

Tower Semiconductor 2006 Sales Doubled Year-Over-Year

Moved to Positive Cash Flow from Operations in the Fourth Quarter of 2006; Reported Consecutive Record Revenue and EBITDA Growth in Each Quarter of 2006

MIGDAL HAEMEK, Israel – February 7, 2007 - Tower Semiconductor Ltd. (Nasdaq: TSEM, TASE: TSEM), a pure-play independent specialty foundry, today announced fourth quarter and year-end 2006 results.

Financial Highlights:

- Reported revenues of \$187.4 million in 2006, a 2X growth compared with 2005 (excluding \$8 million income in 2005 from a technology-related agreement)
- Reported fourth consecutive record revenue quarter at \$55.5 million, a 78 percent increase year-over-year
- Recorded positive cash flow from operations in the fourth quarter of 2006, for the first time since Fab2 was established
- Achieved positive EBITDA in 2006 compared to a negative EBITDA in 2005; the fourth quarter of 2006 represents the fifth consecutive quarter of positive EBITDA and EBITDA growth
- Reduced long-term debt by \$158 million during the second half of 2006, with shareholders equity turning positive

For the fourth quarter of 2006, the Company reported total revenues of \$55.5 million, representing a 78 percent increase as compared to \$31.1 million reported in the fourth quarter of 2005, and an increase of 8 percent over the \$51.5 million reported in the third quarter of 2006. Net loss for the fourth quarter was \$38 million, or \$0.40 per share, which included depreciation and amortization expenses of \$41 million, as compared to a loss for the fourth quarter of 2005 of \$45 million, or \$0.68 per share, including \$37 million of depreciation and amortization expenses.

For the full year 2006, revenues doubled to \$187.4 million over 2005 revenues of \$94 million (excluding \$8 million income in 2005 from a technology-related agreement). EBITDA was positive in 2006, and increased in every quarter during the year, compared with negative EBITDA for the year 2005. Net loss for the year was \$87 million, or \$1.05 per share, which included a one-time gain of \$80.1 million, resulting from the debt restructuring with our banks, and depreciation and amortization expenses of \$155 million. 2005 loss was \$203 million, or \$3.06 per share, including \$145 million of depreciation and amortization expenses. Shareholder equity at the end of 2006 was \$133 million compared to negative \$30 million at the end of 2005.

"2006 represented a year of significant achievements and progress for Tower," said Russell Ellwanger, chief executive officer of Tower Semiconductor. "We doubled our yearly sales to \$187 million and of the \$93 million increase in sales, we improved our EBITDA by more than \$60 million (excluding the effect of the above mentioned technology-related agreement in 2005). Additionally, we achieved our stated target of positive cash flow from operations in the fourth quarter. We enter 2007 in a stronger position, having tripled our base of large customers during 2006, having maintained greater than 90% utilization in both Fabs and continuing in our plan to ramp Fab2 to 24,000 wafer starts per month. This is demonstrated by our Q4 revenue growth over Q3, against a worldwide foundry revenue decrease. Driven by seasonality, this trend continues with a Q1 2007 worldwide foundry guided revenue decrease of up to 14%. However, we guide revenues for the first quarter of 2007 to be between \$53 and \$57 million, the same range as Q4 2006, which is an increase of 48% to 59% over Q1 2006. We expect that several multi-year large contracts will either begin to materialize into revenue from new products or enable substantial increases in revenue from existing customers in the second half of 2007, side by side to our capacity growth. We are confident that we will build upon 2006 and anticipate delivering further significant top line and bottom line growth for 2007".

Fourth Quarter and Fiscal Year 2006 Financial Results Conference Call and Web Cast:

Tower will host a conference call to discuss these results on Wednesday, February 7, 2007, at 11:00 a.m. Eastern Standard Time / 6:00 p.m. Israel time. To participate, please call: 1-800-994-4498 (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 <http://www.earnings.com> and at www.towersemi.com and will be available thereafter on both Web sites for replay for 90 days, starting at 2:00 p.m. Eastern Standard Time on the day of the call.

As used in this release, the term EBITDA consists of loss, according to GAAP (Generally Accepted Accounting Principles), excluding interest and financing expenses (net), tax and depreciation and amortization expenses. EBITDA is not a required GAAP financial measure and may not be comparable to a similarly titled measure employed by other companies. EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP.

About Tower Semiconductor Ltd.

