

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File number: 0-24790

TOWER SEMICONDUCTOR LTD.

(Exact name of registrant as specified in its charter and translation of registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

Ramat Gavriel Industrial Park
P.O. Box 619, Migdal Haemek 2310502, Israel
(Address of principal executive offices)

Nati Somekh, +972-4-6506109, natiso@towersemi.com;
Ramat Gavriel Industrial Park, P.O. Box 619, Migdal Haemek 2310502, Israel
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Ordinary Shares, par value New Israeli Shekels 15.00 per share	TSEM	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 110,824,754 Ordinary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Yes No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

FORWARD LOOKING STATEMENTS

This annual report on Form 20-F includes certain “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934. The use of the words “projects,” “expects,” “may,” “plans” or “intends,” or words of similar import, identifies a statement as “forward-looking”. There can be no assurance, however, that actual results will not differ materially from our expectations or projections. Factors that could cause actual results to differ from our expectations or projections include the risks and uncertainties relating to our business described in this annual report in “Item 3. Key Information-D. Risk Factors”.

We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, including revenues from agreements we signed, expansion of our operations, performance, activities, and our achievements, to be materially different from any forecasted results, plans to expand our operations, plans to develop and release new products, forecasted performance, planned activities, or our targeted achievements expressed or implied by such forward-looking statements.

EXPLANATORY INFORMATION

In this annual report, “Tower” refers to Tower Semiconductor Ltd., an Israeli company, and “we,” “us,” “our,” and “the Company” and words of similar import, refer collectively to Tower and its then-owned and/or consolidated subsidiaries.

All references herein to “dollars,” “US dollars,” “USD” or “\$” are to United States dollars, all references to “JPY” are to the Japanese Yen and all references to “Shekels” or “NIS” are to New Israeli Shekels. “U.S. GAAP” means the generally accepted accounting principles of the United States. Unless otherwise stated, all of our financial information presented in this annual report has been prepared in accordance with U.S. GAAP.

In 2008, we completed a merger with Jazz Technologies, Inc. (“Jazz Technologies”) and its wholly-owned subsidiary Jazz Semiconductor, Inc. (“Jazz Semiconductor”), an independent semiconductor foundry focused on specialty process technologies. As a result of the merger, Jazz Technologies became a wholly-owned subsidiary of Tower. Subsequently, Jazz Technologies was renamed and further renamed Tower Semiconductor NPB Holdings, Inc. (“Tower NPB”) and Jazz Semiconductor was renamed Tower Semiconductor Newport Beach, Inc. (“NPB Co.”). Following a restructuring, Tower NPB is directly held by Tower US Holdings Inc. (“Tower US Holdings”), a company incorporated under the laws of the State of Delaware and a wholly-owned subsidiary of Tower.

In March 2014, we acquired a 51% equity stake in TowerJazz Panasonic Semiconductor Co., Ltd., (“TPSCo”), a company formed by Panasonic Corporation (“Panasonic” or “Panasonic Corporation”). In June 2014, Panasonic transferred its shares and assigned its rights and obligations in TPSCo to its wholly owned subsidiary, Panasonic Semiconductor Solutions Co., Ltd. (“PSCS”). In July 2020, TPSCo changed its name to Tower Partners Semiconductor Co., Ltd. In September 2020, Panasonic sold its shares in PSCS to Nuvoton Technology Corp. (“Nuvoton”), a Taiwan-based company, which is majority-owned by Winbond Electronics Corporation, a Taiwan-based company. Following the sale, the registered name of PSCS changed to Nuvoton Technology Corporation Japan (“NTCJ”). TPSCo is currently operating two factories in Toyama, Japan.

In February 2016, we acquired a factory in San Antonio, Texas, from Maxim Integrated Products Inc. (“Maxim”). The assets and related business that we acquired from Maxim are held and conducted through an indirect wholly-owned U.S. subsidiary, Tower Semiconductor San Antonio, Inc. (“Tower SA”) (formerly named TowerJazz Texas Inc.), which is wholly owned by Tower US Holdings.

In 2021, we entered into a definitive agreement with ST Microelectronics S.r.l. (“ST”) to share a 300mm facility being built in Agrate, Italy under a collaborative arrangement, in connection with which Tower Semiconductor Italy S.r.l. (“TSIT”), a wholly-owned Italian subsidiary of Tower, was incorporated. The buildings and facilities are being established by ST. The parties are expected to share the cleanroom space and facility infrastructure, and TSIT will have the right to use one-third of the installed capacity for its foundry customers. TSIT is currently installing certain tools in the Agrate facility and developing certain processes and technologies that it expects to qualify and ramp-up at the facility.

On February 15, 2022, we entered into a merger agreement with Intel FS Inc. and Intel Corporation (“Intel”) (the “Merger Agreement”), under which Intel was to acquire all of Tower’s outstanding ordinary shares for cash consideration of \$53 per share. In August 2023, having received no indications regarding certain required regulatory approval, Intel and Tower mutually agreed to terminate the Merger Agreement. Pursuant to the terms of the Merger Agreement, and in connection with the termination, Intel paid Tower a reverse termination fee equal to \$353 million.

In September 2023, Tower and Intel entered into an agreement under which Tower will have access to a 300mm capacity corridor in Intel’s facility in New Mexico, the United States, which we refer to as Fab 11. Under the agreement, Tower will invest up to \$300 million to acquire equipment and other fixed assets to be owned by Tower and located in Intel’s facility.

During the first quarter of 2024, we announced the re-organization and re-structure of our Israeli operations, through the cessation of our Fab 1 operations within approximately one year and the integration of a portion of our 6”, Fab 1 operations (150mm) into our 8”, Fab 2 operations (200mm), in order to optimize our operations due to anticipated changes in market dynamics and customer demand.

The consolidated financial statements included in this annual report include the results and balances of Tower and its following subsidiaries: (i) its wholly-owned indirect subsidiary Tower NPB, (ii) its majority-owned subsidiary TPSCo (iii) its wholly-owned indirect subsidiary Tower SA, and (iv) its wholly-owned subsidiary TSIT.

As used in this annual report: “Fab 1” means the factory located in Migdal Haemek, Israel that Tower acquired from National Semiconductor, Inc. (“National Semiconductor”) in 1993. “Fab 2” means the factory located in Migdal Haemek, Israel that Tower established in 2003. “Fab 3” means the factory NPB Co. operates in Newport Beach, California. “Arai E” means the factory TPSCo operated through mid-2022 in Kurihara 4-5-1, Myoko-shi, Niigata, Japan “Uozu E” means the factory TPSCo operates in Higashiyama 800, Uozu-shi, Toyama, Japan. “Tonami CD” means the factory TPSCo operates in Higashi-Kaihotsu 271, Tonami-shi, Toyama, Japan. “Fab 9” means the factory Tower SA operates in San Antonio, Texas. “Fab 10” means the factory that ST is establishing in Agrate, Italy in which TSIT is expected to share capacity with ST. “Fab 11” means a 300mm Intel-owned factory in New Mexico, the United States, to which Tower will get access under a capacity corridor agreement signed in September 2023.

Trademarks

We have proprietary rights to trademarks used in this annual report that are important to our business, many of which are registered under applicable intellectual property laws. Solely for convenience, trademarks and trade names referred to in this annual report may appear without the “®” or “™” symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies’ trademarks, trade names or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies. Each trademark, trade name or service mark of any other company appearing in this annual report is the property of its respective holder.

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ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**A. [RESERVED.]****B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Our business faces many risks. Any of the risks discussed below may have an adverse impact on our business, financial condition and operating results.

RISKS AFFECTING OUR BUSINESS

Demand for our foundry services is dependent on the demand in our customers' end markets, which are typically cyclical and volatile.

Our customers use our wafers in a wide variety of applications, in markets which are typically cyclical, e.g., communications market, consumer devices and applications, personal computers, handsets, smartphones and other types of devices. Any significant decrease in the demand for these applications, devices or products may significantly decrease our revenue and margins due to lower demand for our wafers and/or lower selling prices per wafer. As demonstrated in the past by downturns in demand in high technology markets, market conditions can change rapidly, without warning or advance notice. In such instances, our customers may experience inventory buildup and/or difficulties in selling their products and, in turn, may reduce or cancel orders for wafers from us and/or ask for a reduced selling price, which may harm our revenue, business and profitability. The timing, severity and recovery of these downturns cannot be predicted.

Because our services may be used in many new applications, it is difficult to accurately forecast demand for all markets. If demand is lower than expected, we may have excess capacity and our revenue may not be sufficient to cover all our costs and repay all our debt, which may adversely affect our financial results and financial position.

Reliance on acquisitions and/or gaining additional capacity for growth involves risks that may adversely affect our future revenues, business and operating results.

We may decide to try to attract new customers and expand the existing business with current customers and/or newly-served markets by expanding our capacity footprint and business through acquisitions and joint ventures of existing facilities or new facilities, as we have done in the past, and/or through obtaining access to additional capacity, with or without third-party collaboration. Our success at such expansion is dependent, in part, on finding suitable partners and targets for acquisitions of existing or new fabs and/or capacity through capacity arrangements with companies that already own fabs, successfully negotiating with the seller and/or partner a reasonable price for the acquisition or engagement, successfully financing and consummating such expansion plans, successfully obtaining approvals for grants and subsidies, integrating the acquired facilities into our business efficiently and effectively achieving desired synergies and anticipated benefits, and loading the facilities in an amount that may at least cover their operating and other costs. We cannot assure you that we will be successful in executing this business strategy or that we will succeed in increasing our market presence and attracting new customers and business and/or expanding our business with our current customers through that strategy, in order to operate any such additional capacity profitably.

This strategy involves many risks, each of which may negatively affect our profitability and financial position, including the following:

- Other foundries may bid against us to acquire potential targets. This competition may result in decreased availability of, or increased prices for, suitable acquisition candidates;
- We may not be able to obtain the necessary regulatory or other approvals, and as a result, or for other reasons, we may fail to consummate certain acquisitions;
- Potential acquisitions and execution of an expansion plan may require the dedication of substantial management effort, time and resources which may divert management from our existing business operations or other strategic opportunities;
- We may not be able to retain experienced management and skilled employees from the businesses we acquire and, if we cannot retain such personnel, we may not be able to attract new skilled employees and experienced management to replace them;
- We may purchase a company with excessive unknown contingent liabilities and/or a cost structure that is not as beneficial as anticipated from the preliminary evaluation or that includes high cost that may result in losses incurred by us if we do not succeed in maintaining high utilization levels to cover the cost;
- We may not be able to obtain sufficient financing which could limit our ability to engage in certain acquisitions and strategic engagements; and
- The amount or terms of financing actually required before and after acquisitions considering our current liquidity and cash position may vary from our expectations, resulting in a need for more funding that may not be available to us in order to finance acquisitions, the operations of the target acquired and/or the acquisition of additional equipment that may be required to increase and/or adjust the target's operations to address our customer demand and specific technology flows, which may adversely affect our liquidity and balance sheet position.

We may experience difficulty achieving acceptable operational metrics and indices in the future as a result of operational, technological or process-related problems.

The semiconductor wafer process technology is highly complex, requires advanced and costly direct and indirect materials as well as equipment, and is constantly being modified in an effort to improve operational metrics and indices such as device yields, wafer performance and delivery times. Microscopic impurities such as dust and other contaminants, difficulties in the operational processes, defects in the key materials and tools used to process wafers and other factors can cause wafers to be rejected, non-functional or partially non-functional. Although we continuously enhance our process capabilities and efficiency, from time to time we have experienced operational, technological and process-related problems that have caused delivery delays and quality control problems. Operational issues we may face include difficulties in upgrading or expanding existing facilities; unexpected breakdowns in our equipment and/or related facility systems; unexpected events, such as an electricity outage; difficulties in changing or upgrading our process technologies; raw material shortages or impurities; delays in delivery or shortages of spare parts; and difficulties in maintenance and upgrade of our equipment. Should such problems occur to a material degree, we may suffer loss of income, loss of reputation and/or a loss of customers, any of which may adversely impact our business, revenues, financial results and financial condition.

Over-demand for our foundry services and/or products may result in operational bottlenecks and a loss of customers and revenues, which may adversely affect our profitability and business.

From time to time, in periods during which demand for our foundry services exceeds our capacity and capabilities and we experience high utilization rates in certain of our facilities, we may (i) be unable to fulfill customer demand in whole or in part, in a timely manner or at all; (ii) be unable to assure next generation customers' products; (iii) experience operational bottlenecks, which may cause low or slow performance and/or halt operations and may adversely affect our cycle time, yield and delivery schedule; (iv) be unable to provide additional capacity from any of our worldwide facilities through the transfer of process technologies, successful implementation and timely qualification; and/or (v) be unable to timely and successfully ramp up the capacity in the fabrication facility being established by ST in Agrate, Italy due to delays in supply of equipment and/or parts by vendors, delays in equipment installation and/or the qualification schedule, and/or delays in technology transfer and/or new products' qualifications. As a result, we could lose one or more of our current and/or potential customers, which may adversely affect our reputation, revenues, profitability and business.

If we do not maintain and develop our technology processes and services, we may lose customers and may be unable to attract new ones.

The semiconductor market is characterized by rapid change, including rapid technological developments, evolving industry standards, changes in customer and end-user requirements, frequent new product introductions and enhancements, and short product life-cycles with declining prices as products mature. Our ability to maintain our current customer base and attract new customers is dependent in part on our ability to continuously develop advanced specialized process technologies that can be processed in our fabs and purchase the appropriate equipment. If we are unable to successfully develop such process technologies in a timely manner or at all, or if we are unable to purchase the appropriate equipment required for such processes, we may be unable to maintain our current customer base and may be unable to attract new customers.

The foundry business is highly competitive and our competitors may have competitive advantages over us.

Many of our competitors may have one or more of the following competitive advantages over us: greater capacity and/or availability of same; a more diverse and established customer base; greater financial, sales, marketing, distribution and other resources; governmental funding or support; better cost structure; and/or better operational performance, including cycle time and yields. If we do not compete successfully, our business and financial results may be adversely affected.

We compete most directly in specialty segments with certain independent dedicated foundries. We also compete with pure play advanced technology node driven foundry service providers, as they each have some capacity for specialty process technologies, and with integrated device manufacturers, or IDMs, that allocate a portion of their capacity to foundry operations. As our competitors continue to expand their capacity, there could be an increase in specialty foundry capacity. As specialty capacity increases, there may be more competition and pricing pressure on our services, which may result in underutilization of our capacity, decrease of our profit margins, reduced earnings or increased losses.

In addition, some semiconductor companies have advanced their complementary metal oxide semiconductor ("CMOS") designs to smaller than 10 nanometer process geometries. These smaller process geometries may provide customers with performance and integration features that may be comparable to, or exceed, features offered by our specialty process technologies. The smaller process geometries may also be more cost-effective at higher wafer volumes for certain applications. We are not currently capable, and do not currently plan to become capable, of providing CMOS processes at these smaller process geometries. If our potential or existing customers choose to design their products in a manner whereby the percentage of digital content in specialty designs increases significantly and requires these advanced CMOS processes, our business may be negatively impacted.

Our financial results may fluctuate from quarter to quarter, making it difficult to forecast our future performance.

Our revenues, expenses and operating results may fluctuate significantly from quarter to quarter due to a number of factors which may be beyond our control. These factors include, among others: the cyclical nature of the semiconductor industry and the volatility of the markets served by our customers; changes in the economic conditions of geographical regions where our customers and their markets are located; inventory and supply chain management of our customers; the loss of a key customer, not attracting new designs from key customers, postponement of an order from a key customer or the rescheduling or cancellation of large orders; the occurrence of accounts receivable write-offs, failure of a key customer to pay accounts receivable in a timely manner, the financial condition of certain of our customers and the regulatory or other payment difficulties that may be imposed in a region in which customers reside; the occurrence of an unexpected event, such as environmental events, an epidemic or pandemic (such as a resurgence of the COVID-19 pandemic), industrial accidents such as fire or explosions, electricity outage, affecting the manufacturing process and shipping quality products without charging our customers significant additional costs; the timing and volume of orders from customers; our ability to obtain raw materials and equipment on a timely and cost-effective basis; price erosion in the industry and our ability to negotiate prices with our current and new customers; our susceptibility to intellectual property rights' disputes; our dependency on export licenses and other permits required for our operations and the sale of our products; our ability to maintain existing partners and customers; interest, price index and currency rate fluctuations that were not hedged; and changes in accounting rules affecting our results.

Due to these factors and risks, it is difficult to predict our future performance and any difference between future performance and initial expectations may ultimately negatively affect our operating results and financial position.

If we do not maintain our current key customers, and/or do not attract new key customers, our business and profitability may be adversely affected.

Loss or cancellation of business from, or decreases in the sales volume or sales prices to, our significant customers, or our failure to replace lost business with new customers, may seriously harm our financial results, revenues and business. We have relationships with several customers that represent a material portion of our revenues. In 2023, 14% of our revenues were generated from NTCJ, 30% of our revenues were derived from an additional four customers, each of which generated between 3% to 9% of our revenues, and the remaining 56% of our revenues were derived from many other smaller customers. In 2022, 14% of our revenues derived from NTCJ, 33% of our revenues derived from an additional five customers, each of which generated between 4% to 9% of our revenues, and the remaining 53% of our revenues derived from many other smaller customers. While we renegotiate the terms of our commercial agreements from time to time with our customers, there is no assurance as to the financial impact of any revised terms between us and our customers or the volume of orders they may continue to place based on any revised terms. The loss or reduction in volume or sales price to any of our key customers, whether due to business negotiation, termination or expiration of their signed contract(s), the lack of demand in their markets, their insolvency or their unwillingness or inability to perform their obligations under their respective relationships with us, or our inability to renew our engagements with them on commercially reasonable terms, fulfill their demand and supply them with wafers with successful performance metrics, or, alternatively, attract new customers to replace such lost business, may materially negatively impact our overall business, revenues and profitability.

Risks relating to the Fab 3 lease could harm our business, operations and financial results.

NPB Co. operates our Fab 3 facility and its offices under a lease contract that was initially in effect until March 2022 and included an option, at NPB Co.'s sole discretion, to extend the lease for an additional five-year period, which it elected to exercise for the lease to continue through March 2027. The landlord has made claims that NPB Co.'s noise abatement efforts are not adequate under the terms of the amended lease, and has requested a judicial declaration that NPB Co. has committed material non-curable breaches of the lease and that, in accordance with the lease, the landlord would be entitled to terminate the lease. NPB Co. does not agree and is disputing these claims. Any adverse change to the current lease agreement may adversely impact our business, operations and future financial results. In addition, in the absence of an extended lease agreement or an agreement to acquire the property, coupled with municipal approval to allow for industrial use of the land on which Fab 3 was built after 2027 (rather than the current municipal plan, which classifies the land as a residential area, however permits Tower's current industrial use until 2027), we would be required to use alternative solutions for our capacity at Fab 3, including through cross qualification of process technologies at our other fabs, which would require us to invest significant amounts to acquire process equipment tools to increase the capacity and capabilities in certain of our other fabs.

Our financial results may be adversely affected if we are unable to operate our facilities at satisfactory utilization rates necessary to generate and maintain positive and sustainable gross, operating and net profits.

As is common in our industry, a large portion of our total costs is comprised of fixed costs, while our variable costs are relatively small. Therefore, while during periods in which we operate at high utilization rates we are able to cover our costs, at times when the utilization rate is low, the reduced revenues may not cover all of the costs since a large portion are fixed costs which remain constant, irrespective of our capacity utilization. In addition, our depreciation costs and capital expenditure investments, as common in our industry, are relatively high. Our financial results, including our gross, operating and net profits, may be adversely impacted if customer demand for our products is not sufficient to enable us to operate our facilities consistently at satisfactory utilization rates necessary to generate and maintain revenue levels that would cover all of our costs.

If we are unable to successfully identify and negotiate with third-party buyers for the sale of any excess and/or unused equipment, inventory and/or other assets, our financial results may be harmed.

From time to time, we may decide to stop developing certain technology flows due to company strategy, low margins, low utilization or low customer demand. This may result in unused equipment, inventory and/or other assets that no longer support our customers' needs and which may be sold to third-party buyers. We also have obsolete equipment or inventory from time to time which we may sell. If we are unable to successfully identify and negotiate with potential buyers and sell the excess equipment in a timely manner for satisfactory consideration, we may be unable to cover our fixed and other costs, which may have a negative effect on our financial results.

We may be required to obtain financing for capacity acquisition related transactions, strategic and/or other growth or M&A opportunities, which we may not be able to obtain.

In order to invest in strategic opportunities in support of our acquisition and capacity growth plans and/or business development activities, or a joint partnership or another large transaction to expand our capacity, including the funding of the equipment for the factory being established by ST in Agrate, Italy and the capacity corridor being established at Intel's New Mexico fab, acquiring leased assets and/or acquiring and/or establishing additional fabs and/or capacity through other capacity acquisition-related transactions, we may use our current cash balance, deposits and/or investments in marketable securities and/or may be required to secure additional funds from financing sources, including through public or private offerings of equity and/or debt and/or re-financing or other financing alternatives. The timing, terms, size and pricing of any future fundraising would be subject to the then-prevailing capital market conditions and our business and financial situation, as well as the need to obtain certain regulatory and other consents. Further, inflation and rising interest rates across the global economy have resulted in, and may continue to result in, significant disruption of global financial markets, which may reduce and/or prevent the ability to execute fundraising transactions and may result in less favorable financial terms, such as increased financing costs and/or higher shareholders' dilution. There is no assurance that we will be able to obtain sufficient funding, if at all, from these financing sources or other sources in a timely manner (or on commercially reasonable terms) for such purposes or that we will obtain the required approvals to execute fundraising activities and that such fundraising activities will be successful. If approvals are not obtained and/or such fundraising activities are not successful, our financial position and operations may be adversely affected.

Our continued operations and our operational performance metrics and business could be significantly harmed, including stop of operations of our fabs for certain periods of time, by natural disasters, particularly earthquakes, floods and fires, or due to power outages, water leaks, chemical leaks, supply chain or other issues, which may cause our profitability and financial position to be adversely affected.

Our fabs in Israel, Southern California and Japan are located in areas which are generally susceptible to seismic activity. Due to the complex and delicate nature of our technological processes, our facilities are particularly sensitive to the effects of vibrations associated with even minor earthquakes. We cannot be certain that precautions that any of our fabs have taken to seismically upgrade the fabs will be adequate to protect our facilities in the event of an earthquake. Earthquakes may lead to fire in the fabs or other material damage. Also, we use highly flammable materials such as silane and hydrogen in our technological processes and are therefore subject to risk arising from fire, which cannot be completely eliminated. We are also subject to risk of floods, mostly in our Japan facilities.

Any damage resulting from earthquakes, floods, fires and other natural disasters could seriously disrupt our continued operations, cause a loss of wafers, deterioration of our fab yield and substantial downtime to reset equipment before resuming operations, which could cause a material adverse effect on our business, revenue and profits.

In addition, a power outage, even of very limited duration, and/or water leaks, chemical leaks, shortages of parts or other materials which are required for our supply chain, or other issues, may result in a loss of wafers, deterioration of our fab yield, cycle time and substantial downtime to reset equipment before resuming operations, thereby potentially causing an immediate loss of revenue and profitability in a particular period, which may cause our profitability and financial position to be adversely affected. Affected customers may elect to transfer their purchase orders to other foundries. While we try to mitigate any potential damage caused by such events and maintain insurance policies for coverage of any potential losses, including business interruption insurance, which may compensate us partially or fully against certain types of damages, we cannot ensure that our insurance coverage will compensate us fully for all of the losses we may incur and that such events will not have a negative effect on the Company's business and financial situation.

Possible wafer returns could harm our business.

Wafers we deliver to our customers may be returned within specified periods if they are defective or otherwise fail to meet prior agreed upon specifications. Future customer returns may have an adverse effect on our business and financial results.

We are subject to risks related to our international operations.

We generate revenues from customers located in the United States, Europe and Asia-Pacific. Because of our international operations, we are vulnerable to the following risks:

- JPY and NIS fluctuations against the USD – see the risk factor below entitled: “*Our exposure to currency exchange and interest rate fluctuations may impact our costs and financial results*”;
- the burden and cost of compliance with foreign government regulation, as well as compliance with a variety of foreign laws, and the imposition of regulatory requirements, tariffs, import and export restrictions and other trade barriers and restrictions, including the timing and availability of export licenses and permits;
- general geopolitical risks, such as political and economic instability, international terrorism, potential hostilities and changes in diplomatic and trade relationships;
- adverse foreign and international tax rules and regulations, such as withholding taxes deducted from amounts due to us and not refunded to us by the tax authorities since we are not entitled to foreign tax credit in Israel;
- weak protection of our intellectual property rights in certain foreign countries;
- delays in wafer shipments due to local customs restrictions;
- laws and business practices favoring local companies;
- difficulties in collecting accounts receivable; and
- difficulties and costs of staffing and managing foreign operations.

In addition, the geographical distance between Israel, the United States, Japan and the rest of Asia and Europe also creates certain logistical and communication challenges. We cannot assure you that we will be able to sufficiently mitigate all the risks related to our international operations.

Our financial position and operations may be affected as a result of our long-term debt.

As of December 31, 2023, we had approximately \$232 million of consolidated principal amount of debt outstanding, comprised as follows: (1) TPSCo two loans in the aggregate principal amount of approximately \$102 million (the “JPY Loans”), carrying a fixed interest rate of 1.95% per annum, with principal scheduled to be repaid in seven semiannual payments between 2024 and 2027; (2) Tower’s subsidiaries’ capital lease agreements for machinery and equipment with JA Mitsui Leasing, with aggregate outstanding lease liabilities of approximately \$80 million, carrying a fixed interest rate of up to 1.95% per annum, payable between 2024 and 2027; and (3) Tower and its subsidiaries’ other capital and operating leases, with aggregate outstanding lease liabilities of approximately \$50 million, payable between 2024 and 2032. Carrying such an amount of long-term debt may have negative consequences on our business, including:

- limiting our ability to fulfill our debt obligations and other liabilities;
- requiring the use of a portion of our cash to service our indebtedness rather than investing our cash to fund our strategic growth opportunities and plans, working capital and capital expenditures;
- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete;
- placing us at a competitive disadvantage with respect to less leveraged competitors and competitors that have better access to capital resources;
- volatility in our non-cash financing expenses due to increases in the fair value of our debt obligations;
- fluctuations of the payable amounts in USD of the JPY-denominated loans and capital lease agreements or other expenses denominated in JPY; and
- potential enforcement by the lenders of their liens against our respective assets, as applicable, if an event of default occurs.

In order to service our debt, the applicable interest it carries and other liabilities and obligations and/or improve its terms and conditions and/or invest in strategic opportunities for growth and/or business development activities, in addition to our cash on hand and expected cash flow generation from operating activities, we may decide to obtain funds from additional sources including debt vehicles and/or re-financing, sale of new securities, sale of intellectual property and/or intellectual property licensing, as well as additional financing alternatives. However, there is no assurance that we will be able to obtain sufficient funding, if at all, from the financing sources detailed above or other sources in a timely manner (or on commercially reasonable terms) in order to allow us to fund our growth plans and/or cover, in a timely manner, all our costs, capital expenditure investments and all of our scheduled debt detailed above, liabilities and obligations, which may adversely affect our financial position and operations.

If we are unable to manage fluctuations in cash flow, our business and financial position may be adversely affected.

Our working capital requirements and cash flows are subject to quarterly and yearly fluctuations, depending on a number of factors. If we are unable to manage fluctuations in cash flow, our business, operating results and financial condition may be materially adversely affected. Factors which may lead us to suffer cash flow fluctuations include:

- fluctuations in the level of revenues from our operating activities;
- fluctuations in the collection of receivables;
- timing and size of payables;
- the timing and size of capital expenditures;
- the net impact of JPY/ USD fluctuations on our JPY income and JPY cost;
- the impact of capital market conditions on our marketable securities;
- the repayment schedules of our debt obligations;
- our ability to fulfill our obligations and meet performance milestones under our agreements;

- fluctuations in the USD to NIS exchange rate; and
- the inflation rates in Israel, Japan and the United States.

Changes in our effective tax rate may impact our net income and increase our tax payments.

A number of factors can impact our future effective tax rate or cash payments, which could cause fluctuation in our net margins and our financial results, including:

- changes in the volume and mix of profits earned across jurisdictions with varying tax rates;
- changes in our business or legal entity operating model;
- the resolution of issues, including transfer pricing implementation, arising from tax audits;
- changes in the valuation of our deferred tax assets and liabilities, and in deferred tax valuation allowances;
- increases in expenses not deductible for tax purposes, or deductible for extended period;
- changes in available tax credits, including, research and development credits;
- changes in income tax codes or foreign tax laws or their interpretation;
- changes, reduction, cancellation or discontinuation of the tax benefits provided to a “Preferred Enterprise” and its applicability to Tower’s income under the Israeli Law for the Encouragement of Capital Investments, 5719-1959 (the “Investment Law”) (see “Item 10. Additional Information—E. Taxation—Israeli Taxation—Law for the Encouragement of Capital Investments, 5719-1959”); and
- the global implementation of a minimum corporate tax rate under Pillar Two of the Organization for Economic Cooperation and Development (“OECD”) Base Erosion and Profit Shifting (“BEPS”) initiative, which may cause an increase of the income tax rate that applies to Tower’s taxable income from 7.5% to a higher rate for periods commencing not before 2026 (see “Item 10. Additional Information—E. Taxation—Israeli Taxation—Law for the Encouragement of Capital Investments, 5719-1959”).

Our business could suffer if we are unable to retain and recruit qualified personnel.

We depend on the continued services of our senior executive officers, senior managers and skilled technical and other personnel, and there is intense competition for the services of these personnel in the semiconductor industry. Our business could suffer if we lose the services of some of these senior executives and key personnel due to resignation, medical absence, illness or other reasons, and cannot find, hire and integrate adequate replacement senior executives and key personnel in a timely manner.

We do not typically operate with any significant backlog, which makes it difficult for us to forecast our revenues and margins in future periods.

Our customers generally do not place purchase orders far in advance, partly due to the cyclical nature of the semiconductor industry. Since our expense levels are based in part on our expectations of future revenues, we may be unable to adjust costs in a timely manner to compensate for revenue shortfalls caused by cancellations, rescheduling of orders or lower actual orders than quantities forecasted. Rescheduling may relate to quantities or delivery dates, and, sometimes, to the specifications of the products we are shipping. Consequently, we cannot be certain that orders on backlog will be shipped when expected or at all.

We expect that, in the future, our revenues in any quarter will continue to be substantially dependent upon purchase orders received in the immediately preceding quarter or two. We cannot assure you that any of our customers will continue to place orders with us in the future at the same levels as in prior periods. For these reasons, our backlog at any given date may not be a reliable indicator of our future revenues and, as a result, revenue and margins' forecasts, targets and guidance that we provide from time to time, may fall short of expectations.

We may be left with excess inventory because we may start processing wafers in the absence of a matching purchase order.

While our business model is to start processing wafers in an amount matching each customer's specific purchase order, on occasion, we may start processing wafers in excess of a customer's orders based on forecasted customer demand, because we may forecast future excess demand or because of future capacity constraints. If such wafers will eventually not be covered by matching customer purchase orders, we may be left with excess inventory that may ultimately become obsolete and must be scrapped or sold at a significant discount. Significant amounts of obsolete inventory may have a negative impact on our financial results.

Our sales cycles are typically long, and orders ultimately received may not meet our expectations, which may adversely affect our operating results.

Our sales cycles, which we measure from first contact with a customer to first shipment of wafers ordered, vary substantially, and may last longer than two years, particularly for new technologies. In addition, even after we make initial shipments of prototypes, it may take several more months to reach the targeted maximum quantities. As a result of these long sales cycles, we may be required to invest substantial time and incur significant expenses before receiving any purchase orders and related revenue. If orders ultimately received are significantly lower than our expectations, we will have excess capacity that we may not be able to fill within a short period of time, resulting in lower utilization of our facilities. In addition to the revenue loss, we may be unable to adjust our costs in a timely manner to align with the lower revenue, since a large portion of our cost is fixed cost, which remains constant irrespective of the number of wafers, which may adversely affect our operating results and financial condition.

If we are unable to purchase equipment and/or raw materials and other supplies, or there are delays in the delivery thereof, we may face delays or a temporary halt in operations or other problems. If we must purchase raw materials beyond our needs as required under committed vendor contracts, we may need to amortize or write such purchases off, which may adversely impact our financial results.

In periods of high market demand, the lead times from order to delivery of equipment could be as long as 12 to 18 months. We also procure used equipment, which can take a long time to qualify, potentially causing delays in our operations. There may be delays in the delivery of equipment and/or raw materials and other supplies to us, which in turn may harm our capacity increase plans and/or utilization, qualification and cause delays or a halt in operations. In addition, our processes use many raw materials, including silicon wafers, chemicals, gases and various metals as well as other supplies and require large amounts of fresh water and electricity. Shortages in supplies of equipment, raw materials and other supplies could occur for various reasons, including an interruption of supply due to an epidemic or pandemic (such as a resurgence of the COVID-19 pandemic) or increased industry demand. Any such shortage or delay in delivery could result in operational delays that may result in a loss of existing and/or potential new customers and/or a halt of operations, which may have a material adverse effect on our business and financial results.

In addition, although most of the raw materials used in our processes are available from multiple suppliers, certain materials are purchased through sole-sourced vendors under pre-committed volume contracts for specified pre-defined quantities that must be purchased on a monthly, quarterly or annual basis. If such predefined quantities are not required for our operations, this may result in excess payment and/or expenses write-off in the financial statements which may adversely impact our financial results.

Our exposure to currency exchange and interest rate fluctuations may impact our costs and financial results.

We operate our fabs in three different regions: Japan, the United States and Israel. In addition, we have initial activities in Italy related to a new fabrication facility that is being established by ST in Agrate, Italy. The functional currency of the entities operating the fabs in the United States, Israel and Italy is the USD. The functional currency of our subsidiary in Japan is the JPY. Our income, costs, assets and liabilities, are denominated mainly in USD, JPY and NIS, our revenues are denominated mainly in USD and JPY and our cash from operations, investing and financing activities are denominated mainly in USD, JPY and NIS. We are, therefore, exposed to the risk of JPY and NIS currencies' exchange rate fluctuations in Japan and Israel which may have a material effect on our cost and financial results due to periodic revaluation or evaluation of assets, liabilities, cost and income, in these currencies. In addition, as the process of ordering equipment for the facility in Italy has begun, operational and other Euro denominated costs will be incurred, and therefore, we will also be exposed to the Euro exchange rate fluctuations in relation to the USD regarding such costs.

The USD cost of our operations in Israel is influenced by changes in the USD-to-NIS exchange rate with respect to costs that are denominated in NIS. Appreciation of the NIS against the USD has the effect of increasing the cost of some of our Israeli purchases and NIS-denominated labor costs in USD terms, which may lead to erosion in our profit margins. We use foreign currency transactions to partially hedge a portion, but not all of this currency exposure, to be contained within a pre-defined fixed range.

The majority of TPSCo's revenues are denominated in JPY and the majority of the expenses of TPSCo are in JPY, which limits the exposure to fluctuations of the USD / JPY exchange rate on TPSCo's results of operations as the impact on the revenues is mostly offset by the impact on the expenses. In order to mitigate a portion of the net exposure to the USD / JPY exchange rate over the net profit margins, we have entered into hedging transactions which partially hedge our exposure to the currencies' fluctuation to be contained within a pre-defined fixed range.

In addition to currency exchange fluctuations, if any of TPSCo's banks incur increased costs in financing a credit facility due to changes in law or the unavailability of foreign currency, such bank may exercise its right to increase the interest rate on the credit facility or require us to bear such increased cost as provided for in the applicable credit facility agreement.

We also hold a securities investment portfolio, including interest bearing bonds and notes. An increase in the interest rates globally and other market changes may result in a reduced market value of these bonds and notes, thereby creating financing losses for us if we are unable to mitigate exposure, react to the market changes promptly and adjust our securities investment portfolio components in a timely manner.

We depend on intellectual property to succeed in our business, including intellectual property owned by us as well as intellectual property of third parties.

We depend on intellectual property in order to provide certain foundry services and design support to our customers. The process of applying for patents to obtain patent protection may take a long time. We cannot assure you that patents will be issued for pending or future applications or that, if patents are issued, they will not be challenged, invalidated or circumvented or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. In addition, we cannot assure you that other countries in which we market our services and products will respect our intellectual property rights to the same extent as the United States. We cannot assure you that we will, at all times, be able to enforce our patents or other intellectual property rights, and it may be difficult for us to protect our intellectual property from misuse or infringement by other companies. Further, we cannot assure you that courts will uphold our intellectual property rights or enforce the contractual arrangements that we have entered into to protect our proprietary technology, which may reduce our opportunities to generate revenues. In the event that we are unable to enforce our intellectual property rights, our business may be harmed.

We may also be a party to infringement claims in the future. In the event any third party were to assert infringement claims against us or our customers, we may have to consider alternatives including, but not limited to:

- attempting to negotiate cross-license agreements, which we might not succeed in negotiating or consummating;
- acquiring licenses to the allegedly infringed patents, which may not be available on commercially reasonable terms, if at all;
- discontinuing use of certain process technologies, architectures, or designs, which could cause us to halt a portion of our operations if we are unable to design around the allegedly infringed patents;
- litigating the matter in court, which may result in substantial legal fees and paying substantial monetary damages in the event we lose; or
- developing non-infringing technologies, which may be costly or may not be feasible.

Any one or several of these alternatives may place substantial financial and other burdens on us and hinder our business. If we fail to obtain certain licenses or if we are involved in litigation relating to alleged patent infringement or other intellectual property matters, it may halt our operations with regards to particular product technologies, which may adversely impact our business and revenues.

From time to time, we are a party to litigation that may require management time and effort.

From time to time, we are a party to litigation incidental to the conduct of our ongoing business, including class actions, disputes with customers, suppliers, landlords, or other third parties. Litigation requires a certain amount of management time and effort which may adversely affect our business by diverting management focus from business needs.

In addition, our ability to compete successfully depends in part on our ability to operate without infringing on the proprietary rights of others and defending our intellectual property rights. Because of the complexity of the technologies used and the multitude of patents, copyrights and other overlapping intellectual property rights, it is often difficult for semiconductor companies to determine infringement. Therefore, the semiconductor industry is characterized by frequent litigation regarding patent, trade secret and other intellectual property rights. We have been subject to intellectual property claims from time to time, some of which have been resolved through license agreements, the terms of which have not had a material effect on our business.

We could be harmed by failure to comply with environmental regulations.

Our business is subject to a variety of laws and governmental regulations in Israel, the United States, Japan and Italy relating to the use, discharge and disposal of toxic or otherwise hazardous materials used in our factories. If we fail to use, discharge or dispose of hazardous materials appropriately in accordance with applicable environmental laws or regulations, or if such laws change in the future, we may be subject to substantial liability or may be required to suspend or significantly modify our operations, which may adversely impact our business and revenues.

Our business strategy is premised on the increasing use of outsourced foundry services on specialty process technologies, which may change in the future.

We operate as an independent semiconductor foundry focused primarily on specialty process technologies. Our business model assumes that demand for these processes within the semiconductor industry will grow and follow the broader trend towards outsourcing foundry operations. If our assumption does not prove applicable, our business and financial results may be adversely impacted.

If we are unable to collaborate successfully with electronic design automation vendors and third-party design service companies to meet our customers' design needs, our business may be harmed.

We have established relationships with design automation vendors and third-party design service companies to develop complete design kits that our customers can use to meet their design needs using our process technologies. Our ability to meet our customers' design needs successfully, including their schedule and budget requirements, depends in part on the availability and quality of the relevant services, tools and intellectual property provided by these vendors and providers. Difficulties or delays in these areas may adversely affect our ability to meet our customers' needs, thereby potentially harming our business. In addition, with respect to third party intellectual property that is required for our technology development and operations, if problems or delays arise with respect to the timely development, quality and provision thereof to us, our customers' products may be delayed, resulting in underutilization of our capacity. If any of our intellectual property vendors goes out of business, liquidates, merges with, or is acquired by, another company that discontinues the vendor's previous line of business, or if we fail to maintain or acquire licenses to such intellectual property for any other reason, our business may be adversely affected.

Compliance with existing or future governmental export regulations may reduce our sales or increase our operational costs.

The export of wafers from our foundries to the destinations requested by our customers may be subject to U.S., Israeli, Italian and/or Japanese export control and other regulations established by other countries. Compliance with existing or evolving U.S., Israeli, Italian, Japanese or other applicable governmental regulations or obtaining timely domestic or foreign regulatory approvals or certificates may materially disrupt our business by reducing our sales, requiring extensive modifications to processes that we use, which could increase our operational costs or require extensive modifications to our customers' products. We may not export products using or incorporating controlled technology without obtaining an export license, which may not always be granted. These restrictions may make foreign competitors facing less stringent controls on the export of their products more competitive in the global market. The relevant government may not approve any pending or future export license requests.

If certain of our wafers are defective, we may be subject to end customers' product liability claims or other claims which could damage our reputation and harm our business.

If our wafers are defective, we may be subject to product liability claims, as well as possible recall requests, safety alerts or advisory notices, despite our customary terms and conditions stating that we have no such liability for any such failures that may be caused to the end users. We cannot assure you that our terms and conditions will not prevent end users or other customers from filing charges against us or seeking damages from us or that our insurance policies will compensate us fully for claims that may be made against us. In addition, we may be unable to obtain insurance in the future at satisfactory rates, with adequate coverage, or at all. Product liability claims or product recalls in the future, regardless of their ultimate outcome, may have a material adverse effect on our business, reputation, financial condition and our ability to attract and retain customers.

A workforce that is unionized may have an adverse impact on our costs, may disrupt our operations by potential work stoppages, strikes or other collective actions and adversely affect our operational and financial results.

Significant portions of the employees at Fab 3 and at TPSCo's fabs in Japan are represented by unions and covered by collective bargaining agreements. We cannot predict the effect that union representation or future organizational activities will have on our operational cost and business. We cannot assure you that our fabs will not experience a material work stoppage, strike or other collective action in the future, or incur increased costs in connection with the renewal of such bargaining agreements or other potential union activities, which may disrupt our fabs' continued operations, its costs, operational performance metrics, and our operational and financial results. In addition, there have been attempts, including recently, by the General Federation of Labor in Israel ("Histadrut") to organize and establish a representative labor union for our Israeli employees. Under Israeli law, establishing a representative labor union requires that at least one-third of the Israeli employees join the Histadrut and in such case, all employees would be liable to pay its membership fees. While the Histadrut's attempts have not succeeded to date, if a representative labor union would be established in the future, we would need to conduct negotiations with the representative labor union and the Histadrut with regards to the terms of employment and benefits of the employees, which could result in the incurrence of additional labor costs and/or work stoppages, which in turn could adversely affect our business and financial results.

Climate change may negatively affect our business.

There is increasing concern regarding climate change and its potential dramatic effects on human activity if no aggressive remediation steps are taken. Legislative developments with respect to reductions in greenhouse gas emissions may result in increased energy, transportation and raw material costs. Scientific examination of, political attention to, and rules and regulations on, issues surrounding the existence and extent of climate change may result in increased operational costs due to increase in the prices of energy and introduction of energy or carbon tax. A variety of regulatory developments have been introduced that focus on restricting or managing emissions of carbon dioxide, methane, tetrafluoromethane (CF₄), hexafluoroethane (C₂F₆), octafluoropropane (C₃F₈), octafluorobutane (c-C₄F₈), sulfur hexafluoride (SF₆), nitrogen trifluoride (NF₃), trifluoromethane (CHF₃) and other greenhouse gases. Enterprises may need to purchase new equipment at higher costs or raw materials with lower carbon footprints. In addition, there are restrictions and limited quota imposed by the Israeli government that restricts the import of certain of such materials and we may be unable to obtain all material required for our operations. These developments and further legislation that is likely to be enacted, such as changes in environmental regulations on the use of per fluorinated compounds, may increase our operational costs, which may adversely affect our results of operation and financial condition.

Compliance with U.S. rules and regulations concerning conflict minerals may affect our ability or the ability of our suppliers to purchase raw materials at an effective cost and may adversely affect our business.

Our industry relies on raw materials that consist of, contain or incorporate certain minerals sourced from the Democratic Republic of Congo ("DRC") or adjoining countries that are subject to regulation. These minerals are commonly referred to as conflict minerals. Conflict minerals that may be used by our suppliers include Columbite-tantalite (derivative of tantalum [Ta]), Cassiterite (derivative of tin [Sn]), gold [Au], Wolframite (derivative of tungsten [W]), and Cobalt [Co]. We are currently subject to the requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 that require due diligence and disclosure as to whether our products contain conflict minerals. It is possible that the U.S. Securities and Exchange Commission ("SEC") will renew focus on the US conflict minerals rules and other responsible sourcing measures. Any changes concerning the use of conflict minerals could adversely affect the sourcing, availability and pricing of the materials used in the manufacturing process of our products. In addition, we will likely incur additional costs to comply with any new conflict minerals rules, including costs related to disclosure requirements and conducting diligence procedures to determine the sources of conflict minerals that may be used in, or necessary to the production of, our products and, if applicable, potentially making changes to our products, processes or sources of supply as a consequence of such verification activities. It is also possible that we may face reputational harm and/or may lose customers if we determine that certain of our products contain minerals not determined to be conflict-free and are unable to alter our products, processes or sources of supply to avoid use of such materials, which may adversely impact our revenue and business.

