

Message from CEO

Russell Ellwanger



Moving into 2012, we are pleased to have maintained our position as the #1 specialty foundry and have expanded our revenue lead above the number two specialty foundry by about \$100M. Our record full year revenues were at \$611 million, up 20% over revenues of 2010 and well ahead of the industry's growth.

Strategically, 2011 was a very strong year; driven by performance and an ability to provide capacity commitments, we have strong engagements with market leaders in all of our business segments. We have capable and impassioned employees worldwide who are excited with the opportunities in front of us as we implement our 2012 mantra, the "Pursuit of Excellence."

We currently operate four manufacturing facilities, spanning three continents. In Newport Beach, we continue to drive the most advanced RF platforms, including a comprehensive solution for front end modules, e.g. RF controllers, SOI switches, SiGe PA and IPD. In Migdal Haemek we are reaching high volume manufacturing of our power management platforms, and as well, are experiencing a heavy ramp in our x-ray and high end cinematography/broadcasting cameras including 11 new revenue customers.

Since we acquired the Micron fab in Nishiwaki, we have successfully engaged several IDMs and have established smooth business alignment with Micron as well as successfully integrated TowerJazz Japan (TJP) within our corporate organizational structure. In addition, TJP has contributed to our corporate design services team and we have started five technology transfer projects, mostly with new customers.

During this past year, we have combined sales and business units into a single management staff under the leadership of Dr. Itzhak Edrei, who was promoted to President. The desired result is a continuous alignment of long term platform roadmap and R&D activity to short term customer driven milestones. This is accomplished via sales/business unit partnerships that understand the totality of our customers' needs, and as a trusted partner executes upon them.

In 2012, we are excited to continue as a stronger, more unified company, deepening our expertise, capabilities and technical knowledge as well as expanding our capacity and fab sourcing sites. Our continued success depends on the long-term partnerships we enjoy with our customers, the confidence in our management team by our investors, and the passion of our worldwide employees in our "Pursuit of Excellence" in all of the areas of TowerJazz.

Pursuit of Excellence

Our mantra for TowerJazz in 2012 is "**Pursuit of Excellence**". We worked through all our sites and support groups and asked each manager to define excellence and come up with initiatives to drive activities this year. The consensus between the groups was narrowed down to three factors: 1) personal capability, 2) adequate work tools and 3) individual passion.

It is our goal to provide the tools and promote an environment that impassions our worldwide employee base to achieve excellence, e.g., **first time success for our customers**.

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.



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Upcoming Events

 **CDNLive**
March 13–14, 2012
San Jose, California, USA

 **GOMAC Tech**
March 19–22, 2012
Las Vegas, Nevada, USA

 **IS 2012**
March 20–22, 2012
London, United Kingdom

 **SNUG**
March 26–28, 2012
Santa Clara, California, USA

 **SPIE**
April 23–27, 2012
Baltimore, Maryland, USA

 **ChipEx 2012**
May 1–2, 2012
Tel Aviv, Israel

 **GSA Executive Forum**
May 8–9 2012
Geneva, Switzerland

 **CDNLive**
May 14–16, 2012
Munich, Germany



In this issue, we feature a message from Dr. Marco Racanelli, Senior Vice President. He has served with TowerJazz since 2002 and currently oversees the RF and High Performance Analog business as well as the US Aerospace & Defense division.

Our RF and HPA business unit is seeing significant growth opportunities driven by two major market trends: the explosion of smart phones, and the insatiable need in the backbone of the network for internet bandwidth to feed content to all of our mobile and fixed devices. On the network side, for example, we have been experiencing strong volume growth in one of our most advanced SiGe BiCMOS processes with an Ft of 200 GHz in support of 10Gb/s, up to 100Gb/s links both in the network, and more recently, with fiber-to-the-home and even 10Gb/s communication standards for consumer products like Thunderbolt and LightPeak being rolled out by Intel and Apple. For next-generation products in these areas, we have achieved initial customer success with our 270GHz Fmax SiGe platform (SBC18H3), the industry's

highest speed foundry SiGe technology. This technology is built on the same mature platform used for our prior two TowerJazz SiGe processes making it easy to migrate products to this latest process and help our customers reduce power consumption and improve performance of their products.

Smart-phones, on the other hand, are fueling growth in our front-end-module technology which helps bring signals to and from the antenna and includes an RF SOI process for antenna switch and a SiGe process for power amplifiers. Our RF SOI Switch technology enables levels of integration for both cell phones and WiFi devices not possible with more traditional GaAs PHEMT technology and, given the complex requirements of smart-phones that need to combine 2G/3G and now, 4G functionality, is seeing significant design wins. Our SiGe PA technology has demonstrated competitive performance to GaAs HBT counterpart at roughly 40% of the cost and is deployed today with WiFi with significant product development ongoing for cellular standards as well.