Tower Semiconductor Ltd. is a pure-play independent specialty wafer 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 & RF-CMOS, and CMOS image-sensor technologies. To provide world-class customer service, the company maintains two manufacturing facilities, each with standard and specialized process technology processes: Fab 1 ranging from 1.0 to 0.35 and Fab 2 featuring 0.18 and 0.13-micron. Tower's web site is located at <http://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) having sufficient funds to operate the company in the short-term and the funding needs for its ramp-up plan, (ii) the completion of the equipment installation, technology transfer and ramp-up of production in Fab 2 and raising the funds therefor, (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 defray the high level of fixed costs associated with operating a foundry and reduce our losses, (v) our ability to satisfy the covenants stipulated in our amended facility agreement, (vi) our ability to capitalize on increases in demand for foundry services, (vii) meeting the conditions to receive Israeli government grants and tax benefits approved for Fab 2 and obtaining the approval of the Israeli Investment Center for a new expansion program, (viii) attracting additional customers, (ix) not receiving orders from our wafer partners, customers, (x) failing to maintain and develop our technology processes and services, (xi) competing effectively, (xii) our large amount of debt and our ability to repay our short-term and long-term debt on a timely basis, (xiii) achieving acceptable device yields, product performance and delivery times, (xiv) the timely development, internal qualification and customer acceptance of new processes and products and (xv) business interruption due to terror attacks, earthquakes, other acts of God and the security situation in Israel.

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-1, F-3 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, and expressly disclaim any obligation to update, the information contained in this release.

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

	As of December 31,	
	2006	2005
A S S E T S		
CURRENT ASSETS		
Cash, cash equivalents and deposits (in 2005 included \$31,661 designated cash and deposits)	\$ 40,940	\$ 38,998
Trade accounts receivable	31,498	16,776
Other receivables	5,425	9,043
Inventories	41,101	24,376
Other current assets	1,473	1,048
Total current assets	120,437	90,241
PROPERTY AND EQUIPMENT, NET	532,954	510,645
INTANGIBLE ASSETS, NET	44,981	61,441
OTHER ASSETS, NET	1,346	16,359
TOTAL ASSETS	\$ 699,718	\$ 678,686
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ --	\$ 21,103
Current maturities of convertible debentures	6,632	6,453
Trade accounts payable	55,128	59,741
Other current liabilities	22,096	8,972
Total current liabilities	83,856	96,269
LONG-TERM DEBT FROM BANKS	356,947	497,000
CONVERTIBLE DEBENTURES	62,175	19,358
LONG-TERM CUSTOMERS' ADVANCES	46,042	59,621
OTHER LONG-TERM LIABILITIES	17,708	11,012
Total liabilities	566,728	683,260
CONVERTIBLE DEBENTURES	--	25,493
SHAREHOLDERS' EQUITY (DEFICIT)	132,990	(30,067)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 699,718	\$ 678,686

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

	Year ended December 31,		Three months ended December 31,	
	2006	2005	2006	2005
REVENUES				
Sales	187,438	93,991	55,505	31,063
Revenues related to a joint development agreement	--	8,000	--	--
	<u>187,438</u>	<u>101,991</u>	<u>55,505</u>	<u>31,063</u>
COST OF SALES				
	<u>267,390</u>	<u>238,358</u>	<u>72,724</u>	<u>58,760</u>
GROSS LOSS	<u>(79,952)</u>	<u>(136,367)</u>	<u>(17,219)</u>	<u>(27,697)</u>
OPERATING COSTS AND EXPENSES				
Research and development	14,984	16,029	3,877	3,180
Marketing, general and administrative	24,512	17,418	6,406	3,937
	<u>39,496</u>	<u>33,447</u>	<u>10,283</u>	<u>7,117</u>
OPERATING LOSS	(119,448)	(169,814)	(27,502)	(34,814)
FINANCING EXPENSE, NET	(48,148)	(35,651)	(10,191)	(10,223)
GAIN ON DEBT RESTRUCTURING	80,071	--	--	--
OTHER INCOME (EXPENSE), NET	597	2,383	--	(135)
LOSS FOR THE PERIOD	<u>\$ (86,928)</u>	<u>\$ (203,082)</u>	<u>\$ (37,693)</u>	<u>(45,172)</u>
BASIC LOSS PER ORDINARY SHARE				
Loss per share (*)	<u>\$ (1.05)</u>	<u>\$ (3.06)</u>	<u>\$ (0.40)</u>	<u>(0.68)</u>
Weighted average number of ordinary shares outstanding - in thousands	<u>82,581</u>	<u>66,371</u>	<u>94,373</u>	<u>66,905</u>

(*) Basic loss per share in accordance with U.S. GAAP for the year and three months periods ended December 31, 2006 are \$2.03 and \$0.38, respectively and are the same as the Isr. GAAP data for the year and three months periods ended December 31, 2005.