOFIDELITY INC.**

4/16—TowerJazz and NeoFidelity Announce Strategic Relationship to Supply Digital Audio Amplifiers to Samsung and LG

**UCSD**

3/29—TowerJazz and UCSD Demonstrate First Silicon Wafer-Scale 110 GHz Phased Array Transmitter with Record Performance

**DMB TECHNOLOGY**

3/14—TowerJazz and DMB Technology Announce Volume Production of Thousands of Wafers per Month of Digital Audio Amplifier Circuits using 0.18-micron, Thin Epi, BCD Platform

**TOWERJAZZ**

3/13—TowerJazz Announces New Small Geometry CMOS Image Sensor Platform

## Featured TowerJazz News



**TowerJazz announces availability of its CMOS Image Sensor platform in multiple fabs to better serve needs of its worldwide customer base** – April 23, 2012

***Provides US source for on-shore manufacturing of high performance image sensor designs for ITAR applications***

TowerJazz announced the completion of the successful transfer of its CMOS image sensor (CIS) technology from its Migdal Haemek, Israel facility to its US fab in Newport Beach, California providing multi-sourcing to better address its customers' growing needs. TowerJazz's process has already been running in high volume in its Israeli plants, and is now available in its Newport Beach, CA facility for customers that require on-shore manufacturing.

**socalTECH.com**

**TowerJazz to supply chips to Samsung, LG** – April 16, 2012

TowerJazz reported today that it is in mass production of a full digital, audio amplifier for the LCD slim TV market and manufacturers Samsung and LG. TowerJazz said the audio amplifiers are being manufactured for NeoFidelity, which is using TowerJazz's 0.13-micron manufacturing technology. Shipment volumes and financial impact of the deal were not announced. TowerJazz is a manufacturer of integrated circuits, providing specialty foundry services to other companies.

**GLOBES**  
 Israel's Business Arena

**Tower expands e2v collaboration** – March 21, 2012

***Tower's annual revenue will be boosted \$10 million as e2v increases production of sensors and cameras embedded with Tower's CMOS Image Sensor technology.***

TowerJazz announced increased production of e2v Technologies' products embedded with TowerJazz's CMOS Image Sensor (CIS) technology. The technology is used in e2v's Ruby low light CMOS imaging sensors and the ELiIXA+ high speed multi-line scan camera.

e2v and Tower have collaborated for six years. e2v already uses Tower products, manufactured at its Fab2 in Migdal Ha'Emek, in its products, including sensors for industrial, medical, scientific and space applications.

**YAHOO! FINANCE**

**TowerJazz and DMB Technology announce volume production of thousands of wafers per month of digital audio amplifier circuits using 0.18-micron, thin Epi, BCD platform** – March 14, 2012

TowerJazz and DMB Technology, a leader of total power management solutions based on innovative analog/mixed-signal power management integrated circuits, today announced volume production and shipping of DMBT's digital audio amplifier using TowerJazz's 0.18-micron based TS35PM Bipolar-CMOS-DMOS (BCD) process.

This amp, developed by DMBT for a leading digital audio amplifier manufacturer, will be embedded in high volume digital TV and mini/micro audio systems. According to a report by DisplaySearch, LCD TVs continue to be the primary TV type shipped worldwide, and were estimated to account for about 84 percent of all TV shipments in 2011. Total LCD TV shipments are expected to increase steadily, reaching 270 million units by 2014.

**sensors**  
 Your Technical Resource for Sensing, Communication, and Control

**TowerJazz announces new small geometry CMOS Image Sensor platform** – March 13, 2012

TowerJazz announced its TS11IS hybrid CMOS image sensor (CIS) process offering, a combination of 0.11um and 0.16um platform. The process will allow customers to design higher resolution high-end sensors with smaller pixels and enhanced performance. The TS11IS combines TowerJazz's 0.16um CMOS for periphery circuits and its 0.11um pushed design rules for the pixel array.

The process is targeted for applications in high end photography, machine vision, 3D imaging and security sensors. According to Yole Development, the forecast for high-end CMOS image sensors is expected to be ~\$2B in 2015 with a CAGR of 13%.