

TOWER SEMICONDUCTOR LTD. ANNOUNCES SECOND QUARTER AND SIX MONTHS 2004 RESULTS

Quarterly Revenues Increased 161 Percent Year-Over-Year and 24 Percent Sequentially

MIGDAL HAEMEK, Israel – July 21, 2004 - Tower Semiconductor Ltd. (NASDAQ: TSEM; TASE: TSEM) today announced results for the second quarter and six months ended June 30, 2004.

Revenues for the second quarter of 2004 totaled \$33.7 million, an increase of 161 percent over \$12.9 million reported in the second quarter of 2003 and an increase of 24 percent over revenues of \$27.2 million in the first quarter of 2004.

The loss in the second quarter narrowed to \$36.5 million, or \$0.55 per share, compared to a loss of \$38.5 million, or \$0.61 per share, for the first quarter of the year. In the second quarter of 2003 the company reported a net loss of \$16.8 million, or \$0.37 per share.

Revenues for the six months ended June 30, 2004, were \$60.9 million, an increase of 139 percent over revenues of \$25.5 million for the six months ended June 30, 2003. The company reported a loss of \$75.0 million, or \$1.16 per share, compared with a loss of \$31.2 million, or \$0.70 per share, in the six months ended June 30, 2003.

Tower said the second quarter and first half losses reflect the high investment made in Fab 2 and its resulting depreciation, and that it is on course toward positive EBITDA by year-end. The company expects Q-3 2004 revenues to be in the range of \$35 million and \$38 million.

"I am very pleased that we were able to achieve our performance goals this quarter for both Fab 1 and Fab 2," said Carmel Vernia, Tower's chairman and chief executive officer. "Fab 1 is profitable, and its utilization continues to increase. Fab 2 is still expected to reach 14,000 installed capacity by year-end and we continue to experience higher demand than our current installed capacity from virtually all markets, especially for consumer devices, which results in strong revenue growth."

"Progress was also made in our specialized technologies, with the receipt of our first customer commitment for 0.18-micron embedded flash. Additionally, we shipped first product samples of 0.18-micron CMOS image sensors to two customers and started development work for the RFID tag market, combining our know how and expertise in two of our specialized areas – embedded NVM and mixed signal technologies. We have also continued to execute per plan on our 0.13-micron technology transfer and infrastructure activities."

During the second quarter, the company received a Gold Supplier award for the fifth-consecutive year from Freescale Semiconductor Inc., a subsidiary of Motorola Inc.

Tower will host a conference call to discuss these results on Wednesday, July 21, 2004 at 11:00 a.m. Eastern time / 18:00 Israel time. To participate, call 1-800-

946-0712 (U.S. toll-free number) or 1-719-457-2641 (international) and mention ID code: TOWER. Callers in Israel are invited to call locally, at 03-918-0610. The conference call also will be Webcast live at www.companyboardroom.com and at www.towersemi.com. The call will be available on both Web sites for replay for 90 days.

About Tower Semiconductor Ltd.

Tower Semiconductor Ltd. is a pure-play independent wafer foundry established in 1993. The company manufactures integrated circuits with geometries ranging from 1.0 to 0.18 micron; it also provides complementary technical services and design support. In addition to digital CMOS process technology, Tower offers advanced non-volatile memory solutions, mixed-signal and CMOS image-sensor technologies. To provide world-class customer service, the company maintains two manufacturing facilities: Fab 1 has process technologies from 1.0 to 0.35 micron and can produce up to 16,000 150mm wafers per month. Fab 2 features 0.18-micron and below process technologies, including foundry-standard technology. When complete, Fab 2 is expected to offer full production capacity of 33,000 200mm wafers per month. The Tower Web site is located at www.towersemi.com.

