



Message from CEO
Russell Ellwanger

2012 was a noteworthy and strategically significant year for TowerJazz. Our revenues grew by 5% over 2011, maintaining our position as the number one specialty foundry.

We bought the Nishiwaki factory in mid-2011 due to the capacity requirements dictated by our multi-year customer demand plan. This demand is now being realized and will be satisfied in the Nishiwaki factory with multiple projects such as the Vishay-Siliconix advanced technology transfer, a very large Asian-based fabless existing customer transfer of its highest volume flow to Nishiwaki, and multiple new Japanese and Korean customer engagements.

As mentioned above, during 2012 we kicked off significant new projects in Nishiwaki with Japanese and Asia-Pacific customers as well as with existing TowerJazz customers. Currently we have 12 technology transfer and development projects running in parallel. We recently received our first purchase order for an automotive epi-based power management flow from a very large Japanese integrated automotive parts manufacturer. The other projects are all in different stages of maturity. Some just kicked off recently, and some are in advanced stages of qualification and will ramp into mass production by the end of the first quarter and throughout the year.

This funnel of projects demonstrates that the Nishiwaki factory acquisition was business accretive. Firstly, the facility provided TowerJazz with significant incremental capacity at a low purchase price. Secondly, the facility gave us access to new customers that we otherwise might not have reached in this region. Thirdly, we have embraced certain Japanese intrinsic quality values and procedures throughout the company which

helped improve our corporate manufacturing quality. Last but certainly not least, we gained valuable, experienced technical human capability.

I was recently honored to present one of the keynote speeches at the prestigious Nikkei World Semiconductor Summit in Tokyo along with the Micron CEO, the Global Foundries CEO, and a few other companies including TSMC. It is apparent that Japan is waking up and all are taking notice. However, we are solely positioned with a domestic pure play foundry offering.

At this conference, I noted three megatrends that are the growth engines in the global semiconductor market: green everything, wireless everywhere, and smart everything.

Megatrend one, green everything is focused on energy efficiency. Economic development throughout the world has rendered a demand for energy that is far greater than the supply. Battery technology is not at all

advancing commensurate with the need; power management is necessary to get more life out of a brick, so to speak. To drive technology penetration, the ratio of the performance to price energy consumption unit must go up year-over-year, so energy considerations become the primary decision factor in designing new systems. Everything in the future will require power management for efficiency, portability, and power density.

Megatrend two, wireless everywhere specifies that everything will be connected wirelessly and seamlessly. Wireless technology such as WiFi, LTE, ZigBee, NFC, and Bluetooth are becoming commonplace. Most every device is now requiring wireless functionality not just to communicate with the Internet but to communicate with other devices. High performance RF is required to enable high levels of seamless communication.

Megatrend three, smart everything requires smart multifunction embedded systems.

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World Semiconductor Summit 2013 in Tokyo

On February 6, TowerJazz CEO, Russell Ellwanger presented at the World Semiconductor Summit 2013 in Tokyo hosted by Nikkei Electronics. This event featured the industry's top executives who presented their business strategies. Mr. Ellwanger's presentation focused on "Industry Trends Served through Analog Technology" and emphasized the technical requirements relevant to the analog market as well as TowerJazz's advanced specialty solutions. There were 161 attendees and his presentation was well received from the audience as he highlighted the excellence of QUALITY in Japan. It was a good opportunity for TowerJazz to gain recognition as a company which continuously increases its sales even during the recent weak economic situation of the semiconductor

industry. Mr. Ellwanger also emphasized the growing role of the analog foundry in Japan and how TowerJazz focuses its business in Japan and the Asia Pacific region to best leverage its Nishiwaki facility.



TowerJazz CEO, Russell Ellwanger presented at the World Semiconductor Summit 2013 in Tokyo hosted by Nikkei Electronics.

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Image Sensors 2013
March 19-21, 2013
London, United Kingdom



SNUG
March 25-27, 2013
Santa Clara, CA

Electronics have long not been solely for entertainment, but rather grown into critical applications where failure may cause unacceptable damage to human life, environment, and assets. Hence systems must become smart, self-regulating, and self-reliant.

For a system to be smart, it must sense the stimulation and then make decisions, sometimes ad hoc, and learn from previous decisions, all this with minimal energy. To do this, we need the integration of high-performance mixed-signal/analog and sensor technology and in many cases, advances in MEMS to form smart systems.