In addition, we are growing our business by leveraging our multi-site capability and have successfully combined our 0.13µm SiGe front-end from our Newport Beach facility with the copper back-end in our Migdal Haemek, Israel facility resulting in a process with improved RF performance and integration density. With this new technology (TSBL13), we are targeting the >\$1B combined wireless RF and digital TV tuner markets where higher performance, lower cost and higher digital integration are required.

In the high-performance analog market, we have expanded our complementary BiCMOS offering, by adding a high-speed PNP with an Ft of near 25GHz, as well as ramping our 14V and 16V complementary BiCMOS technologies.

With a wide breath of technology capability, our multi-fab source of supply, and a strong R&D roadmap aligned with the needs of our customers, we continue to see a strong long term future for this exciting business unit.

Q4 & FY 2011 Financial Results Highlights

Revenue

- **FY 2011: \$611M**, up 20% Y/Y vs. \$509M in 2010 and up 2X vs. \$299M in 2009
- **Q4 2011: \$175M**, up 29% vs. \$135M in Q4 2010

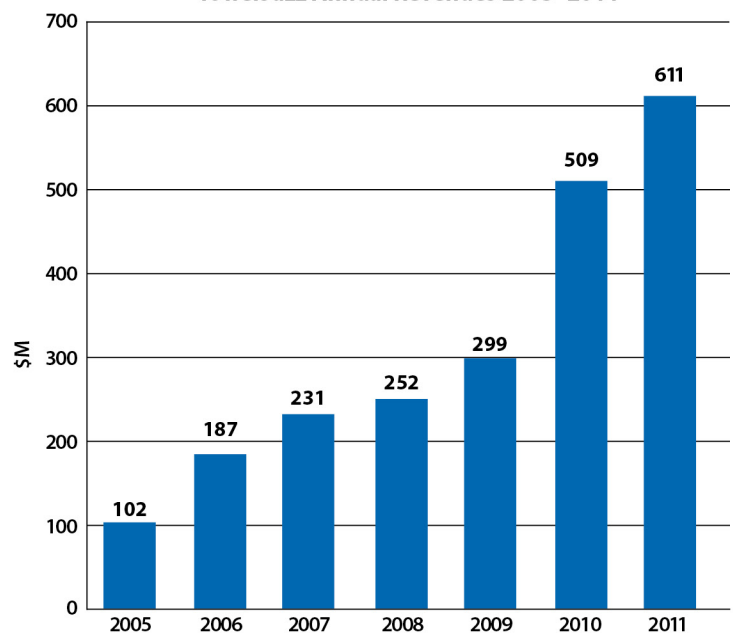
Profitability

- **EBITDA** of \$187M in FY 2011, a 31% EBITDA margins
- In Q4 2011 achieved **EBITDA of \$40M** with **\$30M Positive cash from operations**

Balance Sheet

- **\$101M cash balance** as of December 31, 2011
- After \$100M principal payment for bonds in last 3 months
- **1.7X Net debt/EBITDA ratio**, based on 2011 EBITDA, vs. 2.3X in 2010
- **\$175M positive shareholders' equity** vs. \$118M on Dec' 31, 2010
- **Strong & solid financial ratios**

TowerJazz Annual Revenues 2005–2011



Social Responsibility at TowerJazz

Our community service charter is **“educational and vocational development with a focus on gender equality and minority integration.”** At TowerJazz, we focus a great deal of attention on our neighboring communities. In most all activities where our employees donate their personal time, our company will provide additional needed funds.

We strive to contribute to the community through a variety of activities conducted both in Israel and in Orange County, CA. Our goal is to provide opportunities for under-represented populations, under-privileged children and support educational programs focusing on science, mathematics and engineering.

In Israel, we foster a great deal of community service activities which include working with environmental organizations and retirement homes as well as assisting in renovating buildings. In addition, we fully fund a primary education program which assists children with

learning disabilities. We offer university level internship programs at all of our sites, providing summer paid employment and thesis projects to students from top universities in each site’s respective region.

In the US, TowerJazz has developed a Social Responsibility Plan for 2012. Our specific goals include inspiring, developing and providing opportunities for under-represented populations, focusing on science, mathematics and engineering, and establishing a social awareness mentality within our Newport Beach site.

To launch the Social Responsibility Plan, on February 7, we transported by bus, more than 80 of our employees to Blind Children’s Learning Center in Santa Ana, Calif. to spend the morning cleaning toys, painting furniture and assisting visually impaired children. In addition, a team of TowerJazz engineers created a blueprint for a future play area.

“We were honored to be selected by TowerJazz to launch their community involvement program for their Newport Beach facility employees. I was deeply impressed with the company’s attitude toward volunteerism. They truly care about the needs in our community. It was evident by the way they connected with our children,” said Barbara Alvarado, Blind Children’s Learning Center Board Member.



As a leading global company, TowerJazz has a social agenda and responsibility, which we will continue to promote and nurture, as we strive to increase diversity and equity within our worldwide respective communities.

Getting to Know Us



Kazuo Inoue
 Director of Business Development
 TowerJazz Japan, Ltd.