Security, cyber and privacy breaches may harm our business and operations.

Any security breach, including those resulting from a cybersecurity attack (such as occurred in September 2020), or any unauthorized access, unauthorized usage, virus or similar breach or disruption could result in the loss of confidential information, damage to our fab operations, damage to our reputation, early termination of our contracts, litigation, regulatory investigations or other liabilities. If our security measures are breached as a result of third-party action, employee error, malfeasance or otherwise and, as a result, someone obtains unauthorized access to our, our customers' or any third party's confidential information, our reputation may be damaged, we may face potential disruption and loss, especially due to the possible substantial damage if operations would not be quickly restored, our business may suffer, and we could incur significant liability.

The risk of a security breach or disruption, particularly through cyber-attacks or cyber-intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. Although we have invested in measures to reduce these risks, we cannot assure you that these measures will be successful in preventing compromise and/or disruption of our information technology systems and related data. If an actual or perceived security breach occurs, the market's perception of our security measures may be harmed and we could lose sales and customers as well as incur operational damage to our equipment and/or products.

Increased attention to, and evolving expectations for, environmental, social, and governance ("ESG") initiatives could increase our costs or negatively impact our reputation, which may adversely impact our public image, operations, business and/or financial condition.

Companies across industries are facing increasing focus from a variety of stakeholders related to their ESG and sustainability practices. Expectations regarding voluntary ESG initiatives and disclosures and consumer demand for alternative forms of energy may result in increased costs (including but not limited to increased costs related to compliance, stakeholder engagement, contracting and insurance), changes in demand for certain products, enhanced compliance or disclosure obligations, or other adverse impact to our business, financial condition, or results of operations.

While we engage in voluntary initiatives (such as disclosures, certifications, and improvement goals, among others) to increase our company's contribution to society and our environment, such initiatives may be costly and may not have the desired effect. Actions that we may take or statements that we may make based on expectations, assumptions, or third-party information that we currently believe to be reasonable may subsequently be determined to be erroneous or subject to other interpretations. Our current actions may subsequently be determined to be insufficient by various stakeholders, and we may be requested to adjust or improve certain ESG initiatives and/or disclosures.

Certain market participants, including major institutional investors and capital providers, use third-party benchmarks and scores to assess companies' ESG profiles in making investment or voting decisions. Unfavorable ESG ratings could lead to negative investor sentiment towards us or our industry, which could negatively impact our share price as well as our access to and cost of capital. Increasing ESG-related regulation, such as the SEC's new climate-related disclosure requirements (assuming the ultimate implementation of such rules following the current stay thereof), may also result in increased compliance costs or scrutiny. To the extent ESG matters negatively impact our reputation, it may also impede our ability to compete effectively to attract and retain employees or customers, which may adversely impact our operations, reputation, business and/or financial condition.

RISKS RELATED TO OUR SECURITIES

Fluctuations in the market price of our traded securities may significantly affect our ability to raise new capital.

The capital markets, in general, have experienced volatility that often has been unrelated to the operating performance of the traded companies. The share price of many companies in the semiconductor industry has experienced wide fluctuations, which has often been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our equity and debt traded securities, regardless of our actual operating performance.

In addition, it is possible that our operating results may differ from the expectations of public market analysts and investors, which may adversely affect the price of our securities. Adverse impact to the market price of our securities may negatively impact our ability to raise new capital in order to finance our growth plans, obligations and liabilities and/or re-finance our debt, and/or may cause us to receive less favorable terms than expected to the extent we will decide to raise any capital.

We are a foreign private issuer and, as a result, the public reporting and disclosure rules to which we are subject, and the corporate governance practices that we are permitted to follow, may provide less protection to our investors than is accorded to investors under rules applicable to domestic U.S. issuers.

We report under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as a foreign private issuer, which means we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including the proxy rules and the rules requiring the filing with the SEC of quarterly reports on Form 10-Q and current reports on Form 8-K. We intend to furnish quarterly reports to the SEC on Form 6-K for so long as we are subject to the reporting requirements of Section 13(g) or 15(d) of the Exchange Act, although the information we furnish may not be the same as the information that is required in quarterly reports on Form 10-Q for U.S. domestic issuers. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year and U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation FD (Fair Disclosure), aimed at preventing issuers from making selective disclosures of material information. Also, as a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the Listing Rules of the Nasdaq Stock Market for domestic U.S. issuers, provided that we disclose the requirements we are not following and describe the home country practices we are following (see "Item 16G Corporate Governance"). The public reporting and disclosure rules to which we are subject under the Exchange Act, and the corporate governance practices that we are permitted to follow, may provide less protection to our investors than is accorded to investors under rules applicable to domestic U.S. issuers.

We do not expect to pay any dividends in the foreseeable future.

We currently intend to retain future earnings and our existing cash balance to finance our growth and acquisition strategy, as well as capacity growth and our ongoing operations, including the buildout of the Agrate facility and the up to \$300 million planned investment for equipment to be located in Intel's Fab 11, and we do not anticipate paying dividends in the foreseeable future. The Israeli Companies Law, 1999 (the "Companies Law") imposes restrictions on our ability to declare and pay dividends. Payment of dividends may also be subject to Israeli withholding taxes. See "Item 10. Additional Information—E. Taxation—Israeli Taxation" for more information. Therefore, you should not rely on an investment in our ordinary shares if you require and/or expect dividend income from your investments.

RISKS RELATED TO OUR OPERATIONS IN ISRAEL

Political, economic and military instability in Israel and the Middle East region may harm our business.

Fab 1 and Fab 2 facilities, our design center and certain of our corporate and sales offices are located in Israel. In addition, a number of our officers and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our business. Since the establishment of the State of Israel in 1948, Israel has been subject to armed conflicts with neighboring countries, as well as terrorist activities, with varying levels of severity.

In October 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on Israeli population within the State of Israel. These attacks resulted in extensive deaths, injuries and kidnapping of civilians and soldiers. Following the attack, Israel's cabinet and government declared war against Hamas. Hamas has continued its rocket and terror attacks on Israel. Following the attack by Hamas on Israel's southern border, Hezbollah in Lebanon also launched missile, rocket and shooting attacks against Israeli military sites, troops and Israeli towns in northern Israel. In response to these attacks, the Israeli army has carried out a number of targeted strikes on sites belonging to Hezbollah in southern Lebanon. Furthermore, following Hamas' attack on Israel and Israel's security cabinet declaration of war against Hamas, the Houthi movement, which controls parts of Yemen, launched a number of attacks on marine vessels traversing the Red Sea that were thought to either be on route to Israel or to be partly owned by Israeli businessmen. In April 2024, Iran launched a series of over 300 drone and missile attacks on military targets in Israel. Iran is widely believed to be developing nuclear weapons and is also believed to have a strong influence among extremist groups in the region, such as Hamas in Gaza, Hezbollah in Lebanon, the Houthi movement in Yemen and various rebel militia groups in Syria. It is possible that other terrorist organizations, including Palestinian military organizations in the West Bank, as well as other hostile countries, will join these attacks or initiate independent attacks. It is currently not possible to predict the duration or severity of the ongoing conflict or its effect on our business, operations and financial conditions. The ongoing conflict is rapidly evolving and developing and could disrupt our business and operations.

In connection with the Israeli security cabinet's declaration of war against Hamas in October 2023, several hundred thousand Israeli military reservists were drafted. Certain of our employees in Israel have been drafted, and additional employees may be drafted, for service in the current or future wars or other armed conflicts with Hamas and others, and such persons may be absent for an extended period of time. While we have not been materially adversely impacted to date by any absences of our personnel, our operations could be disrupted by the absence of a significant number of our employees related to their, or their spouse's, military service or the absence for extended periods of one or more of our key employees for military service, which disruption may materially and adversely affect our business and results of operations.

We have not been materially adversely impacted by Israel's current war to date, and have robust business continuity procedures in place, including multi-site qualification of certain process flows and information technology safeguards. However, the intensity and duration of Israel's current war is difficult to predict at this stage, as are such war's implications on our business and operations in Israel and on Israel's economy in general. In the event that the situation escalates into a greater regional conflict or our facilities in Israel are damaged as a result of hostile actions, or hostilities otherwise disrupt our ongoing operations in Israel, our business, financial condition and results of operations may be materially and adversely affected.

Our property and business interruption insurance may not adequately compensate us for losses that we may incur, and any losses or damages incurred by us may have a material adverse effect on our business. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or, if maintained, will be sufficient to compensate us fully for damages incurred.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may cause certain customers, vendors, partners and other parties to be prevented from engaging with us or extend current agreements or otherwise not wish to do business with us, which may have an adverse impact on our operating results, financial condition and/or the expansion of our business. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements where necessary. In addition, the political and security situation in Israel may result in parties with whom we have agreements claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions. In addition, there may also be protests against, or sanctions imposed on, the State of Israel which may adversely impact our business. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners may adversely affect our operations and make it more difficult for us to do business and raise capital.

Finally, political conditions within Israel may affect our operations. Israel has held five general elections between 2019 and 2022, and prior to October 2023, the Israeli government pursued extensive changes to Israel's judicial system, which sparked extensive political debate and unrest. To date, these initiatives have been substantially put on hold, but we cannot assure you that they will not be pursued at some time in the future. Actual or perceived political instability in Israel or any negative changes in the political environment, may adversely affect the Israeli economy and, in turn, our business, financial condition and results of operations.

If the exemption allowing us to operate our Israeli factories seven days a week or our business license is not renewed, our business may be adversely affected.

We operate our Israeli factories seven days a week pursuant to an exemption (which we need to timely renew) from the law that requires businesses in Israel to be closed from sundown on Friday through sundown on Saturday. In addition, our business license certificate issued by municipality of Migdal Ha'emek, Israel is required to be renewed periodically. If such exemption or our business license are not renewed in the future, our financial results and business may be harmed.

It may be difficult to enforce a U.S. judgment against us, our officers and directors or to assert U.S. securities law claims in Israel or serve process on our non-U.S. resident officers and directors.

Tower is incorporated in Israel and most of its executive officers and directors are not residents of the United States (excluding the employees of its U.S. subsidiaries), and a majority of its assets (excluding its U.S. subsidiaries and their assets) and the assets of its non-U.S. resident directors and officers are located outside the United States. Service of process upon us and/or our non-U.S. resident directors and/or officers may be difficult to obtain within the United States. Additionally, a judgment obtained in the United States against Tower and/or any of our non-U.S. executive officers and/or directors, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States (except to the extent that it relates to Tower's US subsidiaries, its assets or employees) and may not be enforced by an Israeli court. Additionally, it may be difficult to assert claims under U.S. securities laws or obtain a judgment based on civil liability provisions under U.S. federal securities laws claimed in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws against us or our non-U.S. officers or directors on the grounds that Israel may not be the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above.

Provisions of Israeli law may delay, prevent or otherwise impede a merger with, or an acquisition of, all or a significant portion of our shares or assets, which may delay or prevent a change of control, even when the terms of such a transaction are favorable to us and/or our shareholders.

Provisions of Israeli law could have the effect of delaying or preventing a change in control and may make it more difficult for a third-party to acquire all or a significant portion of our shares or assets, even if doing so would be considered to be beneficial by some of our shareholders. For example, Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares of a public company above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions. Furthermore, Israeli tax considerations may make potential transactions unappealing to Tower or to its shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. For example, with respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfilment of numerous conditions, including a holding period of two years from the date of the transaction during which certain sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable, even if no actual disposition of the shares has occurred.

The rights and responsibilities of our shareholders will be governed by Israeli law which differs in some material respects from the rights and responsibilities of shareholders of U.S. corporations.

The rights and responsibilities of the holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in typical U.S. registered corporations. In particular, a shareholder of an Israeli company has certain duties to act in good faith and in a customary manner in exercising his or her or its rights and fulfilling his or her or its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on amendments to a company's articles of association, increases in a company's authorized share capital, and mergers and certain transactions requiring shareholders' approval under the Companies Law. In addition, a controlling shareholder of an Israeli company or a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote or who has the power to appoint or prevent the appointment of a director or officer of the company or has other powers toward the company has a duty of fairness toward the company. However, Israeli law does not define the substance of this duty of fairness. There is little case law available to assist in understanding the implications of these provisions that govern shareholder behavior. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. corporations.

A. HISTORY AND DEVELOPMENT OF THE COMPANY

We are a pure-play independent specialty foundry, and as such we are dedicated to provide high-value, high-quality, processed wafers to our customers for their end products and end users. Our foundry processes use chemical materials, chemical processes and other materials and equipment on silicon wafers, based on the design specifications of our customers. As a pure-play foundry, we do not offer products of our own. We currently offer the process technology geometries of 0.35, 0.50, 0.55, 0.60, 0.80-micron and above on 150-mm wafers and 0.35, 0.18, 0.16 and 0.13 -micron on 200-mm wafers and 65 nanometer on 300-mm wafers. We also provide design support and complementary technical services. Our customers and/or our customers' customers use the wafers for their end products, which are sold and/or used in diverse markets, including consumer applications, personal computers, communications, handsets and smartphones, automotive, industrial, aerospace and medical devices.

We are focused on establishing leading market share in high-growth specialized markets by providing our customers with high-value, high quality, wafer foundry services. We use standard analog complementary metal oxide semiconductor ("CMOS") process technology, as well as specialized specific technologies including CMOS image sensors, non-imaging sensors, including sensors on Gallium Nitride, micro-electromechanical systems (MEMS), wireless antenna switch Silicon-on-Insulator (SOI), mixed-signal, radio frequency CMOS (RFCMOS), bipolar CMOS (BiCMOS), and silicon-germanium BiCMOS (SiGe BiCMOS or SiGe), silicon photonics, high voltage CMOS, radio frequency identification (RFID) technologies and power management. To better serve our customers, we have developed and are continuously expanding our technology offerings in these fields. Through our experience and expertise gained during more than thirty years of operation, we differentiate ourselves by creating a high level of value for our customers through innovative technological processes, design and engineering support, competitive operational indices, and dedicated customer service.

Tower Semiconductor Ltd., an Israeli company, was founded in 1993 with the acquisition of National Semiconductor's 150-mm wafer fabrication facility located in Migdal Haemek, Israel, known as our Fab 1 facility, and commenced operations as an independent foundry. Our Fab 1 facility has process geometries ranging from 1.0-micron to 0.35-micron. During the first quarter of 2024, we determined to re-organize and re-structure our Israeli operations, through the cessation of our Fab 1 operations within approximately one year and the integration of a portion of our 6", Fab 1 operations (150mm) into our 8", Fab 2 operations (200mm), in order to optimize our operations due to anticipated changes in market dynamics and customer demand.

In 2003, we commenced production in Fab 2, a wafer fabrication facility we established in Migdal Haemek, Israel. Fab 2 supports geometries ranging from 0.35 to 0.13-micron, using advanced CMOS technology, including CMOS image sensors, embedded flash, advanced analog, RF (radio frequency), and specifically RF switches on SOI, power platforms and mixed-signal technologies.

In September 2008, we merged with Tower NPB, which holds 100% of NPB Co. and operates Fab 3 located in Newport Beach, California, U.S. Fab 3 focuses on specialty process technologies of analog and mixed-signal semiconductor devices, and supports geometries ranging from 0.50 to 0.13-micron. NPB Co.'s specialty process technologies include advanced analog, radio frequency, high voltage, bipolar, SOI and silicon germanium bipolar, complementary metal oxide ("SiGe") semiconductor processes. Fab 3 wafers are used by our customers for a wide range of products, including cellular phones, wireless local area networking devices, digital TVs, set-top boxes, gaming devices, switches, routers and broadband modems.

In March 2014, we acquired from Panasonic 51% of a newly established company, TPSCo, that became a foundry for the sale of wafers to Panasonic and other third-party customers, using three factories located in Hokuriku Japan (Uozu E, Tonami CD and Arai E), which factories were established by Panasonic. Pursuant to the transaction, Panasonic transferred its capacity tools (8 inch and 12 inch) at these three fabs to TPSCo. TPSCo focuses on 65nm and 180nm geometries for RF, power management and CMOS image sensor wafers, products and applications. In July 2022, as part of the TPSCo agreements and at the request of Panasonic (through PSCS; now named NTCJ), the operations in Japan were reorganized and restructured such that the Arai factory, which solely served NTCJ and did not serve Tower or TPSCo foundry customers, ceased operations effective July 2022. The Uozu and Tonami facilities remain unchanged.

In February 2016, we acquired Fab 9, located in San Antonio, Texas, US, from Maxim. The assets and related business that we acquired from Maxim are held and conducted through one of our wholly owned U.S. subsidiaries, Tower SA. Fab 9 supports process geometries ranging from 0.80-micron to 0.18-micron using CMOS, power management and analog based technologies.

In 2021, we entered into a definitive agreement with ST to share a 300mm facility being built in Agrate, Italy under a collaborative arrangement, following which TSIT, a wholly-owned Italian subsidiary of Tower, was incorporated. The buildings and facilities are being established by ST. The parties are expected to share the cleanroom space and the facility infrastructure, and TSIT will have the right to use one-third of the installed capacity for its foundry customers. TSIT is currently installing certain tools in the Agrate facility and developing certain processes and technologies that it expects to qualify and ramp-up at the facility.

On February 15, 2022, we entered into the Merger Agreement with Intel FS Inc. and Intel, under which Intel was to acquire all of Tower's outstanding ordinary shares for cash consideration of \$53 per share; however, having received no indications regarding certain required regulatory approval, on August 16, 2023, Intel and Tower announced that they had mutually agreed to terminate the Merger Agreement. Pursuant to the terms of the Merger Agreement, and in connection with the termination, Intel paid Tower a reverse termination fee equal to \$353 million.

In September 2023, Tower and Intel entered into an agreement under which Tower will have access to a 300mm capacity corridor in Intel's facility in New Mexico, the United States. Under the agreement, Tower will invest up to \$300 million to acquire equipment and other fixed assets to be owned by Tower and installed and qualified for Tower processes in Intel's facility.

Our executive offices and Israeli facilities are located in the Ramat Gavriel Industrial Park, Shaul Amor Street, Post Office Box 619, Migdal Haemek, 2310502 Israel, and our telephone number is 972-4-650-6611. Our agent for service of process in the United States is Tower Semiconductor USA, Inc. located at 2570 North First Street, Suite 480 San Jose, CA 95131.

The SEC maintains an internet website that contains reports, proxy and information statements and other information about issuers, like us, that file electronically with the SEC. Our filings with the SEC are available to the public through the SEC's website (<http://www.sec.gov>). For more information about us, go to <http://www.towersemi.com>. Information on our website is not incorporated by reference in this annual report.

INDUSTRY OVERVIEW

Semiconductor devices are critical components in a variety of applications, from computers, consumer applications and communications, to industrial, military, medical and automotive applications. Rapid changes in the semiconductor industry frequently make recently introduced devices and applications obsolete within a very short period of time. With the increase in their performance and decrease in their size and resulting decrease in cost, the use of semiconductors and the number of their applications have increased significantly.

Historically, the semiconductor industry was composed primarily of companies that designed and manufactured integrated circuits (“ICs”) in their own fabrication facilities, which are known as integrated device manufacturers (“IDM”). In the mid-1980s, fabless companies, which focused on design and used external manufacturing capacity, began to emerge. Fabless companies initially outsourced production to IDMs, which filled this need through their excess capacity. As the semiconductor industry continued to grow, increasing competition forced fabless companies and IDMs to seek reliable and dedicated sources of wafer foundry services. Use of external manufacturing capacity allowed IDMs to reduce their investment in their existing and next-generation facilities and process technologies. This need for external capacity led to the development of independent companies, known as foundries, which focus primarily on providing wafer manufacturing services to semiconductor suppliers. Foundry services are used by nearly all major semiconductor companies in the world, including IDMs, as part of a dual-source, risk-diversification and cost effectiveness strategy.

Semiconductor suppliers face increasing demand for new products that provide higher performance, greater functionality and smaller form factors at lower prices – all features that require increasingly complex ICs. The industry has experienced a dramatic increase in the number of applications that incorporate semiconductors. Further, in order to compete successfully, semiconductor suppliers must minimize the time it takes to bring a product to market. As a result, fabless companies and IDMs have focused more on their core competencies, design and intellectual property development, and tend to outsource manufacturing to foundries.

The two basic functional technologies for semiconductor products are digital and analog. Digital semiconductors provide critical processing power and have helped enable many of the computing and communication advances of recent years. Analog semiconductors monitor and manipulate real world signals such as sound, light, pressure, motion, temperature, electrical current and radio waves, for use in a wide variety of end products such as digital still cameras, x-ray medical applications, flat panel displays, personal computers, cellular handsets, smartphone, telecommunications equipment, consumer applications, automotive and industrial products. Analog-digital, or mixed-signal, semiconductors combine analog and digital devices which can process both analog and digital signals.

Integrating analog and digital components on a single, mixed-signal semiconductor enables the development of smaller, more highly integrated, power-efficient, feature-rich and cost-effective semiconductor devices but presents significant design and manufacturing challenges. For example, combining high-speed digital circuits with sensitive analog circuits on a single, mixed-signal semiconductor can increase electromagnetic interference and power consumption, both of which cause a higher amount of heat to be dissipated and decrease the overall performance of the semiconductor. Challenges associated with the design and manufacture of mixed-signal semiconductors increase as the industry moves toward more advanced process geometries. Numerous emerging applications require 3D integration, in particular, high precision wafer bonding. Challenges related to the enhanced reliability, e.g., of the automotive products, dictate more stringent demands to the fabrication processes. As a result, analog and mixed-signal semiconductors can be complex to manufacture and typically require sophisticated design expertise, strong application specific experience and a comprehensive intellectual property portfolio. In addition, today's analog market is driven strongly by growing sensitivity to environmental requirements, such as the conservation of energy and human well-being. Low power consumption is demonstrated in applications related to the systems enabled with Artificial Intelligence (AI) and edge computing using AI which allow for the analysis and filtering of data closer to the sensors such that only the relevant data is sent to the cloud. The AI edge devices are incorporated into products with sensors related to Internet of Things (IoT), in particular ASICs with embedded sensors, medical devices and applications focused on entertainment, infotainment and safety, which combine analog and digital technology.

Mixed-signal devices are an essential part of any front-end product, device and/or system. Our advanced analog CMOS process technologies have more features than standard analog CMOS process technologies and are well suited for higher performance or more highly integrated analog and mixed-signal semiconductors, such as high-speed analog-to-digital or digital-to-analog converters and mixed-signal semiconductors with integrated data converters. These process technologies generally incorporate higher density passive components, such as capacitors and resistors, as well as improved active components, such as native or low voltage devices, and improved isolation techniques, into standard analog CMOS process technologies.

The enormous costs associated with modern fabs, combined with the increasing demand for complex products, has created an expanding market for outsourced foundry process manufacturing services. Foundries can cost-effectively supply advanced process technology services to even the smallest fabless companies by creating economies of scale through pooling the demand of numerous customers. In addition, customers whose IC designs require process technologies other than standard digital CMOS have created a market for independent foundries that focus on providing specialized process technologies. Specialty process technologies enable greater analog content and can reduce the die size of an analog or mixed-signal semiconductor, thereby increasing the number of dies on each wafer and reducing final die cost. In addition, specialty process technologies can enable increased performance, superior noise reduction and improved power efficiency of analog and mixed-signal semiconductors compared to traditional standard CMOS processes. These specialty process technologies include advanced analog CMOS, specialized RF devices on SOI, radio frequency CMOS (RF CMOS), CMOS image sensors (CIS), non-imaging sensors of different types, high voltage CMOS, bipolar CMOS (BiCMOS), silicon germanium BiCMOS (SiGe BiCMOS), bipolar CMOS double-diffused metal oxide semiconductor (BCD), silicon photonics platforms, NVM technologies and special devices for AI technologies. Due to our extensive and diversified work in specialized process technologies, we have the required skills to provide quality and flexibility in this technology intensive environment which is rapidly changing. We work closely with our customers to provide them with unique and specialized solutions needed for their business success.

Foundries may also offer customers competitive complementary services through design, testing, and other technical services.

We use silicon wafers based on customers' proprietary designs to perform an intricate process that consists of constructing layers of conducting and insulating materials on raw wafers in intricate patterns which requires hundreds of interrelated steps performed on different types of equipment, and each step must be completed with extreme accuracy to achieve good device performance metrics. In some cases, we provide our customers with our own proprietary or third-party design elements. We perform a series of processes, in which photosensitive material is deposited on the wafer and exposed to light through a mask, and hundreds of steps (moves) per wafer, including photolithography, oxidation, etching and stripping of different layers and materials, ion implantation, deposition of thin film layers, chemical mechanical polishing and thermal processing. The final step is wafer probing, which involves inspection of each unit in order to identify those that are operable for assembly. Customers often use third party service providers for the performance of wafer probing. In most cases, our customer assumes responsibility for dicing, assembly, packaging and testing.

Our customers are fabless companies and IDMs, as sole source or second source, and enable smooth integration of the semiconductor design and wafer processes. By doing so, we enable our customers to bring high-performance, highly integrated end products to market rapidly and cost effectively. We believe that our technological strengths and emphasis on customer service have allowed us to develop a unique position in large, high-growth specialized markets for CMOS image sensors, RF, power management and high-performance mixed signal applications.

Our manufacturing process is using specialty process technologies, mostly based on CMOS process platforms with added features to enable special and unique functionality, decreased footprint of products, competitive performance and cost advantages for analog and mixed-signal semiconductors. Products made with our specialty process technologies are typically more complex than products made using standard process technologies employing similar technology nodes. Generally, customers that use our specialty process technologies cannot easily transfer designs to another foundry because the analog characteristics of the design are dependent upon the specific process technology used. The specialty process design infrastructure is complex and includes design kits and device models that are specific to the foundry in which the process is implemented and to the process technology itself. In addition, the relatively small engineering community with specialty process expertise and the significant investment required for development or transfer and maintenance of specialty process technologies has limited the number of foundries capable of offering specialty process technologies. We believe that our specialized process technologies combined with dedicated design enablement capabilities distinguish our services and attract industry-leading customers.

We also offer process transfer services to IDMs that wish to use their own technologies and processes. Our process transfer services are also used by fabless companies with proprietary process flows that wish to have an additional supplier for purposes of geographic diversity or for the manufacture of an advanced technology node that is very costly to build themselves. Our process transfer services include development, transfer, and extensive optimization as defined by customer needs.

With our world-class engineering team, well established transfer methodologies and vast experience, we offer state of the art factories for core bulk CMOS and specialized technologies such as RF SOI, integrated into back-end-of-line (BEOL) TMR/MTJ (magnetic tunnel junction) sensors, silicon photonics, SiGe and MEMS, among others.

We are a trusted, customer-oriented service provider that has built a solid reputation in the foundry industry over more than thirty years. We have built strong relationships with customers. Our consistent focus on providing high-quality, value-added services, including engineering and design support, has allowed us to attract customers that seek to work with a proven provider of foundry solutions. Our emphasis on working closely with customers and accelerating the time-to-market and performance of their next-generation products has enabled us to maintain a high customer retention rate, while increasing the number of new customers and new products.

We continuously target to expand our capacity footprint and business by attracting new customers that will utilize our existing capacity, some of which have recently implemented further capacity expansion projects, as well as by acquiring external capacity through acquisitions of existing or newly established fabs, as we have done in the past, with or without third-party collaboration and/or funding (including cash, equity or in-kind investment).

We also offer from time to time a wide range of support services for the establishment of new semiconductor fabrication facilities or the ramp up of existing facilities owned by third parties, using our technological, operational and integration expertise, for which we receive payments based on the achievement of pre-defined milestones and may also be entitled to certain capacity allocation and other rights, all subject to definitive agreements underlying such projects.

We derived a significant amount of our revenues for the year ended December 31, 2023 from our target specialized technologies: RF CMOS, including RF SOI (RF CMOS on silicon-on-insulator), SiGe BiCMOS, power and discrete devices, CMOS image sensors and non-imaging sensors. We are highly experienced in these technologies, having been an early entrant and having developed unique proprietary technologies, including through licensing and joint development efforts with our customers and other technology companies.

CMOS Image Sensors

CMOS image sensors are ICs used to capture an image in a wide variety of consumer, communications, medical, automotive and industrial market applications, including camera-equipped cell phones, digital still, video, security and surveillance cameras, and video game consoles. Our process technologies assure consistently high performance of the integrated sensor through wafer-level characterization. Our CMOS image sensor processes have demonstrated superior optical characteristics, excellent spectral response and high resolution and sensitivity. The ultra-low dark current, high efficiency and accurate spectral response of our photodiode enable faithful color reproduction and acute detail definition.

We are currently actively involved in the high-end sensor and applications specific markets, which include applications such as high end video, high end photography, industrial machine vision, dental x-ray, medical x-ray, automotive sensors, security sensors and time of flight (ToF) three dimensional sensors for entertainment, commercial and industrial applications, as well as image sensors with record frame rates for registration of ultra-fast processes.

We gained the market potential using CMOS process technology for a digital camera-on-a-chip, which integrates a CMOS image sensor, filters and digital circuitry. Upon entering the CMOS image sensor foundry business, we utilized research and development work that had been ongoing since 1993. Our services include a broad range of turnkey solutions and services, including silicon proven pixels portfolio, optical characterization of a CMOS process, an innovative patented stitching manufacturing technology for large sensors, up to a one die per 300mm wafer and prototype packaging. The CMOS image sensors that we manufacture include 180nm on 200mm wafers and 65nm on 300mm wafers with pixel sizes down to 1.12 micron utilizing dual light pipe technology, delivering outstanding image quality for a broad spectrum of digital imaging applications.

Specifically, our CIS portfolio includes pixels ranging from 1.12 micron up to 150 microns, all developed by us. We provide both rolling shutter and global shutter pixels. The latter are used mainly in the industrial sensor and in the three-dimensional sensor markets. Our advanced technology used in CMOS image sensors enables improved performance such as low dark current, low noise, high well capacity, high quantum efficiency and high uniformity of pixels utilizing deep sub-micron process technologies, enabling us to offer very sophisticated and high performance camera module solutions. Our state-of-the-art pixels are used in a variety of new markets, such as the high-end machine vision cameras and the rapidly growing ToF 3D sensor market. In addition, our advanced global shutter technology and global shutter pixels, as small as 2.5um, enable excellent performance, especially, very high shutter efficiency.

For the X-ray market, we offer our innovative patented “stitching” technology on 0.18-micron process as well as on 65nm technology on 300mm wafers and a variety of 15 to 150-micron pixels that are optimized for X-ray applications. These pixels are used by our customers in dental (intra and extraoral) and other medical X-ray products (such as C-Arm surgery machines, angiography and mammography) as well as in the industrial NDT (Not Destructive Testing) X-Ray market.

Our stitching technology, a cornerstone of our X-Ray sensors technology, enables semiconductor exposure tools to process single ultra-high-resolution CMOS image sensors containing millions of pixels at sensor sizes far larger than the photo exposure tool (scanner) field size.

This technology is used by us to offer large X-Ray sensors (up to one die per wafer) on 8” and 12” wafers as well as high-end large format photography and industrial sensors with special pixels that we have developed specifically for this market.

In past years, we have completed and qualified our next generation CMOS sensor technology, namely BSI and wafer stacking, which combines a digital CMOS wafer with an imager wafer that is then thinned for backside illumination (BSI) with billions of electrical Cu-Cu connections between the two wafers. We now offer both BSI and stacking technologies in 200mm (in cooperation with a third-party that processes several steps of the BSI part of the process on our wafers, using our own developed BSI technology) and in 300mm in our own facilities at TPSCO. We augmented this technology with additional deep trenches (DTI) between pixels as well as a unique layer to enhance near infrared response.

We specially developed our near Infra-Red imaging technology for gesture recognition systems and a series of spectrally sensitive image sensors, including proximity sensors and sensors sensitive in the UV range. We also announced our iToF (indirect Time of Flight) technology with outstanding performance parameters for fast autofocus and face recognition functions in mobile devices.

In addition, we developed SPAD (Single Photon Avalanche Diodes) technology for dToF (direct Time of Flight) LIDAR (Light Detection and Ranging) applications in mobile devices, smart automotive Advanced Driver Assistance Systems (ADAS) and Autonomous Driving (AD) vehicles. We also further developed our stacked technology to support the stacking of a very advanced technology node CMOS wafer with a state-of-the-art SPAD imager, with pixel level electrical connections between the wafers.

MEMS and Displays

In the MEMS area, we use MEMS switches technology for fast RF antenna switching and accelerometers for a variety of applications.

The display market is undergoing a dramatic change from LCD-based screens with LED backlighting into micro OLED or micro LED displays, allowing substantially higher dynamic range with true black and higher brightness and dynamic range. The display market spans from small displays, such as smartwatch or VR goggles displays, through smartphone, tablet and laptop displays, to large format TV displays. In today’s technology, all of these displays are glass based, using OLED on glass for the small to medium display sizes. The appearance of the fast-growing VR headset market has created the need for a high-resolution OLED small display that can be manufactured only on Silicon backplane. We have developed a highly competitive silicon backplane technology for the OLEDoS (OLED on Silicon) market, targeted mainly at the VR market. We offer a 5V based platform and expect to release a 10V based platform, which will support even higher brightness, by the end of 2024. Due to the large size of such a display compared with a regular CMOS die, we believe that this market may grow substantially.

RF CMOS

Many RF products are built today based on RF CMOS technology on silicon-on-insulator (SOI) substrates (RFSOI). These RFSOI process technologies include devices optimized to deliver higher performance and improved isolation relative to devices in bulk RFCMOS process. We currently have RFSOI process technologies in 0.18 micron, 0.13 micron and 65 nanometer lithography nodes and fabricate various devices, including antenna switches with record FOM (figure of merit) and front end modules that can be found in various products, including state-of-the-art smartphones.

SiGe BiCMOS for RF and High Performance Analog

Our SiGe BiCMOS process technologies have more features than RF CMOS or standard BiCMOS processes and are well suited for advanced RF and high-performance analog semiconductors such as high-speed, low noise, front-end wireless components, optical networking components, automotive radar components, hard-disk drive pre-amplifiers, power amplifiers and low-noise amplifiers. These technologies generally incorporate silicon germanium bipolar transistors, which are formed by the deposition of a thin layer of silicon germanium within a bipolar transistor, to achieve higher speed, lower noise, and more efficient power performance than the BiCMOS process technology. It is also possible to achieve higher speed using SiGe BiCMOS process technologies equivalent to those demonstrated in standard RF CMOS processes that are two process generations smaller in line width. For example, a 0.18 micron SiGe BiCMOS process is able to achieve speeds comparable to a 90 nanometer RF CMOS process. As a result, SiGe BiCMOS makes it possible to create analog products using a larger geometry process technology at a lower cost while achieving similar or superior performance to that achieved using a smaller geometry standard RF CMOS process technology. We developed enhanced tool capabilities in cooperation with large semiconductor tool suppliers to achieve high yield SiGe volumes. We believe this equipment and related process expertise makes us one of the few companies with demonstrated ability to deliver SiGe BiCMOS products. We currently have 0.35 micron, 0.18 micron and 0.13 SiGe BiCMOS technologies available and 65nm SiGe BiCMOS under development.

Silicon Photonics (SiPho)

Our industry-leading silicon photonics platform targets optical networking and data center interconnect applications. The SiPho process complements the Company's SiGe BiCMOS processes by providing a companion solution able to integrate optical components in the expanding data communication market. The platform enables integration of photodetectors, optical modulators and other optical components that have in the past been assembled in optical modules as discrete components and can now be integrated in a single die potentially lowering cost, reducing footprint and improving performance of advanced optical transceivers.

Power and Power Management ICs

Our power technologies are generally divided into a low-voltage BCD offering and a high-voltage offering, including 140V Resurf, 200V SOI and 700V ultra-high voltage technologies. Our low-voltage BCD process technologies have more features than advanced analog CMOS processes and are well suited for power and driver semiconductors, such as voltage regulators, battery chargers, power management products and audio amplifiers. These process technologies generally incorporate higher voltage CMOS devices than advanced analog CMOS processes such as 5V, 8V, 12V, 40V and 60V devices, and, in the case of BCD, bipolar devices integrated into an advanced analog CMOS process. We currently have BCD offerings in 0.5 micron, 0.35 micron, 0.25 micron, 0.18 micron and 65 nanometer.

Our higher voltage technologies, which include 140V Resurf, 200V SOI and 700V ultra-high voltage platform, support applications such as gate drivers for discrete high-power transistors and automotive, industrial, AC adaptor and lighting markets.

In addition, we have developed a unique NVM solution (Y-Flash) specifically for power and power management applications in our 0.18 micron and 65nm platforms. We have developed a series of Y-flash based modules of up to 16kbit, which have been integrated in various power management products of our customers. We have also introduced high density single Poly silicon memory arrays of other intellectual property vendors into our CMOS process flows.

We continue to invest in technology that improves performance and integration level and reduces the cost of analog and mixed-signal products. This includes improving the density of passive elements such as capacitors and inductors, including development of the new passive elements, improving the analog performance and voltage handling capability of active devices, and integrating additional advanced features in our specialty CMOS processes. Examples of such technologies currently under development include GaN technologies for sensor applications and technologies aimed at integrating micro-electro-mechanical-system (MEMS) devices with CMOS, using phase-change materials for more advanced RF switches, scaling the features we offer today to the 65 nanometer process, including the integration of advanced SiGe transistors with 65 nanometer CMOS, and copper metallization.

CUSTOMERS, MARKETING AND SALES

Our marketing and sales strategy seeks to further solidify our position as the leading foundry of high value analog semiconductor solutions, by increasing our market share at existing customers and expanding our global customer base. We have marketing, sales, design support engineers, field application engineers and customer support personnel located in many countries worldwide, who have been hired and assigned to these roles based on their industry experience, customer relationships and understanding of the semiconductor marketplace.

Our sales cycle is generally 9 to 24 months or longer for new customers and can be as short as 6 to 12 months for existing customers. The typical stages in the sales cycle process from initial contact until production are:

- technical evaluation;
- wafer design to our specifications, including integration of third party intellectual property;
- photomask— design and order third-party photomask ;
- silicon prototyping;
- assembly and test;
- validation and qualification; and
- production.

The primary customers of our foundry and design services are fabless semiconductor companies and IDMs. Our customers include many analog and mixed-signal industry leaders, serving a variety of end market segments. A portion of our wafer sales are made pursuant to long-term contracts with our customers, under which we agree to reserve capacity for certain purchasing commitments. During the year ended December 31, 2023, we had four significant customers that each contributed between 9% to 14% of our revenues. During the year ended December 31, 2022, we had five significant customers that each contributed between 5% to 14% of our revenues. During the year ended December 31, 2021, we had six significant customers that each contributed between 4% to 21% of our revenues.

The following table sets forth the geographical distribution, by percentage, of our net revenues for the periods indicated:

	Year ended December 31,		
	2023	2022	2021
United States	46%	49%	41%
Japan	17%	16%	22%
Asia, excluding Japan	27%	26%	30%
Europe	10%	9%	7%
Total	100%	100%	100%

The semiconductor industry is historically characterized as highly cyclical, both seasonally and over the long term. Over time, the market fluctuates, cycling through periods of weak demand, production excess capacity, excess inventory and price pressure, and periods of strong demand, full capacity utilization, and wafer shortages, commanding higher selling prices.

We price our products on a per wafer basis, taking into account the unique value of our technology and its ability to enable customers to differentiate their products, the complexity of the technology, prevailing market conditions, volume forecasts, the strength and history of our relationships with the customer and our current capacity utilization. Most of our customers usually place purchase orders between two to six months before shipment.

To promote our products, technology offering and services, we publish press releases, articles, technology journals and white papers. In addition, we present and participate in panel sessions at industry conferences, hold a variety of regional and international technology seminars, and exhibit at various industry trade shows. We discuss advances in our process technology portfolio and progress on specific relevant programs with our prospective and existing customers, as well as industry analysts and research analysts, on a regular basis.

Our customers use our processes to design and market a broad range of analog and mixed-signal semiconductors for diverse end markets, including wired and wireless high-speed communications, consumer applications, automotive, medical, security and industrial applications. We sell wafers for a wide range of markets, including but not limited to, high-performance applications, such as antenna switches, transceivers and power management circuits for cellular phones; transceivers and power amplifiers for wireless local area networking products; power management, audio amplifiers and drivers for consumer applications; tuners for digital televisions and set-top boxes; modem chipsets for broadband access devices and gaming devices; serializer/deserializers, or SerDes, for fiber optic transceivers; high end video cameras, dental and medical x-ray vision, industrial cameras, focal plane arrays for imaging applications; infra-red detectors for gesture recognition, controllers for power amplifier and switching chips in cellular phones and wireline interfaces for switches and routers, magnetic field and gas and UV sensors.

COMPETITION

The competitive dynamics within the global semiconductor foundry industry are subject to change as companies expand their technology portfolios, enter new markets, or adjust their strategic focus. This industry is technology-driven, with constant advancements in capacity equipment, technology processes, materials, and design methodologies. We compete most directly in the specialty segment with foundries such as GlobalFoundries (mainly in the RF business), Vanguard Semiconductor, DongBu, X-Fab and Hua Hong Semiconductor. We also compete in some areas with the pure-play advanced technology node-driven foundry service providers such as Taiwan Semiconductor Manufacturing Corporation (“TSMC”), United Microelectronics Corporation (“UMC”) and Semiconductor Manufacturing International Corp. (“SMIC”). These three pure-play semiconductor foundries primarily compete against one another and focus on 12-inch deep-submicron CMOS processing, though they each also have some capacity for specialty process technologies. The rest of the foundry industry, including existing Chinese, Korean and Malaysian foundries, generally target either industry standard 8-inch CMOS processing or specialty process technologies. Most competitors, particularly those based in the Asia-Pacific region, benefit from their proximity to key markets and the integrated design and manufacturing ecosystems prevalent in these areas. However, global efforts to diversify semiconductor manufacturing bases are beginning to challenge this dynamic, signaling a shift towards a more geographically dispersed competitive landscape. Geopolitical factors and trade policies can significantly impact the semiconductor industry. Restrictions, trade tensions, and policies promoting domestic employment and wafer manufacturing can influence foundries’ financials, business, operations and competitive positioning. The principal elements of competition in the wafer foundry market are:

- technology offering and future roadmap;
- wafer performance;
- system level technical expertise;
- research and development capabilities;
- access to intellectual property;
- customer technical support;
- design services;
- product development kits (PDKs);
- operational performance;
- quality systems;
- wafer quality;
- operational yields;
- customer support and service;
- pricing;
- management expertise;
- strategic customer relationships;
- capacity availability; and
- stability and reliability of supply.

Some of our competitors, notably the pure-play advanced technology node-driven foundry service providers, have greater capacity, may have greater scope and/or a greater number of research and development resources, better cost structure and greater financial, marketing and other resources. As a result, these companies may be able to compete more aggressively over a longer period of time than us.

We seek to compete primarily on the basis of advanced specialty analog/mixed-signal technology, research and development, breadth of process offering, production quality, technical support, and our design and engineering services. We have a highly differentiated specialty offering and proven track record in analog/mixed-signal markets, which enables us to effectively compete with larger foundry service providers.

Some semiconductor companies have advanced their CMOS designs to 5-10 nanometer. These smaller geometries may provide customers with performance and integration features that may be comparable to, or exceed, features offered by our specialty process technologies, and may be more cost-effective at higher production volumes for certain applications, such as when a large amount of digital content is required in a mixed-signal semiconductor and less analog content is required. Our specialty process technologies will therefore compete with these advanced CMOS processes and some of our potential and existing customers could elect to design these advanced CMOS processes into their next generation products. We are not currently capable, nor do our current plans include, any technology or operations using CMOS processes at such smaller geometries.

WAFER FOUNDRY SERVICES

Wafer foundry service mode of work is an intricate process that consists of constructing layers of conducting and insulating materials on raw wafers in intricate patterns that requires hundreds of interrelated steps performed on different types of equipment, and each step must be completed with extreme accuracy to achieve required device performance metrics. The process can be summarized as follows:

Circuit Design. This process begins when a fabless company or IDM designs (or engages a third party or us to design) the layout of a device's components and designates the interconnections between each component. The result is a pattern of components and connections that defines the function of the end product. After the product design is completed, foundries provide such companies with processing services of such companies' device design.

Mask Making. The design for each layer of a semiconductor wafer is imprinted on a photographic negative, called a reticle or mask. The mask is the blueprint for each specific layer of the semiconductor wafer. We engage external mask shops for the manufacture of such masks.

Wafer Processing. A series of processes in which photosensitive material is deposited on the wafer and exposed to light through a mask, including hundreds of steps (moves) per wafer, such as photolithography, oxidation, etching and stripping of different layers and materials, ion implantation, deposition of thin film layers, chemical mechanical polishing and thermal processing. The final step is wafer probing, which involves inspection of each unit in order to identify those that are operable for assembly. Customers often use third-party service providers for the performance of wafer probing.

Assembly and Test. At this phase, the wafers are transferred to assembly and test facilities. In the assembly process, each wafer is cut into dies, or individual semiconductors, and tested. Defective dies are discarded, while good dies are packaged and assembled. Assembly protects the product, facilitates its integration into the target systems and enables heat dissipation. Following assembly, the functionality, voltage, current and timing of each product is tested. After testing, the completed product is shipped either to our customer or to their customer's printed circuit board manufacturing facility. Our customers often use third party service providers for the performance of wafer assembly and testing, and to a smaller extent, part of such process may be performed independently by us.