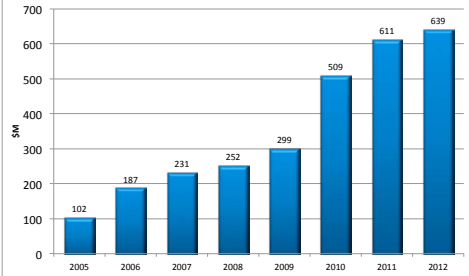
If we look at the overall semiconductor market, it becomes a very interesting survey. If we examine 2009 to 2015, the last three-year actual and the next three-year forecast, we see that end unit sales are growing at a rate of about 74% year-over-year. If you break that down, however, into the growth of deep digital micro components at 66%, memory at 65%, and logic at 52%, all of these are below the overall semiconductor total average.

Where is the growth then? What is really happening? Where is the excitement? And excitement is always aligned with growth. It is with analog/mixed-signal at an end unit sales growth rate of 100%, discreet at 102%, optical

at 106%, and sensors and actuators at 148%. These four areas are where we serve and are focused. This is where we believe that we will be continuing to add shareholder value. If we look at these trends – green everything, wireless everywhere, smart everything – they are served to a great extent through the high-performance analog and power management chips that we supply, the high-end RF, and in particular, the high-end silicon germanium (SiGe) platforms, our SOI switch platforms, and for the sensors, through our imaging capabilities and our MEMS activities.

Our platform portfolio and strategies are well aligned with the megatrends of the semiconductor industry, which by definition create the growth segments of the industry. This is where we are focused. This is where we are performing and gaining market share.

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 our competition. We will continue to set aggressive goals for ourselves and strive to continue to outperform our customers' expectations with an unwavering pursuit of excellence.



Revenue

- Record of \$638.8 million in FY 2012, a 5% increase over 2011 and 25% increase over 2010 further cementing Company's position as the #1 specialty foundry in the world
- Reflecting 30% CAGR from 2005 to 2012

Profitability

- 2012 EBITDA of \$164M, reflecting 26% EBITDA margins and up 6% year-over-year
- Full year non-GAAP net profit of \$132M and net margin of 21%, higher than \$124 million and 20% net margin in 2011

Balance Sheet

- \$133M cash balance as of Dec. 31, 2012, compared with \$101M as of Dec. 31, 2011
- Strong & solid financial ratios
 - Current ratio of 1.8X as of Dec. 31, 2012, as compared to 1.2X as of end of 2011
 - 2.4X Net debt/EBITDA ratio



Roundtable

Message from our Executives



In this issue, we feature a message from Todd Mahlen, Vice President of APAC Sales and Power Business Development. He previously served as Director of Marketing for our Specialty Business Unit and was brought into Jazz Semiconductor in February 2006 to establish a Power Technology business focus.

This past year, TowerJazz made a significant investment in the APAC region, resulting in revenue growth of over 200% in 2012 vs. 2011 (Korea 270%, Taiwan 460% and China 76%). With the understanding that over 50% of worldwide ICs are consumed in APAC, we worked to build awareness of our specialty technology offerings and leading foundry design enablement capabilities. To help drive this message, we participated at three conferences in China (IIC China, IC China, and IC CAD), and hosted our 2nd annual Technical Global Symposium in Korea presenting our specialty technologies such as front-end module (FEM) development, CMOS image sensors for security and x-ray applications, 700v LED lighting, and scalable LDMOS for DC-DC converters. TowerJazz's presence at these forums along with our increased local support organizations clearly demonstrates to the emerging APAC fabless IC companies our strong commitment to business in this region. We are now considered the #1 foreign specialty foundry in Korea and China.

To address our growing customer demands in the APAC region, we have retained strong

country sales executives (Michael Song – Korea, Jerry Wang – Taiwan and Qin Lei – China). They have each been able to open doors and build strong relationships within their sales regions. The primary challenge for a foreign foundry is local technical support. We have been aggressively building up our local technical talent (Jason Chung, Steve Kim, Mina Gwak – Korea, Haiying Deng, Rachel Xie – China) and, in many cases, have shown superior support to the local foundries (especially in the design enablement sector). Of course, the strong timely support of the technical resources within our factories/business units has been critical to the success we have had in the APAC region. We cannot do it with them!!