Kazuo has served in his current position since June 2011 when TowerJazz Japan (TJP) was formed. Since 2002, his various positions at Micron Japan, Ltd. included: General Manager (GM) of Purchasing Department & Business Development, GM-95nm Process Transfer, GM of Probe Department, Engineering Manager, Micron Technology Virginia – Probe, and GM – Probe, Product & QA.

Q. Please tell us about the responsibility of your group:

A. Our charter is to develop the specialty foundry business in Japan by attracting new customers.

Q. What is your focus this year from a business stand point?

A. In the Nishiwaki facility, we will continue with process technology transfers in the areas of power management, mixed-signal and RF, among others to offer foundry services in addition to our existing IDM transfer service. Our (TJP) engineers are equipped to offer design enablement support and comprehensive process design kits for RF, CMOS image sensors and MEMS as well.

Q. What is your emphasis now, since the change of TJP as part of an IDM to becoming a leading specialty analog foundry?

A. Before we started as TJP, our Nishiwaki

offering was limited to DRAM technology as an IDM fab and now we are focused on new product development as we transfer process technologies to the Nishiwaki site from our Migdal Haemek and Newport Beach facilities. Our employees are excited to be recognized as a new source of manufacturing by customers in Japan and the Asia-Pacific region. We look forward to supporting our customers’ product development and improvement of productivity as a leading business development group for TowerJazz. We recently opened a sales office in Tokyo and will offer our sales and marketing services in Japan from two locations (Tokyo and Nishiwaki).

Q. What are some of your hobbies?

A. I enjoyed running a full marathon race in masquerade. I ran the “Kobe Marathon” held in November 2011 wearing a zebra costume and I got a “fashionable runner award!”

Press Releases

November 30, 2011–February 27, 2012

-  TowerJazz Receives Innovation Award from Skyworks Solutions – February 27
-  TowerJazz Presents Record Revenues in 2011 with 20% Growth Year-over-Year – February 16
-  TowerJazz Demonstrates Commitment to China Market: Announces Keynote Presentation at IIC China – February 13
-  Japanese Ministry of Economy, Trade and Industry has Approved Grants to TowerJazz for its Cap-Ex Investment Plan – February 13
-  Nujira Selects TowerJazz as Foundry Partner for New Envelope Tracking IC – February 9
-  Kilopass XPM™ Non Volatile Memory IP Qualified on TowerJazz 130nm CMOS – February 7
-  TowerJazz and Triune Systems Announce nanoSmart® Products Ramping to Mass Production, More Energy Saving Products to be Launched in 2012 – January 31
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Featured TowerJazz News



Tower bids to build 300-mm wafer fab in India – February 16, 2012

LONDON – Tower Semiconductor Ltd., an Israel-based foundry chipmaker that trades under the name TowerJazz, has said it has signed a binding memorandum of understanding with an unnamed Indian infrastructure company, to build and operate a 300-mm wafer fab in India.



TowerJazz sees smartphone demand fuelling growth – February 16, 2012

TowerJazz expects strong demand for smartphones to fuel growth in 2012 after it reported sharply higher fourth-quarter revenue. TowerJazz has carved out a niche supplying specialist analog chips for Apple's iPhone, Samsung's Galaxy and other smartphones.

It is also benefitting from strong demand for its image sensors used in medical and dental X-rays and digital cameras, as well as radio frequency chips and embedded memory chips.

"Why does TowerJazz focus on analog even though the world is going digital? Because without analog, digital won't work. Analog adds tremendous value," CEO Russell Ellwanger told a news conference on Thursday.



Japanese Ministry of Economy, Trade and Industry has Approved Grants to TowerJazz for its Cap-Ex Investment Plan – February 13, 2012

TowerJazz Japan, Ltd. (TJP) has been selected to receive a cap-ex subsidy from the Japanese Ministry of Economy, Trade and Industry (METI). This subsidy program aims to improve the logistics and facilities of the business locations of companies operating within Japan as well as encourage new investment to maintain and create employment by providing domestic site location subsidies to production sites. As part of this program, 294 projects were selected with a total subsidy budget of 202.3 billion yen (~2.5 billion dollars).

The subsidy will enable TJP to accelerate its transition from an IDM DRAM fab to an analog specialty foundry and expand collaboration opportunities with customers in Japan. The funding will assist TJP in the ramp of specialized technologies and provide assistance with equipment and infrastructure for further business development.



TowerJazz Demonstrates Commitment to China Market – February 13, 2012

Announces Keynote Presentation at IIC China being held February 23 - 25, 2012

Presents advanced specialty technologies focused on FEM development, CMOS image sensors, 700V LED lighting and scalable LDMOS



Nujira will get its 4G chips fabbed at TowerJazz – February 10, 2012

Nujira has selected TowerJazz as its foundry partner for its recently announced envelope tracking (ET) chip aimed at reducing the power of radio circuits in 4G mobile handsets.