RAW MATERIALS

Our processes use many raw materials, including silicon wafers, chemicals, gases and various types of metal targets. Although most of our raw materials are available from multiple suppliers, certain materials are purchased through sole-sourced vendors. Our raw material procurement policy is to select only those vendors who have demonstrated quality control and reliability on delivery time and to maintain multiple sources for each raw material whenever feasible so that a quality or delivery problem with any one vendor will not adversely affect our operations. We may have long-term supply agreements with our vendors where necessary or beneficial to Tower.

Our general inventory policy is to maintain sufficient stock of each principal raw material for the operations and rolling forecasts of near-term requirements received from customers. In addition, we have agreements with some material suppliers under which they reserve certain levels of inventory in their warehouses for our use. We typically work with our vendors to plan our raw material requirements on a monthly basis, with pricing generally set on an annual basis. The actual purchase price is generally determined based on the prevailing market conditions. Although we have not experienced any shortage of raw materials that had a material effect on our operations, and current supplies of raw materials we use are adequate, shortages could occur in various critical materials due to interruption of supply or an increase in industry demand.

The most important raw material we use is the silicon wafer, which is our basic raw material. We have in the past obtained and believe that we will continue to be able to obtain a sufficient supply of silicon wafers. We believe that we have close working relationships with our wafer suppliers. Based on such long-term relationships, we believe that these major suppliers will use their best efforts to accommodate our demand.

In addition, certain materials are purchased through sole-sourced vendors under pre-committed volume contracts for specified pre-defined quantities that must be purchased on a monthly, quarterly or annual basis. If such predefined quantities are not required for production when purchased, this may result in excess payment and/or expenses write-off in our financial statements, which may adversely impact our financial results. See “Item 3. Key Information—D. Risk Factors—Risks Affecting Our Business—*“If we are unable to purchase equipment and/or raw materials and other manufacturing supplies, or there are delays in the delivery thereof, we may face delays or a temporary halt in operations or other problems. If we must purchase raw materials beyond our needs as required under committed vendor contracts, we may need to amortize or write such purchases off, which may adversely impact our financial results.”*”

RESEARCH AND DEVELOPMENT

Our future success depends, to a large degree, on our ability to continue to successfully develop and introduce to production advanced process technologies that meet our customers’ needs. Our process development strategy relies on CMOS process platforms that we license and transfer from third parties or develop ourselves.

From time to time, at a customer’s request, we develop a specialty process module, which in accordance with the applicable agreement, may be used for such customer on an exclusive basis or added to our process offering. Such developments are very common in all of our specialty process technologies noted above.

Our research and development activities have related primarily to our process, device and design development efforts in all specialty areas that were mentioned above, and have been sponsored and funded by us and in certain cases with the partial participation of the Government of the State of Israel through the Israeli Innovation Authority (the "IIA") (formerly, the Israeli Office of the Chief Scientist), pursuant to the Encouragement of Research, Development and Technological Innovation in the Industry Law 5744-1984 (formerly known as the Encouragement of Industrial Research and Development Law 5744-1984) (the "Innovation Law") and related regulations and guidelines. Under the terms of the Israeli Government participation and the Innovation Law as currently in effect, a royalty of 3% or up to 5% of the net sales of products and services developed from a project funded by the IIA must generally be paid to the IIA, up to an aggregate of 100% (which may be increased under certain circumstances) of the U.S. dollar-linked value of the grant, plus interest. Until October 25, 2023, the interest was calculated at a rate based on the last published 12-month LIBOR applicable to U.S. dollar deposits. On October 25, 2023, the IIA published a directive concerning changes in royalties to address the expiration of the LIBOR, according to which, (a) for IIA grants approved between January 1, 1999 and June 30, 2017 – the annual interest will be the interest in effect at the time of the grant approval; (b) for IIA grants approved between July 1, 2017 and December 31, 2023 – for the period prior to December 31, 2023, the interest shall be calculated based on the 12-month LIBOR applicable to U.S. dollar deposits, as published on the first trading day of each year or in an alternative publication of the Bank of Israel; and for periods as of January 1, 2024, the annual interest shall be calculated at a rate based on the 12-month secured overnight financing rate ("SOFR"), or at an alternative rate published by the Bank of Israel plus 0.71513%; and (c) for IIA grants approved on or following January 1, 2024, the annual interest shall be the higher of (i) the 12 months SOFR interest rate, plus 1%, and (ii) a fixed annual interest rate of 4%.

The terms of such IIA grants and Innovation Law imposes significant restrictions on the transfer of the manufacturing of products developed with IIA grants outside Israel (except to the extent that the IIA approved grant program includes a pre-determined portion of manufacturing that may be performed outside Israel) and on the transfer (including by way of license) of IIA-funded technologies to third parties outside Israel. For example, the transfer of manufacturing or manufacturing rights of IIA funded products outside of Israel (except for the transfer of up to 10% of the manufacturing capacity in the aggregate which requires only a notice to the IIA), requires the prior approval of the IIA, which approval, if received, would generally result in the payment of increased royalties, up to 150% the amount of the IIA grants, depending on the portion of manufacturing performed outside of Israel, plus accrued interest, and the applicable royalty repayment rate could increase. In addition, the transfer or license of IIA-funded technologies to third parties outside Israel requires the prior approval of the IIA, which approval is generally contingent on payment of a redemption fee, calculated according to a formula under the Innovation Law, which may be in the amount of up to six times the grant(s) amount (less paid royalties, if any, and depreciation, but no less than the total amount of grants actually received by us), plus accrued interest.

In addition to the above, we may be required to obtain export licenses before exporting certain technology or products to any third party and may be required to comply with Israeli, U.S. and other foreign export regulations, as may be applicable.

Our research and development activities seek to upgrade and improve our technologies and processes. We maintain a central research and development team primarily responsible for developing cost-effective technologies that can serve the needs of our customers. A substantial portion of our research and development activities are undertaken in cooperation with our customers and equipment vendors. Due to the rapid changes in technology that characterize the semiconductor industry, effective research and development is essential to our success. We plan to continue to invest significantly in research and development activities in order to develop advanced process technologies for new applications.

Research and development expenses for the years ended December 31, 2023, 2022 and 2021 were \$79.8 million, \$83.9 million and \$85.4 million, respectively, net of government participation of \$0.5 million, \$0.3 million and \$0.8 million, respectively. As of December 31, 2023, we employed 415 professionals in our research and development departments, 50 of whom have PhDs. In addition to our research and development departments located at our facilities in Migdal Haemek, Israel, Newport Beach, California, San Antonio, Texas and Hokuriku Japan, we maintain a design center in Netanya, Israel.

PROPRIETARY RIGHTS

Our success depends in part on our ability to obtain patents, licenses and other intellectual property rights related to our production processes. To that end, we have obtained certain patents, acquired patent licenses and intend to continue to seek patents on our intellectual property.

As of December 31, 2023, we held 282 patents in force. We have entered into various patent and other technology license agreements with technology companies, including Synopsys, ARM, Cadence, Mentor Graphics and others, under which we have obtained rights to additional technologies and intellectual property.

We constantly seek to strengthen our technological expertise through relationships with technology companies. We seek to expand our core strengths in CMOS image sensors, non-imaging sensors, embedded flash, power management, AI, RF, SiGe, MEMS, mixed-signal and Silicon Photonics (SiPho) technologies by continuous development in these areas and wherever possible, patent our new developments on a continuous basis.

Our ability to compete depends on our ability to operate without infringing upon the proprietary rights of others. The semiconductor industry is generally characterized by frequent litigation over patent and other intellectual property rights. As is the case with many companies in the semiconductor industry, we have from time to time received communications from third parties asserting that their patents cover certain of our technologies or alleging infringement of intellectual property rights. We expect that we will receive similar communications in the future. Irrespective of the validity or the successful assertion of such claims, we could incur significant costs and devote significant management resources in defending ourselves from such claims.

DESIGN SERVICES

To better serve our customers' design needs using advanced CMOS and mixed-signal processes, we have entered into a series of agreements with leading providers of physical design libraries, mixed-signal and non-volatile memory design components. These components are basic design building blocks, such as standard cells, interface input-output (I/O) cells, software compilers for the generation of on-chip embedded memory arrays, mixed-signal and non-volatile memory design blocks. To achieve optimal performance, all of these components must be customized to work with our operational processes. These components are used in part of our customers' chip designs.

We interact closely with customers throughout the design development and prototyping process to assist them in the development of high performance and low power consumption semiconductor designs and to lower their final die, or individual semiconductor, costs through die size reductions and integration. We provide engineering support and services as well as operational process support in an effort to accelerate our customers' design and qualification process so that our customers can achieve faster time to market. We have entered into alliances with Cadence Design Systems, Inc., Synopsys, Inc., Mentor Graphics Corp., and other suppliers of design automation tools, and also licensed standard cells, I/O and memory technologies from ARM, Synopsys, Inc., and other leading providers of physical intellectual property components. Through these relationships, we provide our customers with the ability to simulate the behavior of their design in our processes using standard design automation tools.

The applications for which our specialty process technologies are targeted present challenges that require an in-depth set of simulation models. We provide these models as an integral part of our design support. At the initial design stage, our customers' internal design teams use the proprietary design kits that we have developed to design products that can be successfully and cost-effectively used with our specialty process technologies. These design kits, which collectively comprise our design library and design platform, allow our customers to quickly simulate the performance of a semiconductor design with our processes, enabling them to refine their product design to ensure alignment to our processes. Our process engineers, who have significant experience with analog and mixed-signal semiconductor design and operations, work closely with our customers' design teams to provide design advice and help them optimize their designs for our processes and their performance requirements. After the initial design phase, we provide our customers with a multi-project wafer service to facilitate the early and rapid use of our specialty process technologies, which allows them to gain early access to actual samples of their designs. Under this multi-project wafer service, we schedule a periodic multi-project wafer run in which we collect several customers' designs and put them into a single mask set, providing our customers with an opportunity to reduce the cost and time required to test their designs. Our design center helps customers accelerate the design-to-silicon process and enhances first-time silicon success by providing them with the required design resources and capabilities namely, accurate device models, rich PDKs, silicon proven ESD (Electro Static Discharge) protection structures for different voltages ranging from 2KV to 15KV and I/Os, special design rules per application and technical support. Our design support can assist in all or part of the design flow. Our in-depth knowledge of the fab and processes provide a substantive and competitive advantage for our customers, for example when time to market is critical (our design support reduces the number of required runs) or when implementing designs that reach the boundaries of technology. In addition, our IP and design services can assist in relieving some of our customers' problems, providing the specific skills and expertise critical for quick and successful implementation of our customers' design in our fabs.

We believe that our circuit design expertise and our ability to accelerate our customers' design cycle while reducing their design costs represent one of our more notable competitive strengths.

JAZZ SEMICONDUCTOR TRUSTED FOUNDRY

For purposes of our U.S. aerospace and defense business, Tower and Tower NPB have worked with the Defense Counterintelligence Security Agency of the United States Department of Defense ("DCSA") to mitigate concern of foreign ownership, control or influence over the operations in Fab 3. The protection and prevention of potential unauthorized access of trusted and classified materials and information was addressed by creating Jazz Semiconductor Trusted Foundry ("JSTF") as a subsidiary of Newport Fab LLC, which is directly held by NPB Co., and limiting possession of all trusted and classified information solely to JSTF. JSTF maintains facility security clearance (which is currently limited but may be remediated) and Trusted Foundry accreditation status.

C. ORGANIZATIONAL STRUCTURE

The legal name of our company is Tower Semiconductor Ltd. Tower was incorporated under the laws of the State of Israel in 1993.

Tower directly operates our Fab 1 and Fab 2 facilities in Israel. During the first quarter of 2024, we determined to re-organize and re-structure our Israeli operations, through the cessation of our Fab 1 operations within approximately one year and the integration of a portion of our 6", Fab 1 operations (150mm) into our 8", Fab 2 operations (200mm), in order to optimize our operations due to anticipated changes in market dynamics and customer demand.

Tower's wholly-owned subsidiary, Tower US Holdings Inc., owns all of the shares of Tower Semiconductor NPB Holdings, Inc., which owns all of the shares of Tower Semiconductor Newport Beach, Inc. (all three companies are incorporated under the laws of the State of Delaware), which operates our Fab 3 facility.

Tower holds a 51% equity stake in Tower Partners Semiconductor Co., Ltd. (Nuvoton Technology Corporation Japan holds the remaining 49%), which is incorporated under the laws of Japan and operates two fabs located in Japan, known as Uozo E and Tonami CD.

Tower Semiconductor San Antonio, Inc., which is wholly-owned by Tower US Holdings Inc., operates our Fab 9 facility in San Antonio, Texas, USA. In addition, Tower will have access to a 300mm capacity corridor in Intel's facility in New Mexico, the United States, after required equipment will be purchased, installed and qualified.

Tower Semiconductor Italy S.r.l., Tower's wholly-owned Italian subsidiary, is expected to share capacity with ST in a 300mm facility being established in Agrate, Italy by ST.

D. PROPERTY, PLANTS AND EQUIPMENT

WAFER FOUNDRY FACILITIES

We process semiconductor wafers at six facilities: Fab 1 and Fab 2 facilities in Israel, Fab 3 in Newport Beach, California in the U.S., TPSCO's fabs (Uozo E and Tonami CD) in Japan, and Fab 9 in San Antonio, Texas in the U.S. TSIT is expected to share capacity with ST in a 300mm fabrication facility being established by ST in Agrate, Italy, which we refer to as Fab 10. In addition, under an agreement entered into in September 2023, Tower will have access to a 300mm capacity corridor in Intel's facility in New Mexico, the United States, after required equipment will be purchased, installed and qualified, referred to as Fab 11.

The capacity in each of our facilities at any particular time varies and depends on the combination of the processes being used and the wafer mix being processed at such time. Hence, it may be significantly lower at certain times as a result of certain combinations that may require more processing steps than others. We have the ability to rapidly change the mix of processes in use in order to respond to changing customer needs and to maximize utilization of the fab. In general, our ability to increase our capacity has been achieved through the addition of equipment, improvement in equipment utilization, and the reconfiguration and expansion of existing clean room areas.

Capital expenditures in 2023 and 2022 were \$432 million and \$214 million, respectively, net of proceeds from sale of equipment and fixed assets of \$12 million and \$153 million, respectively.

Fab 1

We acquired our Fab 1 facility from National Semiconductor in 1993, which had operated the facility since 1986. The facility is located in Migdal Haemek, Israel. We occupy the facility under a long-term lease from the Israel Lands Authority which expires in 2032.

Our Fab 1 facility includes an approximately 51,900 square foot special "clean room" in which most operations are performed, and it is supporting geometries ranging from 1.0 micron to 0.35-micron.

During the first quarter of 2024, we determined to re-organize and re-structure our Israeli operations, through the cessation of our Fab 1 operations within approximately one year and the integration of a portion of our 6", Fab 1 operations (150mm) into our 8", Fab 2 operations (200mm), in order to optimize our operations due to anticipated changes in market dynamics and customer demand.

Fab 2

In 2003, we commenced operations in our Fab 2, also located in Migdal Haemek, Israel. Fab 2 supports geometries ranging from 0.35 to 0.13-micron, using advanced CMOS technology, including CMOS image sensors, embedded flash, advanced analog, RF SOI, power platforms and mixed-signal technologies. We have invested significantly in the purchase of fixed assets, primarily in connection with the construction of Fab 2, technology advancement and capacity expansion.

The land on which Fab 2 is located is subject to a long-term lease from the Israel Lands Authority that expires in 2049. The overall clean room area in Fab 2 is approximately 100,000 square feet.

Fab 3

NPB Co.'s facility, Fab 3, is located in Newport Beach, California. Fab 3 supports geometries ranging from 0.80 to 0.13-micron. The facility comprises 320,000 square feet, including 120,000 square feet of overall clean room area.

NPB Co. leases its facility under a lease agreement that was initially in effect until March 2022, and provided NPB Co. an option, at its sole discretion, to extend the lease for an additional five year period, which NPB Co. elected to exercise for the lease to continue through March 2027. Under the lease agreement as currently in effect, (i) NPB Co.'s rental payments consist of fixed base rent and fixed management fees and NPB Co.'s pro rata share of certain expenses incurred by the landlord in the ownership of these buildings, including property taxes, building insurance and common area maintenance; and (ii) the lease agreement includes certain obligations of the parties, including certain noise abatement actions, in relation to the facility. The landlord has made claims that NPB Co.'s noise abatement efforts are not adequate under the terms of the amended lease, and has requested a judicial declaration that NPB Co. has committed material non-curable breaches of the lease and that, in accordance with the lease, the landlord would be entitled to terminate the lease. NPB Co. does not agree and is disputing these claims. In the absence of an extension to the lease agreement or an agreement to acquire the property, coupled with municipal approval to allow for industrial use of the land on which Fab 3 was built after 2027 (rather than the current municipal plan, which classifies the land as a residential area, however permits Tower's current industrial use until 2027), we would be required to use alternative solutions for our capacity at NPB Co., including through cross qualification of process technologies at our other fabs, which would require us to invest significant amounts to acquire equipment tools to increase the capacity and capabilities in certain of our other fabs. See "Item 3. Key Information—D. Risk Factors—Risks Affecting Our Business— Risks relating to Fab 3 lease could harm our business, operations and financial results."

Uozu E Tonami CD and Arai E fabs

In 2014, we acquired a 51% equity stake in TPSCo, a company initially formed by Panasonic Corporation to become a foundry wafer provider to Panasonic and other third-party customers, using three factories located in Hokuriku, Japan, which were established by Panasonic. Pursuant to the transaction, Panasonic transferred its capacity tools (8 inch and 12 inch) at its three fabs located in Hokuriku (Uozu E, Tonami CD and Arai E) to TPSCo. The fabs support geometries ranging down to 65 nanometer. The fabs' land and buildings are leased by PSCS (now named NTCJ) to TPSCo. As part of the TPSCo agreements, at the request of Panasonic (through PSCS; since 2020, named NTCJ), the operations in Japan were reorganized and restructured such that the Arai factory, which solely supported NTCJ and did not serve Tower or TPSCo's foundry customers, ceased operations effective July 2022. The Uozu and Tonami facilities remain unchanged.

On January 1, 2024, an earthquake hit Japan in a neighboring vicinity to the location of TPSCo's facilities. While there was no impact or damage to the buildings and the facilities' structure, there was damage to tools and some percentage of work in progress and inventories scrapped at the facilities, as well as a temporary cessation of operations. The dedicated staff and response teams worked to ensure operational safety and stability, utilizing all available resources to minimize any potential disruptions to operations and customer service, and returned both factories to full operation with start levels currently to the levels set in the annual plan.

Fab 9

During 2016, we acquired Fab 9 in San Antonio Texas, USA from Maxim. The assets and related business that we acquired from Maxim are held and conducted through a wholly-owned US subsidiary, Tower SA. Fab 9 supports process geometries ranging from 0.18 to 0.8 micron for the processing of products using CMOS and analog based technologies. Under the terms of the acquisition agreement, until the termination or expiration of the supply agreement entered into between Maxim and Tower SA, Maxim has a right of first offer to re-purchase Fab 9 in the event Tower or any of its subsidiaries sell, transfer, dispose of, cease the operations of, close, transfer or relocate Fab 9, or if Tower or its operations at Fab 9 become subject to a petition of bankruptcy or liquidation.

ST fab shared in Italy (Fab 10)

In 2021, we entered into a definitive agreement with ST to share a 300mm facility being built in Agrate, Italy under a collaborative arrangement, following which TSIT, a wholly-owned Italian subsidiary of Tower, was incorporated. The buildings and facilities are being established by ST. The parties are expected to share the cleanroom space and the facility infrastructure, and TSIT will have the right to use one-third of the installed capacity for its foundry customers. TSIT is currently installing certain tools in the Agrate facility and developing certain processes and technologies that it expects to qualify and ramp-up at the facility.

Capacity Corridor in Intel's fab

In September 2023, we signed an agreement with Intel under which we will have access to a 300mm capacity corridor in Intel's facility in New Mexico, the United States, after required equipment will be purchased, installed and qualified.

ENVIRONMENTAL, SAFETY AND QUALITY MATTERS AND CERTIFICATIONS

We have placed significant emphasis on achieving and maintaining a high standard of quality. All our facilities are ISO 9001 certified, an international quality standard that provides guidance to achieve an effective quality management system. In addition, all our facilities are IATF16949 certified, a stringent automotive quality standard.

Our operations are subject to a variety of laws and governmental regulations relating to the use, discharge and disposal of toxic or otherwise hazardous materials used in our processes. Failure to comply with these laws and regulations could subject us to material costs and liabilities, including costs to clean up contamination caused by our operations. All of our facilities are ISO 14001 certified, an international standard that provides management guidance on how to achieve an effective environmental management system. Risks have been evaluated and mitigation plans are in place to prevent and control accidental spills and discharges. Procedures have also been established at all our locations to ensure that any such potential situations are properly addressed. The environmental management system assists in evaluating compliance status with all applicable environmental laws and regulations as well as establishing loss prevention and control measures. In addition, our facilities are subject to strict regulations and periodic monitoring by governmental agencies.

For safety, all of our facilities are OHSAS/ISO 45001 certified, an international occupational health and safety standard that provides guidance on how to achieve an effective health and safety management system. The health and safety standard management system assists in evaluating compliance status with all applicable health and safety laws and regulations as well as establishing preventative and control measures.

Our goal in implementing OHSAS 45001, ISO 14001, ISO 9001 and IATF16949 systems is to continually improve our environmental, health, safety and quality management systems.

In addition, we are committed to an ESG program with a corporate focus on social contribution and sustainability through diverse initiatives and activities. We have issued a dedicated report on our ESG policies, including our strategy and long-term plan. We engage in voluntary initiatives (such as disclosures, certifications, and improvement goals, among others) to increase our company's contribution to society and our environment.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The information contained in this section should be read in conjunction with our audited consolidated financial statements and the related notes thereto contained in this annual report. Our financial statements have been prepared in accordance with U.S. GAAP. The following discussion and analysis may contain forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information—D. Risk Factors" and elsewhere in this annual report.

For a discussion of our results of operations for the year ended December 31, 2022 compared to December 31, 2021, refer to the section contained in our Annual Report on Form 20-F for the fiscal year ended December 31, 2022, under the heading "Item 5: Operating and Financial Review and Prospects."

A. OPERATING RESULTS

OVERVIEW

We are a pure-play independent specialty foundry dedicated to provide wafers and engineering services based on the design specifications of our customers. As a pure-play foundry, we do not offer products of our own. We currently offer process technology geometries of 0.35, 0.50, 0.55, 0.60, 0.80-micron and above on 150-mm wafers; 0.35, 0.18, 0.16 and 0.13 -micron on 200-mm wafers; and 90 nanometer, 65 nanometer on 300-mm wafers. We also provide design support and complementary technical services. Our customers and/or our customers' customers use the wafers for their end products, which are sold to and/or used in diverse markets, including consumer applications, personal computers, communications, hand-sets and smartphones, automotive, industrial, aerospace and medical devices. The technology platforms that we offer are focused on the mega trends of seamless connectivity, green everything and interactive smart systems.

For the year ended December 31, 2023, our revenues were derived from customers located around the globe, of which 46% were located in the United States, 17% in Japan, 27% in Asia (excluding Japan) and 10% in Europe, as compared to 49%, 16%, 26% and 9%, respectively, for the year ended December 31, 2022.

For the year ended December 31, 2023, 14% of our revenues were derived from NTCJ, 30% of our revenues were derived from four different customers, each comprising between 3% to 9% of our revenues, and the remaining 56% of our revenues were derived from many other smaller customers, as compared to 14% derived from NTCJ, 33% derived from five different customers, each comprising between 4% to 9% of our revenues, and the remaining 53% derived from many other smaller customers for the year ended December 31, 2022.

In order to address the growing demand for our products and to attract and retain our customers, in 2023, we increased by 21% our gross investments in property and equipment from \$367 million in 2022 to \$445 million in 2023, directed to our fabs in Israel, Italy, the United States and Japan.

KEY FACTORS AFFECTING OUR RESULTS

The following are key factors that impact our results of operations:

Ability to attract and retain customers.

We are a trusted, customer-oriented service provider that has built a solid reputation in the foundry industry over more than thirty years. We have built strong relationships with customers. Our consistent focus on providing high-quality, value-add services, including engineering and design support, has allowed us to attract customers that seek to work with a proven provider of foundry solutions. Our emphasis on working closely with customers and accelerating time-to-market and performance of their next-generation products has enabled us to maintain a high customer retention rate, while increasing the number of new customers and new products.

We continuously target to expand our industry footprint, capacity and business by addressing current customers' future needs and attracting new customers that will utilize our existing facilities, some of which have recently implemented further capacity expansion projects, as well as by acquiring external capacity through acquisitions of existing or newly established fabs, as we have done in the past, with or without third-party collaboration and/or funding (including cash, equity or in-kind investment). We also offer from time to time a wide range of support services for the establishment of new facilities or the ramp-up of existing facilities owned by third parties, using our technological, operational and integration expertise, for which we receive payments based on the achievement of pre-defined milestones and may also be entitled to certain capacity allocation and other rights.

Design wins with new and existing customers.

We work with our customers and potential customers to understand their product roadmaps and strategies. We consider design wins to be critical to our future success. We define a design win as the successful completion of the evaluation stage, where a customer has verified that our platform process meets its requirements and qualified our libraries and IPs for their products. The revenue that we generate, if any, from each design win can vary significantly. Our long-term sales expectations are based on forecasts from customers, internal estimates of customer demand factoring in expected time to market for end-customer products incorporating our products and associated revenue potential and internal estimates of overall demand based on historical trends.

Selling prices and operating costs.

Our gross margin has been and will continue to be affected by a variety of factors, including the market demand for semiconductor wafers, timing of changes in pricing, shipment volumes, new product introductions, changes in product mixes, changes in our purchase price of raw materials, including silicon starting material wafers, and yields. In general, newly introduced products and products with higher performance and more features tend to be priced higher than older, more mature products. Average selling prices in the semiconductor industry typically decline as products mature. Consistent with this historical trend, we expect that the average selling prices of our products will decline as they mature. In the normal course of business, we will seek to offset the effect of declining average selling prices on existing products by reducing operating costs and introducing new and higher value-add products. If we are unable to maintain overall average selling prices or offset any declines in average selling prices with realized savings on our operating costs, our gross margin will decline.

Investment in capacity growth.

We have invested, and intend to continue to invest, in expanding our capacity, developing our products to support our growth and expanding our infrastructure. Specifically, we entered into an agreement with ST in 2021 to share 300mm clean room space in Italy, for which we started purchasing, and will continue purchasing, a significant amount of equipment tools. In September 2023, we entered into an agreement with Intel under which Tower will have access to a 300mm capacity corridor in Intel's facility in New Mexico, the United States. Under this agreement, Tower will invest up to \$300 million to acquire equipment and other fixed assets to be owned by Tower and installed and qualified for Tower processes in Intel's facility. In addition, we continue to explore additional capacity opportunities that may require us to use a significant portion of our cash and, to fund other investments and cash plans. We may want and/or need to raise additional funds by way of debt and/or equity offerings, which funds may not be available at reasonable terms, if at all, due to unfavorable capital market conditions, and may require consents that we may not be able to obtain. We plan to continue to invest in our capacity expansion initiatives and existing and new operational capabilities throughout the world through significant capital expenditure, and the return on these investments may be lower than we expect and these investments may significantly reduce our net profit and cash balance, and require us to raise additional funds by way of debt or equity offerings. In addition, as we invest in expanding our operations into new areas internationally, our business and results will become further subject to the risks and challenges of operations in those locations, including potentially higher fixed costs and operating expenses, potential impact of legal and regulatory developments, as well as shareholder dilution and high depreciation on fixed assets that may reduce our profitability.

New Accounting Pronouncements

For recently issued accounting pronouncements, see Note 2X and Note 2Y to our annual financial statements included herein.

RESULTS OF OPERATIONS

For a discussion of our results of operations for the year ended December 31, 2021, including a year-to-year comparison between 2022 and 2021, refer to Item 5. "Operating and Financial Review and Prospects" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on May 16, 2023.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the financial statements and the related notes thereto included in this annual report. The following table sets forth certain statement of operations data as a percentage of total revenues for the years indicated.

	Year ended December 31,	
	2023	2022
Statement of Operations Data:		
Revenues	100%	100%
Cost of revenues	75.2	72.2
Gross Profit	24.8	27.8
Research and development expense	5.6	5.0
Marketing, general and administrative expense	5.1	4.8
Restructuring gain from sale of machinery and equipment, net	(3.7)	(1.2)
Restructuring expense	1.3	0.6
Merger-contract termination fee, net	(22.0)	--
Operating profit	38.5	18.6
Financing income (expense), net	2.1	(0.8)
Other income (expense), net	0.5	(0.4)
Profit before income tax	41.1	17.4
Income tax expense, net	(4.6)	(1.5)
Net profit	36.5	15.9
Net income attributable to non-controlling interest	(0.1)	(0.1)
Net profit attributable to the Company	36.4%	15.8%

Year ended December 31, 2023 compared to year ended December 31, 2022

Revenues for the year ended December 31, 2023 were \$1,422.7 million, as compared to \$1,677.6 million for the year ended December 31, 2022. The \$254.9 million revenue decrease is attributed mainly to a decrease in the quantity of CMOS silicon wafers shipped to our foundry customers from our facilities during the year ended December 31, 2023 as compared to the year ended December 31, 2022, as well as the reorganization and restructuring of our Japan operations during 2022, which resulted in no revenue from the Arai facility for the year ended December 31, 2023 as compared to 2022, as described in Note 14B2 to our financial statements for the year ended December 31, 2023.

Cost of revenues for the year ended December 31, 2023 amounted to \$1,069.2 million as compared to \$1,211.3 million for the year ended December 31, 2022. The \$142.1 million decrease in cost of revenue is mainly due to the decreased quantity of wafers shipped to our foundry customers from our facilities as described above, resulting in lower variable and other costs, as well as having no costs associated with the Arai facility in the year ended December 31, 2023 due to the cessation of its operations during 2022, as described in Note 14B2 to our financial statements for the year ended December 31, 2023.

Gross profit for the year ended December 31, 2023 amounted to \$353.5 million as compared to \$466.3 million for the year ended December 31, 2022. The \$112.8 million decrease in gross profit resulted from the \$254.9 million revenue decrease, net of the \$142.1 million decrease in cost of revenues, as described above.

Research and development expense for the year ended December 31, 2023 amounted to \$79.8 million, a \$4.1 million decrease as compared to \$83.9 million in the year ended December 31, 2022.

Marketing, general and administrative expense for the year ended December 31, 2023 amounted to \$72.5 million, a decrease of \$7.8 million as compared to \$80.3 million in the year ended December 31, 2022, both reflecting approximately 5% of the applicable revenues in the respective years.

Restructuring gain from sale of machinery and equipment, net, for the years ended December 31, 2023 and December 31, 2022 amounted to \$52.2 million and \$20.2 million, respectively, and resulted from the gain on sale of machinery and equipment to third parties following the reorganization and restructuring of our Japan operations during 2022, as described in Note 14B2 to our financial statements for the year ended December 31, 2023

Restructuring expense for the years ended December 31, 2023 and December 31, 2022 amounted to \$19.7 million and \$10.7 million, respectively, resulting from the reorganization and restructuring of our Japan operations during 2022, as described in Note 14B2 to our financial statements for the year ended December 31, 2023.

Merger-contract termination fee, net, for the year ended December 31, 2023 amounted to \$313.5 million, representing the reverse termination fee paid to the Company by Intel in connection with the termination of the Merger Agreement, net of associated fees, as described in Note 1 to our financial statements for the year ended December 31, 2023.

Operating profit for the year ended December 31, 2023 amounted to \$547.3 million as compared to \$311.7 million for the year ended December 31, 2022. The \$235.6 million increase in operating profit resulted mainly from the \$313.5 million merger-contract termination fee, net, and the \$32.0 million increase in restructuring gain from the sale of machinery and equipment, net, as described above, offset in part by the \$112.8 million decrease in gross profit, as described above.

Financing income, net, for the year ended December 31, 2023 amounted to \$30.5 million as compared to \$12.8 million financing expense, net, for the year ended December 31, 2022. The \$43.3 million increase in financing income, net, is mainly due to higher amount of deposits and higher interest rates on bank deposits that prevailed during the year ended December 31, 2023 as compared to the prior year.

Other income, net, for the year ended December 31, 2023 amounted to \$7.0 million as compared to other expense, net, of \$6.9 million for the year ended December 31, 2022. Other income (expense), net includes mainly non-recurring items and, for the year ended December 31, 2023, was comprised mostly of gain on investment in a privately-held company.

Income tax expense, net, for the year ended December 31, 2023 amounted to \$65.3 million as compared to \$25.5 million for the year ended December 31, 2022. The \$39.8 million increase in income tax expense, net, is primarily due to the \$292.8 million higher profit before tax for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily as a result of the higher operating profit (mostly due to the merger contract termination fee, net, as described above, and higher financing and other income, net, described above).

Net profit for the year ended December 31, 2023 amounted to \$519.5 million as compared to \$266.5 million for the year ended December 31, 2022. The \$253.0 million increase in net profit was mainly due to the increase in operating profit, described above, and the increase in financing and other income, net, offset in part by the increase in tax expense, net, described above.

Net income attributable to non-controlling interest for the year ended December 31, 2023 amounted to \$1.0 million as compared to \$1.9 million for the year ended December 31, 2022, resulting from the decrease in TPSCo's net profit.

Net profit attributable to the Company for the year ended December 31, 2023 amounted to \$518.5 million as compared to \$264.6 million for the year ended December 31, 2022. The \$253.9 million increase in net profit attributable to the Company was mainly due to the \$253.0 million increase in net profit, described above.

Impact of Currency Fluctuations

We currently operate in three different regions: the United States, Japan and Israel. In addition, we have initial activities in Italy related to the ST facility in Agrate, Italy. The functional currency of our entities in the United States, Israel and Italy is the USD. The functional currency of our subsidiary in Japan is the JPY. Our expenses and costs are denominated mainly in USD, JPY and NIS, revenues are denominated mainly in USD and JPY, and our cash from operations, investing and financing activities are denominated mainly in USD, JPY and NIS. Therefore, we are exposed to the risk of currency exchange rate fluctuations in Israel and Japan. In addition, as the process of ordering equipment for the facility in Italy has begun, operational and other Euro denominated costs will be incurred, and therefore, we will also be exposed to the Euro exchange rate fluctuations in relation to the USD regarding such costs.

The USD cost of our operations in Israel is influenced by changes in the USD-to-NIS exchange rate, with respect to costs that are denominated in NIS. During the year ended December 31, 2023, the USD appreciated against the NIS by 3.1%, as compared to 13.2% appreciation during the year ended December 31, 2022.

The fluctuation of the USD against the NIS may affect our results of operations as it relates to the entity in Israel. Appreciation of the NIS may increase, in USD terms, some of the Israeli facilities' and utilities' cost and labor costs that are denominated in NIS, which may lead to the erosion of profit margins. We use foreign currency cylinder and forward transactions to hedge a portion of this currency exposure to be contained within a pre-defined fixed range.

The majority of TPSCo revenues are denominated in JPY and the majority of TPSCo expenses are in JPY, which limits the exposure to fluctuations of the USD/JPY exchange rate on TPSCo's results of operations. In order to mitigate a portion of the net exposure to the USD/JPY exchange rate, we have engaged in cylinder hedging transactions to contain the currency's fluctuation within a pre-defined fixed range.

During the year ended December 31, 2023, the USD appreciated against the JPY by 7.2%, as compared to 14.6% appreciation during the year ended December 31, 2022. The net effect of USD appreciation against the JPY on TPSCo's assets and liabilities denominated in JPY is presented in the Cumulative Translation Adjustment ("CTA") as part of Other Comprehensive Income ("OCI") in the balance sheet.

B. LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2023, we had \$260.7 million in cash and cash equivalents, as compared to \$340.8 million as of December 31, 2022. The main cash items during the year ended December 31, 2023 were as follows: \$676.6 million net cash provided by operating activities; \$432.2 million invested in property and equipment, net; \$288.7 million invested in short-term deposits, marketable securities and other assets, net; and \$32.3 million debt repaid, net.

Short-term and long-term debt as of December 31, 2023 amounted to \$59.0 million and \$172.6 million, respectively, and included loans, operating leases and capital leases. During March 2023, we repaid the Series G debentures in full (principal and interest) and had no outstanding debentures or bonds as of December 31, 2023.

Based on our current operations and expected short term growth, our cash generated from operations, our current and expected available lease lines with third -party leasing companies and existing balance of cash, deposits and marketable securities, we have sufficient resources to meet our cash needs for operating activities and capital expenditures for our existing fabs, and debt repayments in the short term and long term.

If we execute an acquisition transaction(s), or a joint partnership or another large transaction to expand our capacity, including for the funding of the equipment for the facility being established by ST in Agrate, Italy and for the capacity corridor at Intel's New Mexico fab, acquiring leased assets and/or acquiring and/or establishing additional fabs and/or capacity through other capacity acquisition related transactions, we may utilize our current cash balance, deposits and/or investments in marketable securities and/or may be required to secure additional financing, including by way of public or private offerings of equity and/or debt and/or re-financing or other financing alternatives. The timing, terms, size and pricing of any future fundraising, if any, would be subject to the then-prevailing capital market conditions and our business and financial situation, as well as the need to obtain certain regulatory and other consents. There is no assurance that we would be able to obtain the necessary consents and/or funding in a timely manner, in sufficient amount or on favorable terms. See "Item 3. Key Information—D. Risk Factors—Risks Affecting Our Business— *We may be required to obtain financing for capacity acquisition related transactions, strategic and/or other growth or M&A opportunities, which we may not be able to obtain.*"

Recent Financing Transactions

Capital Leases

Certain of our subsidiaries enter into, from time to time, capital lease agreements, mostly for machinery and equipment operated in our facilities, usually for a period of four years, with an option to buy the machinery and equipment after a period of between three to four years from the start of the lease period. These lease agreements currently contain annual interest rates of up to 1.95% and the assets under the lease agreements are pledged to the lender until the time at which the respective subsidiary buys the assets. The obligations under the capital lease agreements are guaranteed by Tower, except for TPSCo's obligations under its capital lease agreements.

As of December 31, 2023 and 2022, the aggregate outstanding capital lease liabilities for fixed assets were \$118.3 million and \$158.1 million, respectively, of which \$40.3 million and \$39.6 million, respectively, were included under current maturities of long-term debt. The available lease lines as of December 31, 2023 were approximately \$45.0 million.

Loan Agreement from Japanese Financial Institutions

In December 2021, TPSCo refinanced its then existing loan with an 11 billion JPY (approximately \$78 million as of December 31, 2023) asset-based loan with a consortium of financial institutions comprised of (i) JA Mitsui Leasing, Ltd., (ii) Mitsubishi HC Capital Inc., (iii) Taishin International Bank Co., Ltd., Tokyo Branch; and (iv) BOT Lease Co. Ltd. (the "2021 JPY Loan"). The 2021 JPY Loan carries a fixed interest rate of 1.95% per annum with principal payable in seven semiannual payments from December 2024 until December 2027. The 2021 JPY Loan is secured mainly by a lien over the machinery and equipment of TPSCo located in the Uozu and Tonami facilities.

In September 2023, TPSCo entered into a term loan agreement with JA Mitsui Leasing Ltd. for an additional 3.5 billion JPY (approximately \$25 million as of December 31, 2023) term loan (the "2023 JPY Loan"). The 2023 JPY Loan carries a fixed interest rate of 1.95% per annum with principal payable in seven semiannual payments from September 2024 until September 2027. The 2023 JPY Loan is secured by a second lien over the machinery and equipment of TPSCo located in the Uozu and Tonami facilities.

The aggregate outstanding principal amount of the JPY Loans was \$102 million as of December 31, 2023.

The JPY Loans contain certain financial ratios and covenants, as well as customary definitions of events of default and acceleration of the repayment schedule. TPSCo's obligations pursuant to the JPY Loans are not guaranteed by Tower, NTCJ, or any of their affiliates. As of December 31, 2023, TPSCo was in compliance with all of the financial covenants under the JPY Loans.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Our research and development activities are related primarily to our foundry process by way of improvements, upgrades and development, and have been sponsored and funded by us with some participation by the Israeli government. Our research and development expenses for the years ended December 31, 2023, 2022 and 2021 were \$79.8 million, \$83.9 million and \$85.4 million, respectively, net of government participation of \$0.5 million, \$0.3 million and \$0.8 million, respectively.

For a description of our research and development policies and our patents and licenses, see “Item 4. Information on the Company– B. Business Overview.”

D. TREND INFORMATION

We operate as a specialty foundry in the semiconductor industry. The semiconductor industry is historically characterized as highly cyclical, both seasonally and over the long term. Over time, the market fluctuates, cycling through periods of weak demand, production excess capacity, excess inventory and price pressure, and periods of strong demand, full capacity utilization, and product shortages, commanding higher selling prices.

There is a trend within the semiconductor industry toward ever-smaller features and growing wafer sizes. State-of-the-art digital fabs are currently supporting process geometries of down to 3-7 nanometers on 300mm wafers. As demand for smaller geometries increases, there is downward pressure on the pricing of larger geometry products, and potential underutilization of fabs that are limited to these larger geometry products, which may result in reduced profitability for the associated fabs. However, our strategy to focus on differentiated specialty analog technologies, along with our deep applications knowledge, design enablement tools and customer technical support, enable a portion of our wafers to be charged at higher wafer selling prices as compared to “commoditized” standard products. We currently offer process geometries of (i) 0.35, 0.18, 0.16, and 0.13 -micron on 200-mm wafers; and (ii) 65 nanometer on 300-mm wafers. We continue to invest in our portfolio of specialty process technologies and intellectual property (IP) to address the key product and system requirements of our customers, enabling them to compete in their respective markets.

Another key element of our strategy is to target multiple large, growing and diversified end markets. We target end markets characterized by high growth and high performance, for which we believe our specialty process technologies and design services offer a strong, compelling value proposition to our customers. We focus on markets driven by three industry mega-trends: “Green Everything”, “Wireless Everything”, and “Smart Everything”. Our target markets include the Internet of Things (IoT), machine-to-machine communication devices, ultra-low power mobile applications, wireless and high-speed wireline communications, consumer applications, automotive, medical, artificial intelligence and industrial markets. For example, we believe that our specialty RF- SOI and SiGe process technologies can provide performance and cost advantages over current GaAs solutions in the realization of switches and power amplifiers for wireless handsets and smartphones. Our SiGe and silicon photonic technology can provide speed, power and cost advantage over alternative technologies for high-speed optical transceivers used for data communication in data centers, artificial intelligence clusters and network infrastructure. Our power management platforms enable the industry’s analog IC suppliers to differentiate their product offerings in the markets we serve. Our specialized CMOS image sensor platforms allow customers to fabricate ultra high sensitivity/low noise CIS products for operation in visible, infra-red, ultra-violet and X-ray spectral ranges, and develop both ultra small-size cameras and large imagers occupying the whole surface of a 200mm or even a 300mm wafer. We also target the rapidly growing non-visual sensor markets by developing specialized sensors, in particular advanced integrated UV, gas and BioFET sensors. In addition, we target the display markets utilizing micro OLED on silicon, using our well established processes, and in particular, our stitching technology to create large displays for the AR/VR growing market.

We are also engaged in development of intellectual property for enabling data processing using artificial intelligence based on our original device approaches by using our patented memristor solutions for emulating synapses in artificial neural networks. Our specialty products and target market strategy allow us to grow and diversify our business by attracting new customers, which expands our customer base, and broadening our business with existing customers.

During recent years, we have accelerated our plans to expand our capacity, including through our recent agreement with Intel under which Tower will have access to a 300mm capacity corridor in Intel's facility in New Mexico, the United States. We are focused on successfully integrating all of our fabs globally and increasing the utilization of our fabs, by attracting new customers and opportunities.

We seek to maintain capital efficiency by leveraging our operational model and ensure cost-effectiveness. With a global capacity footprint, including six fabs in three continents, and an additional fab to be shared in Italy, we are focused on sharing and applying best practices across the organization, to provide our customers with high quality solutions, along with the applications knowledge and technical support that allow them to benefit from a competitive edge in the market. Our geographical diversity allows us to perform an internal benchmark among our acquired facilities to gain knowledge on work processes and methodologies, thereby ensuring that we maintain a high level of operations across all facilities. Our global foothold also provides our customers with flexibility and business continuity in terms of opportunity for capacity availability.

Over the last several years, we have been constantly looking to expand our presence in the global markets, penetrate new geographical areas, increase our served markets and expand our technology offering through business and development ventures.

