

Tower Semiconductor Begins Production of Metro Wi-Fi Baseband Controller for Wavion

Close cooperation yields effective and fast prototyping

MIGDAL HAEMEK, Israel – May 23, 2006—Tower Semiconductor Ltd., a pure-play independent specialty wafer foundry (NASDAQ: TSEM; TASE: TSEM) today announced production start of the IC00100 Metro Wi-Fi Baseband controller for Wavion, Ltd., a developer and supplier of a new generation of metro Wi-Fi systems for the communications industry.

According to leading analyst groups, the market for metro Wi-Fi access equipment is expected to exceed \$600 million in 2008 and nearly double that amount to \$1.2 billion in 2010.

Utilizing 0.18-micron, mixed-signal technology in its Fab 2 facility, Tower was able to accelerate production through simultaneous implementation of intellectual property (IP) blocks with the packaging and testing of the first batch of ICs.

Applying Tower's Authorized Design Centers (TADC) program, its members: Cadence and ChipIdea, as well as SimPlus Verification, helped Wavion to achieve first silicon success. ChipIdea provided the mixed signal IP, Cadence provided design support and SimPlus provided functional verification tools.

"The IC00100 project is a great example for Tower's abilities in accelerating time from project kick-off to production. It took us extensive efforts and collaboration with several partners to bring this advanced product to production. We are extremely satisfied with Tower's performance," said Nir Yona, VP R&D of Wavion. "Tower's execution skills of complex mixed-signal projects, experience in manufacturing and ramifications on the design, as well as collaborating with customers and design partners, were all key to the quality execution of our flagship product."

"The Wavion project enabled us to demonstrate once again the success of our combined work with our design partners and the customer. Furthermore, being a local manufacturer proved an asset to Wavion in ensuring success of their first silicon", said Hagay Dvir, Tower's vice president of sales for Europe, Israel and Asia. "We look forward to further success of such collaborative projects."

Both Tower and Wavion have offices in Israel and the Silicon Valley in California, a fact that helped streamline the efficient cooperation on this project.

About Wavion Ltd.

Wavion is delivering a new category of spatially adaptive access point to service providers and equipment vendors. The company's new generation of Wi-Fi technology is the first and only to resolve the significant performance, penetration and profitability challenges facing metro Wi-Fi deployments. Wavion is privately held and backed by world-class investors including Sequoia Capital, Tel Aviv-based Elron Electronic Industries Ltd., Star Ventures, and BRM Capital. Wavion has offices in

Silicon Valley and Yoqne'am, Israel. To learn more, please visit Wavion at <http://www.wavion.net>.

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.

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