The combination of strong sales, technical support and innovative technologies from all our business units are feeding a strong pipeline of new design activity. Much of our current growth is fueled by market share gains in our low-voltage BCD product line primarily from a strong production ramp in component products such as Class D audio amplifiers, LED drivers, DC-DC converters, load switches and LDOs. Most of this activity has come from

our Korean customer base. In addition, the release of our 700v platform has allowed us to gain a significant foothold in the emerging industrial LED lighting market space as well as motor drivers with our newest high-side 700V technology. This product line is seeing strong design wins from Korea and China, along with the US markets.

I am excited for 2013 as we are forecasting 62% growth in APAC sales and will continue the ramp of new products particularly in industrial LED (TS100PM), PMIC (TS18PM) for flat panel TVs – power BU, memory controllers (TS16), timing controllers (TS18/TS13) – CMOS BU, RF switch for cellular (SOI CMOS) – RF BU and multiple near term revenue TOPS opportunities. These strong design wins across multiple high growth markets will provide the strong base needed to springboard us into achieving the #1 overall specialty foundry position for APAC in the near future.

In closing, it has been my honor and pleasure to meet and work with so many talented TowerJazz people over the last four years and I look forward to our continued success!

Beautification Day

TowerJazz Migdal Haemek, Israel

In February, TowerJazz Migdal Haemek (MH) initiated a "Beautification Day" project which focused on the quality of life and work, while fostering and preserving the environment.

All MH employees participated in a three hour activity which included establishing a new photo gallery; all pictures were taken by the employees and were of nature and the landscape in Israel. In addition, employees planted trees outside the fabs, renewed the fab operators' lounge rooms and all employees signed and committed to the company's social and environmental treaty.



Social & Environmental Treaty

We, as TowerJazz employees, declare by signing this treaty, that we believe that the quality of our lives and our work are based on **personal and shared efforts**, and therefore vow to respect and uphold it within the spirit of our company's values and goals: We take upon ourselves **to act responsibly** at all times, **to be involved with and to improve our environment** to create a welcoming atmosphere with a positive, health and safe climate. With the understanding that **we all share the responsibility** for our physical and social surroundings, **we agree to sustain** both public and private space, and nurture them **by setting an example and taking personal responsibility.** **We commit ourselves** to strive together, within the areas of our responsibility to **maintain a sustainable habitat** that integrates **ecological and social thinking**, in order to protect and **preserve our environment for us and for future generations.**



TowerJazz CFO signing the treaty



Getting to Know Us

Rafaela Novais
Design Support
Engineering

Rafaela joined TowerJazz in August, 2011 and has served in her current position since then. Her previous positions included Analog and Mixed-signal IC Designer and Engineering Design Automation Manager.

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

A: My current position focuses on supporting customers on implementing their designs by using TowerJazz technologies and capabilities. My activities range from providing information regarding documentation, devices, processes, PDKs, design flow, some aspects of manufacturing, and reliability to coordinating activities between the customer and TowerJazz teams. I would say that my primary function is to find or create ways to enable the customer to realize their designs as seamlessly as possible. Of course, this is not an individual effort as I rely on the contributions of many of my TowerJazz colleagues for great customer support.

Q: What do you enjoy about your position and what challenges you?

A: I enjoy being of service to the customers and interacting with them to understand their needs and objectives. I also enjoy working with the people at TowerJazz, who are very talented and committed to their work. The challenging aspect of supporting customers is to find a way to address their needs and concerns, when a solution is not currently available.

Q: What is your focus this year from a business standpoint?

A: Since starting in 2011, I've been focusing on learning the mechanics and processes of our business, the technical aspects of our processes, and the methods we use to deliver our products. I've also been focusing on developing great relationships with my customers. In 2013, I intend to increase my participation in supporting our customers and in getting involved with our internal processes.

Q: Are you married; how long? Do you have kids?

A: I got married last year, in September, and I have no kids.

Q: What are some of your hobbies?

A: I love music - listening and playing, film, writing, and arts in general. I also love food, cooking, and sports and I'm trying to make working out a hobby as well.

Q: What is your favorite travel destination?

A: I love traveling and it's hard to pinpoint my favorite destination. I am always fascinated by different cultures, ways of living, and values. I'm originally from the Northeast of Brazil, Recife, and I've been fortunate to have been able to travel through North and South America, as well as Europe. I was also recently in Israel, for work, and it was wonderful. I'm also grateful to live in beautiful Southern California.