This may also be accomplished through the establishment of new facilities with third party collaboration and/or funding, mergers and acquisitions with potential target facilities that may include a solid base of customer demand for the increase of our capacity and/or development of technologies that may expand our servable and/or available market potential, and increase our revenue, customer base and margins. Such transactions, mergers and acquisitions are also beneficial as they provide our customers with capacity diversification and opportunity for additional growth through access to increased capacity. We continuously evaluate potential acquisition opportunities and seek to secure additional capacity. Our current cash balance, deposits and/or investments in marketable securities may be used to enable us to realize and execute on such opportunities, and we may require additional financing through, among other things, debt (including convertible debt, bonds, notes or debentures) and/or equity issuances (including shares and warrants), in order to consummate such opportunities and/or fund our other operational and capital expenditure cash needs, as well as our strategy to expand our global footprint, capacity and capabilities. During 2023, we continued to increase our investments in property and equipment to expand the capacities and capabilities of our existing fabs and our shared fab in Italy.

E. CRITICAL ACCOUNTING ESTIMATES

Our financial statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, as well as related disclosures. We evaluate our estimates, assumptions and judgments on an ongoing basis. Our estimates, assumptions and judgments are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our financial statements, which, in turn, could change the results from those reported.

The critical accounting policies used in the preparation of our consolidated financial statements that we believe were most affected by significant management estimates and judgments are discussed below. See Note 2 to the consolidated financial statements included elsewhere in this annual report for further information on all significant accounting policies that we used to prepare our consolidated financial statements.

Income Taxes

Our provision for income taxes is affected by income taxes in a multinational tax environment. The income tax provision is an estimate determined based on current enacted tax laws and tax rates at each of our geographic locations with the use of acceptable allocation methodologies based upon our organizational structure, our operations and business mode of work, and result in applicable local taxable income attributable to those locations.

For the year ended December 31, 2023, the consolidated provision for income taxes was \$65.3 million comprised of amounts related to Israel, Japan and the United States, as detailed in Note 19 to our financial statements.

In December 2021, the OECD released Pillar Two model rules imposing on large multinational corporations, with revenue above €750 million, a minimum effective corporate income tax rate of 15% in every jurisdiction in which they operate. As of January 1, 2024, the rules have been enacted or partially enacted in certain jurisdictions in which we operate. We are studying the rules and its potential impact on our future consolidated financial statements and tax payments, including the rules' transitional safe harbors, which may enable to postpone the application of the rules to us until after January 1, 2026.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Set forth below is information regarding our senior management and directors as of April 15, 2024:

Officer	Senior Management Name	Age	Title(s)
A	Russell C. Ellwanger	69	Chief Executive Officer and Director of Tower, and Chairman of the Board of Directors of its subsidiaries Tower Semiconductor USA, Inc., Tower US Holdings, Inc., Tower Semiconductor NPB Holdings, Inc., Tower Semiconductor Newport Beach, Inc., Tower Partners Semiconductor Co., Ltd., Tower Semiconductor San Antonio, Inc. and Tower Semiconductor Italy, S.r.l.
B	Oren Shirazi	54	Chief Financial Officer, Senior Vice President of Finance
C	Rafi Mor	60	Chief Operating Officer
D	Dr. Marco Racanelli	57	President
E	Dr. Avi Strum	61	Chief Technology Officer
	Director's Name(*)	Age	Title
F	Amir Elstein	68	Chairman of the Board of Directors
G	Kalman Kaufman	78	Director
H	Dana Gross	56	Director
I	Ilan Flato	67	Director
J	Yoav Z. Chelouche	70	Director
K	Iris Avner	59	Director
L	Michal Vakrat Wolkin	52	Director
M	Avi Hasson	53	Director

(*) Russell Ellwanger also serves as an ex-officio director; his information is included under Senior Management above.

Senior Management:

Russell C. Ellwanger has served as our Chief Executive Officer since May 2005. Mr. Ellwanger has also served as a director since September 2016, and previously served as a director between May 2005 and April 2013. Mr. Ellwanger serves as Chairman of the Board of Directors of our subsidiaries, Tower Semiconductor USA, Inc., Tower US Holdings, Inc., Tower Semiconductor NPB Holdings, Inc., Tower Semiconductor Newport Beach, Inc., Tower Partners Semiconductor Co., Ltd., Tower Semiconductor San Antonio, Inc. and Tower Semiconductor Italy, S.r.l. From 1998 to 2005, Mr. Ellwanger served in various executive positions for Applied Materials Corporation, including Group Vice President, General Manager of the Applied Global Services (AGS), from 2004 to 2005, and Group Vice President, General Manager of the CMP and Electroplating Business Group, from 2002 to 2004. Mr. Ellwanger also served as Corporate Vice President, General Manager of the Metrology and Inspection Business Group, from 2000 to 2002, during which time he was based in Israel. From 1998 to 2000, Mr. Ellwanger served as Vice President of Applied Materials' 300-mm Program Office, USA. Mr. Ellwanger served as General Manager of Applied Materials' Metal CVD Division from 1997 to 1998 and from 1996 to 1997, Mr. Ellwanger served as Managing Director of CVD Business Development, during which time he was based in Singapore. In addition, Mr. Ellwanger held various managerial positions in Novellus System from 1992 to 1996 and in Philips Semiconductors from 1980 to 1992.

Oren Shirazi has served as our Chief Financial Officer and Senior VP Finance since November 2004. Mr. Shirazi serves as a board member of Tower Semiconductor Newport Beach, Inc. Mr. Shirazi joined us in October 1998, serving initially as vice controller and then as controller commencing in July 2000. Prior to joining us, Mr. Shirazi was employed as an audit manager in the accounting firm of Ratzkovski-Fried & Co., which merged into Ernst & Young (Israel). Mr. Shirazi is a Certified Public Accountant in Israel (CPA). Mr. Shirazi holds an MBA degree from the Graduate School of Business of Haifa University with honors and a B.A. degree in economics and accounting from the Haifa University.

Rafi Mor has served as Chief Operating Officer of Tower since August 2014. Mr. Mor serves as a board member of Tower Semiconductor Newport Beach, Inc., Tower Semiconductor NPB Holdings, Inc., Tower Partners Semiconductor Co., Ltd., Tower Semiconductor San Antonio, Inc. and Tower Semiconductor Italy, S.r.l. Mr. Mor served as Chief Executive Officer of TowerJazz Japan from October 2011 until August 2014, after serving as Senior Vice President and General Manager of Tower Semiconductor Newport Beach, Inc. from September 2008. In October 2010, Mr. Mor was nominated to be the manager of our Newport Beach Fab, in addition to his General Manager role. Prior thereto, Mr. Mor served in Tower Semiconductor Ltd. as Vice President of Business Development from April 2007, after serving as Vice President and Fab 2 Manager from August 2005, and as Fab 1 Manager from March 2003. From November 2000 to March 2003, Mr. Mor served as Senior Director of Process Device & Yield of Fab 1. From 1998 to 2000, Mr. Mor served as Director of Equipment Reliability & Support of Fab 1. Previously, Mr. Mor was employed by National Semiconductor in various engineering and management capacities. Mr. Mor holds M.A. and B.A. degrees in chemical engineering from Ben Gurion University.

Dr. Marco Racanelli has served as our President since November 2023. Prior to that, Dr. Racanelli served as Senior Vice President and General Manager of the Analog Business Unit from December 2018 and as the Newport Beach Site Manager from April 2014. Dr. Racanelli serves as a board member of Tower Semiconductor Newport Beach, Inc. Prior to that, Dr. Racanelli served as Senior Vice President from June 2012 and General Manager, RF & High Performance Analog Business Group and Aerospace & Defense Group from September 2008. Prior to that, Dr. Racanelli served as Vice President of Technology & Engineering, and Aerospace & Defense General Manager for Jazz Semiconductor. Prior to that, Dr. Racanelli held several positions at Conexant Systems and Rockwell Semiconductor from 1996 in the area of technology development, where he helped establish industry leadership in SiGe and BiCMOS and MEMS technology and built a strong design support organization. Prior to Rockwell, Dr. Racanelli worked at Motorola, Inc., where he contributed to bipolar, SiGe and SOI development for its Semiconductor Products Sector. Dr. Racanelli holds a Ph.D. and a M.Sc. degree in Electrical and Computer Engineering from Carnegie Mellon University, and a B.Sc. degree in Electrical Engineering from Lehigh University. Dr. Racanelli holds over 35 U.S. patents.

Dr. Avi Strum has served as our Chief Technology Officer since November 2023, in addition to his role of Senior Vice President and General Manager of the Sensors and Displays Business Unit from 2018. Dr. Strum serves as a member of the board of directors of TPSCo since 2019. Prior to that, Dr. Strum served as Vice President and General Manager of the Specialty Business Unit, Vice President of Europe Sales, Head of the Design Center in Netanya and Device and Integration Department Manager. Prior to joining Tower, Dr. Strum served as the President and COO of TransChip Inc. and from 1996 to 2001, he served in various positions with Intel Corp., both in Israel and the US. From 1990 to 1996, he was the R&D Manager of SCD and was in charge of all the Infrared Detectors development in SCD. Dr. Strum received his Ph.D. and B.Sc. degree in Electrical Engineering from the Technion— Israel Institute of Technology.

Directors:

Amir Elstein has served as the Chairman of our Board since January 2009. Mr. Elstein serves as a Director of Teva Pharmaceutical Industries Ltd. and serves as Chairman of the Israel Democracy Institute. During 2010-2013, Mr. Elstein served as Chairman of the Board of Directors of Israel Corporation. Mr. Elstein was a member of Teva Pharmaceutical Industries senior management team from 2005 to 2008, where he ultimately held the position of the Executive Vice President at the Office of the Chief Executive Officer, overseeing Global Pharmaceutical Resources. Prior to that, Mr. Elstein was an executive at Intel Corporation, where he worked for 23 years, eventually serving as General Manager of Intel Electronics Ltd., an Israeli subsidiary of Intel Corporation. Mr. Elstein received a B.Sc. degree in physics and mathematics from the Hebrew University of Jerusalem and M.Sc. degree in the Solid State Physics Department of Applied Physics from the Hebrew University of Jerusalem. In 1992, Mr. Elstein received his diploma of Senior Business Management from the Hebrew University of Jerusalem.

Kalman Kaufman has served as a director since 2005 and as chairman of the Corporate Governance and Nominating Committee since January 2018. Mr. Kaufman served as Corporate Vice President at Applied Materials from 1994 to 2005. Between 1985 and 1994, Mr. Kaufman served as President of KLA Instruments Israel, a company he founded, and General Manager of Kulicke and Soffa Israel. Mr. Kaufman is currently the Chairman of the board of directors of Invisia, a director at Agritech Inc., Blue Circle, an AI company, and Chair of the general assembly of the Kinneret Academic College and chairman of the Tzemach Kineret Development Corporation. Mr. Kaufman holds engineering degrees from the Technion— Israel Institute of Technology.

Dana Gross has served as a director since November 2008, as a member of the Corporate Governance and Nominating Committee since January 2018, as a member of the Compensation Committee since February 2013 and as Chair of the Compensation Committee since November 2020. In addition, Mrs. Gross has served as a director on the board of Tower Semiconductor Newport Beach, Inc., our wholly-owned subsidiary, since March 2009. Mrs. Gross is currently the Head of Strategic Initiatives at Fiverr International Ltd. since February 2022. Ms. Gross served as chief strategy officer of Prospera Technologies Ltd., a Valmont company developing AgTech Data solutions from 2021 until 2023, and previously served as its chief operating officer and chief financial officer from 2017 until 2021. Mrs. Gross was the chief financial officer of eToro, a FinTech company that developed a Social Investment network from 2014 to 2016, and the chief executive officer of bTendo, a start-up company that developed MEMS-based PICO projection solutions, from 2010 until it was acquired by ST Microelectronics in 2012. Mrs. Gross was a Venture Partner at Viola Ventures, a leading Israeli venture capital firm, from 2008 until 2010. From 2006 to 2008, Mrs. Gross was a Senior VP, Israel Country Manager at SanDisk Corporation. From 1992 to 2006, Mrs. Gross held various senior positions at M-Systems, including Chief Marketing Officer, VP Worldwide Sales, President of M-Systems Inc. (US subsidiary) and chief financial officer, VP Finance and Administration. In addition, Mrs. Gross has served on the board of directors of Playtika Holding Corp. since January 2022, and previously served as a director of M-Systems Ltd., Audiocodes Ltd. and Power Dsine Ltd. Mrs. Gross holds a B.Sc. degree in industrial engineering from Tel Aviv University and an M.B.A. degree from San Jose State University.

Ilan Flato has served as a director since February 2009 (until November 2016 as an external director, within the meaning of the Companies Law). Mr. Flato served as chairman of the Compensation Committee from February 2013 until October 2019 and since such time continues to serve as a member of the Compensation Committee. Mr. Flato has served as a member of the Audit Committee since April 2009. Mr. Flato is classified by the Board of Directors as an audit committee financial expert under applicable SEC rules. Mr. Flato has served as President of The Association of Publicly Traded Companies on the Tel Aviv Stock Exchange since January 2012. In addition, Mr. Flato serves as an independent director, chairman of the Audit Committee and member of the compensation committee of HUB Cyber Security Ltd. (NASDAQ CM: HUBC) since April 2023. Since 2011, Mr. Flato is a member of the Israel Bar Association. From 2009 until 2018, Mr. Flato served as a director in two Provident Funds. From 2009 until April 2018, Mr. Flato served as Chairman of the Business Executive of Kibbutz Kfar Blum. From January 2018 until April 2020, Mr. Flato served as Chairman of the Business Executive Kibbutz "NAAN". Since 2004, Mr. Flato has functioned as an independent financial adviser. Until 2004, Mr. Flato served as the VP for planning, economics and online banking at United Mizrahi Bank and as the Chief Economist of the bank. From 1992 until 1996, Mr. Flato served as the Economic Advisor to the Prime Minister of Israel. Prior to that position, Mr. Flato served in the Treasury Office as the deputy director of the budget department. In addition, Mr. Flato served as a member of the board of directors of many government-owned companies. Mr. Flato holds a B.A. degree in economics from Tel-Aviv University, an LL.B. degree from Netanya College, an M.A. degree in law from Bar-Ilan University and an MSIT from Clark University.

Yoav Z. Chelouche has served as a director since April 2016, as a member of the Corporate Governance and Nominating Committee since January 2018, and as the Chair and member of our Audit Committee since May 2017. Mr. Chelouche is classified by the Board of Directors as an audit committee financial expert under applicable SEC rules. Mr. Chelouche has served as Managing Partner of Aviv Ventures since its inception in 2001. Between 1995 and 2001, Mr. Chelouche served as President & CEO of Scitex Corp. Until 2015, Mr. Chelouche was co-chairman of Israel Advanced Technology Industries. Mr. Chelouche currently serves on the Board of Directors of the following publicly listed companies: Check Point Software Technologies, Ltd. (NASDAQ) and Malam-Team Ltd. (TASE). Mr. Chelouche also previously served as Chairman and/or director of several public companies, including the Tel-Aviv Stock Exchange, Ltd. (TASE) and Shufersal Ltd. (TASE). Mr. Chelouche holds a B.A. degree in economics and statistics from Tel Aviv University and an MBA degree from INSEAD, Fontainebleau, France.

Iris Avner has served as a director since June 2016 (until November 2016 as an external director, within the meaning of the Companies Law), and has served as a member of the Audit Committee since June 2016. Ms. Avner served as a member of the Compensation Committee from June 2016 until October 2019. Ms. Avner is classified by the Board of Directors as an audit committee financial expert under applicable SEC rules. Ms. Avner serves as Chief Executive Officer of Nika Holdings, Ltd. From 2008 to 2015, Ms. Avner served as Managing Partner of Mustang Mezzanine Fund, L.P. and served on Mustang's board of directors from 2014 until 2015. From 1996 until 2008, Ms. Avner served as Chief Executive Officer of Mizrahi Tefahot Capital Markets Ltd. and from 1996 until 2005, served as Senior Credit Officer & Deputy CEO of Mizrahi Tefahot Bank. In addition, from 1997 until 2002, Ms. Avner served as Assistant Professor and external lecturer in the Executive MBA Program at Tel Aviv University. From 1988 until 1996, Ms. Avner held various positions at Israel Discount Bank, including Senior Credit Officer and Senior Economist. Ms. Avner has served as a member of the board of directors of Israel Discount Bank since March 2018. Since 2024, Ms. Avner serves as the chairperson of the Credit Committee of the Israel Discount Bank board. Ms. Avner has served as a board member and chairperson of the Audit Committee of Amir Marketing and Investments in Agriculture since May 2017. In addition, Ms. Avner has served as a member of the board of directors of Rotshtein Real Estate since August 2016 and as chairperson of its Audit Committee and Nomination Committee since 2017. Ms. Avner previously served on several other boards and board committees in Israel and abroad, both as director and chairperson. Ms. Avner holds a B.A. degree in accounting and economics from the Hebrew University of Jerusalem and an MBA degree from Tel Aviv University.

Michal Vakrat Wolkin has served as a director since September 2020, and as a member of the Corporate Governance and Nominating Committee since November 2020. In 2023, Ms. Wolkin served as the Director of Global Battery Investments for General Motors. Ms. Wolkin has served as a partner at GFT Ventures, a global venture capital firm, since 2020 and on the Advisory Board of RACAH Nano Tech Fund of the Hebrew University of Jerusalem since 2019. Ms. Wolkin served as Managing Director of Lear Innovation Ventures from January 2017 until 2020. During 2014-2016, Ms. Wolkin served as Head of 3M R&D Israel and from 2012 until 2014, she served as Technical Chair of the Night Rover Challenge of NASA/CleanTech Open. Ms. Wolkin served as Director of Energy Storage Technologies in Better Place from 2008 until 2012, and from 2004 until 2008, she served as Member of Research Staff II at the Hardware system lab at Xerox PARC. Ms. Wolkin serves as a lecturer at Raichman University in "Disruptive innovation in multinational corporations" since 2021. Ms. Wolkin received her B.Sc. degree in Chemical Engineering from the Technion-- Israel Institute of Technology in Israel in 1996 and Ph.D. degree in Applied Physics and Materials Science from the University of Rochester, NY in 2000. In 2003 until 2004, Ms. Wolkin did her Post-doctorate at the Electronics Materials Lab at Xerox PARC.

Avi Hasson has served as a director since September 2020, and as a member of the Audit Committee and Compensation Committee since November 2020. Mr. Hasson is classified by the Board of Directors as an audit committee financial expert under applicable SEC rules. Mr. Hasson is the chief executive officer of Start-Up Nation Central, an independent non-profit that connects Israeli innovation to global partners. Mr. Hasson previously served as a partner at Emerge, a leading early stage venture capital firm. Mr. Hasson serves in several non-profit organizations, including as a director on the board of directors of Sheba Medical Center at Tel Hashomer and SpaceIL. From January 2011 until July 2017, Mr. Hasson served as the Chief Scientist in the Ministry of Economy and Industry and as Chairman of the Israel Innovation Authority. From 2000 until 2010, Mr. Hasson served as General Partner at Gemini Israel Funds, a top tier venture capital fund in Israel. Prior thereto, Mr. Hasson held executive positions in product management, marketing and business development at various telecommunication technology companies, including ECI Telecom, eCtel and Tadiran Systems. Mr. Hasson received his B.A. degree in Economics and Middle East studies from Tel-Aviv University in 1997 and M.B.A. degree from Tel Aviv University in 2002.

We are not party to, and are not aware of, any arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any director or executive officer was selected as a director or member of senior management, as the case may be.

B. COMPENSATION

Under the Companies Law, a public company must have a compensation policy regarding the terms of engagement of office holders, as such term is defined in the Companies Law. The compensation policy must be approved at least once every three years, first, by our board of directors, upon recommendation of our compensation committee, and second, by the shareholders by a simple majority of the ordinary shares present, in person or by proxy, and voting at a shareholders meeting, provided that either: (i) a majority of the shares voted by shareholders who are not controlling shareholders and shareholders who do not have a “personal interest” in the proposal (excluding abstaining votes) voted in favor of the proposal; or (ii) the total number of shares voted against the proposal by shareholders who are not controlling shareholders and shareholders who do not have a personal interest in the proposal does not exceed two percent (2%) of the Company’s outstanding voting rights. Under special circumstances, the board of directors may approve the compensation policy despite the objection of the shareholders on the condition that the compensation committee and then the board of directors decide, on the basis of detailed grounds and after discussing again the compensation policy, that approval of the compensation policy, despite the objection of shareholders, is for the benefit of the company.

Our current compensation policy for executive officers and directors, which was approved by our shareholders on July 3, 2023, serves as the basis for decisions concerning the financial terms of employment or engagement of our office holders (within the meaning of the Companies Law), including compensation, equity-based awards, indemnification and insurance, severance and other benefits. Our compensation policy is performance-based and is designed to align our officers’ and directors’ interests with those of our company and shareholders in order to enhance shareholder value. Our compensation policy allows us to provide incentives that reflect short-term, mid-term and long-term goals and performance, as well as motivate achievement of company targets, while providing compensation that is competitive in the global marketplace in which we recruit our senior management.

As an Israeli company with a significant global footprint, we aim to adopt compensation policies and procedures that align with global companies of similar complexity, including companies in our industry and other companies which compete with us for similar talent.

Under the Companies Law, a company’s compensation policy must be determined and later reevaluated according to certain factors, including: the advancement of the company’s objectives, business plan and long-term strategy; the creation of appropriate incentives for office holders, while considering, among other things, the company’s risk management policy; the size and the nature of the company’s operations; and with respect to variable compensation, the contribution of the office holder towards the achievement of the company’s long-term goals and the maximization of its profits, all with a long-term objective and according to the position of the office holder. The compensation policy must furthermore consider the following additional factors:

- the education, skills, expertise and achievements of the relevant office holder;
- the role and responsibilities of the office holder, and prior compensation arrangements with the office holder;

- the ratio of the cost of the terms of employment of an office holder to the cost of compensation of the other employees of the company (including any employees employed through manpower companies), specifically to the cost of the average and median salaries of such employees and the impact of the disparities between them upon work relationships in the company;
- with respect to variable compensation, the possibility of reducing variable compensation at the discretion of the board of directors, and the possibility of setting a limit on the exercise value of non-cash variable equity-based compensation; and
- with respect to severance compensation, the period of employment or service of the office holder, the terms of his or her compensation during such period, the company's performance during such period, the person's contribution towards the company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the company.

In addition, under the Companies Law, a company's compensation policy must also include the following features: (i) with respect to variable components of the compensation of the chief executive officer, determining the variable compensation components on long term performance and measurable metrics; however, an immaterial portion of the variable components of the compensation of the chief executive officer, in the amount of up to three monthly salaries per annum, can be discretion-based awards (i.e., not based on measurable metrics), taking into account the contribution of the chief executive officer to the company. This requirement applies also to any other office holder (within the meaning of the Companies Law) who is not subordinate to the chief executive officer, if any (such as directors, including the chairman of the board of directors); (ii) the ratio of variable components and fixed components and a cap on variable components at the time of their payment, except that the cap for equity-based compensation is determined at the time of grant; (iii) the conditions under which an office holder would be required to return compensation paid, in the event that it is later revealed that such amounts were paid on the basis of data that was inaccurate and was required to be restated in the company's financial statements; (iv) the minimum holding or vesting periods for equity-based variable components of compensation, while taking into consideration long term incentives; and (v) maximum limits on grants or benefits paid upon termination.

Compensation under our compensation policy may include: base salary; benefits and perquisites, performance-based cash bonuses and other bonuses (such as special bonuses for substantial achievements and sign-on bonuses); equity-based compensation; and retirement, termination and other arrangements. Our compensation policy aims to optimize the mix of fixed compensation and variable compensation in order to, among other things, appropriately incentivize office holders to meet our goals while considering our management of business risks and sets maximum ratios between the two types of compensation elements.

All compensation arrangements of officers and directors are required to be approved in the manner prescribed by applicable law (see details in Exhibit 2.1 to this annual report).

For the year ended December 31, 2023, we paid to all our directors and senior management whose names are specified in Item 6A and who served during the period, as a group, an aggregate of \$6.62 million in salaries, fees, payments upon termination and bonuses (excluding employer cost, relocation related expenses and equity-based compensation, which are detailed below). In addition, the total employer cost for personal vehicles, relocation related expenses, amounts set aside or accrued to provide for insurance, severance, retirement, vacation and similar benefits or expenses for such persons was approximately \$1.20 million for the year ended December 31, 2023.

The following is a summary of the Company's cost (including its employer's cost), including all compensation paid and/or value awarded and granted in cash and/or equity vehicles, respectively, to our five most highly compensated officers and/or directors for the year ended December 31, 2023, which consist of the individuals listed as A, D, B, C and E in the table set forth in Item 6A above (collectively referred to herein as the "Covered Officers").

The base salary of our executive officers is individually determined according to past performance, educational background, country of residence, professional experience, qualifications, specializations, role, business responsibilities, achievements of the officer and prior salary and compensation arrangements, as well as comparative peer group analyses. Base salary cost gross recorded by the Company for the compensation of Covered Officers A, D, B, C and E for the year ended December 31, 2023, amounted to \$0.91 million, \$0.47 million, \$0.40 million, \$0.33 million and \$0.27 million, respectively. Executive officers are entitled to social and other benefits in accordance with applicable law, our policies and common practice. The cost of social and other benefits awarded to the Covered Officers A, D, B, C and E for the year ended December 31, 2023, amounted to \$0.22 million, \$0.15 million, \$0.19 million, \$0.20 million and \$0.16 million, respectively. In addition, relocation and related reimbursement expenses awarded to Covered Officer A for the year ended December 31, 2023, amounted to \$0.28 million. No relocation related payments or accruals were made to any of Covered Officers D, B, C and E during the year ended December 31, 2023.

Our policy is to award annual cash bonuses to executive officers, subject to the attainment of pre-determined annual measurable objectives, which are set in the first quarter of each year, and personal performance evaluation. In accordance with our compensation policy, the pre-defined annual bonus plans include measurable metrics and the weight (in percentage terms) of each metric as a portion of the annual measurable metrics, as well as a minimum threshold for achievement of corporate measurable metrics below which no portion of the pre-determined corporate measurable metrics component of the annual bonus will be awarded, and a portion of the annual bonus is based on performance evaluation, in accordance with our compensation policy and subject to applicable law. The bonus cost gross amounts paid by the Company for the compensation of the Covered Officers A, D, B, C and E during the year ended December 31, 2023, amounted to \$1.66 million, \$0.56 million, \$0.49 million, \$0.41 million and \$0.33 million, respectively.

Equity based compensation for directors and officers is intended to be in the form of restricted share units ("RSUs"), performance-based stock units ("PSUs), options and/or other equity forms, in accordance with our equity-based compensation policies and programs in place from time to time and in accordance with our compensation policy. Equity-based compensation may be granted as an annual grant and/or from time to time, and is individually determined. Generally, equity-awards shall not begin to vest before the end of the first year from the date of grant. We calculate the fair market value of equity-based compensation for officers and directors at the time of grant according to the Black-Scholes model, binomial model or any other best practice or commonly accepted equity-based compensation valuation model, when such award is duly approved in accordance with applicable law and amortize such value in our statements of operations over the applicable vesting schedule. Total value of equity-based compensation awarded to the Covered Officers A, D, B, C and E and recorded for the year ended December 31, 2023 (calculated based on the total amortization cost recorded in the Company's statement of operations for the year ended December 31, 2023 with respect to all equity-based grants awarded to the applicable Covered Officer), amounted to \$7.32 million, \$1.85 million, \$1.68 million, \$1.28 million and \$0.97 million, respectively.

Under our compensation policy, we may grant our executive officers certain termination and retirement payments, including change of control related compensation, subject to the termination of employment of such officer or resignation under certain circumstances as specified in such change of control provision, and subject to receipt of applicable corporate approvals as required by law. In accordance with our compensation policy and the employment terms of our chief executive officer, upon termination of his employment, including upon a change of control, our chief executive officer may be eligible for a payment of twelve-monthly base salaries, and in the event of termination of his employment upon a change of control, he may also be entitled to acceleration of all unvested equity. In addition, under our compensation policy, upon a change of control, all other executive officers may be entitled to a payment in the amount of up to nine months' base salary and acceleration of all unvested equity, and the chairman of the board of directors and other directors may be entitled to acceleration of all of their unvested equity. No such payment or accrual was made or earned during the year ended December 31, 2023.

Following approval of our shareholders and consistent with our compensation policy, we pay each of our directors (other than our chief executive officer who also serves as a director, whose compensation is detailed above, and the chairman of our board of directors, whose compensation is detailed below): (i) an annual fee of \$52,500; and (ii) a committee membership fee of up to \$6,000 annually and an additional fee of up to \$3,000 annually for each committee chairperson; as well as reimbursement for reasonable travel and other expenses in accordance with our policies. In addition, the board of directors may compensate directors for special activities that are performed under special circumstances, in the amount of up to \$2,000 per meeting. With regards to the chairman of our board of directors, at our 2023 annual general meeting of shareholders, our shareholders approved the payment of an annual cash fee of \$300,000 (paid in monthly installments) and the award of time-based vesting RSUs in the value of \$300,000, which vest in three equal installments on each of the three anniversaries of the date of grant. If the service of the chairman of our board of directors is terminated for any reason other than for cause, including by way of resignation, prior to the third anniversary from the date of grant, all his unvested RSUs shall be accelerated. Furthermore, at our 2023 annual general meeting of shareholders, our shareholders approved the award to each of our directors (other than our chief executive officer and the chairman of our board of directors, whose compensation is detailed above) of time-based vesting RSUs in the value of \$125,000, which vest over a two-year period, with 50% vesting at the end of each of the two anniversaries of the date of grant. In the event any such director's service is terminated for any reason other than for cause, including by way of resignation, prior to the second anniversary of the date of grant, (i) if such director has served on the board of directors for five years or more, all his/her unvested RSUs shall be accelerated; and (ii) if such director has served on the board of directors for less than five years, 50% of all his/her unvested RSUs shall be accelerated.

We have entered into exemption and indemnification agreements with each of our officers and directors, pursuant to which, subject to the limitations set forth in the Companies Law, the Israeli Securities Law, 1968 and our articles of association, they will be exempt from liability for breaches of the duty of care and we agreed to indemnify them for certain costs, expenses and liabilities with respect to events specified in such agreements. In addition, our officers and directors are currently covered by a directors' and officers' liability insurance policy.

Equity Incentive Plans

In 2013, the Company adopted a share incentive plan for its directors, officers, employees and its subsidiaries' employees (the "2013 Plan"). In accordance with our compensation policy, the aggregate amount of outstanding equity-based compensation awarded by the Company at any time shall not exceed 10% of the fully-diluted share capital of the Company, as calculated at the time of grant (which fully-diluted share capital will be calculated pro-forma after taking into account the proposed grants and shares underlying all outstanding equity-based awards).

As of December 31, 2023, we had a total of approximately 0.72 million outstanding RSUs and PSUs which were awarded to our directors and Covered Officers under the 2013 Plan, of which approximately 0.38 million to our chief executive officer and approximately 0.02 million to the chairman of our board of directors.

At our 2023 annual general meeting, our shareholders approved an equity grant to our chief executive officer in the value of \$7.11 million, 40% of which is RSUs and 60% of which is PSUs (referred to as “Base PSUs”), and an additional equity grant in the value of \$0.43 million as upside PSUs (referred to as the “Upside PSUs”). The RSUs vest over a three-year period, such that one-third shall vest at the end of each year over a three-year period from the date of grant. The vesting of the Base PSUs was subject to the attainment of certain pre-defined financial performance metrics of net profit and cash from operations for the year ended December 31, 2023, weighted equally, and if such 2023 performance measures are met, the Base PSUs vest over a three year period, such that one third of the Base PSUs vest at the end of each year from the date of grant. The vesting of the Upside PSUs was conditioned upon the Company’s actual financial performance in 2023 exceeding the pre-defined financial performance metrics for the vesting of the Base RSUs. Subject to exceeding such pre-defined performance targets, the Upside PSUs vested in proportion to the degree by which such pre-defined performance targets were exceeded in relation to a certain upside target percentage that was pre-defined by the Compensation Committee and Board of Directors, and such portion of Upside PSUs would also vest over the three-year time-vesting schedule as detailed above for the RSUs and the Base PSUs. Actual net profit for 2023 was \$518.5 million and cash from operations for 2023 was \$676.6 million. Since these 2023 actual financial results exceeded the pre-defined financial performance metrics for the vesting of the Base PSUs and Upside PSUs, the chief executive officer was entitled to all of the Base and Upside PSUs, which continue to be subject to the three-year-time-vesting schedule described above. Under the above referenced approval, we granted to the chief executive officer 75,807 RSUs and 125,081 PSUs, consisting of 113,710 Base PSUs and 11,371 Upside PSUs, subject to the time-vesting schedule as detailed above, for a total compensation value of approximately \$7.54 million.

In addition, further to our shareholders’ approval in July 2023, we granted (i) 7,995 time-based vesting RSUs to the chairman of the board of directors, for a total compensation value of approximately \$0.3 million, and (ii) 3,331 time-based vesting RSUs to each of our seven board members who served on the board of directors at the time of such shareholders’ meeting (excluding the chairman and the chief executive officer), for a total compensation value of approximately \$0.9 million. In addition, during 2023, we granted an aggregate of approximately 0.08 million RSUs and approximately 0.08 million PSUs (approximately 90% of which Base PSUs and approximately 10% of which Upside PSUs), to the Covered Officers (excluding the chief executive officer) under the 2013 Plan, vesting over a three-year period, for a total compensation value of approximately \$6.2 million.

Our compensation policy includes minimum shareholding guidelines pursuant to which: (i) the chief executive officer is required to own ordinary shares in a minimum value that equals at least three times his annual base salary, commencing May 2024; and (ii) the directors and other executive officers are required to own ordinary shares in a minimum value that equals at least 50% of their respective annual fee or annual base salary, as applicable, commencing July 2025. The chief executive officer, other officers and directors have been provided five years from the date our board of directors approved their respective minimum shareholding guidelines to accumulate such minimum holdings until such specified dates, and during such period they must retain at least 20% of the vested time-based RSUs that may be granted to them from the date the respective guideline was approved by the board of directors and until the respective minimum holding is met.

For further information concerning our employee equity plans and outstanding employee equity, see Note 15B to the consolidated financial statements included in this annual report.

C. BOARD PRACTICES

Board of Directors

Our Articles of Association provide that the Board of Directors shall consist of at least five and no more than 11 members. Our Board of Directors is currently comprised of nine directors. Our directors are elected by the general meeting of our shareholders by the vote of a majority of the ordinary shares present, in person or by proxy, and voting at that meeting. Generally, our directors hold office until their successors are elected at the next annual general meeting of shareholders (or until any of their earlier resignation or removal in accordance with the Companies Law). In addition, our Articles of Association allow our board of directors to appoint directors (other than the external directors) to fill vacancies on our board of directors, until the next annual general meeting of shareholders.

External Directors

The Companies Law requires Israeli companies with shares that have been offered to the public in or outside of Israel to appoint at least two external directors. However, pursuant to the Companies Regulations (Relief for Companies Whose Shares are Registered for Trading Outside of Israel) – 2000 (the “Relief Regulations”), an Israeli public company whose shares are listed on certain foreign stock exchanges, including the NASDAQ Global Select Market, may elect to exempt itself from the Companies Law requirement to appoint external directors and related rules concerning the composition of the audit committee and compensation committee of the board of directors if it meets both of the following conditions:

- The company does not have a controlling shareholder; and
- The company complies with the requirements of the securities laws and stock exchange regulations in the foreign jurisdiction where its shares are listed relating to the appointment of independent directors and composition of the audit and compensation committees as applicable to companies that are incorporated under the laws of such foreign jurisdiction.

In accordance with the Relief Regulations, we elected to “opt out” from the Companies Law requirement to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors.

Director Independence

In accordance with the exemption from the Israeli law requirement to have external directors serving on our Board of Directors, we comply with the director independence requirements and the audit committee and compensation committee composition requirements under U.S. laws (including applicable Nasdaq Stock Market rules) applicable to U.S. domestic issuers. In addition, the composition of our corporate governance and nominating committee complies with the requirements of the Nasdaq Listing Rules applicable to U.S. domestic issuers. Under the Nasdaq Listing Rules, a majority of the board of directors must be comprised of independent directors (as defined in the Nasdaq Listing Rules). Our board of directors has made a determination of independence under the Nasdaq Listing Rules with respect to all directors, other than Mr. Ellwanger, our Chief Executive Officer.

Audit Committee

Our audit committee currently consists of Mr. Yoav Z. Chelouche, Mr. Ilan Flato, Mr. Avi Hasson and Mrs. Iris Avner. Mr. Yoav Z. Chelouche serves as the audit committee chairman.

Composition requirements

The Companies Law requires public companies to appoint an audit committee; however, following the Company's determination to follow the relief with respect to external directors under the Relief Regulations, as described above, the composition of our audit committee is governed by the rules set forth in the Nasdaq Listing Rules and the Exchange Act.

Under Nasdaq Listing Rules, we are required to maintain an audit committee consisting of at least three independent directors (within the meaning of the Exchange Act and Nasdaq Listing Rules), each of whom must meet certain requirements for financial literacy and one of whom has accounting or related financial management expertise, and none of whom has participated in the preparation of our or any of our subsidiaries financial statements at any time during the prior three years.

The Board of Directors has determined that all of the members of the audit committee meet the independence and financial knowledge requirements for audit committee service of the Nasdaq Listing Rules and the Exchange Act, as well as the Nasdaq Listing Rules requirement regarding financial sophistication. In addition, our Board of Directors has determined that each member of our audit committee is an audit committee financial expert pursuant to the applicable SEC rules.

Audit Committee role

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the audit committee consistent with the Companies Law, SEC rules and the Nasdaq Listing Rules, which include:

- retaining and terminating our independent auditors, subject to the ratification of the board of directors, and in the case of retention, to that of the shareholders, as applicable in accordance with the Companies Law;
- pre-approving of audit and non-audit services and related fees and terms, to be provided by the independent auditors;
- overseeing the accounting and financial reporting processes of our company and audits of our financial statements and the effectiveness of our internal control over financial reporting;
- reviewing with management and our independent auditor our annual and quarterly financial statements prior to publication or filing (or submission, as the case may be);
- recommending to the board of directors the retention and termination of the internal auditor, and the internal auditor's engagement fees and terms, in accordance with the Companies Law as well as approving the yearly or multi-year plan proposed by the internal auditor, and review the results and findings of internal audits;
- overseeing the Company's risk assessment and reviewing regulatory compliance;
- determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest) and whether any such transaction is extraordinary or material under Companies Law;

- determining whether a competitive process must be implemented for the approval of certain transaction(s) with controlling shareholder(s) or its relative or in which a controlling shareholder has a personal interest (whether or not the transaction is an extraordinary transaction), under the supervision of the audit committee or other party determined by the audit committee and in accordance with standards to be determined by the audit committee, or whether a different process determined by the audit committee should be implemented for the approval of such transaction(s);
- determining the process for the approval of certain transactions with controlling shareholders or in which a controlling shareholder has a personal interest that the audit committee has determined are not extraordinary transactions but are not immaterial transactions; and
- responsible for the handling of employees' complaints as to the management of our business and the protection to be provided to such employees.

Compensation Committee

Our compensation committee is comprised of Mr. Ilan Flato, Mr. Avi Hasson and Mrs. Dana Gross. Mrs. Dana Gross serves as the compensation committee chairperson.

Composition requirements

The Companies Law requires public companies to appoint a compensation committee; however, following the Company's determination to adopt the relief provided under the Relief Regulations, as described above, the composition of our compensation committee is governed by the rules set forth in the Nasdaq Listing Rules and the Exchange Act.

Under the Nasdaq Listing Rules, we are required to maintain a compensation committee consisting of at least two directors, each of whom is an independent director within the meaning of the Nasdaq Listing Rules.

The Board of Directors has determined that all of the members of the compensation committee meet the independence requirements for compensation committee service of the Nasdaq Listing Rules, including the additional independence requirements applicable to the members of a compensation committee.

Compensation Committee role

Our board of directors adopted a compensation committee charter, which sets forth the responsibilities of the compensation committee consistent with the Nasdaq Listing Rules and the requirements for compensation committees under the Companies Law, including the following:

- recommending to the Board of Directors for its approval (i) a compensation policy for officers and directors, (ii) once every three years, extension of the compensation policy (either a new compensation policy or the continuation of an existing compensation policy must in any case occur every three years); and (iii) periodic updates to the compensation policy. In addition, the compensation committee is required to assess the implementation of the compensation policy;
- approving transactions relating to the terms of office and employment of office holders (within the meaning of the Companies Law), which require the approval of the compensation committee pursuant to the Companies Law; and
- reviewing and approving equity grants to non-executive employees under our equity-based incentive plans.

Corporate Governance and Nominating Committee

Our corporate governance and nominating committee is comprised of Mr. Kalman Kaufman, Mrs. Dana Gross, Ms. Michal Vakrat Wolkin and Yoav Z. Chelouche. Mr. Kalman Kaufman serves as the corporate governance and nominating committee chairman.

Our board of directors has adopted a corporate governance and nominating committee charter setting forth the responsibilities of the corporate governance and nominating committee, which include:

- overseeing and assisting our board of directors in reviewing and recommending nominees for election as directors;
- assessing the performance of the members of our board of directors;
- reviewing and recommending to our board of directors the structure and members of committees of the board;
- assisting our board of directors in carrying out its responsibilities related to chief executive officer succession planning;
- reviewing and overseeing our corporate governance practices and communication plans for shareholder meetings and to promote effective communication for shareholder meetings; and
- overseeing our commitment to ESG matters and advising our board of directors on such matters.

Internal Auditor

Under the Companies Law, the board of directors of an Israeli public company must appoint an internal auditor, who is recommended by the audit committee. The role of the internal auditor is to examine, among other matters, whether the company's actions comply with the law and orderly business procedure. Under the Companies Law, the internal auditor may be an employee of the company but not an office holder (within the meaning of the Companies Law) or an interested party (i.e., a person who holds more than 5% of the Company's outstanding shares or voting rights or who has the power to appoint a director or the general manager of the company) or a relative of an office holder or interested party, and may not be the company's independent auditor or its representative. Joseph Ginossar of Fahn Kanne, an affiliate of Grant Thornton International, serves as our internal auditor.

Director Service Contracts

Other than under the employment arrangement with Mr. Russell Ellwanger, our Chief Executive Officer and a director, as detailed in "Item 6. Directors, Senior Management and Employees—B. Compensation," we do not have written agreements with any director providing for benefits upon the termination of his or her services with our Company. Under the term of our directors' equity awards, as approved by the shareholders, in the event a director's service is terminated for any reason, including by way of resignation, prior to the second anniversary from the date of the equity grant, (i) if the director has served on our board of directors for five years or more, all unvested equity shall be accelerated; and (ii) if the director has served on our board of directors for less than five years, 50% of all unvested equity shall be accelerated.

D. EMPLOYEES

The following table sets forth for the last three fiscal years, the number of our employees engaged in the specified activities.

	As of December 31,		
	2023	2022	2021
Process and product engineering, R&D and design	887	1,067	1,045
Operations	3,491	3,858	4,168
Operations support	544	410	386
Sales and marketing, finance & administration	293	278	288
Total	5,215	5,613	5,887

As of December 31, 2023, we had 1,596 employees located in Israel, 1,377 employees located in the United States, 2,212 employees located in Japan and 30 employees located in other countries in the Asia Pacific region and across Europe.

Other than a special collective agreement relating to our Israeli employees regarding employer payments to pension funds of such employees, as described below, our employees in Israel are not covered under a collective bargaining agreement. However, in Israel we are subject to certain labor statutes and national labor court precedent rulings, as well as to certain provisions of the collective bargaining agreements between the Histadrut and the Coordination Bureau of Economic Organizations, by virtue of expansion orders issued in accordance with relevant labor laws by the Israeli Ministry of Labor and Welfare, and which apply such agreement provisions to our employees even though they are not directly part of a union that has signed a collective bargaining agreement. The labor laws and court rulings that apply to our employees principally concern the minimum wage laws, procedures for dismissing employees, determination of severance pay, leaves of absence (such as annual vacation or maternity leave), sick pay and other conditions for employment. The expansion orders that apply to our employees principally concern the requirement for length of the workday and workweek, mandatory employer's payments to employees' pension funds, annual recreation allowance, travel expenses payment and other conditions of employment.

There have been attempts, including recently, by the Histadrut to organize and establish a representative labor union for our Israeli employees. Under Israeli law, establishing a representative labor union requires that at least one-third of the Israeli employees join the Histadrut and in such case, all employees would be liable to pay its membership fees. While the Histadrut's attempts have not succeeded to date, if a representative labor union would be established in the future, we would need to conduct negotiations with the representative labor union and the Histadrut regarding the employees' terms of employment and benefits.

Under the special collective bargaining agreement to which we are party relating to our Israeli employees, we are required to pay funds to an employee's insurance fund and/or pension fund. Such funds generally provide a combination of savings plans, insurance and severance pay benefits to the employee, securing his or her right to receive pension or giving the employee a lump sum payment upon retirement, under certain circumstances, if legally entitled, upon termination of employment. Tower's Israeli employees pay an amount equal to 6% of his or her wages to the insurance fund or pension fund, and Tower pays an additional 14.83% to 15.83% of the employee's wages to such funds. Israeli law generally requires severance pay upon the retirement or death of an employee or termination of employment by the employer without due cause. Under the special collective bargaining agreement, Section 14 to the Israeli Severance Pay Law, 5723-1963 applies to Tower, according to which the employer's payments to severance pay is in lieu of payment of severance pay upon termination of employment. Therefore, the monthly payments as mentioned above constitute the entire required payments for severance pay, and we are not required to pay any additional severance upon termination of employment of our Israeli employees for the period during which Sections 14 applies.