Safe Harbor

This press release includes forward-looking statements, which are subject to risks and uncertainties. Actual results may vary from those projected or implied by such forward-looking statements. Potential risks and uncertainties include, without limitation, risks and uncertainties associated with: (i) the completion of the equipment installation, technology transfer and ramp-up of production in Fab 2, (ii) having sufficient funds to complete the Fab 2 project, (iii) the cyclical nature of the semiconductor industry and the resulting periodic overcapacity, (iv) operating our facilities at satisfactory utilization rates, (v) our ability to capitalize on increases in demand for foundry services, (vi) meeting the conditions to receive Israeli government grants and tax benefits approved for Fab 2 and obtaining the approval of the Israeli Investment Center to extend the five-year investment period under our Fab 2 approved enterprise program and of amendments to our modified business plan, (vii) attracting additional customers, (viii) not receiving orders from our wafer partners and technology providers, (ix) failing to maintain and develop our technology processes and services, (x) competing effectively, (xi) our large amount of debt and our satisfying the covenants set forth in our amended facility agreement, and (xii) achieving acceptable device yields, product performance and delivery times. A more complete discussion of risks and uncertainties that may affect the accuracy of forward-looking statements included in this press release or which may otherwise affect our business is included under the heading "Risk Factors" in our most recent Annual Report on Form 20-F and in our Form F-3, as amended, as were filed with the Securities and Exchange Commission and the Israel Securities Authority.

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TOWER SEMICONDUCTOR LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data and per share data)

	June 30, 2004	December 31, 2003
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,115	\$ 12,448
Short-term interest-bearing deposits	--	--
Cash and short-term interest-bearing deposits designated for investments relating to Fab 2	42,279	44,042
Trade accounts receivable	19,113	11,631
Other receivables	20,067	11,073
Inventories	25,712	19,382
Other current assets	2,112	1,729
Total current assets	128,398	100,305
LONG-TERM INVESTMENTS		
Long-term interest-bearing deposits designated for investments relating to Fab 2	4,918	4,848
Other long-term investments	6,000	6,000
	10,918	10,848
PROPERTY AND EQUIPMENT, NET		
	589,271	568,412
OTHER ASSETS, NET		
	102,094	108,770
TOTAL ASSETS	\$ 830,681	\$ 788,335
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	\$ --	\$ --
Trade accounts payable	51,082	40,249
Other current liabilities	8,853	9,564
Total current liabilities	59,935	49,813
LONG-TERM DEBT		
	461,000	431,000
CONVERTIBLE DEBENTURES		
	25,508	25,783
LONG-TERM LIABILITY IN RESPECT OF CUSTOMERS' ADVANCES		
	45,762	46,347
OTHER LONG-TERM LIABILITIES		
Total liabilities	600,414	558,878
SHAREHOLDERS' EQUITY		
Ordinary shares	16,251	13,150
Additional paid-in capital	517,041	427,881
Proceeds on account of share capital	--	16,428
Shareholder receivables	(26)	(26)
Accumulated deficit	(293,927)	(218,904)
	239,339	238,529
Treasury stock, at cost - 1,300,000 shares	(9,072)	(9,072)
Total shareholders' equity	230,267	229,457
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 830,681	\$ 788,335

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except share data and per share data)

	Six months ended June 30,		Three months ended June 30,	
	2004	2003	2004	2003
SALES	\$ 60,899	\$ 25,471	\$ 33,652	\$ 12,879
COST OF SALES	104,399	37,268	54,250	19,334
GROSS LOSS	(43,500)	(11,797)	(20,598)	(6,455)
OPERATING COSTS AND EXPENSES				
Research and development	7,256	8,656	3,751	4,799
Marketing, general and administrative	11,021	10,764	5,430	5,120
	18,277	19,420	9,181	9,919
OPERATING LOSS	(61,777)	(31,217)	(29,779)	(16,374)
FINANCING EXPENSE, NET	(13,340)	(29)	(6,809)	(515)
OTHER INCOME, NET	94	66	56	59
LOSS FOR THE PERIOD	\$ (75,023)	\$ (31,180)	\$ (36,532)	\$ (16,830)
 BASIC LOSS PER ORDINARY SHARE				
Loss per share (*)	\$ (1.16)	\$ (0.70)	\$ (0.55)	\$ (0.37)

(*) Basic and diluted loss per share in accordance with U.S. GAAP would be \$1.18 and \$0.56 for the six and three months ended June 30, 2004 [\$0.70 and \$0.37 in the six and three months ended June 30, 2003, respectively].