

Tower Semiconductor Announces Third Quarter and Nine-Month 2005 Results

Improving Revenues Outlook for Q4 2005 and 2006

MIGDAL HAEMEK, Israel — November 8, 2005 — Tower Semiconductor Ltd. (NASDAQ: TSEM; TASE: TSEM), a pure-play independent specialty foundry, today announced third quarter and nine-month results for fiscal year 2005. Revenues were \$20.6 million for the third quarter of 2005, compared to \$35.1 million for the third quarter of 2004. For the nine months ended September 30, 2005, revenues were \$70.9 million, including \$8 million from a previously announced technology-related agreement, compared to \$96 million for the nine months ended September 30, 2004, which included \$1.9 million from this same agreement.

The 2005 third quarter loss was \$55.4 million, or \$0.83 per share, including \$36.9 million depreciation and amortization expenses, compared with a loss of \$39.4 million, or \$0.60 per share, which included \$30.8 million depreciation and amortization expenses, for the third quarter of 2004. For the nine months ended September 30, 2005, the loss was \$157.9 million, or \$2.39 per share, including \$7.2 million net profit from a previously announced technology-related agreement and \$108 million depreciation and amortization expenses, compared to a loss of \$114.4 million, or \$1.78 per share, which included \$1.8 million net profit from this same agreement and \$86.2 million depreciation and amortization expenses for the nine months ended September 30, 2004.

Third quarter 2005 sales from manufacturing activities showed an increase in revenue of 7% over Q2. During the quarter, Tower shipped its first 0.18um CMOS Image Sensor products and increased its Fab 2 customers in production from 9 to 13.

Tower expects substantial growth in revenues in the fourth quarter compared to the third quarter and guides revenues of between \$25 to \$28 million.

"We are pleased with the progress Tower is making in our focus on differentiated specialized products targeted toward our customers' needs and market success," said Russell Ellwanger, chief executive officer, Tower Semiconductor. "The pipeline of new customers and the rate of qualifications give us confidence about continued revenue growth in 2006."

Tower continues to focus on initiatives discussed in previous financial releases:

1. Diversifying customer base

Total customer count	As of end of Q3 2005	As of end of Q2 2005	As of end of Q3 2004
95% of revenue generated by:	28 customers	27 customers	18 customers
Fab 2 production customers	13	9	6
Fab 2 pre-production customers	24	22	11

2. Sales by customer base profile

Type of customer	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Fabless	58%	71%
IDM	42%	29%

3. Sales by geography

Region	Q3 2005	Q2 2005	Q3 2004
U.S.	66%	68%	53%
Israel	7%	9%	29%
Pacific Rim (including Japan)	16%	8%	9%
Europe	11%	15%	9%

4. Developing specialized technology offerings

Tower continues to develop differentiated technologies, utilizing core technical knowledge in embedded NVM, CMOS image sensors, Mixed Signal and RF technologies, according to its strategic roadmap.

During the third quarter, Tower continued to focus on the specialized markets and on increasing the contribution to total revenue by CMOS image sensors and Mixed Signal devices, as can be seen in the table below.

Technology Consolidated	Segment	Q3 2005	Q2 2005	Q3 2004
Core CMOS		44%	54%	67%
CMOS image Sensors and Non-Volatile Memory		30%	27%	19%
Mixed Signal, RF and Power		26%	19%	14%
Fab1				
Core CMOS		42%	31%	25%
CMOS image Sensors and Non-Volatile Memory		33%	48%	47%
Mixed Signal, RF and Power		25%	21%	28%
Fab2				
Core CMOS		48%	72%	94%
CMOS image Sensors and Non-Volatile Memory		25%	10%	1%
Mixed Signal and RF		27%	18%	5%

5. Diversifying revenues by market segment

Tower maintains its market segment diversification.

Industry Segment	Q3 2005	Q2 2005	Q3 2004
Consumer	17%	29%	57%
Communication	22%	20%	11%
PC	5%	6%	5%
Industrial, medical and automotive	19%	21%	10%
Multi-market and others	37%	24%	17%

Tower will host a conference call to discuss these results today, November 8, at 11 a.m. Eastern time /6 p.m. Israel time. To participate, call 1-866-527-8676 (U.S. toll-free number) or 972-3-918-0609 (international) and mention ID code: TOWER. Callers in Israel are invited to call locally 03-918-0609. The conference call will also be web cast live at www.companyboardroom.com and at www.towersemi.com and will be available thereafter on both websites for replay for 90 days, starting at 2 p.m. Eastern time on the day of the call.

About Tower Semiconductor Ltd.