A portion of the employees at our Newport Beach, California fab are represented by a union and covered by a collective bargaining agreement. NPB Co. maintains a defined benefit pension plan for certain of its employees covered by a collective bargaining agreement that provides for monthly pension payments to eligible employees upon retirement. The pension benefits are based on years of service and specified benefit amounts. In addition, the bargaining agreement includes a post-retirement medical plan for certain employees. Certain eligible union employees who terminate employment are provided with a lump-sum benefit payment.

Most of TPSCo's employees at its Japan fabs are represented by a union and covered by a collective bargaining agreement. TPSCo established a Defined Contribution Retirement Plan (the "DC Plan") for its employees, through which TPSCo pays approximately 8% with employee average match of 1% from the employees' base salary to the DC Plan. Such payment releases the employer from further obligation to any payments upon termination of employment. The payment is remitted either to third party benefit funds that are responsible to invest the funds based on employee preference, or directly, to those employees who elected not to enroll in the DC Plan.

E. SHARE OWNERSHIP

As of March 31, 2024, no individual director or senior management beneficially owned (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) one percent or more of our ordinary shares and all directors and senior management in the aggregate beneficially owned 0.45% of our ordinary shares. As of March 31, 2024, our directors and senior management beneficially owned an aggregate of approximately 0.89 million RSU and PSUs to purchase our ordinary shares. For information regarding our equity-based incentive plans, see Note 15B to our consolidated financial statements included in this annual report.

F. DISCLOSURE OF A REGISTRANT'S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION

None.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

Information concerning the beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of our ordinary shares by any person who is known to us to beneficially own 5% or more of our issued and outstanding ordinary shares as of March 31, 2024 is set forth below. The percentage of beneficial ownership of our ordinary shares is based on 111,003,755 ordinary shares issued and outstanding as of March 31, 2024.

The voting rights of our major shareholders do not differ from the voting rights of other holders of our ordinary shares.

Name of Beneficial Owner	Ordinary Shares Beneficially Owned	
	Number	Percent (1)
Migdal Insurance & Financial Holdings Ltd (2)	8,402,025	7.57%
Harel Insurance Investments & Financial Services (3)	8,216,838	7.40%
Senvest Management, LLC (4)	8,033,256	7.24%
Clal Insurance Enterprises Holdings Ltd. (5)	5,617,259	5.06%

(1) In accordance with the rules of the SEC, assumes (i) the holder's beneficial ownership of outstanding ordinary shares and all ordinary shares that the holder has a right to purchase within 60 days of March 31, 2024; and (ii) no other exercisable or convertible securities held by other holders has been exercised or converted into ordinary shares.

(2) Based solely upon and qualified in its entirety with reference to, a notice provided to the Company by Migdal Insurance & Financial Holdings Ltd. as of March 31, 2024. Based solely upon, and qualified in its entirety with reference to, information provided to the Company by Migdal Insurance & Financial Holdings Ltd. and public filings, we believe the percentage of our ordinary shares beneficially owned by Migdal Insurance & Financial Holdings Ltd. during the past three years has ranged between 3.8% and 7.6%, however, there is no assurance this shareholder did not own fewer shares than the minimum point of this range on certain dates during this period, as this information is not publicly available or otherwise provided to the Company.

- (3) Based solely upon and qualified in its entirety with reference to, a notice provided to the Company by Harel Insurance Investments & Financial Services Ltd. as of March 31, 2024. Based solely upon, and qualified in its entirety with reference to, information provided to the Company by Harel Insurance Investments & Financial Services Ltd. and public filings, we believe the percentage of our ordinary shares beneficially owned by Harel Insurance Investments & Financial Services Ltd. during the past three years has ranged between 4.7% and 7.4%, however there is no assurance this shareholder did not own fewer shares than the minimum point of this range on certain dates during this period as this information is not publicly available or otherwise provided to the Company.
- (4) Based solely upon and qualified in its entirety with reference to, a notice provided to the Company by Senvest Management, LLC as of March 31, 2024. Based solely upon, and qualified in its entirety with reference to, information provided to the Company by Senvest Management, LLC and public filings, we believe the percentage of our ordinary shares beneficially owned by Senvest Management, LLC during the past three years has ranged between 3.8% and 7.9%, however there is no assurance this shareholder did not own fewer shares than the minimum point of this range on certain dates during this period as this information is not publicly available or otherwise provided to the Company.
- (5) Based solely upon and qualified in its entirety with reference to, a notice provided to the Company by Clal Insurance Enterprises Holdings Ltd. as of March 31, 2024. Based solely upon, and qualified in its entirety with reference to, information provided to the Company by Clal Insurance Enterprises Holdings Ltd. and public filings, we believe the percentage of our ordinary shares beneficially owned by Clal Insurance Enterprises Holdings Ltd. during the past three years has ranged between 3.5% and 6.1%, however there is no assurance this shareholder did not own fewer shares than the minimum point of this range on certain dates during this period as this information is not publicly available or otherwise provided to the Company.

As of April 1, 2024, based on information provided to us by our transfer agent in the United States, there were a total of 12 holders of record of our ordinary shares, of which 8 were registered with addresses in the United States. Such U.S. record holders were, as of such date, the holders of record of approximately 70% of our outstanding ordinary shares. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held by brokers or other nominees (including one U.S. nominee company, CEDE & Co., which held approximately 70% of our outstanding ordinary shares as of such date, including those held for the benefit of the Tel Aviv Stock Exchange clearing house as a member of Depository Trust Company).

B. RELATED PARTY TRANSACTIONS

Other than executive officer and director compensation, executive officer employment arrangements, equity-based compensation award agreements with officers and directors, indemnification and exculpation arrangements with officers and directors, and directors' and officers' liability insurance, as discussed elsewhere in this annual report, for the years 2021, 2022 and 2023 and through the date of the filing of this annual report with the SEC, we have not been and are not a party to any transactions in which any of our directors, executive officers or holders of 5% or more of our share capital, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest. For additional information, see Note 18 to the consolidated financial statements included herein.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Consolidated Financial Statements.

See “Item 18 – Financial Statements”.

Legal Proceedings

NPB Co. leases its facilities under an operational lease agreement that was initially in effect until March 2022 and provided NPB Co. an option, at its sole discretion, to extend the lease for an additional five-year period, which NPB Co. elected to exercise for the lease to continue through March 2027. In the amendment to the lease, (i) NPB Co. secured various contractual safeguards designed to limit and mitigate any adverse impact of the landlord’s construction activities being conducted adjacent to Fab 3 on its operations; and (ii) the lease agreement includes certain obligations, including certain noise abatement actions, in relation to the facility. The landlord has made claims that NPB Co.’s noise abatement efforts are not adequate under the terms of the amended lease and has requested a judicial declaration that NPB Co. has committed material non-curable breaches of the lease and that, in accordance with the lease, the landlord would be entitled to terminate the lease. NPB Co. does not agree and is disputing these claims. See “Item 3. Key Information—D. Risk Factors—Risks Affecting Our Business— *Risks relating to the Fab 3 lease could harm our business, operations and financial results.*”

Dividend Policy

We currently intend to retain our cash balance, deposits, investments in marketable securities and future earnings to finance our growth and acquisition strategy, as well as capacity growth and our ongoing operations, and we do not anticipate paying any dividends in the foreseeable future. In addition, the Companies Law imposes restrictions on our ability to declare and pay dividends. See Exhibit 2.1 to this annual report “Description of Securities—Dividend and Liquidation Rights.” If our board of directors will decide in the future to pay dividends, the form, frequency and amount will depend upon our future growth and acquisition strategy, as well as our capacity growth plans, future operations and earnings, capital requirements and surplus, general financial condition, contractual and legal restrictions and other factors that our directors may deem relevant. Payment of dividends may be subject to Israeli withholding taxes. See “Item 10. Additional Information—E. Taxation—Israeli Taxation” for additional information.

B. SIGNIFICANT CHANGES

No significant change has occurred since December 31, 2023, except as disclosed in this annual report.

ITEM 9. THE OFFER AND LISTING

Our ordinary shares are listed and traded on the NASDAQ Stock Market (on the NASDAQ Global Market through March 16, 2012, on the NASDAQ Capital Market from March 17, 2012 through September 6, 2012, and on the NASDAQ Global Select Market since that date) and on the Tel Aviv Stock Exchange (“TASE”) under the symbol “TSEM”.

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

A copy of our Articles of Association is attached as Exhibit 1.1 to this annual report, as amended by Exhibits 1.2-1.7 to this annual report. Other than as disclosed below, the information called for by this Item is set forth in Exhibit 2.1 to this annual report and is incorporated by reference into this annual report.

Registration Number and Purposes

Our registration number with the Israeli Companies Registrar is 520041997. Pursuant to Section 4 of our Articles of Association, our objective is to engage in any lawful activity.

Shareholder Meetings

Under Israeli law and our Articles of Association, we are required to hold an annual general meeting of shareholders each year that must be held no later than 15 months from the last annual meeting, upon at least 21 days' prior notice to our shareholders.

A special general meeting may be convened by the Board of Directors, at such times as it deems fit. In addition, the Board of Directors is required to convene a special general meeting at the request of (i) any two directors or twenty-five percent of the board members or (ii) one or more shareholders holding at least 5% of our issued share capital and 1% of the voting rights or one or more shareholders holding at least 5% of the voting rights. Shareholders requesting a special general meeting must submit their proposed resolution with their request. However, under regulations promulgated under the Companies Law, in the case of Israeli companies listed on certain foreign stock exchanges, including the NASDAQ Global Select Market, such as us, the Board of Directors shall convene a special general meeting of shareholders upon the written request of one or more shareholders holding, in the aggregate, at least (a) 10% of the issued share capital and 1% of the voting rights; or (b) 10% of the voting rights of the company, provided that if the law of the foreign jurisdiction, as it applies to companies incorporated in such jurisdiction, permit a shareholder holding less than 10% of the issued share capital or voting rights to request to convene such a shareholder meeting, the foregoing provision under the regulations shall not apply. Within 21 days of receipt of the request, the Board of Directors must convene a special general meeting and provide notice for the meeting setting forth the date, time and place of the meeting, which generally shall not be convened more than 35 days after the notice for the meeting. If the special general meeting is not convened by the Board of Directors as set forth above, the person who requested the Board to convene the meeting may convene the meeting, in the same manner a special general meeting is convened by the Board of Directors, provided that such meeting shall not be held after three months have elapsed from the date the request was submitted.

Pursuant to the Companies Law, resolutions regarding the following matters are required to be approved by our shareholders at a general meeting:

- amendments to our Articles of Association;
- appointment, terms of engagement and termination of engagement of our independent auditors;
- appointment and dismissal of external directors (if applicable);

- approval of certain related party transactions and certain officer and director compensation;
- increase or reduction of authorized share capital in accordance with the provisions of the Companies Law;
- a merger; and
- the exercise of the Board of Directors' powers by the general meeting, if the Board of Directors is unable to exercise its powers and the exercise of any of its powers is essential for Tower's proper management.

Subject to the provisions of the Companies Law and regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which, as a company listed on an exchange outside Israel, may be between four and 60 days prior to the date of the meeting.

The Companies Law requires that a notice of any annual general meeting or special general meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes, among other things, the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, an approval of a merger or the approval of the compensation policy, notice must be provided at least 35 days prior to the meeting.

2023 Annual General Meeting of Shareholders

Each of the proposals presented for approval at the 2023 Annual General Meeting of Shareholders of the Company held on July 3, 2023 (the "Meeting") were approved by the requisite vote of the Company's shareholders in accordance with the Companies Law and the Company's articles of association, as described in the Notice and Proxy Statement for the Meeting that was attached as Exhibit 99.1 to a Report of Foreign Private Issuer on Form 6-K furnished by the Company to the SEC on May 18, 2023. The percentage of shares represented at the Meeting that voted in favor of each proposal (excluding abstentions) is as follows (and with respect to Proposals 3, 4 and 5, the percentage is of the shares represented at the Meeting that voted in favor of the proposal by shareholders who are not controlling shareholders and shareholders who do not have a personal interest (within the meaning of the Companies Law) in the applicable proposal (excluding abstentions)). Proposal 1, to elect nine members to the Board of Directors of the Company to serve until the Company's next annual general meeting of shareholders and until their respective successors are duly elected: Mr. Amir Elstein – approximately 89%; Mr. Russell Ellwanger – approximately 83%; Mr. Kalman Kaufman – approximately 71%; Ms. Dana Gross – approximately 81%; Mr. Ilan Flato – approximately 87%; Mr. Yoav Chelouche - approximately 89%; Ms. Iris Avner - approximately 96%; Ms. Michal Vakrat – approximately 94%; Mr. Avi Hasson – approximately 99%. Proposal 2, to appoint Mr. Amir Elstein as the Chairman of the Company's Board of Directors and approve the terms of his compensation in such capacity: approximately 71%. Proposal 3, to approve the Company's compensation policy for directors and executive officers: approximately 77%. Proposal 4, to approve an increase in the annual base salary of the Company's chief executive officer: approximately 80%. Proposal 5, to approve the award of equity-based compensation to the Company's chief executive officer: approximately 76%. Proposal 6, to approve an equity grant to each member of Company's Board of Directors (other than with respect to Mr. Amir Elstein and Mr. Russell Ellwanger whose equity compensation is addressed in Proposals 2 and 5, respectively): approximately 77%. Proposal 7, to approve the appointment of Brightman Almagor Zohar & Co., Certified Public Accountants, a firm in the Deloitte Global Network, as the independent registered public accountants of the Company for the year ending December 31, 2023, and for the period commencing January 1, 2024 and until the next annual shareholders' meeting, and to further authorize the Audit Committee of the Board of Directors to determine the remuneration of such firm in accordance with the volume and nature of its services: approximately 96%.

Borrowing Powers

Our Board of Directors may, from time to time, at its discretion, approve the receipt of credit by the Company in any amount and the discharge thereof, in such manner as it deems fit, as well as the award of collateral to secure any such credit, of whatsoever type. The Board of Directors may, from time to time, at its discretion, approve the issue of a series of debentures, including capital notes or bonds, and including debentures, capital notes or bonds convertible or exercisable into shares, and determine the terms thereof, and to charge all or any of our present or future property by way of a floating or fixed charge. In accordance with our Articles of Association, debentures, capital notes, bonds or other securities, as aforesaid, may be issued at a discount, with a premium or in any other manner, with deferred rights, special rights, privileges or other rights, all as determined by the board of directors at its discretion.

C. MATERIAL CONTRACTS

For information regarding material contracts, see Notes 10, 11, 12, 13, 14 and 15 to our consolidated financial statements for the year ended December 31, 2023 included in this annual report and the agreements described in this annual report under the caption “Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources”.

TPSCo Agreements

In March 2014, we acquired a 51% equity stake in TPSCo from Panasonic. Panasonic transferred its 8-inch and 12-inch capacity tools at its three fabs (Uozu E, Tonami CD and Arai E) to TPSCo, and entered into several agreements with TPSCo for and in relation to wafer sales from TPSCo to Panasonic for a period of five years. In June 2014, Panasonic’s shares in TPSCo were transferred, and its rights and obligations were assigned, to its wholly-owned subsidiary, PSCS. In March 2019, agreements were signed between Tower, TPSCo and PSCS to extend the aforementioned agreements by an additional three-year period under certain amended terms (the “Renewed Agreements”).

In September 2020, Panasonic sold its shares in PSCS to Nuvoton Technology Corp. (a Taiwan-based company, majority-owned by Winbond Electronics Corporation, a Taiwan-based specialty memory company), which assumed and continues performance of the agreements previously signed between Tower, Panasonic, PSCS and/or TPSCo. Following the September 2020 sale, the registered name of PSCS was changed to Nuvoton Technology Corporation Japan (“NTCJ”). In 2022, the Renewed Agreements were further renewed until March 2027 under certain amended terms. As part of the TPSCo agreements, at the request of Panasonic (through PSCS until 2020 and through NTCJ thereafter), the operations in Japan were reorganized and restructured such that the Arai factory, which solely supported NTCJ and did not serve Tower or TPSCo’s foundry customers, ceased operations effective July 2022. The Uozu and Tonami facilities remain unchanged.

TPSCo leases its buildings and facilities in Japan from NTCJ (formerly PSCS) under a capital lease contract until at least March 2032.

TSIT Agreements

In 2021, we entered into a definitive agreement with ST to share a 300mm facility being built in Agrate, Italy under a collaborative arrangement, following which TSIT, a wholly-owned Italian subsidiary of Tower, was incorporated. The buildings and facilities are being established by ST. The parties are expected to share the cleanroom space and the facility infrastructure, and TSIT will have the right to use one-third of the installed capacity for its foundry customers. TSIT is currently installing certain tools in the Agrate facility and developing certain processes and technologies that it expects to qualify and ramp-up at the facility.

In September 2023, Tower and Intel entered into an agreement under which Tower will have access to a 300mm capacity corridor in Intel's facility in New Mexico, the United States. Under the agreement, Tower will invest up to \$300 million to acquire equipment and other fixed assets to be owned by Tower and installed and qualified for Tower processes in Intel's facility.

D. EXCHANGE CONTROLS

There are currently no Israeli government laws, decrees, regulations or other legislation that restrict or affect our import or export of capital, including the availability of cash and cash equivalents for use by us, or the remittance of dividends, interest or other payments to holders of our securities that are non-residents of Israel, except under certain circumstances, for nationals of countries that are, or have been, in a state of war with Israel.

E. TAXATION

The discussion below does not purport to be an official interpretation of the tax law provisions mentioned therein or to be a comprehensive description of all tax law provisions which might apply to the acquisition, ownership and disposition of our securities or to reflect the views of the relevant tax authorities, and it is not meant to replace professional advice in these matters. The discussion below is based on current, applicable tax law, which may be changed by future legislation or reforms. Non-residents should obtain professional tax advice with respect to the tax consequences of acquiring, holding or selling our securities under the laws of their countries of residence of acquiring, holding or selling our securities.

ISRAELI TAXATION

General Corporate Tax

Israeli companies are generally subject to ordinary corporate income tax currently at the rate of 23%. However, the effective tax rate payable by a company that derives income from a "Preferred Enterprise" (as further discussed below) may be considerably less.

Israeli Tax on Capital Gains

An individual is subject to a tax at a rate of 25% on real capital gains derived from the sale of shares, unless such individual claims a deduction for interest and linkage differences expenses in connection with the purchase and holding of such shares and as long as the individual is not a "Substantial Shareholder" in the company issuing the shares. In the case of a "Substantial Shareholder", the tax rate is 30%.

According to the definition of the term under the Israeli Income Tax Ordinance [New Version], 5721-1961 (the "Ordinance"), a "Substantial Shareholder" is generally a person who alone, or together with his relative or another person who collaborates with him on a regular basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include: (1) the right to vote, (2) the right to receive profits, (3) the right to nominate a director, an officer or any other similar positions in the corporation, (4) the right to receive assets upon liquidation, or (5) the right to instruct someone who holds any of the aforesaid rights regarding the manner in which he or she is to exercise such right(s), and all regardless of the source of such right.

An individual who is a substantial shareholder at the time of sale or at any time during the preceding 12-month period, is subject to tax at a rate of 30% in respect of real capital gains derived from the sale of shares issued by the company in which he or she is a substantial shareholder.

Individual shareholders dealing in securities in Israel are taxed at their marginal tax rates applicable to business income (up to 47% and an additional excess tax, if applicable, as described below).

Under present Israeli tax legislation, the tax rate applicable to real capital gain derived by Israeli resident corporations from the sale of shares of an Israeli company is the general Israeli corporate income tax rate at a current rate of 23%.

Non-Israeli residents are exempt from Israeli capital gains tax on any gains derived from the sale of shares in an Israeli corporation publicly traded on the TASE and/or on a foreign stock exchange, provided such gains do not derive from a permanent establishment of such shareholders in Israel and that such shareholders did not acquire their shares prior to the issuer's initial public offering. However, non-Israeli corporations will not be entitled to such exemption if Israeli residents (i) have a controlling interest of more than 25% in such non-Israeli corporation, or (ii) are the beneficiaries of or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. In addition, the sale of the shares may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority ("ITA") allowing for such an exemption). For example, the Convention between the Government of the United States of America and the Government of Israel with respect to taxes on income, or the "US-Israel Tax Treaty," generally exempts U.S. residents from Israeli capital gains tax in connection with such sale, provided that (i) the U.S. resident owned, directly or indirectly, less than 10% of the Israeli resident company's voting power at any time within the 12-month period preceding such sale; (ii) the seller, if an individual, has been present in Israel for less than 183 days (in the aggregate) during the taxable year; and (iii) the capital gain from the sale was not generated through a permanent establishment of the U.S. resident in Israel.

The purchaser of the shares, the stockbrokers who effected the transaction or the financial institution holding the shares through which payment to the seller is made are obligated, subject to the above-referenced exemptions if certain conditions are met, (including the receipt in advance of a valid tax certificate from the ITA allowing for an exemption), to withhold tax on the amount of consideration paid upon the sale of the shares (or on the real capital gain on the sale, if known) at the rate of 25% in respect of an individual and 23% in respect of a corporation.

Israeli Tax on Dividend Income

Israeli resident corporations are generally exempt from Israeli corporate tax for dividends paid on our ordinary shares.

On distributions of dividends other than a pro-rata distribution of bonus shares, or stock dividends, to Israeli and non-Israeli resident individuals and non-Israeli resident corporations, we would be required to withhold income tax at the rate of 25% (or 30% if such shareholder is a "Substantial Shareholder" at the time receiving the dividend or on any date in the 12 months preceding such date and the shares are not held through a nominee company). If the income out of which the dividend is being paid is attributable to a Benefited Enterprise or Preferred Enterprise or Preferred Technology Enterprise under the Investment Law, the tax rate is generally not more than 20%. A different rate may be provided pursuant to an applicable tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for such reduced tax rate or an exemption).

Under the US-Israel Tax Treaty, Israeli withholding tax on dividends paid to a U.S. resident may not, in general, exceed 25%. Where the recipient is a U.S. resident corporation owning 10% or more of the voting stock of the paying corporation during the part of the tax year which precedes the date of payment of the dividend and during the entire tax year preceding such year, the Israeli tax withheld may not exceed 12.5% or 15% in the case of dividends paid out of the profits of a corporation entitled to the benefits of the Investment Law, subject to certain conditions.

The Law for the Encouragement of Capital Investments, 5719-1959, generally referred to as the Investment Law, was originally enacted in order to provide certain incentives for capital investments in production facilities (or other eligible assets).

In recent years, the Investment Law has undergone major reforms and several amendments which were intended to provide expanded tax benefits and to simplify the bureaucratic process relating to the approval of investments qualifying under the Investment Law. The different benefits under the Investment Law depend on the enterprise's geographic location in Israel, the specific year in which the enterprise received approval from the Investment Center or the year it was eligible for Approved/Benefited/Preferred Enterprise status under the Investment Law, and the benefits available at that time.

Tax Benefits under the 2011 Amendment and thereafter

An amendment to the Investment Law that became effective on January 1, 2011, generally referred to as the 2011 Amendment, made significant changes to the Investment Law, which revamped the tax incentive regime in Israel. The main changes are, inter alia, as follows:

- Industrial companies meeting the criteria set out by the Investment Law for a "Preferred Income" of a "Preferred Enterprise" (as defined below) will be eligible for reduced and flat corporate tax rates of 7.5% (currently, following the 2017 Amendment described below) or 16% in 2017 and thereafter, with the actual tax rates determined by the location of the enterprise in Israel. The location of Tower's facilities in Israel (also referred to as "Zone A") entitles it to benefit from a tax rate of 7.5% on its Preferred Income. According to the 2011 Amendment, the tax incentives offered by the Investment Law are no longer dependent neither on minimum qualified investments nor on foreign ownership.
- A company can enjoy both government grants and tax benefits concurrently. Governmental grants will not necessarily be dependent on the extent of enterprise's investment in assets and/or equipment.

"Preferred Income" is defined as income from a Preferred Enterprise, as specified below, with the condition that the income was produced or arose in the course of the enterprise's ordinary activity in Israel from one of the following (excluding certain income derives from intangible assets which are not attributed to the enterprise's production): income from the sale of products of the Preferred Enterprise (including components that were produced by other enterprises) and excluding certain products that are sourced from Israel's natural resources); income from the sale of semiconductors produced by other non-related enterprises which use the Preferred Enterprise's self-developed know-how; income for providing a right to use the Preferred Enterprise's know how or software; royalties from the use of the know-how or software which was confirmed by the Head of the Investment Center to be related to the production activity of the Preferred Enterprise; and services with respect to the aforementioned sales. In addition, the definition of "Preferred Income" also includes income from the provision of industrial R&D services to foreign residents to the extent that the services were approved by the IIA.

A "Preferred Enterprise" is defined as an Industrial Enterprise (including, inter alia, an enterprise which provides approved R&D services to foreign residents), which generally more than 25% of its business income is from export. As mentioned above, these tax incentives no longer depend on minimum qualified investments nor on foreign ownership.

The Investment Law also determines the conditions and limitations applying to the tax benefits offered to a "Special Preferred Enterprise" (as defined below). A "Special Preferred Enterprise" will be able to enjoy a corporate income tax rate of 5% if located in a development Zone A and 8% if not located in a development Zone A.

A "Special Preferred Enterprise" is defined as a Preferred Enterprise which meets all of the following conditions, during the relevant tax year: (a) its Preferred Income is equal to or exceeds NIS 1 billion; (b) the total income of the company which owns the Preferred Enterprise or which operates in the same field of the Preferred Enterprise and which consolidates in its financial reports the company that owns the Preferred Enterprise equals or exceeds NIS 10 billion; and (c) its business plan was approved by the authorities as significantly benefitting the Israeli economy according to the Investment Law provisions.

Dividends paid out of income attributed to a Preferred Enterprise are generally subject to withholding tax at source at a rate of 20% or such lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for such reduced tax rate or an exemption). However, if such dividends are paid to an Israeli company, no tax will be withheld.

As Tower's facilities located in Israel qualify as a Preferred Enterprise, it is entitled to the 7.5% preferred tax rate described above with respect to its Preferred Income, and therefore, applies a 7.5% tax rate in determining its Israeli current tax provision, deferred tax assets and liabilities. Any portion of Tower's taxable income that is not eligible for Preferred Enterprise benefits, if at all, is to be taxed at the regular Israeli corporate tax rate of 23%.

Tax benefits under the 2017 Amendment

An amendment to the Investment Law was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and became effective as of January 1, 2017, generally referred to as the 2017 Amendment. The 2017 Amendment provides new tax benefits for two types of "Preferred Technology Enterprises," as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions will qualify as a "Preferred Technology Enterprise" and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as "Preferred Technology Income", as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technology Enterprise located in development Zone A. In addition, a Preferred Technology Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain "Benefitted Intangible Assets" (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the IIA.

The 2017 Amendment further provides that a technology company satisfying certain conditions (group turnover of at least NIS 10 billion) will qualify as a "Special Preferred Technology Enterprise" and will thereby enjoy a reduced corporate tax rate of 6% on its "Preferred Technology Income" regardless of the company's geographic location within Israel. In addition, a Special Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain "Benefitted Intangible Assets" to a related foreign company if the Benefitted Intangible Assets were either developed by the Special Preferred Enterprise or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from the IIA. A Special Preferred Technology Enterprise that acquires Benefitted Intangible Assets from a foreign company for more than NIS 500 million will be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed to Israeli shareholders by a Preferred Technology Enterprise or a Special Preferred Technology Enterprise, paid out of Preferred Technology Income, are generally subject to withholding tax at source at the rate of 20% (in the case of non-Israeli shareholders subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate of 20% or such lower rate as may be provided in an applicable tax treaty). However, if such dividends are paid to an Israeli company, no tax is required to be withheld. If such dividends are distributed to a foreign company that holds solely or together with other foreign companies 90% or more in the Israeli company and other conditions are met, the withholding tax rate will be 4%.

From time to time, the Israeli Government has discussed reducing the benefits available to companies under the Investment Law. The termination or substantial reduction of any of the benefits available under the Investment Law could materially increase our tax liabilities.

Tax Benefits under the 2021 Amendment

An amendment to the Investment Law that became effective on August 15, 2021, generally referred to as the 2021 Amendment, introduced a new dividend distribution ordering rule to cause the distribution of earnings that were tax-exempt under the historical Approved or Beneficial Enterprise regimes (Trapped Earnings), to be on a pro-rata basis from any dividend distribution, which is applicable to distributions starting from August 15, 2021 and onwards. Generally, distribution of Trapped Earnings is resulting in corporate tax liability in respect of the amount of the dividend (grossed-up to reflect the pre-tax income that it would have had to earn in order to distribute the dividend) at the corporate tax rate which would have otherwise been applicable ('corporate tax claw-back'). Accordingly, the corporate income tax claw-back will apply to any dividend distribution, as long as the company has Trapped Earnings. As of December 31, 2023, Tower has no Trapped Earnings.

OECD's BEPS Initiative

Notwithstanding the discussion above, the global implementation of a minimum corporate tax rate under Pillar Two of the OECD's BEPS initiative may cause an increase of the income tax rate that applies to Tower's taxable income from 7.5% to a higher rate for periods commencing not before 2026. In December 2021, the OECD released Pillar Two model rules imposing on large multinational corporations, with revenue above €750 million, a minimum effective corporate income tax rate of 15% in each jurisdiction in which they operate. As of January 1, 2024, the rules have been enacted or partially enacted in certain jurisdictions in which the Company operates. The Company is studying the rules and its potential impact on its future consolidated financial statements and tax payments, including the rules' transitional safe harbors, which may enable to postpone the application of the rules to the Company until after January 1, 2026.

Excess Tax

Subject to the provisions of an applicable tax treaty, individuals who are subject to tax in Israel are also subject to an additional tax at the rate of 3% on the annual taxable income (including, but not limited to, dividends, interest and capital gain) exceeding NIS 663,240 in 2022, NIS 698,280 in 2023 and NIS 721,560 in 2024.

Estate and Gift Tax

Israeli law presently does not impose estate or gift taxes.

U.S. Federal Income Tax Considerations

The following discussion is a description of the material U.S. federal income tax considerations applicable to an investment in the ordinary shares by U.S. Holders who acquire our ordinary shares and hold them as capital assets for U.S. federal income tax purposes. As used in this section, the term "U.S. Holder" means a beneficial owner of an ordinary share who is:

- an individual citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States or of any state of the United States or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if the trust has elected validly to be treated as a United States person for U.S. federal income tax purposes or if a U.S. court is able to exercise primary supervision over the trust's administration and one or more United States persons have the authority to control all of the trust's substantial decisions.

The term "Non-U.S. Holder" means a beneficial owner of an ordinary share who is not a U.S. Holder. The tax consequences to a Non-U.S. Holder may differ substantially from the tax consequences to a U.S. Holder. Certain aspects of U.S. federal income tax relevant to a Non-U.S. Holder also are discussed below.

This description is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, referred to in this discussion as the Code, existing and proposed U.S. Treasury regulations and administrative and judicial interpretations, each as available and in effect as of the date of this annual report. These sources may change, possibly with retroactive effect, and are open to differing interpretations. This description does not discuss all aspects of U.S. federal income taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special treatment under U.S. federal income tax law, including:

- insurance companies;
- dealers in stocks, securities or currencies;
- financial institutions and financial services entities;
- real estate investment trusts;
- regulated investment companies;
- persons that receive ordinary shares as compensation for the performance of services;
- tax-exempt organizations;
- persons that hold ordinary shares as a position in a straddle or as part of a hedging, conversion or other integrated instrument;
- individual retirement and other tax-deferred accounts;
- expatriates of the United States;
- persons (other than Non-U.S. Holders) having a functional currency other than the U.S. dollar; and
- direct, indirect or constructive owners of 10% or more, by voting power or value, of us.

This discussion also does not consider the tax treatment of persons or partnerships that hold ordinary shares through a partnership or other pass-through entity or the possible application of United States federal gift or estate tax or alternative minimum tax.

We urge you to consult with your own tax advisor regarding the tax consequences of investing in the ordinary shares, including the effects of federal, state, local, foreign and other tax laws.

A U.S. Holder generally will be required to include in gross income as ordinary dividend income the amount of any distributions paid on the ordinary shares, including the amount of any Israeli taxes withheld, to the extent that those distributions are paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Distributions in excess of our earnings and profits will be applied against and will reduce the U.S. Holder's tax basis in its ordinary shares and, to the extent they exceed that tax basis, will be treated as gain from a sale or exchange of those ordinary shares. Our dividends will not qualify for the dividends-received deduction applicable in some cases to U.S. corporations. Dividends paid in NIS, including the amount of any Israeli taxes withheld, will be includible in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date they are included in income by the U.S. Holder, regardless of whether the payment in fact is converted into USD. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in the income of the U.S. Holder to the date that payment is converted into USD generally will be treated as ordinary income or loss.

A non-corporate U.S. holder's "qualified dividend income" is subject to tax at reduced rates not exceeding 20% for tax years beginning 2012 (15% for 2011 and prior years) . For this purpose, "qualified dividend income" generally includes dividends paid by a foreign corporation if either:

- (a) the stock of that corporation with respect to which the dividends are paid is readily tradable on an established securities market in the U.S., or
- (b) that corporation is eligible for benefits of a comprehensive income tax treaty with the U.S. which includes an information exchange program and is determined to be satisfactory by the U.S. Secretary of the Treasury. The Internal Revenue Service has determined that the U.S.-Israel Tax Treaty is satisfactory for this purpose.

In addition, under current law a U.S. Holder must generally hold his ordinary shares for more than 60 days during a 121 day period beginning 60 days prior to the ex-dividend date, and meet other holding period requirements for qualified dividend income.

Dividends paid by a foreign corporation will not qualify for the reduced rates, if such corporation is treated, for the tax year in which the dividend is paid or the preceding tax year, as a "passive foreign investment company" for U.S. federal income tax purposes. We do not believe that we will be classified as a "passive foreign investment company" for U.S. federal income tax purposes for our current taxable year.

Subject to the discussion below under "Information Reporting and Back-up Withholding," a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received on ordinary shares unless that income is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States.

Any dividend income resulting from distributions we pay to a U.S. Holder with respect to the ordinary shares generally will be treated as foreign source income for U.S. foreign tax credit purposes, which may be relevant in calculating such holder's foreign tax credit limitation. Subject to certain conditions and limitations, Israeli tax withheld on dividends may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that we distribute generally should constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." A foreign tax credit for foreign taxes imposed on distributions may be denied if the taxpayer does not satisfy certain minimum holding period requirements. The rules relating to the determination of foreign source income and the foreign tax credit are complex, and the availability of a foreign tax credit depends on numerous factors. Each prospective purchaser who would be a U.S. Holder should consult with its own tax advisor to determine whether its income with respect to the ordinary shares would be foreign source income and whether and to what extent that purchaser would be entitled to the credit.

Disposition of Ordinary Shares

Upon the sale or other disposition of ordinary shares, a U.S. Holder generally will recognize capital gains or loss equal to the difference between the amount realized on the disposition and the holder's adjusted tax basis in the ordinary shares. U.S. Holders should consult their own advisors with respect to the tax consequences of the receipt of a currency other than USD upon such sale or other disposition.

In the event there is an Israeli income tax on gain from the disposition of ordinary shares, such tax should generally be the type of tax that is creditable for U.S. tax purposes; however, because it is likely that the source of any such gain would be a U.S. source, a U.S. foreign tax credit may not be available. U.S. shareholders should consult their own tax advisors regarding the ability to claim such credit.

Gain or loss upon the disposition of the ordinary shares will be treated as long-term if, at the time of the sale or disposition, the ordinary shares were held for more than one year. Long-term capital gains realized by non-corporate U.S. Holders are generally subject to a lower marginal U.S. federal income tax rate than ordinary income, other than qualified dividend income, as defined above. The deductibility of capital losses by a U.S. Holder is subject to limitations. In general, any gain or loss recognized by a U.S. Holder on the sale or other disposition of ordinary shares will be U.S. source income or loss for U.S. foreign tax credit purposes. U.S. Holders should consult their own tax advisors concerning the source of income for U.S. foreign tax credit purposes and the effect of the U.S.-Israel Tax Treaty on the source of income.

Subject to the discussion below under "Information Reporting and Back-up Withholding", a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of ordinary shares unless:

- that gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States, or
- in the case of any gain realized by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale or exchange, and other conditions are met.

Information Reporting and Back-up Withholding

Holders generally will be subject to information reporting requirements with respect to dividends paid in the United States on ordinary shares. In addition, Holders will be subject to back-up withholding tax on dividends paid in the United States on ordinary shares unless the holder provides an IRS certification or otherwise establishes an exemption. Holders will be subject to information reporting and back-up withholding tax on proceeds paid within the United States from the disposition of ordinary shares unless the holder provides an IRS certification or otherwise establishes an exemption. Information reporting and back-up withholding may also apply to dividends and proceeds paid outside the United States that are paid by certain "U.S. payors" or "U.S. middlemen," as defined in the applicable Treasury regulations, including:

- (1) a U.S. person;
- (2) the government of the U.S. or the government of any state or political subdivision of any state (or any agency or instrumentality of any of these governmental units);
- (3) a controlled foreign corporation;
- (4) a foreign partnership that is either engaged in a U.S. trade or business or whose United States partners in the aggregate hold more than 50% of the income or capital interests in the partnership;
- (5) a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the U.S.; or
- (6) a U.S. branch of a foreign bank or insurance company.

The back-up withholding tax rate is 24%. Back-up withholding and information reporting will not apply to payments made to Non-U. S. Holders if they have provided the required certification that they are not United States persons.

In the case of payments by a payor or middleman to a foreign simple trust, foreign grantor trust or foreign partnership, other than payments to a holder that qualifies as a withholding foreign trust or a withholding foreign partnership within the meaning of the Treasury regulations and payments that are effectively connected with the conduct of a trade or business in the United States, the beneficiaries of the foreign simple trust, the person treated as the owner of the foreign grantor trust or the partners of the foreign partnership will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements.

The amount of any back-up withholding may be allowed as a credit against a U.S. Holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that required information is furnished to the IRS.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are required to file reports and other information with the SEC under the Securities Exchange Act of 1934 and the regulations thereunder applicable to foreign private issuers. Although as a foreign private issuer we are not required to file periodic reports and financial statements as frequently or as promptly as U.S. companies, we generally do publicly announce our quarterly and year-end results promptly and file periodic information with the SEC under cover of Form 6-K. As a foreign private issuer, we are also exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and other provisions in Section 16 of the Exchange Act.

The SEC maintains an internet website that contains reports, proxy and information statements and other information about issuers, like us, that file electronically with the SEC. Our filings with the SEC are available to the public through the SEC's website (<http://www.sec.gov>). Our filings with the SEC are also available to the public on the Israel Securities Authority's Magna website at <http://www.isa.gov.il>, the Tel Aviv Stock Exchange website at <http://www.maya.tase.co.il>. We also generally make available on our own website (www.towersemi.com) our quarterly and year-end financial statements as well as other information. We do not intend for any information contained on our website to be considered part of this annual report, and we have included our website address in this annual report solely as an inactive textual reference. We will post on our website any materials required to be posted on such website under applicable corporate or securities laws and regulations, including posting any XBRL interactive financial data required to be filed with the SEC, and any notices of general meetings of our shareholders.

Any statement in this annual report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this annual report or a registration statement, the contract or document is deemed to modify the description contained in this annual report. We urge you to review the exhibits themselves for a complete description of the contract or document.

I. SUBSIDIARY INFORMATION

Not applicable.

J. ANNUAL REPORT TO SECURITY HOLDERS

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk of Interest Rate Fluctuation

Our cash equivalents, short-term deposits and investments in marketable securities are exposed to market risk due to fluctuation in interest rates on our cash deposits and/or investments, which may affect our interest income and the fair market value of our investments. We manage this exposure by performing ongoing evaluations of our investments in those deposits/ securities. Due to the short maturities of our investments and available for sale securities, their carrying value approximates their fair value.

The JPY Loans (with an aggregate outstanding principal of approximately \$102 million as of December 31, 2023) bear annual fixed interest of 1.95%, and approximately \$80 million of our subsidiaries' equipment capital leases bear annual fixed interest of approximately 2%. Therefore, we are not subject to cash flow exposure, financing expenses or interest rate fluctuations with respect to JPY Loans or such equipment capital leases.

However, in the event that market interest rates for similar debt decrease and are lower than the interest rate provided under our capital leases or loans, our actual financing costs would have been higher than they otherwise would have been had our loans or capital leases provided for interest at a floating interest rate. Assuming a 10% change in market interest rate, the effective impact on our capital leases and loans would be immaterial.

Foreign Exchange Risk

We currently operate in three different regions: Japan, the United States and Israel, and have initial activities in Italy related to the ST facility in Agrate, Italy. The functional currency of our entities in the United States, Israel and Italy is the USD. The functional currency of our subsidiary in Japan is the JPY. Our expenses and costs are denominated mainly in USD, JPY and NIS, revenues are denominated mainly in USD and JPY, and our cash from operations, investing and financing activities are denominated mainly in USD, JPY and NIS. Therefore, we are exposed to the risk of currency exchange rate fluctuations in Israel and Japan. In addition, as the process of ordering equipment for the facility in Italy has begun, operational and other Euro denominated costs shall be incurred, and therefore, we will also be exposed to the Euro exchange rate fluctuations in relation to the USD regarding such costs.

The USD cost of our operations in Israel is influenced by changes in the USD-to-NIS exchange rate, with respect to costs that are denominated in NIS. During the year ended December 31, 2023, the USD appreciated against the NIS by 3.1%, as compared to 13.2% appreciation during the year ended December 31, 2022.

The fluctuation of the USD against the NIS may affect our results of operations as it relates to our entity in Israel. Appreciation of the NIS has the effect of increasing, in USD terms, some of our Israeli facilities and utilities' cost and labor costs that are denominated in NIS, which may lead to the erosion of profit margins. We use foreign currency cylinder transactions to hedge a portion of this currency exposure to be contained within a pre-defined, fixed range.

The majority of TPSCo revenues are denominated in JPY and the majority of the expenses of TPSCo are in JPY, which limits the exposure to fluctuations of the USD / JPY exchange rate on TPSCo's results of operations. In order to mitigate a portion of the net exposure to the USD / JPY exchange rate, we have engaged in cylinder hedging transactions to contain the currency's fluctuation within a pre-defined, fixed range.

During the year ended December 31, 2023, the USD appreciated against the JPY by 7.2%, as compared to 14.6% appreciation during the year ended December 31, 2022. The net effect of USD appreciation against the JPY on TPSCo's assets and liabilities denominated in JPY is presented in the Cumulative Translation Adjustment ("CTA") as part of Other Comprehensive Income ("OCI") on the balance sheet.

Assuming a 10% appreciation of the NIS against the USD on December 31, 2023 (from 3.63 NIS/\$ to 3.30 NIS/\$), the effective impact on our quarterly Israeli expenses would be higher expenses by approximately \$4 million, which would partially be offset by the net impact of the hedging executed using the above-described cylinder transactions.

Assuming a 10% appreciation of the JPY against the USD on December 31, 2023 (from 141.5 JPY/\$ to 128.6 JPY/\$), the effective impact on our quarterly statement of operating results would be lower profitability (higher expenses, net of higher revenue) by approximately \$5 million, which would be partially offset by the net impact of the hedging using the above-described cylinder transactions and our natural hedging.

As of December 31, 2023, we are subject to currency exchange rate fluctuations of the JPY against the USD in connection with the following JPY-denominated debt financings: (i) the JPY Loans in the aggregate principal amount of approximately \$102 million, bearing a fixed interest rate of 1.95% per annum; (ii) approximately \$63 million of liabilities under equipment capital lease agreements with an annual interest rate of approximately 1.85%; and (iii) approximately \$17 million of liabilities under equipment capital lease agreements, with an annual interest rate of approximately 1.95%. However, as of December 31, 2023, we had approximately \$14 million of cash and cash equivalents and \$17 million of short-term deposits held in JPY currency accounts and deposits, partially mitigating the above JPY debt exposure. Based on our cash and cash equivalents and the terms of our debt financings as of December 31, 2023, an assumed 10% appreciation of the JPY against the USD rate as of December 31, 2023 (from 141.5 JPY/\$ to 128.6 JPY/\$), would not have a material effect on our balance sheet as of December 31, 2023.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Act”) as of the end of the period covered by this annual report on Form 20-F. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of such date, at a reasonable level of assurance, in ensuring that the information required to be disclosed by our company in the reports we file or submit under the Act is (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by Brightman Almagor Zohar & Co., Certified Public Accountants, a Firm in the Deloitte Global Network, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that all four members of our audit committee, Mr. Ilan Flato, Mr. Yoav Chelouche, Mr. Avi Hasson and Ms. Iris Avner, are audit committee financial experts under applicable SEC rules and are independent directors as defined by SEC and NASDAQ Listing Rules.