Press Releases

December 1, 2012–March 11, 2013



3/7 — TowerJazz CEO, Russell Ellwanger to Provide Opening Keynote at Global Semiconductor Forum 2013 on March 14 in Shanghai, China



3/4 — TowerJazz Releases Rule Decks for Advanced ESD and Power Domain Checking Using Mentor's Calibre PERC



2/18 — TowerJazz Announces Appointment of Keiichi Kawabata as Representative Director and President of TowerJazz Japan. Ltd. and Michael Song as Vice President of Sales and President of TowerJazz Korea



2/4 — TowerJazz CEO Russell Ellwanger Discusses Expanding Business and Presence in Japan at World Semiconductor Summit in Tokyo 2013



1/31 — Flex Silicon-on-Polymer Available with TowerJazz CMOS Process



1/23 — TowerJazz and ON Semiconductor Collaborate to Deliver Advanced Product for High-End Display Panel Market

Featured TowerJazz News

The Street

Flex Silicon-on-Polymer Available with TowerJazz CMOS Process

American Semiconductor, Inc. (ASI) announces TowerJazz is the first foundry with a CMOS process (CS18) available for physically flexible wafers and integrated circuits (ICs) utilizing Flex™ Silicon-on-Polymer.™

Flex Silicon-on-Polymer is ASI's process for transforming standard silicon wafers into flexible wafers that can be bent, conformally mounted to non-flat surfaces, and integrated with printed electronics to create flexible hybrid systems. "Flex has been successfully demonstrated in various prototype processes," said Rich Chaney, General Manager of American Semiconductor. "Partnering with TowerJazz to release Flex with their foundry CS18 process will greatly expand the availability of flexible ICs and is a benefit to the flexible electronics community."



TowerJazz's Customer SiTime Named the Fastest Growing Semiconductor Company in North America by Deloitte's Technology Fast 500[TM]

Over 100M MEMS resonators manufactured at TowerJazz during strategic multi-year relationship

TowerJazz announced its congratulations to its customer, SiTime Corporation, an analog semiconductor company that is revolutionizing the timing market, for being named the fastest growing semiconductor company in North America, based on Deloitte's 2012 Technology Fast 500. This ranking includes the 500 fastest growing technology, media, telecommunications, life sciences and clean technology companies in North America. Technology Fast 500 winners are selected based on the percentage of fiscal year revenue growth from 2007 to 2011. SiTime ranked 38th overall with revenues up 3853 percent during this period.

For a number of years, SiTime has been utilizing TowerJazz's 200mm wafer foundry in Newport Beach, CA to volume produce its silicon MEMS oscillator products, designed to replace traditional quartz oscillators. SiTime's products offer unsurpassed performance, reliability and flexibility, with the lowest cost of ownership, and are being rapidly adopted by major electronics companies worldwide.



TowerJazz and ON Semiconductor Collaborate To Deliver Advanced Product for High-End Display Panel Market

TowerJazz announced collaboration with ON Semiconductor to deliver an advanced programmable PMIC and high voltage level shifter with VCom targeting the high-end display panel market. The collaboration leverages TowerJazz's latest TS35 power management platform for design and manufacturing to create a market leading product which is ramping to volume production. The device will be used for applications such as different sizes of LCD and AMOLED panels. According to a global TV shipment report by NPD DisplaySearch, the overall TV market in 2012 was forecast at 245 million units and several key high value segments of the TV business such as large screen sizes and LED-backlit LCD TVs are expected to continue to grow.

"TowerJazz's advanced technology enables ON Semiconductor to define and develop new products increasing our market share with existing and new customers," said Simon Keeton, VP & GM of ON Semiconductor's Consumer Products Division.



TowerJazz CEO Russell Ellwanger Discusses Expanding Business and Presence in Japan at World Semiconductor Summit in Tokyo 2013

TowerJazz announced its CEO, Russell Ellwanger will present "Industry Trends Served through Analog Technology" at the World Semiconductor Summit in Tokyo on February 6, 2013. Mr. Ellwanger will be presenting for the first time at a conference in Japan as one of the top executives in the semiconductor industry.

"TowerJazz has been steadily increasing its presence in Japan as a pure play foundry, and is now in a solid position moving into 2013, to positively impact the Japanese semiconductor landscape through our local capability and activities," said Mr. Ellwanger. "I am pleased to speak at the World Semiconductor Summit in Tokyo. The Japanese market is an important focus having been the world center of semiconductor activity. We view our Nishiwaki plant as primed to become the world's highest volume production 200mm fab and have already qualified a number of technologies at this fab while introducing our world-class design enablement offerings to the Japanese market. We have gained a great deal of traction and continue to explore many new engagements and customer partnerships in this region."