Tower Semiconductor Ltd. is a pure-play independent specialty foundry established in 1993. The company manufactures integrated circuits with geometries ranging from 1.0 to 0.13 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 standard and specialized process technologies and has a current capacity of up to 15,000 200mm wafers per month. Tower's website 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 operate the company and to complete the Fab 2 project, (iii) the cyclical nature of the semiconductor industry and the resulting periodic overcapacity, fluctuations in operating results, future average selling price erosion that may be more severe than our expectations, (iv) operating our facilities at satisfactory utilization rates which is critical in order to cover the high level of fixed costs associated with operating a foundry, (v) the successful completion of the rights offering by the dates set forth in our amended facility agreement (vi) our ability to meet certain of the covenants stipulated in our amended facility agreement, (vii) the receipt and consummation of the investors' commitments to invest at least \$23.5 million by the dates set forth in our amended facility agreement, (viii) our ability to capitalize on increases in demand

for foundry services, (ix) 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 expand the five-year investment period under our Fab 2 approved enterprise program, (x) attracting additional customers, (xi) not receiving orders from our wafer partners and technology providers, (xii) failing to maintain and develop our technology processes and services, (xiii) competing effectively, (xiv) our large amount of debt, (xv) achieving acceptable device yields, product performance and delivery times, (xvi) the timely development, internal qualification and customer acceptance of new processes and products, and (xvii) business interruption due to terror attacks, earthquakes, and other acts of God.

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 filings on Forms 20-F, F-2 and 6-K, as were filed with the Securities and Exchange Commission and the Israel Securities Authority. Future results may differ materially from those previously reported. We do not intend to update the information contained in this release.

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TOWER SEMICONDUCTOR LTD. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	<u>September 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,719	\$ 27,664
Designated cash and short-term interest-bearing deposits	17,972	53,793
Trade accounts receivable	9,632	19,286
Other receivables	8,099	11,365
Inventories	20,902	25,669
Other current assets	2,429	1,818
Total current assets	<u>70,753</u>	<u>139,595</u>
LONG-TERM INVESTMENTS		
Long-term interest-bearing deposits designated for Fab 2 operations	<u>--</u>	<u>5,134</u>
PROPERTY AND EQUIPMENT, NET	<u>534,661</u>	<u>609,296</u>
OTHER ASSETS, NET	<u>83,313</u>	<u>93,483</u>
TOTAL ASSETS	<u>\$ 688,727</u>	<u>\$ 847,508</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	\$ 59,783	\$ 65,326
Current maturities of convertible debentures	6,397	--
Other current liabilities	9,203	10,678
Total current liabilities	<u>75,383</u>	<u>76,004</u>
LONG-TERM DEBT	510,360	497,000
CONVERTIBLE DEBENTURES	19,192	26,651
LONG-TERM LIABILITY IN RESPECT OF CUSTOMERS' ADVANCES	60,577	64,428
OTHER LONG-TERM LIABILITIES	8,907	15,445
Total liabilities	<u>674,419</u>	<u>679,528</u>
SHAREHOLDERS' EQUITY		
Ordinary shares	16,499	16,274
Additional paid-in capital	521,489	517,476
Shareholder receivables	(26)	(26)
Accumulated deficit	(514,582)	(356,672)
	<u>23,380</u>	<u>177,052</u>
Treasury stock	(9,072)	(9,072)
Total shareholders' equity	<u>14,308</u>	<u>167,980</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 688,727</u>	<u>\$ 847,508</u>

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

	Nine months ended September 30,		Three months ended September 30,	
	2005	2004	2005	2004
REVENUES				
Sales	\$ 62,928	\$ 94,046	\$ 20,553	\$ 35,091
Revenues related to a joint development agreement	<u>8,000</u>	<u>1,944</u>	<u>--</u>	<u>--</u>
	<u>70,928</u>	<u>95,990</u>	<u>20,553</u>	<u>35,091</u>
COST OF SALES	<u>179,598</u>	<u>162,242</u>	<u>57,130</u>	<u>57,843</u>
GROSS LOSS	<u>(108,670)</u>	<u>(66,252)</u>	<u>(36,577)</u>	<u>(22,752)</u>
OPERATING COSTS AND EXPENSES				
Research and development	12,849	11,208	4,200	3,952
Marketing, general and administrative	<u>13,481</u>	<u>16,176</u>	<u>4,715</u>	<u>5,155</u>
	<u>26,330</u>	<u>27,384</u>	<u>8,915</u>	<u>9,107</u>
OPERATING LOSS	<u>(135,000)</u>	<u>(93,636)</u>	<u>(45,492)</u>	<u>(31,859)</u>
FINANCING EXPENSE, NET	<u>(25,428)</u>	<u>(20,907)</u>	<u>(9,900)</u>	<u>(7,567)</u>
OTHER INCOME, NET	<u>2,518</u>	<u>108</u>	<u>42</u>	<u>14</u>
LOSS FOR THE PERIOD	<u>\$ (157,910)</u>	<u>\$ (114,435)</u>	<u>\$ (55,350)</u>	<u>\$ (39,412)</u>
BASIC LOSS PER ORDINARY SHARE				
Loss per share (*)	<u>\$ (2.39)</u>	<u>\$ (1.78)</u>	<u>\$ (0.83)</u>	<u>\$ (0.60)</u>
Loss used to compute basic loss per share	<u>\$ (157,910)</u>	<u>\$ (114,435)</u>	<u>\$ (55,350)</u>	<u>\$ (39,412)</u>
Weighted average number of ordinary shares outstanding - in thousands	<u>66,190</u>	<u>64,392</u>	<u>66,671</u>	<u>65,625</u>

(*) Basic and diluted loss per share in accordance with U.S. GAAP are the same as the Isr. GAAP data for the nine and three months periods ended September 30, 2005 and 2004.