ITEM 16B. CODE OF ETHICS

We adopted a code of ethics that applies to all directors, officers and employees of our Company and our subsidiaries, including our Chief Executive Officer, Chief Financial Officer, controller, and persons performing similar functions. We have posted our code of ethics on our website, www.towersemi.com under "About Tower". The information contained on our website is not incorporated by reference in this annual report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents fees for professional services rendered by our independent registered public accounting firm for audit services, audit-related services and tax services:

	<u>2023</u>	<u>2022</u>
	<u>(US dollars in Thousands)</u>	
Audit Fees (1)	816	819
Audit-Related Fees (2)	0	58
Tax Fees (3)	77	1
All Other Fees (4)	11	--
	<u>904</u>	<u>878</u>

(1) Audit Fees consist of fees for professional services rendered for the audit of our financial statements and our subsidiaries' financial statements, services rendered in connection with statutory and regulatory filings and engagements (including audit of our internal control over financial reporting) and reviews of our interim financial results submitted on Form 6-K.

(2) Audit-related fees consist of assurance and related services by the auditors including, among others: due diligence services, accounting consultations and audits in connection with acquisitions, attest services related to financial reporting that are not required by statute or regulation and consultation concerning financial accounting, consent letters for our SEC filings and reporting standards and out of pocket expenses reimbursement.

(3) Tax fees consist of fees for tax compliance services and tax returns services.

(4) All other fees in the year ended December 31, 2023 related to services in connection with information technology (IT) related consultancy services.

In accordance with our audit committee charter, which requires audit committee pre-approval of audit and non-audit services to be provided by the independent auditors and related fees and terms, all of the services provided by our independent auditors in 2023 and 2022 were pre-approved by the audit committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a foreign private issuer whose shares are listed on the NASDAQ Global Select Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of the Nasdaq Listing Rules. We have elected to follow the practices of our home country, rather than the Nasdaq Listing Rules, with respect to the following requirements:

- *Distribution of certain reports to shareholders.* As opposed to Nasdaq Listing Rule 5250(d), which requires listed issuers to make annual reports available to shareholders in one of a number of specific manners, Israeli law does not require that we distribute annual reports, including our financial statements. As such, the generally accepted business practice in Israel is to distribute such reports to shareholders through a public regulated distribution website. In addition to making such reports available on a public regulated distribution website, our audited financial statements are available to our shareholders at our offices and will only mail such reports to shareholders upon request.
- *Independent director meetings.* Our Board has not adopted a policy of conducting regularly scheduled meetings at which only our independent directors are present, as permitted by Israeli law. We do not follow the requirements of Nasdaq Listing Rule 5605(b)(2).
- *Compensation of officers.* We follow Israeli law and practice with respect to the approval of compensation for our chief executive officer and other executive officers. While our compensation committee currently complies with the provisions of the Nasdaq Listing Rules relating to composition requirements, Israeli law generally requires that the compensation of the chief executive officer and all other executive officers be approved, or recommended to the board for approval, by the compensation committee (with respect to the compensation of the chief executive officer and in certain other instances, shareholder approval is also required). Israeli law may differ from the provisions provided for in Nasdaq Listing Rule 5605(d) (see Exhibit 2.1 to this annual report, "Description of Securities").
- *Director nomination process.* While our corporate governance and nominating committee currently complies with the provisions of the Nasdaq Listing Rules relating to composition requirements, the process under which director nominees are selected, or recommended for the Board of Directors selection, may not be in full compliance with the applicable Nasdaq Listing Rule 5605(e). Furthermore, although we have adopted a formal written corporate governance and nominating committee charter, there is no requirement under the Companies Law to do so and the charter as adopted may not be in full compliance with the requirements under Nasdaq Listing Rule 5605(e)(2).

- *Audit Committee Charter.* Although we have adopted a formal written audit committee charter, there is no requirement under the Companies Law to do so and the charter as adopted may not specify all the items enumerated in Nasdaq Listing Rule 5605(c)(1).
- *Compensation Committee Charter.* Although we have adopted a formal written compensation committee charter, there is no requirement under the Companies Law to do so and the charter as adopted may not specify all the items enumerated in Nasdaq Listing Rule 5605(d)(1).
- *Quorum requirements.* Under our articles of association and as permitted under the Companies Law, a quorum for any meeting of shareholders shall be the presence of at least two shareholders holding a combined 33% of our outstanding ordinary shares, instead of 33 1/3% of the issued share capital required under Nasdaq Listing Rule 5620(c). If the meeting was adjourned for lack of a quorum, if a quorum is not present at the adjourned meeting within half an hour of the time fixed for the commencement of the adjourned meeting, the shareholders present, in person or by proxy, shall constitute a quorum.
- *Related Party Transactions.* We review and approve all related party transactions in accordance with the requirements and procedures for approval of related party acts and transactions set forth in Sections 268 to 275 the Companies Law, which may not fully reflect the requirements of Nasdaq Listing Rule 5630.
- *Shareholder Approval.* We seek shareholder approval for all corporate actions requiring such approval under the requirements of the Companies Law, rather than seeking approval for corporate actions in accordance with Nasdaq Listing Rule 5635. Under the Companies Law, shareholder approval is required (subject to certain limited exceptions) for, among other things: (a) transactions with directors concerning the terms of their service (including indemnification, exemption, and insurance for their service or for any other position that they may hold at a company), for which approvals of the compensation committee, board of directors, and shareholders are all required (subject to exceptions) (see Exhibit 2.1 to this annual report, "Description of Securities"); (b) extraordinary transactions with controlling shareholders of publicly held companies; (c) terms of office and employment or other engagement of a controlling shareholder, if any, or such controlling shareholder's relative; (d) approval of transactions with the chief executive officer with respect to his or her compensation, or transactions with officers not in accordance with the approved compensation policy (see Exhibit 2.1 to this annual report, "Description of Securities"); and (e) approval of the compensation policy for office holders (within the meaning of the Companies Law) (see "Item 6 Directors, Senior Management and Employees—B. Compensation"). In addition, under the Companies Law, a merger requires the approval of the shareholders of each of the merging companies.

We do not necessarily seek shareholder approval for the establishment of, and amendments to, stock option or equity compensation plans (as set forth in Nasdaq Listing Rule 5635(c)), as such matters are not subject to shareholder approval under Israeli law. We will attempt to seek shareholder approval for our stock option or equity compensation plans (and the relevant annexes thereto) to the extent required in order to ensure they are tax qualified for our employees in the United States. However, even if such approval is not received, then the stock option or equity compensation plans will continue to be in effect, but we will be unable to grant options to our U.S. employees that qualify as Incentive Stock Options for U.S. federal tax purpose. Our stock option or other equity compensation plans are also available to our non-U.S. employees, and provide features necessary to comply with applicable non-U.S. tax laws.

Except as stated above, we currently intend to comply with the rules generally applicable to U.S. domestic companies listed on the NASDAQ Global Select Market. We may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq Listing Rules. Following our home country governance practices, as opposed to the requirements that would otherwise apply to a company listed on Nasdaq, may provide investors less protection than is accorded to investors under the Nasdaq Listing Rules applicable to domestic issuers. For more information, see "Item 3. Key Information – D. Risk Factors - Risks Related to Our Securities – We are a foreign private issuer and, as a result, the public reporting and disclosure rules to which we are subject, and the corporate governance practices that we are permitted to follow, may provide less protection to our investors than is accorded to investors under rules applicable to domestic U.S. issuers".

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

Not applicable.

ITEM 16K. CYBERSECURITY

Risk Management and Strategy

We believe an effective cybersecurity program is critical to guard the confidentiality, integrity, and availability of our information systems and data residing in those systems. We have built and continue to evolve processes for assessing, identifying, preventing, mitigating and managing material risks from cybersecurity threats. We have embedded the oversight and management of cybersecurity risk within our enterprise risk management framework to help drive a company-wide culture of cybersecurity risk management, and we have established policies and procedures as well as a reporting line of governance that guide our cybersecurity risk management program.

Our Information Technology Department uses a wide range of activities, including cybersecurity risk assessments, audits, vulnerability and penetration testing, security monitoring tools, and system scanning, among other technology and human resources, to monitor and identify cybersecurity threats and incidents, as well as to evaluate the effectiveness of our cybersecurity measures. We perform regular phishing testing on a monthly basis, and employees who fail the test receive a warning. We provide an annual training on information security and cyber awareness for our personnel with >98% participation rate among all employees. In addition, each calendar quarter, we provide face-to-face training for all new employees on cybersecurity, among other topics. New employees are also requested to sign a form detailing permitted use of our computer resources. These training activities provide employees with effective tools to address cybersecurity threats, and communicate our evolving information security processes and practices.

In addition, we engage a third party to perform a 24/7 cybersecurity monitoring, detection and response service. With the third party's assistance, our Information Technology Department tracks metrics that demonstrate our cybersecurity risk posture, including any identified cybersecurity threats and risks, security awareness proficiency of employees, and any system vulnerabilities and patching requirements. We also engage third parties to perform assessments of our cybersecurity measures (including audits) and to help improve our processes and practices. The results of such assessments, audits and reviews are reported by the Chief Information Security Officer (CISO), and/or a delegate of the CISO, to the Company's management and to our Audit Committee, and we are committed to adjusting our cybersecurity processes and practices as necessary based on the information provided by these assessments, audits and reviews. Our cybersecurity processes and practices are modelled based on industry best practices, including the National Institute of Standards and Technology Cybersecurity Framework and the ISO/IEC 27001 Standard.

We require all third-party vendors that may have access to Company, employee, customer, or other third-party data, and/or access to the Company's systems, to undergo a vetting process prior to being approved and onboarded. The vetting process includes a review of the vendor's relevant policies and procedures, standards certifications, technology architecture, business practices and cybersecurity profile. Third-party vendor agreements include confidentiality obligations and specify data elements that the third party has access to, how the third party protects the data, personal information and data subject's rights, and procedures for the return or destruction of protected data. The vendor also must report all cybersecurity incidents immediately to the CISO and to the Company's compliance officer.

In addition to the above processes and resources, we deploy technical safeguards and maintain a cybersecurity incident response process that are designed to protect our information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality, access controls, system backups, denial of service attack prevention, endpoint protection, network protection and cloud workload protection, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence. Within the Information Technology Department, we have an Incident Response Team, which maintains and is responsible for communicating any cybersecurity incidents in accordance with a written incident response plan (the "Incident Response Plan"). The Incident Response Plan defines responsibilities and immediate actions necessary to mitigate risk, report on the incident to management, and identify necessary steps to remediate the incident and prevent future incidents. The Incident Response Team is responsible for identifying and assessing the impact of several factors, including duration of the breach or other incident, the number of systems and users affected, the actual or potential system downtime and associated financial impact, as well as the cost and timing of system and data recovery. We also implement controls and procedures that provide for the escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner. Our CISO is responsible for reporting cybersecurity incidents immediately to the compliance officer as well as to our senior management team. Depending on the nature and severity of an incident, the incident may also need to be reported to our Disclosure Committee to determine whether the incident is or is reasonably likely to become material and whether the Company must disclose the incident to the relevant authorities, as may be required by applicable regulation, as well as to the Audit Committee and the Board of Directors.

Governance

Our Board of Directors recognizes the importance of managing the risk of cybersecurity threats to the Company. The Board is responsible for overseeing our enterprise risk management activities in general, and each of our Board committees assists the Board in the role of risk oversight. The Audit Committee is responsible for, among other things, overseeing our compliance with internal controls and our management of enterprise risks, including cybersecurity risks and risk mitigation framework with a focus on the following: data governance, information systems, incident response for cybersecurity incidents, disaster recovery and compliance risks.

The Audit Committee meets at least four times each year and as often as necessary to fulfill its responsibilities. Our senior management team, which includes our Chief Executive Officer, Chief Financial Officer, Chief Legal Officer, together with the VP of Information Technology or CISO, reports on a regular basis to the Audit Committee with a review of the cybersecurity program, status updates, annual plan and cybersecurity risks and trends and other information necessary to assess such risks and oversee the development and performance of our risk mitigation processes. The Board of Directors and Audit Committee receive prompt and timely information regarding any cybersecurity incidents that meet established reporting thresholds, as well as ongoing updates with respect thereto.

The VP of Information Technology leads our Information Technology Department and is responsible for overseeing our information security program. The VP of Information Technology has over 25 years of industry experience, and is responsible for assessing and managing cybersecurity risks, as well as communicating cybersecurity incidents, matters and trends to Company management, the Audit Committee and the Board of Directors. Team members who support our information security program have relevant educational and industry experience and regularly report to the VP of Information Technology. Our Information Technology Department regularly reports to senior management and other relevant teams on various cybersecurity threats, assessments and findings.

The CISO, and/or a delegate of the CISO, in coordination with our Chief Executive Officer and Chief Legal Officer, work collaboratively to implement a program designed to protect our information systems from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with our incident response and recovery plans. The CISO, and/or a delegate of the CISO, monitors the prevention, detection, mitigation and remediation of cybersecurity incidents, and reports such incidents to the Disclosure Committee when appropriate.

We face risks from cybersecurity threats that could have a material adverse effect on our business, strategy, operations, financial condition, results of operations, cash flows or reputation. However, to date, we have not experienced any cybersecurity incidents that have had a material adverse effect. We cannot provide assurance that we will not be materially affected in the future by such risks and any future material incidents. See “Item 3. “Key Information – D. Risk Factors - Risks Related to Our Business –*Security, cyber and privacy breaches may harm our business and operations.*”

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements and related auditors’ report for the year ended December 31, 2023 are included in this annual report beginning on page F-1.

ITEM 19. EXHIBITS

- 1.1 Articles of Association of the Company, approved by shareholders on November 14, 2000, as amended (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form F-1, File No. 333-126909).
- [1.2 Amendment to Articles of Association of the Company \(approved by shareholders on December 7, 2003\) \(incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-8, File No. 333-117565\).](#)
- [1.3 Amendment to the Articles of Association of the Company \(approved by shareholders on September 28, 2006\) \(incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-8, File No. 333-138837\).](#)
- [1.4 Amendment to Articles of Association of Company \(approved by shareholders on September 24, 2008\) \(incorporated by reference to Exhibit 3.4 of the Company's Registration Statement on Form S-8, File No. 333-153710\).](#)
- [1.5 Amendment to Articles of Association of Company \(approved by shareholders on August 11, 2011\) \(incorporated by reference to Exhibit 99.1 of the Form 6-K furnished to the SEC on January 17, 2012\).](#)
- [1.6 Amendment to Articles of Association of Company \(approved by shareholders on August 2, 2012\) \(incorporated by reference to proposals 1 and 2 of the proxy statement filed on Form 6-K furnished to the SEC on June 12, 2012, and the Form 6-K furnished to the Securities and Exchange Commission on August 2, 2012\).](#)
- [1.7 Amendment to Articles of Association of Company \(approved by shareholders on May 23, 2013\) \(incorporated by reference to Proposal 5 of the proxy statement furnished on Form 6-K to the Securities and Exchange Commission on April 16, 2013\).](#)
- [#2.1 Description of Securities Registered Under Section 12.](#)
- [4.1 2013 Share Incentive Plan, as amended in 2019 \(incorporated by reference to Exhibit 4.1 of the annual report on Form 20-F filed with the Securities and Exchange Commission on April 29, 2022\).](#)
- [4.2 Compensation Policy for Executive Officers and Directors of the Company \(incorporated by reference to Exhibit A to Exhibit 99.1 to the Form 6-K furnished to the Securities and Exchange Commission on May 18, 2023\).](#)
- [4.4 Consortium Agreement, effective as of September 14, 2021, by and among the Company and ST \(certain confidential portions \(indicated by brackets and asterisks\) have been omitted from this exhibit\) \(incorporated by reference to Exhibit 4.4 of the annual report on Form 20-F filed with the Securities and Exchange Commission on April 29, 2022\).](#)
- [#4.5 Manufacturing Services Agreement, effective as of September 1, 2023, by and between the Company and Intel Corporation.](#)
- [#8.1 List of Subsidiaries.](#)
- [#12.1 Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- [#12.2 Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- [#13.1 Certification by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- [#13.2 Certification by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- [#15.1 Consent of Brightman Almagor Zohar & Co., Certified Public Accountants, a firm in the Deloitte Global Network](#)
- [#97 Compensation recovery policy required by the applicable listing standards adopted pursuant to 17 CFR 240.10D-1.](#)

#101 The following financial information from Tower Semiconductor Ltd.'s annual report on Form 20-F for the year ended December 31, 2023, formatted in XBRL (eXtensible Business Reporting Language):

Consolidated Balance Sheets as of December 31, 2023 and 2022;

Consolidated Statements of Operations for the years ended December 31, 2023, 2022 and 2021;

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2023, 2022 and 2021;

Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021; and

Notes to Consolidated Financial Statements, tagged as blocks of text.

Users of this data are advised, in accordance with Rule 406T of Regulation S-T promulgated by the SEC, that this Interactive Data File is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise the Company is not subject to liability under these sections.

#104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

*Certain portions of the exhibit have been omitted in accordance with Item 601(b)(10)(iv) of Regulation S-K. The Company agrees to furnish on a supplemental basis an unredacted copy of the exhibit and its materiality and privacy or confidentiality analyses to the Securities and Exchange Commission upon its request.

#Filed herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

TOWER SEMICONDUCTOR LTD.

By: /s/ Russell C. Ellwanger

Russell C. Ellwanger
Chief Executive Officer

April 22, 2024

**TOWER SEMICONDUCTOR LIMITED
AND SUBSIDIARIES**
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023

TOWER SEMICONDUCTOR LIMITED AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Tower Semiconductor Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tower Semiconductor Ltd. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Critical Audit Matter Description

The Company's provision for income taxes is affected by income taxes in a multinational tax environment. The income tax provision is an estimate determined based on current enacted tax laws and tax rates at each of its geographic locations with the use of acceptable allocation methodologies based upon the Company's organizational structure, the Company's operations and business mode of work, and result in applicable local taxable income attributable to those locations. For the year-ended December 31, 2023, the consolidated provision for income taxes was \$65.3 million comprised of amounts related to Israel, Japan, U.S. and Italy operations, as detailed in Note 19.

We identified management's determination of the taxable income and its related income tax provision as a critical audit matter because of the significant judgements and estimates management makes related to the charges between the sites located in different tax jurisdictions, the consideration of different tax status in each jurisdiction. This required a high degree of auditor judgement and an increased extent of effort, including the need to involve our income tax specialists, when performing audit procedures to evaluate the reasonableness of management's estimate of the income tax provision.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the determination of the taxable income allocation and income tax provision included the following, among others:

- We obtained the taxable income allocation used in calculating the income tax provision and tested that the taxable income allocation between Israel and corporate operations and the other subsidiaries is appropriate based on the specified services and margins determined in the Company's transfer pricing studies.
- We tested the effectiveness of controls over the Company's process to allocate its taxable income between the different subsidiaries based on the Company's transfer pricing studies.
- We read and evaluated management's documentation, including information obtained by management from external tax specialists that detailed the basis of the uncertain tax positions.
- With the assistance of our income tax specialists, we evaluated:
 - The appropriateness of the transfer pricing analysis, including the transfer pricing methods and profit level indicators and ranges provided within the transfer pricing studies conducted by the Company's external tax specialists.
 - The appropriateness of the transfer pricing methodology implemented by management as provided in the transfer pricing studies.
 - The relevant facts by reading the Company's correspondence with the relevant tax authorities and any third-party advice obtained by the Company.
 - The Company's measurement of uncertain tax positions related to transfer pricing based on our knowledge of international and local income tax laws, as well as historical settlement activity from income tax authorities.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel
February 29, 2024

We have served as the Company's auditor since 1993.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Tower Semiconductor Ltd.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Tower Semiconductor Ltd. and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated February 29, 2024, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financing Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in The Deloitte Global Network

Tel Aviv, Israel
February 29, 2024

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TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars and shares in thousands)

	As of	
	December 31,	
	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 260,664	\$ 340,759
Short-term deposits	790,823	495,359
Marketable securities (*)	184,960	169,694
Trade accounts receivable	154,067	152,935
Inventories	282,688	302,108
Other current assets	35,956	34,319
Total current assets	1,709,158	1,495,174
LONG-TERM INVESTMENTS	8,452	8,796
PROPERTY AND EQUIPMENT, NET	1,155,929	962,258
INTANGIBLE ASSETS, NET	5,115	7,031
GOODWILL	7,000	7,000
DEFERRED TAX AND OTHER LONG-TERM ASSETS, NET	32,863	67,349
TOTAL ASSETS	\$ 2,918,517	\$ 2,547,608
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 58,952	\$ 62,275
Trade accounts payable	139,128	150,930
Deferred revenue and customers' advances	18,418	38,911
Employee related liabilities	51,054	58,920
Other current liabilities	9,286	76,352
Total current liabilities	276,838	387,388
LONG-TERM DEBT	172,611	210,069
LONG-TERM CUSTOMERS' ADVANCES	25,710	40,893
EMPLOYEE RELATED LIABILITIES	6,098	7,711
DEFERRED TAX AND OTHER LONG-TERM LIABILITIES	10,221	13,006
TOTAL LIABILITIES	491,478	659,067
Ordinary shares of NIS 15 par value:	443,631	440,150
150,000 authorized as of December 31, 2023 and 2022		
110,912 and 110,825 issued and outstanding, respectively, as of December 31, 2023		
110,041 and 109,954 issued and outstanding, respectively, as of December 31, 2022		
Additional paid-in capital	1,380,917	1,384,398
Cumulative stock based compensation	202,343	174,121
Accumulated other comprehensive loss	(52,935)	(47,537)
Retained earnings (accumulated deficit)	467,615	(50,879)
	2,441,571	1,900,253
Treasury stock, at cost - 87 shares	(9,072)	(9,072)
THE COMPANY'S SHAREHOLDERS' EQUITY	2,432,499	1,891,181
Non-controlling interest	(5,460)	(2,640)
TOTAL SHAREHOLDERS' EQUITY	2,427,039	1,888,541
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,918,517	\$ 2,547,608

(*) Marketable securities are available-for-sale securities; the amortized cost of such marketable securities of \$188,826 and \$181,247 as of December 31, 2023 and December 31, 2022, respectively, is presented net of an immaterial allowance for credit losses.

See notes to consolidated financial statements.

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

	Year ended December 31,		
	2023	2022	2021
REVENUES	\$ 1,422,680	\$ 1,677,614	\$ 1,508,166
COST OF REVENUES	1,069,161	1,211,306	1,179,048
GROSS PROFIT	<u>353,519</u>	<u>466,308</u>	<u>329,118</u>
OPERATING COSTS AND EXPENSES:			
Research and development	79,808	83,911	85,386
Marketing, general and administrative	72,454	80,282	77,221
Restructuring gain from sale of machinery and equipment, net	(52,168)	(20,243)	-
Restructuring expense	19,662	10,684	-
Merger-contract termination fee, net	(313,501)	-	-
	<u>(193,745)</u>	<u>154,634</u>	<u>162,607</u>
OPERATING PROFIT	547,264	311,674	166,511
FINANCING INCOME (EXPENSE), NET	30,531	(12,767)	(12,873)
OTHER INCOME (EXPENSE), NET	7,047	(6,934)	1,461
PROFIT BEFORE INCOME TAX	<u>584,842</u>	<u>291,973</u>	<u>155,099</u>
INCOME TAX EXPENSE, NET	(65,312)	(25,502)	(1,024)
NET PROFIT	519,530	266,471	154,075
Net income attributable to non-controlling interest	(1,036)	(1,902)	(4,063)
NET PROFIT ATTRIBUTABLE TO THE COMPANY	<u>\$ 518,494</u>	<u>\$ 264,569</u>	<u>\$ 150,012</u>
BASIC EARNINGS PER SHARE			
Earnings per share	\$ 4.70	\$ 2.42	\$ 1.39
Weighted average number of shares	<u>110,289</u>	<u>109,349</u>	<u>108,279</u>
DILUTED EARNINGS PER ORDINARY SHARE:			
Earnings per share	\$ 4.66	\$ 2.39	\$ 1.37
Net profit used for diluted earnings per share	<u>518,494</u>	<u>\$ 264,569</u>	<u>\$ 150,012</u>
Weighted average number of ordinary shares outstanding used for diluted earnings per share	<u>111,216</u>	<u>110,754</u>	<u>109,798</u>

See notes to consolidated financial statements.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	Year ended December 31,		
	2023	2022	2021
Net profit	\$ 519,530	\$ 266,471	\$ 154,075
Other comprehensive income, net of tax:			
Foreign currency translation adjustment	(15,761)	(27,595)	(18,995)
Change in employees plan assets and benefit obligations, net of taxes	(222)	(938)	709
Unrealized gain (loss) on derivatives and marketable securities	4,769	(690)	(859)
Comprehensive income	508,316	237,248	134,930
Comprehensive loss attributable to non-controlling interest	4,780	7,667	3,708
Comprehensive income attributable to the Company	\$ 513,096	\$ 244,915	\$ 138,638

See notes to consolidated financial statements.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(dollars and share data in thousands)

THE COMPANY'S SHAREHOLDERS' EQUITY											
	Ordinary shares issued	Ordinary shares amount	Additional paid-in capital	Unearned compensation	Accumulated other comprehensive income (loss)	Foreign currency translation adjustments	Retained earnings (accumulated deficit)	Treasury stock	Comprehensive income	Non controlling interest	Total
BALANCE AS OF JANUARY 1, 2021	108,010	\$ 430,996	\$1,393,095	\$ 124,762	\$ (262)	\$ (16,247)	\$ (465,460)	\$ (9,072)		\$ (2,910)	\$1,454,902
Changes during the year ended December 31, 2021:											
Exercise of options and RSUs	960	4,457	(4,044)								413
Employee stock-based compensation				25,144							25,144
Other comprehensive income:											
Profit							150,012		\$ 150,012	4,063	154,075
Foreign currency translation adjustments						(11,224)			(11,224)	(7,771)	(18,995)
Change in employees plan assets and benefit obligations					709				709		709
Unrealized loss on derivatives and marketable securities					(859)				(859)		(859)
Comprehensive income									\$ 138,638		
BALANCE AS OF DECEMBER 31, 2021	108,970	435,453	1,389,051	149,906	(412)	(27,471)	(315,448)	(9,072)		(6,618)	1,615,389
Changes during the year ended December 31, 2022:											
Proceeds from an investment in a subsidiary										11,645	11,645
Exercise of options and RSUs	1,071	4,697	(4,653)								44
Employee stock-based compensation				24,215							24,215
Other comprehensive income:											
Profit							264,569		\$ 264,569	1,902	266,471
Foreign currency translation adjustments						(18,026)			(18,026)	(9,569)	(27,595)
Change in employees plan assets and benefit obligations					(938)				(938)		(938)
Unrealized loss on derivatives and marketable securities					(690)				(690)		(690)
Comprehensive income									\$ 244,915		
BALANCE AS OF DECEMBER 31, 2022	110,041	440,150	1,384,398	174,121	(2,040)	(45,497)	(50,879)	(9,072)		(2,640)	1,888,541
Changes during the year ended December 31, 2023:											
Proceeds from an investment in a subsidiary										1,960	1,960
Exercise of options and RSUs	871	3,481	(3,481)								-
Employee stock-based compensation				28,222							28,222
Other comprehensive income:											
Profit							518,494		\$ 518,494	1,036	519,530
Foreign currency translation adjustments						(9,945)			(9,945)	(5,816)	(15,761)
Change in employees plan assets and benefit obligations					(222)				(222)		(222)
Unrealized gain on derivatives and marketable securities					4,769				4,769		4,769
Comprehensive income									\$ 513,096		
BALANCE AS OF DECEMBER 31, 2023	110,912	\$ 443,631	\$1,380,917	\$ 202,343	\$ 2,507	\$ (55,442)	\$ 467,615	\$ (9,072)		\$ (5,460)	\$2,427,039
OUTSTANDING SHARES, NET OF TREASURY STOCK AS OF DECEMBER 31, 2023	110,825										

See notes to consolidated financial statements.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year ended December 31,		
	2023	2022	2021
CASH FLOWS - OPERATING ACTIVITIES			
Net profit for the period	\$ 519,530	\$ 266,471	\$ 154,075
Adjustments to reconcile net profit for the period to net cash provided by operating activities:			
Income and expense items not involving cash flows:			
Depreciation and amortization	258,021	292,638	270,710
Effect of exchange rate differences and fair value adjustment	(1,632)	10,362	1,138
Other expense (income), net	(7,047)	6,934	(1,461)
Changes in assets and liabilities:			
Trade accounts receivable	(3,160)	(15,232)	14,335
Other current assets	(9,541)	20,427	(26,731)
Inventories	8,682	(77,891)	(44,192)
Trade accounts payable	(8,254)	(20,893)	(25,004)
Deferred revenue and customers' advances	(35,676)	(30,069)	74,524
Employee related liabilities and other current liabilities	(70,163)	61,033	16,850
Long-term employee related liabilities	(1,210)	2,956	(2,681)
Deferred tax, net and other long-term liabilities	27,011	13,084	(10,270)
Net cash provided by operating activities	<u>676,561</u>	<u>529,820</u>	<u>421,293</u>
CASH FLOWS - INVESTING ACTIVITIES			
Investments in property and equipment, net	(444,502)	(366,403)	(313,808)
Proceeds related to sale and disposal of property and equipment	12,318	152,866	34,548
Proceeds from investment realization	12,458	2,574	-
Investments in other assets	(605)	(1,037)	(1,792)
Deposits and marketable securities, net	(300,516)	(117,448)	(57,892)
Net cash used in investing activities	<u>(720,847)</u>	<u>(329,448)</u>	<u>(338,944)</u>
CASH FLOWS - FINANCING ACTIVITIES			
Proceeds from an investment in a subsidiary	1,932	11,685	-
Exercise of options, net	-	44	458
Proceeds from loans	24,180	-	96,143
Loans repayment	-	-	(97,174)
Principal payments on account of capital lease obligation	(38,033)	(38,536)	(35,391)
Debentures repayment	(18,493)	(39,843)	(40,893)
Net cash used in financing activities	<u>(30,414)</u>	<u>(66,650)</u>	<u>(76,857)</u>
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGE	<u>(5,395)</u>	<u>(3,893)</u>	<u>(6,245)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(80,095)</u>	<u>129,829</u>	<u>(753)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>340,759</u>	<u>210,930</u>	<u>211,683</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 260,664</u>	<u>\$ 340,759</u>	<u>\$ 210,930</u>

See notes to consolidated financial statements.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year ended December 31,		
	2023	2022	2021
NON-CASH ACTIVITIES:			
Investments in property and equipment	\$ 164,667	\$ 169,376	\$ 65,634
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash received during the period from interest	\$ 30,475	\$ 12,358	\$ 5,590
Cash paid during the period for interest	\$ 4,519	\$ 4,458	\$ 4,561
Cash paid for income taxes, net during the period	\$ 12,739	\$ 12,802	\$ 8,288

See notes to consolidated financial statements.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023
(dollars in thousands, except per share data)

NOTE 1: DESCRIPTION OF BUSINESS AND GENERAL

The consolidated financial statements of Tower Semiconductor Ltd. (“Tower”) include the financial statements of Tower, and (i) its wholly-owned subsidiary Tower US Holdings Inc., the sole owner of: (1) Tower Semiconductor NPB Holdings, Inc. and its wholly-owned subsidiary, Tower Semiconductor Newport Beach, Inc., an independent semiconductor foundry (Tower Semiconductor NPB Holdings, Inc. and Tower Semiconductor Newport Beach, Inc. collectively referred to herein as “TSNB”); and (2) Tower Semiconductor San Antonio, Inc. (“TSSA”); (ii) its 51% owned subsidiary, Tower Partners Semiconductor Co., Ltd. (“TPSCo”), an independent semiconductor foundry which operated three semiconductor facilities located in Tonami, Uozu and Arai (one of which, the Arai facility, ceased its operations in June 2022, (see Note 14B2), in Hokuriku Japan. The other 49% of TPSCo’s shares are held by Nuvoton Technology Corporation Japan (“NTCJ”), formerly named “Panasonic Semiconductor Systems Co., Ltd.” (“PSCS”); and (iii) its wholly-owned subsidiary Tower Semiconductor Italy S.r.l. (“TSIT”), incorporated during 2021 following the collaborative arrangement signed in June 2021 with ST Microelectronics S.r.l (“ST”) according to which TSIT will share a new 300 mm facility with ST in Agrate, Italy. TSIT is currently installing certain tools in the Agrate facility and developing certain processes and technologies that it expects to qualify and ramp-up at said facility (see Note 14E).

Tower and its subsidiaries are collectively referred to as the “Company”.

The Company is a leading global analog foundry of high value semiconductor solutions, providing technology, development and process platforms for integrated circuits (ICs) in growing markets offering a broad range of customizable process technologies including: SiGe, SiPho, mixed signal CMOS, RF CMOS, CMOS image sensor, non-imaging sensors and integrated power management. The Company also provides a world-class design enablement platform for a quick and accurate design cycle, as well as Transfer Optimization and development Process Services (“TOPS”) to integrated device manufacturers (“IDMs”) and fabless companies that require capacity. To provide multi-fab sourcing and expanded capabilities for its customers, as of December 31, 2023, the Company owns two facilities in Israel (150mm and 200mm), two in the U.S. (200mm), two in Japan through TPSCo (one 200mm and one 300mm), is sharing clean room and capacity in a 300mm facility in Italy with ST, and has signed a contract to establish a capacity corridor in Intel Corporation’s (“Intel”) 300mm facility in New Mexico, USA (see Note 14F).

Tower’s ordinary shares are traded on the NASDAQ Global Select Market and on the Tel-Aviv Stock Exchange (“TASE”) under the symbol TSEM.

On February 15, 2022, Intel and Tower announced the signing of a definitive agreement under which Intel was to acquire all of Tower’s outstanding ordinary shares for cash consideration of \$53 per share, however, the closing conditions for this transaction were not met since certain regulatory approvals were not received, hence, on August 16, 2023, Intel and Tower announced the termination of this agreement. Pursuant to the terms of the agreement, and in connection with the termination, Intel paid Tower a termination fee of \$353,000, which is presented, net of associated fees, in a separate line within the statement of operations for the year ended December 31, 2023 in the amount of \$313,501.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023

(dollars in thousands, except per share data)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Company's consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles ("US GAAP").

B. Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

C. Principals of Consolidation

The Company's consolidated financial statements include the financial statements of Tower and its subsidiaries. The Company's consolidated financial statements are presented after elimination of inter-company transactions and balances.

D. Reclassifications

Certain prior year amounts have been reclassified to conform to the current financial statement presentation.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash, highly liquid bank deposits and money market funds readily convertible to known amounts of cash with original maturities of three months or less as of the date of its purchase.

F. Short Term Interest-Bearing Deposits

Short-term deposits include bank deposits with original maturities greater than three months and with remaining maturities of less than one year. Such deposits are presented at cost, including accrued interest, which approximates their fair value.

G. Marketable Securities

The Company accounts for its investments in grade debt securities in accordance with ASC 320 "*Investments - Debt Securities*". Management determines the appropriate classification of its investments in debt securities at the time of purchase and re-evaluates such determinations at each balance sheet date.

The Company classifies its marketable securities as "available-for-sale", as the Company intends to hold them for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity, mix of the Company's assets and liabilities, liquidity needs and other similar factors. Securities classified as available for sale are measured at fair value, based on quoted market prices or independent pricing services valuation. Gains and losses are recognized on a specific identification basis, in the Company's consolidated statements of operations.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Marketable Securities (continued)

Unrealized gains and losses are recorded in (i) the statement of other comprehensive income in periods the Company has no specific need and/or plan to use cash by selling such securities, or (ii) in the statement of operations as financing expense (income) in periods the Company has a specific need and/or intends to sell such securities.

The Company assessed the available-for-sales debt securities with an amortized cost basis in excess of estimated fair value to determine what amount of that difference, if any, is caused by expected credit losses in accordance with ASC 326, "*Financial Instruments - Credit Losses*".

Allowance for credit losses is recognized as a charge in financing income (expense), net, on the consolidated statements of operation, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive income in shareholders' equity.

The Company concluded that the current expected credit losses on its available-for-sale investment portfolio were immaterial.

H. Trade Accounts Receivable - Allowance for Expected Credit Loss

The Company maintains an allowance based on specific analysis of each customer account receivable's aging, assessment of its related risk and ability of the customer to make the required payment. In addition, in accordance with ASC 326, "*Financial Instruments - Credit Losses*", an allowance is maintained for such estimated expected losses. The amount of the allowance is determined principally on the basis of past collection experience and known financial factors regarding specific customers. Trade accounts receivables are written off using this allowance when it is probable that collection will not occur. Credit is extended to customers satisfying pre-defined credit criteria.

The total allowance for expected credit losses was \$4,790 and \$3,460 as of December 31, 2023 and 2022, respectively.

I. Inventories

Inventories are stated at the lower of aggregate cost or net realizable value. If inventory costs exceed expected net realizable value, the Company writes-down the difference between the cost and the expected net realizable value. Cost of raw materials is determined mainly on the basis of the weighted average moving price per unit. Work in progress is measured at cost including acquisition costs, processing costs and other costs incurred in bringing the inventories to their present stage.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Investments in Privately Held Companies

Long-term investments include equity investments in privately-held companies without readily determinable fair values. In accordance with ASC 321 - *“Investments - Equity Securities”*, the Company may elect to measure those investments at fair value or at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer (*“Measurement Alternative”*). The Company elected to use the Measurement Alternative for each of its investments. Any adjustments resulting from impairments and/or observable price changes are recorded under *“other income (expense), net”* in the consolidated statements of operations. See also Note 2M below.

K. Property and Equipment

The Company accounts for property and equipment in accordance with Accounting Standards Codification ASC 360 *“Accounting for the Property, Plant and Equipment”*. Property and equipment are presented at cost, including capitalizable costs. Capitalizable costs include only costs that are identifiable with, and related to, the property and equipment, and are incurred prior to their initial operation. Identifiable incremental direct costs include costs associated with constructing, establishing, and installing facilities and equipment, as well as technology transfer.

Maintenance and repairs are charged to expenses as incurred.

Property and equipment are presented net of investment grants received and less accumulated depreciation.

Depreciation is calculated based on the straight-line method over the Company’s estimated useful lives of the assets, as follows:

- Buildings and building improvements, including facility infrastructure: 10-25 years
- Machinery and equipment, software and hardware: 3-15 years.

Impairment charges, if needed, are determined based on the policy outlined in Note 2M below.

Property and equipment also include assets under capital leases, which are depreciated according to their applicable useful life.

L. Intangible Assets and Goodwill

The Company accounts for intangible assets and goodwill in accordance with ASC 350 *“Intangibles-Goodwill and Other”*. Intangible assets include the values assigned to the intangible assets as part of the purchase price allocation made at the time of acquisition. Intangible assets are amortized over the expected estimated economic life commonly used in the industry. Goodwill is not amortized and subject to impairment testing. Impairment charges on intangibles or goodwill, if needed, are determined based on the policy outlined in Note 2M below.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Impairment of Assets

Impairment of Property, Equipment and Intangible Assets

The Company reviews long-lived assets and intangible assets on a periodic basis, as well as when such review is required based upon relevant circumstances, to determine whether events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, considering the undiscounted cash flows expected from them. If applicable, the Company recognizes an impairment loss based upon the difference between the carrying amount and the fair value of such assets, in accordance with ASC 360-10 "Property, Plant and Equipment". As of December 31, 2023, the Company concluded there was no impairment to its long-lived assets and intangible assets.

Impairment of Goodwill

The Company performs a qualitative analysis when testing goodwill for impairment. A qualitative goodwill impairment test is performed when the fair value of a reporting unit historically has significantly exceeded the carrying value of its net assets and based on current operations is expected to continue to exceed it. Otherwise, the Company is required to conduct a quantitative impairment test and estimate the fair value of the reporting unit using a combination of an income approach based on discounted cash flow analysis and a market approach based on market multiples. If the fair value of a reporting unit is less than its carrying value, a goodwill impairment charge is recorded for the difference. As of December 31, 2023, the Company performed a qualitative impairment test for its reporting unit and concluded there was no impairment of goodwill.

Impairment of Investment in Privately Held Companies

Investments in privately held companies accounted for using the Measurement Alternative are subject to periodic impairment reviews. Based on ASC 321-10-35-3, the Company's impairment analysis considers qualitative factors to evaluate whether the investment is impaired. As of December 31, 2023, no impairments were recorded.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Leases

The Company recognize a right-of-use asset ("ROU") and lease liability for all operating and capital leases with a term greater than twelve months upon lease arrangement inception.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the terms of lease contracts. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since most of the Company's leases do not provide an implicit rate, the Company's incremental borrowing rate is used based on the information available at the commencement date in determining the present value of lease payments. The lease terms used to calculate the ROU asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense. For additional information, see Notes 11D and 11E.

O. Revenue Recognition

The Company recognizes revenue in accordance with ASC 606 "*Revenue from Contracts with Customers*" when it transfers the control of promised goods or services to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company's revenues are generated principally from sales of semiconductor wafers. The Company, to a much lesser extent, also derives revenues from design support and other technical and support services incidental to the sale of semiconductor wafers. Most of the Company's sales are achieved through the effort of its direct sales and business development force.

Wafer sales typically contain a single performance obligation that is fulfilled on the date of delivery and recognized at a point in time, which is upon shipment of the Company's products to unaffiliated customers, depending on shipping terms stipulated in the contract. Accordingly, control of the products transfers to the customer in accordance with the transaction's shipping terms. Taxes imposed by governmental authorities, such as sales taxes or value-added taxes, are excluded from net sales.

The Company provides for sales returns allowance relating to specified yield or quality commitments as a reduction of revenues, based on past experience and specific identification of relevant events, which has been in immaterial amounts.

The Company provides its customers with other services that are less significant in scope and amount and for which recognition occurs over time when customers receive the services.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Research and Development

Research and development costs are charged to operations as incurred. Amounts received or receivable from the government of Israel and others, such as participation in research and development programs, are offset from research and development costs. The accrual for grants receivable is determined based on the terms of the programs, provided that the criteria for entitlement have been met. As of December 31, 2023, the grants receivable amount was immaterial.

Q. Income Taxes

The Company accounts for income taxes using an asset and liability approach as prescribed in ASC 740-10 "*Income Taxes*". This topic prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities. Deferred taxes are measured using the enacted tax rates under applicable law effective for the year in which the differences are expected to reverse as of the balance sheet date. Deferred tax assets and liabilities, as well as any related valuation allowance, are classified as noncurrent items on the balance sheets.

The Company evaluates the potential realization of its deferred tax assets for each jurisdiction in which the Company operates at each reporting date and establishes valuation allowances when it is more likely than not that all or a part of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. The Company considers all available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities and deferred tax assets and projected future taxable income.

A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized based on all available evidence.

ASC 740-10 prescribes a two-step approach for recognizing and measuring uncertain tax positions. The first step is to evaluate tax positions taken or expected to be taken in a tax return by assessing whether they are more-likely-than-not sustainable, based solely on their technical merits including resolution of any related appeals or litigation process. The second step is to measure the associated tax benefit of each position as the largest amount that the Company believes is more-likely-than-not realizable. Differences between the amount of tax benefits taken or expected to be taken in its income tax returns and the amount of tax benefits recognized in its financial statements, represent the Company's unrecognized income tax benefits. The Company's policy is to include interest and penalties related to unrecognized income tax benefits as a component of income tax expense.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Income Taxes (continued)

In December 2021, the OECD released Pillar Two model rules imposing on large multinational corporations, with revenue above €750 million, a minimum effective corporate income tax rate of 15% in every jurisdiction in which they operate. As of January 1, 2024, the rules have been enacted or partially enacted in certain jurisdictions in which the Company operates. The Company is studying the rules and its potential impact on its future consolidated financial statements and tax payments, including the rules' transitional safe harbors, which may enable to postpone the application of the rules to the Company until after January 1, 2026.

R. Earnings per Ordinary Share

Basic earnings per share are calculated in accordance with ASC 260, "Earnings Per Share" by dividing net profit or loss attributable to ordinary equity holders of Tower (the numerator) by the weighted average number of ordinary shares outstanding during the reported period (the denominator). Diluted earnings per share are calculated, if applicable, by adjusting net profit attributable to ordinary equity holders of Tower, and the weighted average number of ordinary shares, taking into effect all potential dilutive ordinary shares.

S. Comprehensive Income

In accordance with ASC 220 "*Comprehensive Income*", comprehensive income represents the change in shareholders' equity during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a reporting period except those resulting from investments by owners and distributions to owners. Other comprehensive income ("OCI") represents gains and losses that are included in comprehensive income but excluded from net profit.

T. Functional Currency and Exchange Rate Results

The currency of the primary economic environment in which Tower, TSSA, TSNB and TSIT conduct their operations is the U.S. Dollar ("dollar"). Thus, the dollar is their functional and reporting currency. Accordingly, monetary accounts maintained in currencies other than the dollar are re-measured into dollars in accordance with ASC 830-10 "Foreign Currency Matters". All transaction gains and losses from the re-measurement of monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate. The financial statements of TPSCo, whose functional currency is the Japanese Yen ("JPY"), have been translated into dollars. The assets and liabilities have been translated using the exchange rate in effect as of the balance sheet date. The statements of operations of TPSCo have been translated using the average exchange rate for the reported period. The resulting translation adjustments are charged or credited to OCI.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Stock-based Compensation

The Company applies the provisions of ASC Topic 718 "*Compensation - Stock Compensation*", under which employees' share-based equity awards (mostly restricted stock units and performance unit shares) are recognized based on the grant-date fair values.

The compensation costs are recognized using the graded vesting attribution method based on the vesting terms of each unit included in the award resulting in an accelerated recognition of compensation costs.

V. Fair Value Measurements of Financial Instruments

ASC 820, "*Fair Value Measurements and Disclosures*" ("*ASC 820*"), requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The carrying value of the Company's bank deposits, account receivables, payables and accrued liabilities, approximate their current fair values in accordance with their nature and respective maturity dates or durations. The Company had no financial assets or liabilities carried and measured on a non-recurring basis during the reporting periods. Financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value each time a financial statement is prepared such as marketable securities and investments in privately-held companies.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Derivatives and Hedging

In accordance with ASC Topic 815, Derivative and Hedging ("ASC 815"), the Company recognizes all its derivative instruments as either assets or liabilities and carries them at fair value.

For derivative instruments that are designated and qualify as cash flow hedges, the derivative's gain or loss is initially reported as a component of OCI and is subsequently reclassified into earnings when the hedged exposure affects earnings, in the same line item as the underlying hedged item on the consolidated statements of earnings.

Cash flow hedges related to anticipated transactions are designated and documented at the inception of each hedge. Cash flows from hedging transactions are classified in the same categories as the cash flows from the respective hedged items.

X. Recently Adopted Accounting Pronouncements

The Company did not adopt any new standards or updates issued by the Financial Accounting Standards Board ("FASB") during the fiscal year of 2023 that had a material impact on the Company's financial position, results of operations, cash flows or financial statement disclosures.

Y. Recently Issued Accounting Pronouncements Not Yet Adopted

On December 23, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09— Income taxes (topic 740): improvements to income tax disclosures.

Rate reconciliation:

The amendments in this Update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). Specifically, public business entities are required to disclose a tabular reconciliation, using both percentages and reporting currency amounts.

Income Taxes Paid:

The amendments in this Update require that all entities disclose on an annual basis the following information about income taxes paid: (1) The amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and (2) The amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received).

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Y. Recently Issued Accounting Pronouncements Not Yet Adopted (continued)

Other Disclosures:

The amendments in this Update require that all entities disclose the following information: (1) income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and (2) income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. The amendments in this Update eliminate the requirement for all entities to (A) disclose the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months or (B) make a statement that an estimate of the range cannot be made. The amendments in this Update remove the requirement to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures. The amendments in this Update replace the term public entity as currently used in Topic 740 with the term public business entity as defined in the Master Glossary of the Codification.

The amendments should be effective for annual periods beginning after December 15, 2024. The Company does not expect the new standard to have a material impact on its consolidated financial statements.

NOTE 3: INVENTORIES

Inventories consist of the following as of December 31, 2023 and 2022:

Details	2023	2022
Raw materials	\$ 145,894	\$ 158,763
Work in process	116,698	116,553
Finished goods	20,096	26,792
	<u>\$ 282,688</u>	<u>\$ 302,108</u>

Work in process and finished goods are presented net of aggregate write-downs to net realizable value of \$8,327 and \$8,192 as of December 31, 2023 and 2022, respectively.

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NOTE 4: OTHER CURRENT ASSETS

Other current assets consist of the following as of December 31, 2023 and 2022:

Details	2023	2022
Direct and indirect tax receivables	\$ 22,892	\$ 21,902
Prepaid expenses	11,097	9,783
Receivables from hedging transactions - see Notes 10, 12A and 12D	1,894	1,685
Other receivables	73	949
	<u>\$ 35,956</u>	<u>\$ 34,319</u>

NOTE 5: LONG-TERM INVESTMENTS

Long-term investments consist of the following as of December 31, 2023 and 2022:

Details	2023	2022
Investments in privately held companies	\$ 6,780	\$ 6,720
Severance-pay funds	1,672	2,076
	<u>\$ 8,452</u>	<u>\$ 8,796</u>

NOTE 6: PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of December 31, 2023 and 2022:

Details	2023	2022
Original cost: (*)		
Land and buildings, including facility infrastructure	\$ 429,191	\$ 429,277
Machinery and equipment	3,977,381	3,576,824
	<u>4,406,572</u>	<u>4,006,101</u>
Accumulated depreciation:		
Buildings, including facility infrastructure	(291,684)	(279,408)
Machinery and equipment	(2,958,959)	(2,764,435)
	<u>(3,250,643)</u>	<u>(3,043,843)</u>
	<u>\$ 1,155,929</u>	<u>\$ 962,258</u>

(*) Original cost includes ROU assets under capital lease in the amount of \$204,230 and \$223,716 as of December 31, 2023 and 2022, respectively. The depreciation expense of such assets amounted to \$18,307 and \$14,215 for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the original cost of land, buildings, machinery and equipment was presented net of investment grants, in the aggregate amount of approximately \$285,000.

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NOTE 7: INTANGIBLE ASSETS, NET

Intangible assets consist of the following as of December 31, 2023:

Details	Useful life (years)	Cost	Accumulated Amortization	Net
Facilities' lease	19	\$ 33,500	\$ (29,394)	\$ 4,106
Technologies	10-20	6,700	(5,691)	1,009
Customer relationships	15	2,600	(2,600)	-
Total identifiable intangible assets		<u>\$ 42,800</u>	<u>\$ (37,685)</u>	<u>\$ 5,115</u>

Intangible assets consist of the following as of December 31, 2022:

Details	Useful life (years)	Cost	Accumulated Amortization	Net
Facilities' lease	19	\$ 33,500	\$ (28,105)	\$ 5,395
Technologies	10-20	6,692	(5,180)	1,512
Customer relationships	15	2,600	(2,476)	124
Total identifiable intangible assets		<u>\$ 42,792</u>	<u>\$ (35,761)</u>	<u>\$ 7,031</u>

NOTE 8: DEFERRED TAX AND OTHER LONG-TERM ASSETS, NET

Deferred tax and other long-term assets, net consist of the following as of December 31, 2023 and 2022:

Details	2023	2022
Long-term prepaid expenses	\$ 18,598	\$ 21,395
ROU - assets under operating leases	9,762	10,355
Prepaid long-term land lease, net	2,693	2,812
Deferred tax asset (see Note 19)	1,810	32,787
	<u>\$ 32,863</u>	<u>\$ 67,349</u>

NOTE 9: OTHER CURRENT LIABILITIES

Other current liabilities consist of the following as of December 31, 2023 and 2022:

Details	2023	2022
Tax payables	\$ 7,400	\$ 7,953
Hedging transactions related payables	500	6,947
Interest payable on debt	286	253
Proceeds on account of machinery and equipment to be sold in relation to restructuring (see also note 14B2)	-	60,121
Others	1,100	1,078
	<u>\$ 9,286</u>	<u>\$ 76,352</u>

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NOTE 10: LONG-TERM DEBT - SERIES G DEBENTURES

In June 2016, Tower raised approximately \$115,000 through the issuance of long-term unsecured non-convertible debentures ("Series G Debentures").

The Series G Debentures were payable in seven semi-annual consecutive equal installments from March 2020 to March 2023 and carried an annual interest rate of 2.79%. The principal and interest amounts were denominated in NIS and were not linked to any index or to any other currency. The Company entered into cash flow hedging transactions to mitigate the foreign exchange rate changes' impact on the principal and interest using a cross-currency swap.

As of March 31, 2023, the Series G Debentures were fully redeemed.

NOTE 11: LONG-TERM DEBT - OTHERS

A. Composition

As of December 31, 2023 and 2022:

Details	2023	2022
Long-term JPY loans - principal amount - see Notes 11B and 11C below	\$ 102,491	\$ 83,368
Capital leases and other long-term liabilities - see Note 11D below	119,310	159,656
Operating leases - see Note 11E below	9,762	10,355
Less - current maturities	(58,952)	(43,310)
	<u>\$ 172,611</u>	<u>\$ 210,069</u>

B. Repayment Schedule of Long-term JPY Loans

As of December 31, 2023:

Details	Interest Rate	2024	2025	2026	2027	Total
Long-term 2021 JPY loan	1.95%	\$ 11,108	\$ 22,215	\$ 22,215	\$ 22,215	\$ 77,753
Long-term 2023 JPY loan	1.95%	3,534	7,068	7,068	7,068	24,738
Total long-term JPY loans		<u>\$ 14,642</u>	<u>\$ 29,283</u>	<u>\$ 29,283</u>	<u>\$ 29,283</u>	<u>\$ 102,491</u>

C. Long-term JPY Loans

In December 2021, TPSCo refinanced its then existing loan with an 11 billion JPY (approximately \$78,000 as of December 31, 2023) asset-based loan with a consortium of financial institutions consisting of (i) JA Mitsui Leasing, Ltd., (ii) Mitsubishi HC Capital Inc., (iii) Taishin International Bank Co., Ltd. Tokyo Branch, and (iv) BOT lease Co. Ltd. ("2021 JPY Loan"). The 2021 JPY Loan carries a fixed interest rate of 1.95% per annum with principal payable in seven semiannual payments from December 2024 until December 2027. The 2021 JPY Loan is secured mainly by a lien over the machinery and equipment of TPSCo located in the Uozu and Tonami facilities.

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NOTE 11: LONG-TERM DEBT – OTHERS (continued)

C. Long-term JPY Loans (continued)

In September 2023, TPSCo entered into a term loan agreement with JA Mitsui Leasing Ltd. for an additional 3.5 billion JPY (approximately \$25,000 as of December 31, 2023) term loan (“2023 JPY Loan”). The 2023 JPY Loan carries a fixed interest rate of 1.95% per annum with principal payable in seven semiannual payments from September 2024 until September 2027. The 2023 JPY Loan is secured by a second lien over the machinery and equipment of TPSCo located in the Uozu and Tonami facilities.

The 2021 JPY Loan and 2023 JPY Loan contain certain financial ratios and covenants, as well as customary definitions of events of default and acceleration of the repayment schedule. TPSCo's obligations pursuant to the JPY Loans are not guaranteed by Tower, NTCJ, or any of their affiliates.

As of December 31, 2023, TPSCo maintained compliance with all of the financial covenants under the 2021 JPY Loan and 2023 JPY Loan.

D. Capital Lease Agreements and Other Long-term Liabilities

Certain of the Company's subsidiaries enter into capital lease agreements from time to time for certain machinery and equipment, usually for a period of four years, with an option to buy the machinery and equipment after a period of between three to four years from the start of the lease period. The lease agreements are denominated in JPY and contain annual interest rates of approximately 2%, and the assets under the lease agreements are pledged to the lender until the time at which the respective subsidiary acquires the assets. The obligations under the capital lease agreements are guaranteed by Tower, except for TPSCo's obligations under its capital lease agreements (see also Note 14B).

TPSCo leases its facility buildings in Japan from NTCJ under a long-term capital lease with a term through at least March 2032.

As of December 31, 2023 and 2022, the Company's total outstanding capital lease liabilities for fixed assets were \$118,272 and \$158,114, respectively, of which \$40,330 and \$39,610, respectively, were included under current maturities of long-term debt.

The following presents the maturity of capital lease and other long-term liabilities as of December 31, 2023:

Fiscal Year	Amount (\$)
2024	\$ 42,786
2025	28,468
2026	26,442
2027	7,178
2028	4,559
2029 and on	14,817
Total	<u>124,250</u>
Less - imputed interest	(4,940)
Total	<u>\$ 119,310</u>

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NOTE 11: LONG-TERM DEBT - OTHERS (continued)

E. Operating Lease Agreements

The Company enters into operating leases from time to time for office space, operating facilities and vehicles. Operating lease cost for the years ended December 31, 2023, 2022 and 2021 was \$4,807, \$5,867 and \$7,535, respectively. During 2023, cash paid for operating lease liabilities was \$4,516.

The following presents the composition of operating leases in the balance sheets:

Details	Classification in the Consolidated Balance Sheets	December 31, 2023	December 31, 2022
ROU - assets under operating leases	Deferred tax and other long-term assets, net	\$ 9,762	\$ 10,355
Lease liabilities:			
Current operating lease liabilities	Current maturities of long-term debt	\$ 3,450	\$ 3,171
Long-term operating lease liabilities	Long-term debt	6,312	7,184
Total operating lease liabilities		\$ 9,762	\$ 10,355
Weighted average remaining lease term (years)		3.3	4.3
Weighted average discount rate		1.94%	1.94%

The following presents the maturity presentation of operating lease liabilities as of December 31, 2023:

Fiscal Year	Amount (\$)
2024	\$ 3,511
2025	3,197
2026	2,539
2027	707
Total	9,954
Less - imputed interest	(192)
Total	\$ 9,762

F. Wells Fargo Credit Line

TSNB was engaged in prior years in an agreement with Wells Fargo Capital Finance, part of Wells Fargo & Company ("Wells Fargo"), for a secured asset-based revolving credit line in the total amount of up to \$70,000. The Company did not wish to extend the credit line agreement for an additional term, therefore it expired in September 2023 according to its term.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 12: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The Company makes certain disclosures as detailed below with regard to financial instruments, including derivatives. These disclosures include, among other matters, the nature and terms of derivative transactions, information about significant concentrations of credit risk and the fair value of financial assets and liabilities.

The Company formally designates qualifying derivatives as hedge relationships (“hedges”) and applies hedge accounting when considered appropriate. The Company does not use derivative financial instruments for trading or speculative purposes.

A. Exchange Rate Transactions

As the functional currency of Tower is the USD and a portion of Tower’s expenses are denominated in NIS, Tower enters into exchange rate agreements from time to time to partially hedge the volatility of future cash flows caused by changes in foreign exchange rates on NIS-denominated expenses. In 2023, the exchange rate transaction-related derivatives were accounted for as hedge accounting resulting in gain or loss initially reported as a component of OCI and subsequently upon maturity reclassified into the statement of operations at the same time that the hedged item’s exposure results are recorded in the statement of operations.

As of December 31, 2023, the fair value amounts of such exchange rate agreements were \$1,894 in an asset position, presented in other current assets with a face value of \$156,000. As of December 31, 2022, the fair value amounts of such exchange rate agreements were \$3,805 in a liability position, presented in other current liabilities with a face value of \$157,000.

As the functional currency of the Company is the USD and a portion of TPSCo revenues and expenses are denominated in JPY, the Company enters into exchange rate agreements from time to time to partially hedge the volatility of future cash flows caused by changes in foreign exchange rates on JPY-denominated amounts. The related derivatives were accounted for as cash flow hedges resulting in gain or loss initially reported as a component of OCI and subsequently reclassified into the statement of operations at the same time that the hedged item’s exposure results are recorded in the statement of operations.

As of December 31, 2023, and 2022, the fair value amounts of such exchange rate agreements were \$500 and \$3,142, respectively, in a liability position, presented in other current liabilities and with a face value of \$204,000 and \$217,000, respectively.

Losses reclassified from other comprehensive income into net loss recognized in the Company’s consolidated statement of operations for the year ended December 31, 2023 were \$5,153.

Losses reclassified from other comprehensive income into net loss recognized in the Company’s consolidated statements of operations for the year ended December 31, 2022 were \$36,857.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 12: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

B. Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, bank deposits, marketable securities, derivatives, trade receivables and government and other receivables. The Company's cash, deposits, marketable securities and derivatives are maintained with large and reputable banks and investment banks. The composition and maturities of investments are regularly monitored by the Company. Generally, these securities may be redeemed upon demand and bear minimal risk.

The Company generally does not require collateral for insurance of receivables; however, in certain circumstances, the Company obtains credit insurance or may require advance payments. An allowance for current expected credit losses is maintained with respect to trade accounts receivables and marketable securities. The Company performs ongoing credit evaluations of its customers and marketable securities.

C. Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments, excluding debentures, do not materially differ from their respective carrying amounts as of December 31, 2023 and 2022.

The fair value of debentures, based on quoted market prices as of December 31, 2022, was approximately \$19,000, same as their carrying amounts as of that date. As of March 31, 2023, the Series G Debentures were fully redeemed.

D. Designated Cash Flow Hedge Transactions

The Company entered into designated cash flow hedging transactions using a cross-currency swap to mitigate the foreign exchange rate changes' impact on principal and interest arising from the Series G Debentures' denomination in NIS.

As of December 31, 2022, the fair value of the swap was \$1,685 in an asset net position and was presented in other current assets. The effective portions of \$16 loss were recorded in OCI and recorded in earnings during the first three months of 2023.

For the year ended December 31, 2022, the hedging effect of the swap on the Company's results of operations was a loss of \$5,966, and was recognized as a financing loss, to offset the effect of the rate difference related to the Series G Debentures.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 12: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

E. Fair Value Measurements

Valuation Techniques

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to the Company's Level 1 assets and liabilities. If quoted prices in active markets for identical assets and liabilities are not available to determine fair value, the Company uses quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. This pricing methodology applies to the Company's Level 2 and Level 3 assets and liabilities.

Level 1 Measurements

Securities classified as available-for-sale are reported at fair value on a recurring basis. These securities are classified as Level 1 of the valuation hierarchy where quoted market prices from reputable third-party brokers are available in an active market. Changes in fair value of securities available-for-sale are recorded in other comprehensive income.

Level 2 Measurements

If quoted market prices are not available, or the prices of securities are derived from various sources, and do not necessarily represent the prices at which these securities could have been bought or sold, the Company obtains fair value measurements of these securities or of similar assets and liabilities from an independent pricing service. These securities are reported using Level 2 inputs and the fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors.

For cross-currency swap and derivatives measured under Level 2, the Company uses the market approach using quotations from banks and other public information.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 12: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

E. Fair Value Measurements (continued)

Level 3 Measurements

Investments in equity securities of privately-held companies without readily determinable fair values are measured using the Measurement Alternatives (see Note 2J). The Company reviews these investments for impairment and observable price changes on a quarterly basis and adjusts the carrying value accordingly. For the year ended December 31, 2023, the Company did not record significant changes to the carrying value of such investments, and for the year ended December 31, 2022, the Company recorded a decrease of \$6,978 in the carrying value of such investments, presented in other income (expense), net in the statements of operations.

Recurring fair value measurements using the indicated inputs:

Details	December 31, 2023	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Privately held companies	6,780	-	-	6,780
Marketable securities held for sale	184,960	-	184,960	-
Foreign exchange forward and cylinders - net asset position	1,394	-	1,394	-
	<u>\$ 193,134</u>	<u>\$ -</u>	<u>\$ 186,354</u>	<u>\$ 6,780</u>

Details	December 31, 2022	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cross-currency swap - net asset position	\$ 1,685	\$ -	\$ 1,685	\$ -
Privately held companies	6,720	-	-	6,720
Marketable securities held for sale	169,694	-	169,694	-
Foreign exchange forward and cylinders - net liability position	(6,947)	-	(6,947)	-
	<u>\$ 171,152</u>	<u>\$ -</u>	<u>\$ 164,432</u>	<u>\$ 6,720</u>

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 12: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

F. Short-Term Deposits and Marketable Securities

Deposits and marketable securities as of December 31, 2023 included short-term deposits in the amount of \$790,823 and marketable securities with applicable accrued interest in the amount of \$184,960; as of December 31, 2022, deposits and marketable securities included short-term deposits in the amount of \$495,359 and marketable securities with applicable accrued interest in the amount of \$169,694.

The following table summarizes amortized costs, gross unrealized gains and losses and estimated fair values of available-for-sale marketable securities as of December 31, 2023:

Details	Amortized Cost (*)	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate bonds	\$ 166,356	\$ 2,015	\$ (7,117)	\$ 161,254
Government bonds	22,470	73	(87)	22,456
	<u>\$ 188,826</u>	<u>\$ 2,088</u>	<u>\$ (7,204)</u>	<u>\$ 183,710</u>

* Excluding accrued interest of \$1,250.

The scheduled maturities of available-for-sale marketable securities as of December 31, 2023, were as follows:

Details	Amortized Cost	Estimated fair value
Due within one year	\$ 31,075	\$ 30,938
Due within 2-5 years	134,256	130,271
Due after 5 years	23,495	22,501
	<u>\$ 188,826</u>	<u>\$ 183,710</u>

The following table summarizes amortized costs, gross unrealized gains and losses and estimated fair values of available-for-sale marketable securities as of December 31, 2022:

Details	Amortized Cost (*)	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate bonds	\$ 158,089	\$ 535	\$ (11,656)	\$ 146,968
Government bonds	22,686	-	(1,130)	21,556
Municipal bonds	472	-	(8)	464
	<u>\$ 181,247</u>	<u>\$ 535</u>	<u>\$ (12,794)</u>	<u>\$ 168,988</u>

* Excluding accrued interest of \$706.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 12: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

F. Short-Term Deposits and Marketable Securities (continued)

The scheduled maturities of available-for-sale marketable securities as of December 31, 2022, were as follows:

Details	Amortized Cost	Estimated fair value
Due within one year	\$ 78,855	\$ 75,365
Due within 2-5 years	98,034	89,943
Due after 5 years	4,358	3,680
	<u>\$ 181,247</u>	<u>\$ 168,988</u>

Investments with continuous unrealized losses for less than twelve months and for twelve months or more and their related fair values as of December 31, 2023 and December 31, 2022, were as indicated in the following tables:

Details	December 31, 2023					
	Investments with continuous unrealized losses for less than twelve months		Investments with continuous unrealized losses for twelve months or more		Total investments with continuous unrealized losses	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate bonds	\$ 49,843	\$ (3,073)	\$ 67,167	\$ (4,044)	\$ 117,010	\$ (7,117)
Government bonds	3,299	(2)	5,404	(85)	8,703	(87)
Total	<u>\$ 53,142</u>	<u>\$ (3,075)</u>	<u>\$ 72,571</u>	<u>\$ (4,129)</u>	<u>\$ 125,713</u>	<u>\$ (7,204)</u>

Details	December 31, 2022					
	Investments with continuous unrealized losses for less than twelve months		Investments with continuous unrealized losses for twelve months or more		Total investments with continuous unrealized losses	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate bonds	\$ 57,388	\$ (3,160)	\$ 87,065	\$ (8,496)	\$ 144,453	\$ (11,656)
Government bonds	11,193	(319)	10,363	(811)	21,556	(1,130)
Municipal bonds	-	-	464	(8)	464	(8)
Total	<u>\$ 68,581</u>	<u>\$ (3,479)</u>	<u>\$ 97,892</u>	<u>\$ (9,315)</u>	<u>\$ 166,473</u>	<u>\$ (12,794)</u>

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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(dollars in thousands, except per share data)

NOTE 13: EMPLOYEE RELATED LIABILITIES

A. Employee Termination Benefits

Israeli law, labor agreements and corporate policy determine the obligations of Tower to make severance payments to dismissed Israeli employees and to Israeli employees leaving employment under certain circumstances. Generally, the liability for severance pay benefits, as determined by Israeli law, is based upon length of service and the employee's monthly salary. This liability is primarily covered by regular deposits made each month by Tower into recognized severance and pension funds and by insurance policies maintained by Tower, based on the employee's salary for the relevant month.

Commencing January 1, 2005, Tower implemented a labor agreement with regard to most of its Israeli employees, according to which monthly deposits into recognized severance and pension funds or insurance policies will release it from any additional severance obligation in excess of the balance in such accounts to such Israeli employees and, therefore, Tower incurs no liability or asset with respect to such severance obligations and deposits, since that date. Any net severance amount as of such date will be released on the employee's termination date. Payments relating to Israeli employee termination benefits were \$5,752, \$6,269 and \$5,941 for 2023, 2022 and 2021, respectively.

TPSCo established a Defined Contribution Retirement Plan (the "DC Plan") for its employees who elected to join the plan through which TPSCo contributed approximately 8.2% in 2023, 8.5% in 2022 and 7.7% in 2021, with employee average match of 0.7% of employee base salary to the DC Plan. Other employees may elect to get the contribution in cash. The contribution releases the employer from further obligation to any payments upon termination of employment. The contribution is remitted to third party benefit funds based on employee preference. Total payments for retirement in 2023, 2022 and 2021 amounted to \$4,266, \$4,838 and \$5,331 respectively.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 13: EMPLOYEE RELATED LIABILITIES (continued)

B. TSNB Employee Benefit Plans

The following information provides the changes in 2023, 2022 and 2021 periodic expenses and benefit obligations due to the bargaining agreement signed between TSNB and its collective bargaining unit employees.

Post-Retirement Medical Plan

The components of the net periodic benefit cost and other amounts recognized in other comprehensive income for post-retirement medical plan expense are as follows as of December 31, 2023, 2022 and 2021:

Details	2023	2022	2021
Net periodic benefit cost:			
Service cost	\$ 2	\$ 4	\$ 5
Interest cost	71	57	52
Amortization of prior service costs	-	-	-
Amortization of net gain	(282)	(157)	(179)
Total net periodic benefit cost	<u>\$ (209)</u>	<u>\$ (96)</u>	<u>\$ (122)</u>
Other changes in plan assets and benefits obligations recognized in other comprehensive income:			
Prior service cost for the period	\$ -	\$ -	\$ -
Net gain for the period	(195)	(515)	(23)
Amortization of prior service costs	-	-	-
Amortization of net gain	282	157	179
Total recognized in other comprehensive income	<u>\$ 87</u>	<u>\$ (358)</u>	<u>\$ 156</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (122)</u>	<u>\$ (454)</u>	<u>\$ 34</u>
Weighted average assumptions used:			
Discount rate	5.10%	3.00%	2.80%
Expected return on plan assets	N/A	N/A	N/A
Rate of compensation increases	N/A	N/A	N/A
Assumed health care cost trend rates:			
Health care cost trend rate assumed for current year (pre-65/post-65 Medicare Advantage)	7.30%/9.25%	6.00%/8.50%	6.00%/6.50%
Health care cost trend rate assumed for current year (pre-65/post-65 Non-Medicare Advantage)	7.30%/8.30%	6.00%/6.40%	6.00%/6.50%
Ultimate rate (pre-65/post-65)	4.50%/4.50%	4.50%/4.50%	4.50%/4.50%
Year the ultimate rate is reached (pre-65/post-65)	2031/2031	2031/2031	2029/2029
Measurement date	December 31, 2023	December 31, 2022	December 31, 2021

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 13: EMPLOYEE RELATED LIABILITIES (continued)

B. TSNB Employee Benefit Plans (continued)

The components of the change in benefit obligation, change in plan assets and funded status for post-retirement medical plan are as follows as of the years ended December 31, 2023, 2022 and 2021:

Details	2023	2022	2021
Change in medical plan related benefit obligation:			
Medical plan related benefit obligation at beginning of period	\$ 1,454	\$ 1,912	\$ 1,882
Service cost	2	4	5
Interest cost	71	57	52
Benefits paid	(13)	(4)	(4)
Change in medical plan provisions	-	-	-
Actuarial gain, net	(195)	(515)	(23)
Benefit medical plan related obligation end of period	\$ 1,319	\$ 1,454	\$ 1,912
Change in plan assets:			
Fair value of plan assets at beginning of period	\$ -	\$ -	\$ -
Employer contribution	13	4	4
Benefits paid	(13)	(4)	(4)
Fair value of plan assets at end of period	\$ -	\$ -	\$ -
Medical plan related net funding	\$ (1,319)	\$ (1,454)	\$ (1,912)

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 13: EMPLOYEE RELATED LIABILITIES (continued)

B. TSNB Employee Benefit Plans (continued)

As of December 31, 2023, 2022 and 2021:

Details	2023	2022	2021
Amounts recognized in statement of financial position:			
Current liabilities	\$ (50)	\$ (59)	\$ (48)
Non-current liabilities	(1,269)	(1,395)	(1,864)
Net amount recognized	<u>\$ (1,319)</u>	<u>\$ (1,454)</u>	<u>\$ (1,912)</u>
Weighted average assumptions used:			
Discount rate	5.00%	5.10%	3.00%
Rate of compensation increases	N/A	N/A	N/A
Assumed health care cost trend rates:			
Health care cost trend rate assumed for next year (pre-65/post-65 Medicare Advantage)	8.20%/11.00%	7.30%/9.25%	5.80%/8.50%
Health care cost trend rate assumed for next year (pre-65/post-65 Non-Medicare Advantage)	8.20%/8.70%	7.30%/8.30%	5.80%/6.20%
Ultimate rate (pre-65/post-65 Medicare Advantage)	4.50%/4.50%	4.50%/4.50%	4.40%/4.50%
Ultimate rate (pre-65/post-65 Non-Medicare Advantage)	4.50%/4.50%	4.50%/4.50%	4.40%/4.40%
Year the ultimate rate is reached (pre-65/post-65 Medicare Advantage)	2033/2034	2031/2031	2031/2031
Year the ultimate rate is reached (pre-65/post-65 Non-Medicare Advantage)	2033/2033	2031/2031	2031/2031

The following benefit payments are expected to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter:

Fiscal Year	Other Benefits
2024	\$ 50
2025	61
2026	67
2027	75
2028	79
2029 - 2033	\$ 422

Description of Significant Gains and Losses in Obligations:

For the fiscal year ended December 31, 2023, the benefit obligation summed to a net actuarial gain due to a significant reduction in retirees receiving medical coverage. For the fiscal year ended December 31, 2022, the benefit obligation summed to a net actuarial gain primarily attributable to the discount rate increase as compared to the prior year.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 13: EMPLOYEE RELATED LIABILITIES (continued)

B. TSNB Employee Benefit Plans (continued)

TSNB Pension Plan

TSNB has a pension plan that provides for monthly pension payments to eligible employees upon retirement. The pension benefits are based on years of service and specified benefit amounts. TSNB uses a December 31 measurement date each year. TSNB's funding policy is to make contributions that satisfy at least the minimum required contribution for IRS qualified plans.

The components of the change in benefit obligation, the change in plan assets and funded status for TSNB's pension plan for the years ended December 31, 2023, 2022 and 2021 are as follows:

Details	2023	2022	2021
Net periodic benefit cost:			
Interest cost	\$ 891	\$ 627	\$ 575
Expected return on plan assets	(1,034)	(778)	(788)
Expected administrative expenses	200	200	100
Amortization of prior service costs	3	3	3
Amortization of net loss	123	-	27
Total net periodic benefit cost	<u>\$ 183</u>	<u>\$ 52</u>	<u>\$ (83)</u>
Other changes in plan assets and benefits obligations recognized in other comprehensive income:			
Prior service cost for the period	\$ -	\$ -	\$ -
Net loss (gain) for the period	346	1,545	(1,038)
Amortization of prior service costs	(3)	(3)	(3)
Amortization of net gain	(123)	-	(27)
Total recognized loss (gain) in other comprehensive income =	<u>\$ 220</u>	<u>\$ 1,542</u>	<u>\$ (1,068)</u>
Total recognized in net periodic benefit cost (gain) and other comprehensive income	<u>\$ 403</u>	<u>\$ 1,594</u>	<u>\$ (1,151)</u>
Weighted average assumptions used:			
Discount rate	5.10%	2.90%	2.50%
Expected return on plan assets	5.60%	3.10%	3.10%
Rate of compensation increases	N/A	N/A	N/A

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 13: EMPLOYEE RELATED LIABILITIES (continued)

B. TSNB Employee Benefit Plans (continued)

The components of the change in benefit obligation, change in plan assets and funded status for TSNB's pension plan for the years ended December 31, 2023, 2022 and 2021 are as follows:

Details	2023	2022	2021
Change in benefit obligation:			
Benefit obligation at beginning of period	\$ 17,436	\$ 22,081	\$ 23,467
Interest cost	891	627	575
Benefits paid	(963)	(804)	(778)
Change in plan provisions	-	-	-
Actuarial loss (gain)	917	(4,468)	(1,183)
Benefit obligation end of period	<u>\$ 18,281</u>	<u>\$ 17,436</u>	<u>\$ 22,081</u>
Change in plan assets:			
Fair value of plan assets at beginning of period	\$ 19,511	\$ 25,750	\$ 25,985
Actual return on plan assets	1,628	(5,211)	616
Employer contribution	-	-	-
Expenses paid	(224)	(224)	(73)
Benefits paid	(962)	(804)	(778)
Fair value of plan assets at end of period	<u>\$ 19,953</u>	<u>\$ 19,511</u>	<u>\$ 25,750</u>
Funded Status	<u>\$ 1,672</u>	<u>\$ 2,075</u>	<u>\$ 3,669</u>
Amounts recognized in statement of financial position:			
Non-current assets	<u>\$ 1,672</u>	<u>\$ 2,075</u>	<u>\$ 3,669</u>
Non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net amount recognized	<u>\$ 1,672</u>	<u>\$ 2,075</u>	<u>\$ 3,669</u>
Weighted average assumptions used:			
Discount rate	4.90%	5.10%	2.90%
Rate of compensation increases	N/A	N/A	N/A

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 13: EMPLOYEE RELATED LIABILITIES (continued)

B. TSNB Employee Benefit Plans (continued)

The following benefit payments are expected to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter:

Fiscal Year	Other Benefits
2024	\$ 1,136
2025	1,225
2026	1,282
2027	1,322
2028	1,346
2029 - 2033	\$ 6,692

Description of Significant Gains and Losses in Obligations:

For the fiscal year ended December 31, 2023, the benefit obligation summed to a net actuarial loss primarily attributable to the discount rate decrease as compared to the prior year and demographic experience during the year. For the fiscal year ended December 31, 2022, the benefit obligation summed to a net actuarial gain primarily attributable to the discount rate increase to 5.10%, as compared to 2.90% in the prior year.

The plan's assets measured at fair value on a recurring basis consisted of the following as of December 31, 2023:

Details	Level 1	Level 2	Level 3
Investments in commingled funds	\$ -	\$ 19,953	\$ -
Total plan assets at fair value	\$ -	\$ 19,953	\$ -

The plan's assets measured at fair value on a recurring basis consisted of the following as of December 31, 2022:

Details	Level 1	Level 2	Level 3
Investments in commingled funds	\$ -	\$ 19,511	\$ -
Total plan assets at fair value	\$ -	\$ 19,511	\$ -

TSNB's pension plan weighted average asset allocations on December 31, 2023, by asset category are as follows:

Asset Category	December 31, 2023	Target allocation 2024
Equity securities	10%	10%
Debt securities	90%	90%
Total	100%	100%

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NOTE 13: EMPLOYEE RELATED LIABILITIES (continued)

B. TSNB Employee Benefit Plans (continued)

TSNB's primary policy goals regarding the plan's assets are to (1) provide liquidity to meet the Plan benefit payments and expenses payable from the Plan, (2) offer reasonable probability of achieving growth of assets that will assist in closing the Plan's funding gap, and (3) manage the Plan's assets in a liability framework. Plan assets are currently invested in commingled funds with various debt and equity investment objectives. The target asset allocation for the plan assets is 90% debt, or fixed income securities, and 10% equity securities. Individual funds are evaluated periodically based on comparisons to benchmark indices and peer group funds, and investment decisions are made by TSNB in accordance with the policy goals. Actual allocation to each asset category fluctuates and may not be within the target allocation specified above due to changes in market conditions.

The estimated expected return on assets of the plan is based on assumptions derived from, among other things, the historical return on assets of the plan, the current and expected investment allocation of assets held by the plan and the current and expected future rates of return in the debt and equity markets for investments held by the plan. The obligations under the plan could differ from the obligation currently recorded, if management's estimates are not consistent with actual investment performance.

NOTE 14: COMMITMENTS AND CONTINGENCIES

A. Liens

Loans, and Capital Leases

For liens under TPSCo's JPY Loans, see Note 11C. For liens under the capital lease agreements, see Note 11D.

B. TPSCo

1. Renewed Contracts

In August 2022, Tower, TPSCo and NTCJ extended certain agreements with respect to TPSCo through March 2027 under certain amended terms, including changes to the commercial pricing for the services provided by TPSCo and enhanced financial support from Tower and NTCJ to TPSCo.

2. Japanese Operations Restructuring

In accordance with agreements signed in 2019, as amended thereafter, between Tower, NTCJ and TPSCo, it was decided to re-organize and re-structure TPSCo's operations in Japan and maintain operations at the Uozu and Tonami facilities unchanged, while the Arai facility, which provided products solely to NTCJ and did not serve the Company's customers, would cease operations. The cessation of operations of the Arai facility occurred in June 2022, and during 2022, TPSCo initiated the process of transferring a portion of the machinery and equipment from the Arai facility to the Tonami facility.

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NOTE 14: COMMITMENTS AND CONTINGENCIES (continued)

B. TPSCo (continued)

The remaining machinery and equipment were sold to third parties. The restructuring process, including the transfer and installation of machinery and equipment in the Tonami facility and the sale of certain equipment, was completed during the first half of 2023 and resulted in total restructuring gain, net from the sale of machinery and equipment of \$72,411 as well as total restructuring expenses of \$30,346.

For the year ended December 31, 2023, the Company recorded restructuring gain from the sale of machinery and equipment, net, of \$52,168 as well as restructuring expense of \$19,662.

For the year ended December 31, 2022, the Company recorded restructuring gain from the sale of machinery and equipment, net, of \$20,243 as well as restructuring expense of \$10,684.

Changes in accruals related to the Arai facility cessation for the year ended December 31, 2023 were as follows:

Details	Asset disposal accrual	Other Restructuring costs accrual
Accrued balance as of January 1, 2022	\$ 2,250	\$ -
Expenses accrued	-	10,684
Accruals related to assets	521	2,654
Cash payments	(808)	(5,703)
Accrued balance as of December 31, 2022	\$ 1,963	\$ 7,635
Expenses accrued	-	19,662
Accruals related to assets	(1,741)	(7,318)
Cash payments	(222)	(17,852)
Accrued balance as of December 31, 2023	\$ -	\$ 2,127

C. License Agreements

The Company enters into intellectual property and licensing agreements with third parties from time to time. The effect of each of them on the Company's total assets and results of operations is immaterial. Certain of these agreements call for royalties to be paid by the Company to these third parties.

D. TSNB Lease Agreement

TSNB leases its facilities under an operational lease contract that is due to expire in the first quarter of 2027. In amendments to its lease, (i) TSNB secured various contractual safeguards designed to limit and mitigate any adverse impact of construction activities on its operations; and (ii) certain obligations of TSNB and the landlord are specified, including certain noise abatement actions at the facility. The landlord has made claims that TSNB's noise abatement efforts are not adequate under the terms of the amended lease, and has requested a judicial declaration that TSNB has committed material non-curable breach of the lease that under the lease, may entitle the landlord to terminate the lease. TSNB does not agree and is disputing these claims.

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NOTE 14: COMMITMENTS AND CONTINGENCIES (continued)

E. Definitive Agreement with ST Microelectronics

In 2021, TSIT, Tower's wholly-owned Italian subsidiary, entered into a definitive agreement with ST Microelectronics ("ST") to share under collaborative arrangement a 300mm facility with ST in Agrate, Italy. The parties will share the cleanroom space and the facility infrastructure, with the Company installing its own equipment in one-third of the total space. TSIT and ST will invest in their respective process equipment, and work to accelerate the process flows' transfer to the facility, product development, qualification and subsequent ramp-up. Operations will continue to be managed by ST. TSIT is currently installing certain tools in the Agrate facility and developing certain processes and technologies that it expects to qualify and ramp-up at said facility.

F. Foundry Agreement with Intel

In September 2023, Tower and Intel signed an agreement under which Tower will have a capacity corridor in Intel's 300mm facility in New Mexico, USA. Under this agreement, Tower will invest up to \$300,000 for equipment and other fixed assets to be owned by Tower and installed and qualified for Tower processes in this Intel's facility.

G. Other Agreements

From time to time, in the ordinary course of business, the Company enters into long-term agreements with various entities for the joint development of product IPs and processes. The developed IPs may be owned separately by either the other entity or the Company, or owned jointly by both parties, as applicable.

NOTE 15: SHAREHOLDERS' EQUITY

A. Description of Ordinary Shares

As of December 31, 2023, Tower had 150 million authorized ordinary shares, par value NIS 15.00 each, of which approximately 111 million were outstanding. Holders of ordinary shares are entitled to participate equally in the payment of cash dividends and bonus share (stock dividend) distributions and, in the event of the liquidation of Tower, in the distribution of assets after satisfaction of liabilities to creditors. Each ordinary share is entitled to one vote on all matters to be voted on by shareholders.

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NOTE 15: SHAREHOLDERS' EQUITY (continued)

B. Equity Incentive Plans

(1) Tower's 2013 Share Incentive Plan (the "2013 Plan")

In 2013, the Company adopted a share incentive plan for directors, officers and employees of the Company ("2013 Plan").

Under the 2013 Plan, the Company granted, in 2023 and 2022, a total of 0.80 million restricted stock units ("RSUs") and 0.61 million RSUs, respectively, to its employees and directors (including the below-described grants to the CEO and directors), with vesting periods of up to three years. Such RSUs amounts noted include performance based RSUs ("PSUs"). The Company determines compensation expenses of the RSUs based on the closing market price of the ordinary shares immediately prior to the date of grant and amortizes it over the applicable vesting period, taking into consideration achievement, if any, of performance criteria.

During 2023, the Company's CEO and members of the Board of Directors were awarded the following RSUs under the 2013 Plan:

(i) 75.8 thousand time-vested RSUs and 125.0 thousand PSUs, subject also to time-vesting, to the CEO, with 33% of such RSUs and PSUs to vest at the end of each year for 3 years following the grant date. The total compensation value of these RSUs was approximately \$7,537. As was approved by shareholders in 2019, the grant also included a provision requiring the CEO to own, commencing May 2024, ordinary shares of the Company at a minimum value that equals at least three times his annual base salary as of May 2024 (the "Minimum Holding"). The CEO has until May 2024 to accumulate the Minimum Holding (whether by conversion of RSUs to ordinary shares or by purchase of ordinary shares), and during such period, until he accumulates the Minimum Holding, he must retain at least 20% of the vested time-based RSUs granted to him on or after May 2019;

(ii) 8.0 thousand time-vested RSUs to the chairman of the Board of Directors ("the Chairman") for a total compensation value of \$300, to vest 33% at the end of each year for 3 years following the grant date; and

(iii) 3.3 thousand time-vested RSUs to each of the seven members of the Board of Directors then serving (other than to the Chairman and the CEO), for an aggregate compensation value of \$875, vesting over a two-year period, with 50% vesting on the first anniversary of the date of grant and 50% on the second anniversary of the date of grant.

As was approved by shareholders in 2020, commencing July 2025, the members of the Board will have to own ordinary shares of the Company at a minimum value that equals at least 50% of their annual base fee and the Chairman will have to own ordinary shares of the Company at a minimum value that equals at least 50% of his annual cash compensation (the "BOD Minimum Holding"). The Chairman and the members of the Board have until July 2025 to accumulate the BOD Minimum Holding (whether by conversion of RSUs to ordinary shares or by purchase of ordinary shares), and during such period, until they accumulate the BOD Minimum Holding, they must retain at least 20% of the vested time-based RSUs granted to him/her on or after July 2020.

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NOTE 15: SHAREHOLDERS' EQUITY (continued)

B. Equity Incentive Plans (continued)

During 2022, the Company's CEO and members of the Board of Directors were awarded the following RSUs under the 2013 Plan:

(i) 59 thousand time-vested RSUs and 97 thousand PSUs, subject also to time-vesting, to the CEO, with 33% of such RSUs and PSUs to vest at the end of each year for 3 years following the grant date. Total compensation value of these RSUs was approximately \$7,200. As was approved by shareholders in 2019, the grant also includes the Minimum Holding requirement defined above;

(ii) 6.5 thousand time-vested RSUs to the Chairman for a total compensation value of \$300, to vest 33% at the end of each year for 3 years following the grant date; and

(iii) 2.7 thousand time-vested RSUs to each of the seven members of the Board of Directors then serving (other than to the Chairman and the CEO), for an aggregate compensation value of \$875, vesting over a two-year period, with 50% vesting on the first anniversary of the date of grant and 50% on the second anniversary of the date of grant.

As was approved by shareholders in 2020, the grants to the Chairman and the members of the Board includes the BOD Minimum Holding requirement defined above.

During 2021, the Company's CEO and members of the Board of Directors were awarded the following RSUs under the 2013 Plan:

(i) 80 thousand time-vested RSUs and 132 thousand PSUs, subject also to time-vesting, to the CEO, with 33% of such RSUs and PSUs to vest at the end of each year for 3 years following the grant date. Total compensation value of these RSUs was approximately \$6,000. In addition, the Company's CEO was awarded 31 thousand PSUs that would vest upon attainment of certain performance conditions and not before one year from the date of grant, with a compensation value of approximately \$1,000. As was approved by shareholders in 2019, the grant also includes the Minimum Holding requirement defined above;

(ii) 10.3 thousand time-vested RSUs to the Chairman for a total compensation value of \$300, to vest 33% at the end of each year for 3 years following the grant date; and

(iii) 4.3 thousand time-vested RSUs to each of the seven members of the Board of Directors then serving (other than to the Chairman and the CEO), for an aggregate compensation value of \$875, vesting over a two-year period, with 50% vesting on the first anniversary of the date of grant and 50% on the second anniversary of the date of grant.

As was approved by shareholders in 2020, the grants to the Chairman and the members of the Board includes the BOD Minimum Holding requirement defined above.

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NOTE 15: SHAREHOLDERS' EQUITY (continued)

B. Equity Incentive Plans (continued)

(2) RSUs awards:

Details	2023		2022		2021	
	Number of RSUs	Weighted average fair value	Number of RSUs	Weighted average fair value	Number of RSUs	Weighted average fair value
Outstanding as of beginning of year	1,712,996	\$ 32.90	2,211,100	\$ 24.11	2,223,043	\$ 19.45
Granted	797,241	\$ 37.64	612,881	\$ 44.99	1,002,275	\$ 29.91
Converted	(870,720)	\$ 27.80	(1,068,219)	\$ 21.99	(929,466)	\$ 19.56
Forfeited	(53,957)	\$ 32.49	(42,766)	\$ 24.24	(84,752)	\$ 20.28
Outstanding as of end of year (*)	<u>1,585,560</u>	<u>\$ 38.10</u>	<u>1,712,996</u>	<u>\$ 32.90</u>	<u>2,211,100</u>	<u>\$ 24.11</u>

(*) Include 559,184, 595,757 and 776,313 PSUs as of December 31, 2023, 2022 and 2021, respectively. The performance goals of 557,416 PSUs outstanding as of December 31, 2023 were achieved or estimated to be achieved.

(3) Summary of Information about Employees' Share Incentive Plans

Details for the year ended December 31	2023	2022	2021
The intrinsic value of converted RSUs	\$ 26,976	\$ 48,829	\$ 27,807
The original fair value of converted RSUs	\$ 24,206	\$ 23,492	\$ 18,183

Stock-based compensation expenses were recognized in the Statement of Operations for the years ended December 31, 2023, 2022 and 2021 as follows:

Details	2023	2022	2021
Cost of goods	\$ 8,332	\$ 7,393	\$ 7,003
Research and development, net	5,639	4,754	4,855
Marketing, general and administrative	13,960	12,068	13,286
Total stock-based compensation expense	<u>\$ 27,931</u>	<u>\$ 24,215</u>	<u>\$ 25,144</u>

C. Treasury Stock

During 1999 and 1998, the Company funded the purchase by a trustee of an aggregate of approximately 87 thousand ordinary Tower shares. These shares are classified as treasury shares.

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NOTE 16: INFORMATION ON GEOGRAPHIC AREAS AND MAJOR CUSTOMERS

A. Revenues by Geographic Area - as Percentage of Total Revenue

Years ended December 31, 2023, 2022 and 2021:

Details	2023	2022	2021
USA	46%	49%	41%
Japan	17	16	22
Asia (other than Japan)	27	26	30
Europe	10	9	7
Total	100%	100%	100%

The basis of attributing revenues from external customers to a certain geographic area is based on the headquarters' location of the customer issuing the purchase order.

B. Long-Lived Assets by Geographic Area

Substantially all of Tower's long-lived assets are located in Israel, substantially all of TSNB's and TSSA's long-lived assets are located in the United States and substantially all of TPSCo's long-lived assets are located in Japan.

As of December 31, 2023 and 2022:

Details	2023	2022
Israel	\$ 254,868	\$ 248,711
United States	250,560	257,759
Europe	371,583	147,493
Japan	278,918	308,295
	\$ 1,155,929	\$ 962,258

C. Major Customers - as Percentage of Net Accounts Receivable Balance

As of December 31, 2023, one customer exceeded 10% of the net accounts receivable balance. As of December 31, 2022, no customer exceeded 10% of the net accounts receivable balance.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 16: INFORMATION ON GEOGRAPHIC AREAS AND MAJOR CUSTOMERS (continued)

D. Major Customers - as Percentage of Total Revenue

Years ended December 31, 2023, 2022 and 2021:

Details	2023	2022	2021
Customer A	14%	14%	21%
Customer B	9	9	13
Other customers *	21	24	20

* Represents aggregated revenue to three customers that accounted for between 3% and 9% of total revenue during 2023, to four customers that accounted for between 4% and 8% of total revenue during 2022, and to four customers that accounted for between 4% and 7% of total revenue during 2021.

NOTE 17: FINANCING INCOME (EXPENSE), NET

Financing income (expense), net consists of the following for the years ended December 31, 2023, 2022 and 2021:

Details	2023	2022	2021
Interest expense	\$ (4,444)	\$ (5,687)	\$ (7,312)
Interest income	39,987	13,596	5,368
Series G Debentures amortization, exchange rate and hedging transactions related results	(640)	(772)	(1,773)
Exchange rate and hedging transactions related results	(4,140)	(3,986)	(7,092)
Marketable securities fair value adjustments	2,944	(9,225)	-
Bank fees and others	(3,176)	(6,693)	(2,064)
	<u>\$ 30,531</u>	<u>\$ (12,767)</u>	<u>\$ (12,873)</u>

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 18: RELATED PARTIES BALANCES AND TRANSACTIONS

A. Balance

The nature of the relationship involved as of December 31, 2023 and 2022:

Details		2023	2022
Long-term investment	Equity investment in a limited partnership	\$ 40	\$ 57

B. Transactions

Description of the transactions for the years ended December 31, 2023, 2022 and 2021:

Details	Description of the transactions	2023	2022	2021
General and administrative expense	Directors' fees and reimbursement to directors	\$ 780	\$ 696	\$ 771

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
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NOTE 19: INCOME TAX

A. Tower Statutory Income Rates

Pursuant to Amendment 73 to the Investment Law adopted in 2017 and since Tower is an Israeli industrial company located in Migdal Ha'emek, it meets the conditions for "Preferred Enterprises". It is subject to an income tax rate of 7.5%. Any portion of Tower's taxable income that is not eligible for Preferred Enterprise benefits, if at all, is to be taxed at the regular Israeli corporate tax rate of 23%.

B. Income Tax Expense, Net

The Company's provision for income tax is affected by income tax in a multinational tax environment. The income tax provision is an estimate determined based on current enacted tax laws and tax rates at each of its geographic locations, with the use of acceptable allocation methodologies based upon the Company's organizational structure, operations and business mode of work, and results in applicable local taxable income attributable to those locations.

The Company's income tax provision consists of the following for the years ended December 31, 2023, 2022 and 2021:

Details	2023	2022	2021
Current tax expense:			
Foreign	\$ 13,374	\$ 13,167	\$ 13,504
Deferred tax expense (benefit):			
Local	62,748	21,550	2,518
Foreign	(10,810)	(9,215)	(14,998)
Income tax expense, net	<u>\$ 65,312</u>	<u>\$ 25,502</u>	<u>\$ 1,024</u>
Details	2023	2022	2021
Profit before taxes:			
Local	\$ 588,453	\$ 295,438	\$ 166,273
Foreign	(3,611)	(3,465)	(11,174)
Total profit before taxes	<u>\$ 584,842</u>	<u>\$ 291,973</u>	<u>\$ 155,099</u>

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NOTE 19: INCOME TAX (continued)

C. Components of Deferred Tax Asset/Liability

The following is a summary of the components of the deferred tax assets and liabilities reflected in the balance sheets as of December 31, 2023 and 2022:

Details	2023	2022
Deferred tax asset and liability - long-term:		
Deferred tax assets:		
Net operating loss carryforward	\$ 9,889	\$ 53,473
Employees compensation	7,853	7,670
Accruals and allowances	10,997	10,935
Research and development credit	24,677	21,340
Research and development - Section 174	19,582	11,748
Lease liabilities	12,199	14,642
Others	2,122	1,894
	<u>87,319</u>	<u>121,702</u>
Valuation allowance, see Note 19F below	(20,238)	(17,541)
Deferred tax assets	<u>\$ 67,081</u>	<u>\$ 104,161</u>
Deferred tax liabilities - long-term:		
Depreciation and amortization	\$ (72,254)	\$ (81,929)
ROU - assets under operating leases	(1,609)	(2,027)
Others	(838)	77
Deferred tax liabilities	<u>\$ (74,701)</u>	<u>\$ (83,879)</u>
Presented in long term deferred tax assets	<u>\$ 1,810</u>	<u>\$ 32,787</u>
Presented in long term deferred tax liabilities	<u>\$ (9,430)</u>	<u>\$ (12,505)</u>

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NOTE 19: INCOME TAX (continued)

D. Unrecognized Tax Benefit

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Details	Unrecognized tax benefits
Balance as of January 1, 2023	\$ 8,490
Additions for tax positions of current year	727
Reduction due to statute of limitations of prior years	-
Balance as of December 31, 2023	<u>\$ 9,217</u>

Details	Unrecognized tax benefits
Balance as of January 1, 2022	\$ 7,763
Additions for tax positions of current year	727
Reduction due to statute of limitations of prior years	-
Balance as of December 31, 2022	<u>\$ 8,490</u>

Details	Unrecognized tax benefits
Balance as of January 1, 2021	\$ 15,314
Additions for tax positions of current year	624
Reduction due to statute of limitations of prior years	(8,175)
Balance as of December 31, 2021	<u>\$ 7,763</u>

E. Effective Income Tax

The reconciliation of the statutory tax rate to the effective tax rate for the years ended December 31, 2023, 2022 and 2021:

Details	2023	2022	2021
Tax expense computed at statutory rates, see (*) below	\$ 134,514	\$ 67,154	\$ 35,673
Effect of different tax rates in different jurisdictions and Preferred Enterprise Benefit	(89,487)	(46,012)	(24,683)
Change in valuation allowance, see Note 19F below	2,697	5,911	899
Permanent differences and other, net	17,588	(1,551)	(10,865)
Income tax expense	<u>\$ 65,312</u>	<u>\$ 25,502</u>	<u>\$ 1,024</u>

(*) The tax expense was computed based on the regular Israeli corporate tax rate of 23%.

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NOTE 19: INCOME TAX (continued)

F. Net Operating Loss Carryforward

As of December 31, 2023, Tower had no operating loss carryforward for tax purposes.

As of December 31, 2023, Tower US Holdings had federal net operating loss carryforwards of approximately \$44,000 of which approximately \$34,000 does not expire and is subject to an annual taxable income limitation of 80%. The remaining federal tax loss carryforward of \$10,000 will expire in 2028, unless previously utilized.

As of December 31, 2023, Tower US Holdings had California state net operating loss carryforward of approximately \$9,000. The state tax loss carryforward will begin to expire in 2029, unless previously utilized.

Tower US Holdings recorded a valuation allowance thereby reducing the deferred tax asset balances of the federal and state net operating loss carryforward.

As of December 31, 2023, and 2022, TPSCo had no net operating loss carryforward.

G. Final Tax Assessments

Tower possesses final tax assessments through the year 1998. In addition, the tax assessments for the years 1999-2017 are deemed final. During 2023, the Israeli tax authority commenced a tax audit on Tower for the tax years 2018 to 2021. As of the date of the consolidated financial statements, the tax audit is still in process.

Tower US Holdings files a consolidated tax return, including TSNB and TSSA. Tower US Holdings and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple states.

In general, Tower US Holdings is no longer subject to U.S. federal income tax examinations for any of the years before 2020 and state and other U.S local income tax examinations for any of the years before 2019. However, to the extent allowed by law, the tax authorities may have the right to examine prior periods where net operating losses were generated and carried forward, and make adjustments up to the amount of the net operating loss carryforward amount.

TPSCo possesses final income tax assessments through the year 2020.

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NOTE 20: SUBSEQUENT EVENTS

Japan Earthquake in 2024

On January 1, 2024, an earthquake hit Japan in a neighboring vicinity to the location of TPSCo's facilities. While there was no impact or damage to the buildings and the facilities' structure, there was tools' damage and some percentage of work in progress and inventories scrapped at the facilities, as well as a temporary cessation of operations. The dedicated staff and response teams worked to ensure operational safety and stability, utilizing all available resources to minimize any potential disruptions to operations and customer service, and returned the facilities to operation after several weeks.

Re-organization of the Israeli Operations

During the first quarter of 2024, the Company decided to re-organize and re-structure its Israeli operations through integration of a portion of its 6" operations (150mm) into its 8" operations (200mm) in order to optimize its operations due to anticipated changes in market dynamics and customer demand. Re-organization related income or expenses will be recognized as incurred over the re-organization period.

DESCRIPTION OF SECURITIES

The descriptions of the securities contained herein summarize the material terms and provisions of the ordinary shares of Tower Semiconductor Ltd., registered under Section 12 of the Securities Exchange Act of 1934. References herein to “we,” “us,” “our” and the “Company” refer to Tower Semiconductor Ltd. (the “Company”), and not to any of its subsidiaries. The following description may not contain all the information that is important to you, and we therefore refer you to our Articles of Association, which is attached as Exhibit 1.1 to this annual report, as amended by Exhibits 1.2-1.7 to this annual report.

Share Capital

Our authorized and registered share capital is NIS 2,250,000,000 (two billion two hundred and fifty million) divided into 150,000,000 (one hundred and fifty million) ordinary shares, nominal (par) value NIS 15.00 each.

Listing

Our ordinary shares are listed on The Nasdaq Global Select Market and on the Tel Aviv Stock Exchange under the symbol “TSEM”.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. Our directors (other than external directors, if any) are elected by the general meeting of our shareholders by the vote of a majority of the ordinary shares present, in person or by proxy, and voting at that meeting. Generally, our directors hold office until their successors are elected at the next annual general meeting of shareholders (or until any of their earlier resignation or removal in accordance with the Companies Law). In addition, our Articles of Association allow our board of directors to appoint directors (other than the external directors, if any) to fill vacancies on our board of directors, until the next annual general meeting of shareholders.

Rights Attached to Shares**Voting Rights**

Holders of the Company’s ordinary shares have one vote per share. All ordinary shares have identical voting and other rights in all respects.

Dividend and Liquidation Rights

Holders of the Company’s ordinary shares are entitled to participate equally in the payment of dividends and share distributions and, in the event of liquidation of the Company, in the distribution of assets after satisfaction of liabilities to creditors. No preferred shares are currently authorized; however, these rights may be granted by future grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized.

Under the Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company’s articles of association provide otherwise. Our Articles of Association do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors. Under Israeli law, the distribution amount is limited to the greater of retained earnings or earnings generated over the two most recent years legally available for distribution according to our then last reviewed or audited financial statements (less the amount of previously distributed dividends, if not reduced from the earnings), provided that the date of the financial statements is not more than six months prior to the date of distribution (referred to as the “profit test”). If we do not meet the profit test, we must seek the approval of the court in order to distribute a dividend. In each case, we are only permitted to distribute a dividend if our board of directors or the court, if applicable, determines that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due (referred to as the “solvency test”). Under regulations promulgated under the Companies Law, in the case of Israeli companies listed on certain foreign stock exchanges, including the Nasdaq Global Select Market, the board of directors may resolve to distribute a dividend by way of a share repurchase program if the company does not meet the profit test without seeking the approval of the court, subject to the following: (i) the company meets the solvency test; and (ii) the company provided a notice to certain creditors regarding its intention to distribute a dividend by way of a share repurchase program and no such creditor submits an objection within 30 days of the notice (otherwise, court approval would be required for such distribution in accordance with the requirements of the Companies Law).

Modification of Class Rights

Pursuant to our Articles of Association, at any time the share capital is divided into different classes of shares, the Company may, in a resolution passed at the general meeting by an ordinary majority, convert, expand, add to, reduce or otherwise alter the rights attached to a particular class of shares, provided that the written agreement of all the holders of the shares of such class is received or that the resolution is approved at a general meeting of the holders of the shares of such class by an ordinary majority, or as otherwise provided in the issue terms of the particular class.

Vote Requirements

Under our Articles of Association, all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Companies Law or by our Articles of Association. Under our Articles of Association, approval by a special majority of 75% of the ordinary shares represented at a general meeting, in person or by proxy, is required in the event of a reorganization or liquidation of the Company (i) to approve the receipt of stock or securities of the other company; (ii) to distribute or allocate the securities or assets of the Company in a manner different to that in which they should have been distributed or allocated in accordance with the precise legal rights of the Company's shareholders; and (iii) to instruct that shares or assets of the Company, be valued in the manner and at the price resolved by the Company.

Under the Companies Law, certain actions require a special majority, including: (i) the approval of an extraordinary transaction with a controlling shareholder or in which the controlling shareholder has a personal interest, (ii) the terms of employment or other engagement of a controlling shareholder of the company or a controlling shareholder's relative (even if such terms are not extraordinary) and (iii) the adoption or amendment of a compensation policy for officers and directors and certain compensation-related matters, which require the approvals described below under "Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions—Approval of Director and Officer Compensation."

Another exception to the simple majority vote requirement is a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Companies Law, which requires the approval of a majority of the holders holding at least 75% of the voting rights represented at the meeting and voting on the resolution.

Transfer of Shares

Our ordinary shares may generally be freely transferred under the Articles of Association, unless the transfer is restricted or prohibited by applicable law or the rules of the stock exchange on which the shares are traded. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our Articles of Association or the laws of the State of Israel, except under certain circumstances for ownership by nationals of certain countries that are, or have been, in a state of war with Israel.

Fiduciary Duties of Directors and Executive Officers

The Companies Law codifies the fiduciary duties that "office holders" owe to a company. An office holder, as defined in the Companies Law, is a general manager, chief business manager, deputy general manager, vice general manager, another manager directly subordinate to the general manager or any other person assuming the responsibilities of any of the foregoing positions without regard to such person's title, or a director.

An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for his or her approval or performed by virtue of his or her position; and
 - all other important information pertaining to any such action.
-

The duty of loyalty requires an office holder to act in good faith and in the best interests of the company, and includes, among other things, the duty to:

- refrain from any conflict of interest between the performance of his or her duties to the company and his or her other duties or personal affairs;
- refrain from any activity that is competitive with the company;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or herself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

We may approve an act specified above which would otherwise constitute a breach of the office holder's duty of loyalty, provided that the office holder acted in good faith, the act or its approval does not harm the company and the office holder discloses his or her personal interest a sufficient amount of time before the date for discussion of approval of such act.

Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions

Disclosure of Personal Interests of an Office Holder

The Companies Law requires an office holder to promptly disclose to the board of directors any "personal interest" that he or she may have and all related material information known to him or her, in connection with any existing or proposed transaction by the company. An interested office holder's disclosure must be made promptly and in any event no later than the first meeting of the board of directors at which the transaction is considered.

A personal interest includes an interest of any person in an act or transaction of a company, including a personal interest of one's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from one's ownership of shares in the company. A personal interest includes the personal interest of a person for whom the office holder holds a voting proxy or the personal interest of the office holder with respect to his or her vote on behalf of a person for whom he or she holds a proxy even if such shareholder has no personal interest in the matter. An office holder is not, however, obliged to disclose a personal interest if it derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction.

A director and any other office holder who has a personal interest in a transaction which is considered at a meeting of the board of directors or the audit committee may generally (unless it is with respect to a transaction which is not an extraordinary transaction) not be present at such a meeting or vote on that matter unless, with respect to an office holder, the chairman of the audit committee or board of directors (as applicable) determines that the office holder should be present during the discussions in order to present the transaction that is subject to approval (provided that the office holder may not vote on the matter). If a majority of the members of the audit committee or the board of directors (as applicable) has a personal interest in the approval of such a transaction, then all of the directors may participate in deliberations of the audit committee or board of directors, as applicable, with respect to such transaction and vote on the approval thereof. If a majority of the members of the board of directors has a personal interest in the approval of a transaction, shareholder approval is also required for such transaction.

Approval of Transactions with Officer Holders

If it is determined that an office holder has a personal interest in a non-extraordinary transaction, meaning any transaction that is in the ordinary course of business, on market terms or that is not likely to have a material impact on the company's profitability, assets or liabilities, approval by the board of directors is required for the transaction, unless the company's articles of association provide for a different method of approval. Our Articles of Association provide that extraordinary transactions with an office holder or in which an officer holder has a personal interest shall be approved by the board of directors or the audit committee or by another entity authorized by the board of directors, and may be approved by granting general approval for a particular class of transactions or by approving a particular transaction. Any such transaction that is adverse to the company's interests may not be approved by the board of directors.

Approval first by the company's audit committee and subsequently by the board of directors is required for an extraordinary transaction (meaning, any transaction that is not in the ordinary course of business, not on market terms or that is likely to have a material impact on the company's profitability, assets or liabilities) in which an office holder has a personal interest.

Executive Officers other than the Chief Executive Officer. Under the Companies Law, the terms of office and employment of officers other than the chief executive officer (who are not directors) require the approval by the (i) compensation committee; (ii) the board of directors; and (iii) if such compensation terms do not comply with the company's stated compensation policy, also by the shareholders by a simple majority of the ordinary shares present, in person or by proxy, and voting at a shareholders meeting, provided that either one of the following conditions are met (the "Special Majority"):

- at least a majority of the shares held by all shareholders who are not controlling shareholders and shareholders who do not have a personal interest in the matter, present and voting on the matter at such meeting, are voted in favor of the compensation package, excluding abstentions; or
- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such matter, who vote against the compensation package does not exceed two percent (2%) of the aggregate voting rights in the Company.

However, if the shareholders of the company do not approve a compensation arrangement with an executive officer (who is not a director) that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision.

An amendment to an existing arrangement with an office holder who is not the chief executive officer or a director requires only the approval of the compensation committee, if the compensation committee determines that the amendment is not material in comparison to the existing arrangement. However, according to regulations promulgated under the Companies Law, an amendment to an existing arrangement with an office holder (who is not a director) who is subordinate to the chief executive officer shall not require the approval of the compensation committee if (i) the amendment is approved by the chief executive officer and the company's compensation policy provides that a non-material amendment to the terms of service of an office holder (other than the chief executive officer) may be approved by the Chief Executive Officer and (ii) the engagement terms are consistent with the company's compensation policy.

Chief Executive Officer. Under the Companies Law, the terms of office and employment of the chief executive officer require approval by the (i) compensation committee; (ii) the board of directors and (iii) the shareholders by the Special Majority. However, if the shareholders of the company do not approve the compensation arrangement with the chief executive officer (who is not a director), the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide a detailed report for their decision. Approval of terms of office and employment for the chief executive officer which do not comply with the compensation policy may nonetheless be approved subject to two cumulative conditions: (i) the compensation committee and thereafter the board of directors approved the terms, after having taken into account the various considerations and mandatory requirements set forth in the Companies Law with respect to compensation policies, and (ii) the shareholders of the company approved the terms of office and employment for the chief executive officer which deviate from the compensation policy by means of the Special Majority. A company may be exempted from receiving shareholder approval with respect to the terms of office and employment of a proposed candidate for general manager (chief executive officer) if such candidate meets certain independence criteria, the terms of office and employment are consistent with the compensation policy, and the compensation committee has determined for specified reasons that presenting the matter for shareholder approval would prevent the proposed engagement.

Directors. Under the Companies Law, the terms of office and employment of directors require approval by the (i) compensation committee; (ii) board of directors and (iii) shareholders of the company by ordinary majority. Approval of terms of office and employment for directors of a company that do not comply with the compensation policy may nonetheless be approved subject to two cumulative conditions: (i) the compensation committee and thereafter the board of directors, approved the terms after having taken into account the various considerations and mandatory requirements set forth in the Companies Law with respect to compensation policies, and (ii) the shareholders of the company have approved the terms by means of the Special Majority. However, the terms of office and employment of directors are exempt from shareholder approval if such terms are either (i) only to the benefit of the company, or (ii) the compensation paid does not exceed the maximum compensation payable to external directors under regulations promulgated under the Companies Law, and the compensation committee and board of directors approved the foregoing.

Additional disclosure and approval requirements apply under Israeli law to certain transactions with controlling shareholders, certain transactions in which a controlling shareholder has a personal interest and certain arrangements regarding the terms of service or employment of a controlling shareholder.

Shareholder Duties

Under the Companies Law, a shareholder has a duty to act in good faith and in a customary manner towards the company and other shareholders and refrain from abusing his or her power in the company, including, among other things, in voting at a general meeting of shareholders on the following matters:

- any amendment to the Articles of Association;
- an increase of the company's authorized share capital;
- a merger; or
- approval of interested party transactions and act of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from discriminating against other shareholders.

In addition, any controlling shareholder, any shareholder who knows that it possesses power to determine the outcome of a shareholder vote and any shareholder who has the power to appoint or prevent the appointment of an office holder in the company is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty, but provides that remedies applicable to a breach of contract, shall generally apply to a breach of the duty to act with fairness. With respect to the obligation to refrain from acting discriminatorily, a shareholder that is discriminated against can petition the court to instruct the company to remove or prevent the discrimination, as well as provide instructions with respect to future actions.

Approval of Significant Private Placements

Under the Companies Law, a significant private placement of securities requires approval by the board of directors and the shareholders by a simple majority. A private placement is considered a significant private placement if it will cause a person to become a controlling shareholder or if all of the following conditions are met:

- the securities issued amount to 20% or more of the company's outstanding voting rights before the issuance;
- some or all of the consideration is other than cash or listed securities or the transaction is not on market terms; and
- the transaction will increase the relative holdings of a shareholder who holds 5% or more of the company's outstanding share capital or voting rights or will cause any person to become, as a result of the issuance, a holder of more than 5% of the company's outstanding share capital or voting rights.

However, under regulations promulgated under the Companies Law, the foregoing shareholder approval requirements shall not apply to a company whose shares are listed on certain foreign stock exchanges, including The Nasdaq Global Select Market, if the law of the foreign jurisdiction sets forth requirements regarding the approval of private placements and the company complies with such requirements as they apply to companies incorporated in such foreign jurisdiction.

Merger and Acquisitions under Israeli Law

Full Tender Offer. A person wishing to acquire shares or any class of shares of a publicly traded Israeli company and who would as a result hold over 90% of the company's voting rights, or issued and outstanding share capital or of a class of shares, is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company (or the applicable class). If (a) the shares represented by the shareholders who did not tender their shares in the tender offer constitute less than 5% of the issued and outstanding share capital of the company (or the applicable class), and more than half of the shareholders without a personal interest in accepting the offer tendered their shares, or (b) the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company (or the applicable class), then all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition the court to determine whether the tender offer was for less than fair value and whether the fair value should be paid as determined by the court, provided, however, subject to certain exceptions, the terms of the tender offer may state that a shareholder that accepts the offer waives such right. If the full tender offer was not accepted in accordance with any of the above alternatives, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the voting rights or the issued and outstanding share capital of the company (or the applicable class) from shareholders who accepted the tender offer.

Special Tender Offer. The Companies Law provides that, subject to certain exceptions, an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This rule does not apply if there is already another shareholder of the company that holds 25% or more of the voting rights in the company. Similarly, the Companies Law provides that, subject to certain exceptions, an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no shareholder that holds more than 45% of the voting rights in the company.

No tender offer is required if the acquisition of shares (i) occurs in the context of a private placement by the company that received shareholder approval as a private placement the purpose of which is to give the acquirer at least 25% of the voting rights in the company if there is no person who holds 25% or more of the voting rights in the company, or as a private placement whose purpose is to give the acquirer 45% of the voting rights in the company, if there is no person who holds 45% of the voting rights in the company; or (ii) was from a holder of 25% or 45% of the voting rights in the company, as the case may be.

A special tender offer must be extended to all shareholders of a company. A special tender offer generally may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror; and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding the purchaser, its controlling shareholders, holders of 25% or more of the voting rights in the company or any person having a personal interest in the acceptance of the tender offer, or anyone on their behalf, including any such person's relatives and entities under their control).

If a special tender offer is accepted, then shareholders who did not respond to or that had objected the offer may accept the offer within four days of the last day set for the acceptance of the offer and they will be considered to have accepted the offer from the first day it was made.

If a special tender offer is accepted, then the purchaser or any person or entity controlling it, at the time of the offer, and any person or entity under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger. The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Israeli Law are met, the majority of each party's shares voted on the proposed merger at a shareholders' meeting called on at least 35 days prior notice. The board of directors of a merging company may not approve the merger if it determines that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the merging entities.

Under the Companies Law, merger transactions may be approved by holders of a simple majority of our shares present, in person or by proxy, at a general meeting and voting on the transaction. In determining whether the required majority has approved the merger, if shares of a company are held by the other party to the merger, or by any person holding at least 25% of the outstanding voting shares or 25% of the means of appointing directors of the other party to the merger, then a vote against the merger by holders of the majority of the shares present and voting, excluding shares held by the other party or by such person, or anyone acting on behalf of either of them, is sufficient to reject the merger transaction, provided. If the transaction would have been approved but for the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders. If a merger is with a company's controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders.

Under the Companies Law, a merging company must inform its creditors of the proposed merger. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger.

In addition, a merger may not be consummated unless at least 30 days have passed from the receipt of the shareholders' approval of both merging companies and 50 days have passed from the date that a merger proposal has been filed with the Israeli Registrar of Companies.

Changes in Capital

Our Articles of Association enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Companies Law and must be approved by a resolution duly passed by our shareholders at a general meeting by an ordinary majority. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits, require the approval of both our board of directors and an Israeli court (see "—Dividend and Liquidation Rights").

**CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS
EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE
COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED**

MANUFACTURING SERVICES AGREEMENT

This Manufacturing Services Agreement (the “**Agreement**”) is made and entered into as of August __, 2023 (the “**Effective Date**”) by and between Tower Semiconductor Ltd., a company duly organized and existing under the laws of the State of Israel, having its principal place of business at Ramat Gavriel Industrial Park, P.O. Box 619 Migdal Haemek 23105, Israel and its affiliates (“**Tower**”), and Intel Corporation and its affiliates, a company duly organized and existing under the law of Delaware, and having its registered office at 2200 Mission College Blvd., Santa Clara, CA 95054-1549, United States (“**Intel**” or the “**Supplier**”). Each of Tower and Intel may be referred to as a “**Party**” and collectively as the “**Parties**” to this Agreement.

WHEREAS, Intel operates multiple manufacturing facilities worldwide with 300mm capabilities that could be used to manufacture Tower’s CMOS analog and mixed signal technologies;

WHEREAS, Tower operates wafer fabrication facilities and provides its customers with wafer manufacturing services on, among others, 300mm wafers using 65nm and below technologies such as RFSOI, RFCMOS and power management BCD and imaging and display technologies;

WHEREAS, Tower wishes to engage Intel as its subcontractor and to that end, will engage on the transfer and qualification of 65nm RFSOI and power management BCD technologies and certain 65nm derivatives in the Intel Facility (defined below) and then manufacture semiconductor wafers with those technologies (such wafers referred to as “**Tower Products**”); and

WHEREAS, Intel wants to serve as Tower’s supplier for manufacturing the Tower Products at the Intel facility in accordance with the specifications and acceptance criteria agreed in the appropriate SOW, and deliver the Tower Products to Tower in accordance with the terms as mutually agreed between Intel and Tower.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Parties hereby agree as follows:

1. **Definitions.** In addition to the terms defined above and elsewhere in this Agreement, the following terms will have the meanings set forth below:
 - 1.1 **“CNDA”** means the Corporate Non-Disclosure Agreement entered into by the Parties dated July 29, 2002 (CNDA No. [***]).
 - 1.2 **“Intel Facility”** means Intel’s fab facility (Fab 11x) located in Rio Rancho, New Mexico.
 - 1.3 **“M-RUNDA”** means the Master Restricted Use Non-Disclosure Agreement entered into by the Parties dated November 29, 2022 (M-RUNDA No. [***]).
 - 1.4 **“Non-Production Wafers”** means Wafers that are not intended to be sold as a fully-qualified product, including engineering, pre-qualification, and Pre-Production Wafers.
 - 1.5 **“Pre-Production Wafers”** means Wafers manufactured by Intel prior to Technology Qualification.
 - 1.6 **“Technology Qualification”** means the qualification of the process technology for each type of Tower Product as described in Exhibit 2.
 - 1.7 **“Tower’s Property”** means all drawings, specifications, recipes and technical information, and any other property (including any intellectual property embodied therein and any property of Tower’s customers) furnished to Intel by Tower in connection with a Technology Qualification.
 - 1.8 **“Tower Tools”** is defined in Exhibit 1, Section 8 below. Intel will periodically provide Tower with an updated list of the Tower Tools.
 - 1.9 **“Starting Material”** means the substrate material used for the fabrication of integrated circuits that Tower will provide to Intel, and that Intel will use to manufacture the Tower Products (as defined in Exhibit 1 and more fully described in Exhibit 2).
 - 1.10 Any reference to ‘days’ in this agreement, absent specific language to the contrary will mean calendar days. When the term ‘business days’ is used it will be mean days of business of the party for whom the obligation applies.
2. **Scope of Services.** The Parties have agreed that during the term of this Agreement Intel will provide its services in accordance with the Foundry Product Attachment Scope of Services attached as Exhibit 1 (“**Project Description**”) and the Statement of Work (“**SOW**”) attached as Exhibit 2 hereto (collectively, the “**Services**”). The Project Description and SOW may be amended from time to time by the Parties’ written mutual agreement.
3. **Delivery.** Intel shall deliver to Tower the finished Tower Products in accordance with Exhibit 1 (Foundry Product Attachment).

4. **Prices and Payment.**

4.1 The agreed upon prices for the Tower Products, Services and other remuneration to be paid to Intel are as set forth in the Project Description.

4.2 All payments to Intel will be due at Intel's bank [***]) calendar days from date of receipt by Tower of Intel's invoice. Intel will deliver the Tower Products to Tower at Intel's dock under [***] (Incoterms 2020).

5. **Confidentiality.** All Confidential Information (as defined in the CNDA) of each Party disclosed in the course of performance of this Agreement will be subject to the terms set forth in the CNDA and the M-RUNDA, as appropriate. The existence and terms of this Agreement is Tower's and Intel's Confidential Information and may not be disclosed by a Party to a third party absent written permission from the other Party unless the disclosure is required by applicable law or stock regulation, in which case the disclosing Party must provide reasonable advance notice and opportunity to comment to the other Party prior to the disclosure.

6. **Limited Warranty.**

6.1 Intel warrants that for a period of [***] from the date the Tower Products are delivered by Intel to Tower ("**Warranty Period**"): (i) the Tower Products will be processed in conformance with Tower's applicable process specifications in accordance with Tower's manufacturing procedures, specifications and acceptance criteria set forth in the SOW; and (ii) the Tower Products are free of liens and encumbrances (other than any that may have been placed upon them by Tower or Tower's creditors) (the "**Warranty**"). Wafers which are Non-Production Wafers, or which have been subject (other than by Intel or Intel's subcontractors) to abuse, misuse, accident, alteration, neglect, electromigration effects or other conditions outside specifications, radiation-induced damage, unauthorized or improper repair or improper application are not covered by the Warranty. The Warranty does not cover damage resulting from environmental or externally induced degradation. Intel will not be responsible for claims pursuant to this Warranty where the failure of the Warranty was caused by: (i) acts not performed by Intel or Intel's subcontractors; (ii) design or application; or (iii) the combination of Tower Products with other products and/or things, if such combination was the cause of the failure.

6.2 Tower Products delivered by Intel to Tower are not intended for use in and no warranty is made with respect to applications where failure to perform can reasonably be expected to result in significant injury (including, without limitation, navigation, weaponry, aviation or nuclear equipment, or for surgical implant or to support or sustain life) and Tower will indemnify and hold harmless Intel, and at Intel's option, defend Intel, from all claims, damages and liabilities arising out of any such matters.

- 6.3 If any warranted Tower Products fail to conform to the Warranty, Intel's sole and exclusive liability will be, at Intel's option (provided however that Tower will not be required to accept repaired or replacement Tower Products if Tower no longer has a need for such Tower Products and in such case Intel would provide Tower with credit), to repair, replace or credit Tower's account with an amount equal to [***] provided that Tower returns the Tower Products in accordance with Intel's RMA procedure. If any such Tower Products is nonconforming, transportation and other charges for the shipment of replacement or repaired Tower Products to Tower will be paid by Intel (excluding customs clearance charges for ex-USA locations, which charges will be paid by Tower). Intel will have a reasonable time to make repairs or to replace Tower Products or to credit Tower's account. All warranty claims must be made within [***] of the date Tower learns, or with reasonable diligence should have learned, of the nonconformance giving rise to the claim.
- 6.4 EXCEPT AS SET FORTH IN THIS SECTION 6, THE SERVICES, TOWER PRODUCTS, NON-PRODUCTION WAFERS, TOWER TOOLS AND ANY OTHER TECHNOLOGIES PROVIDED BY OR ON BEHALF OF INTEL (AND ALL INTELLECTUAL PROPERTY THEREIN) ARE PROVIDED "AS IS" AND INTEL DISCLAIMS ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED OR STATUTORY, ARISING FROM COURSE OF DEALING OR USAGE OF TRADE. IN PARTICULAR, ANY AND ALL WARRANTIES OF MERCHANTABILITY, FUNCTIONALITY FOR ANY SPECIFIC PURPOSE, OR NON-INFRINGEMENT ARE HEREBY EXPRESSLY DISCLAIMED.
7. **Intellectual Property.** All drawings, specifications, recipes and technical information and any other property (including any intellectual property embodied therein) furnished to Intel, shall be and remain the sole and exclusive property of Tower or its licensors, as applicable, and is considered Tower's Confidential Information in accordance with the CNDA ("**Tower's Property**"). [***] Intel may use Tower's Property and any part thereof for the sole purpose of providing Services to Tower under this Agreement and Intel obtains no rights thereto except for the limited and nontransferable right above. All technical information, recipes, specifications, drawings, and other intellectual property provided by Intel in connection with this Agreement based on Intel's proprietary and confidential information shall at all times remain the sole and exclusive property of Intel, and Tower obtains no rights thereto except for the limited and non-transferable license rights to rely on Intel's intellectual property in connection with the manufacture, use, sale, export and distribution of Tower Products delivered by Intel to Tower. Each Party may not use the other Party's intellectual property except as set forth in this Agreement, and each Party may not attempt to reverse engineer, decompile, deconstruct or replicate the other Party's intellectual property. [***]

8. **Representations.** The Parties represent that they are fully authorized and empowered to enter into this Agreement, and that the performance of the obligations under this Agreement will not violate or infringe upon the rights of any third party.
9. **Indemnification.**
- 9.1 [***]
- 9.2 [***].
- 9.3 [***]
- 9.4 Tower's obligation under Section 9.1 is conditioned on Intel: (i) giving prompt written notice to Tower; (ii) giving Tower all needed information, assistance, and authority; and (iii) obtaining Tower's written consent before entering into any compromise or settlement of such claim. Tower's obligation under Section 9.2 is conditioned on Intel giving prompt written notice to Tower and reasonably cooperating with Tower and obtaining Tower's written consent before entering into any compromise or settlement of such claim. Tower's obligation under Section 9.3 is conditioned on Intel: (i) giving prompt written notice to Tower; (ii) permitting Tower to control defense and settlement; (iii) giving Tower all needed information, assistance, and authority; and (iv) obtaining Tower's written consent before incurring any costs or expenses or entering into any compromise or settlement of such claim.
- 9.5 Exclusions from Tower's Duty to Indemnify. Notwithstanding anything in Sections 9.1 through 9.4, Tower has no obligation to indemnify or defend Intel for a claim made against modifications to Tower's Property by Intel, unless made at Tower's or its customer's direction.
10. **Limitation of Liability.**
- 10.1 EXCEPT FOR: [***], IN NO EVENT WILL EITHER PARTY HAVE ANY LIABILITY TO THE OTHER PARTY, END USERS OR ANY OTHER THIRD PARTY, FOR ANY LOST ACTUAL OR ANTICIPATED PROFITS, LOSS OF THE USE OF MONEY, LOSS OF ANTICIPATED SAVINGS, LOSS OF BUSINESS, LOSS OF OPPORTUNITY, LOSS OF GOODWILL, LOSS OF USE OF PRODUCTS, LOSS OF REPUTATION, LOSS OF, DAMAGE TO, OR CORRUPTION OF DATA, OR COSTS OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, OR FOR ANY INDIRECT, ENHANCED, SPECIAL, EXEMPLARY, PUNITIVE, OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED, ARISING OUT OF THIS AGREEMENT, UNDER ANY CAUSE OF ACTION OR THEORY OF LIABILITY, AND WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE. THESE LIMITATIONS WILL APPLY NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY LIMITED REMEDY. IN ADDITION, NEITHER PARTY WILL BE LIABLE FOR: (i) AMOUNTS ASSESSED OR AWARDED ON THE VALUE OF SERVICES OR AN ASSEMBLY OF PRODUCTS, DEVICES OR COMPONENTS THAT INCLUDES A PRODUCT, SUBJECT TO A CLAIM UNDER SECTION 9 (INDEMNIFICATION), WHERE THAT CLAIM INCLUDES A DEMAND FOR DAMAGES ASSOCIATED WITH THE ENTIRE ASSEMBLY (E.G., DAMAGES BASED UPON THE "ENTIRE MARKET VALUE" RULE); OR (ii) AMOUNTS ASSESSED OR AWARDED BASED ON THE VALUE OR SALES PRICE OF ANY PRODUCTS, DEVICES, COMPONENTS OR SERVICES OTHER THAN A PRODUCT INDEMNIFIED UNDER THIS AGREEMENT, WHEN AN ASSESSMENT OR AWARD INCLUDES AN ALLEGATION THAT THOSE OTHER ITEMS WOULD HAVE BEEN SOLD TOGETHER WITH, OR AS SPARE PARTS SOLD FOR, A PRODUCT SUBJECT TO A CLAIM UNDER SECTION 9 (INDEMNIFICATION) (E.G., "CONVOYED SALES" OR "DERIVATIVE SALES").

- 10.2 EXCEPT FOR: [***]), IN NO EVENT WILL EITHER PARTY'S TOTAL CUMULATIVE LIABILITY FOR CLAIMS OR CAUSES ARISING OUT OF THIS AGREEMENT OR THE TRANSACTION CONTEMPLATED THEREBY, EXCEED [***]. THE EXISTENCE OF MORE THAN ONE CLAIM AGAINST THE PARTICULAR PRODUCTS MANUFACTURED FOR OR DELIVERED TO TOWER UNDER THIS AGREEMENT WILL NOT ENLARGE OR EXTEND THIS LIMIT.
- 10.3 THE PARTIES UNDERSTAND AND AGREE THAT THE FOREGOING LIABILITY LIMITATIONS ARE ESSENTIAL ELEMENTS OF THIS AGREEMENT AND THAT IN THE ABSENCE OF SUCH LIMITATIONS THE MATERIAL AND ECONOMIC TERMS OF THIS AGREEMENT WOULD BE SUBSTANTIALLY DIFFERENT.
- 10.4 To the extent a judgment paid to a third party pursuant to Section 9 (INDEMNIFICATION) in connection with an indemnified claim includes increased damages resulting from a finding of willful infringement of any United States patent or copyright, except to the extent such willful infringement arises from compliance with the applicable indemnitor's written instructions relating to the claim, as applicable, the indemnitor will have no liability with respect to the amount of such increase, provided the indemnitor will remain liable for the original amount of such damages.
- 10.5 The exclusions and limitations of Sections 6 (LIMITED WARRANTY), 9 (INDEMNIFICATION), and 10 (LIMITATION OF LIABILITY) will survive the termination of the Agreement and will apply notwithstanding any claim of a failure of any one or more remedies to accomplish their purpose, and THE PARTIES EXPRESSLY WAIVE AND RELINQUISH ANY CONTRARY RIGHTS UNDER ANY AGREEMENT, AND/OR LAW, DECISION, CUSTOM OR PRACTICE.

11. **Force Majeure.** Excluding payment obligations, neither Party shall be liable to the other Party for any delays or failure to perform under this Agreement caused by circumstances outside such Party's control, including but not limited to fires, floods, government acts or regulations, and strikes ("**Force Majeure Event**"). In such events, the affected Party shall immediately inform the other Party of such circumstances together with documents of proof and the performance of obligations hereunder shall be suspended during, but not longer than, the period of existence of such cause. If the Force Majeure Event prevents Intel from delivering Tower Products, Intel shall, without obligation, discuss with Tower options for transferring the 65nm and derivative (if any) production processes for all Tower Products that may be affected to another Intel production location with prior written consent of Tower or for implementing other measures to ensure timely supply of the Tower Products.
 12. **Independent Contractor Status.** The Parties intend that Intel be engaged as an independent contractor. Nothing contained in this Agreement will be construed to create the relationship of employer and employee, principal and agent, partnership or joint venture, or any other fiduciary relationship. Neither Party shall act as agent for, or on behalf of the other Party, or to represent or bind the other Party in any manner.
 13. **Term.** This Agreement shall commence on the Effective Date, and continue thereafter until [***], unless the Parties mutually agree to extend this Agreement for an additional 5 years in writing.
 14. **Termination.**
 - 14.1 **Termination for Material Breach.** Either Party may terminate this Agreement for incurable material breach by the other Party. For a material breach that cannot be cured, the Agreement will terminate upon delivery of notice of the breach (or on any later date stated in the notice) by the non-breaching Party. For a material breach that is capable of being cured, the Parties will first use the process described in Section 18 (Dispute Resolution). If the breach has not been cured, the Agreement will terminate automatically on the date of exhaustion of such process, or on the date stated in the notice of breach by the non-breaching party, whichever comes later. In cases of breach of payment obligations by Tower that remains uncured ten (10) days after notice of delivery of the breach, Intel may, at its option, pause performance of its obligations under this Agreement until such time as the breach is cured. In all cases, the notice of breach by the non-breaching party must identify the provisions of the Agreement that have been breached and state the facts establishing such breach.
-

- 14.2 **Termination for Force Majeure Event.** Intel may terminate this Agreement without penalty if a Force Majeure Event renders Intel unable to provide the Services through commercially reasonable efforts for a continuous period of more than [***]from the date of the occurrence of the Force Majeure Event.
- 14.3 **Effect of Termination.** In the event of termination pursuant to this Section 14, neither Party shall be liable to the other Party for monetary damages arising solely as a result of such termination. All payment obligations existing at the time of termination remain valid and in force.
- 14.3.1 If the Agreement is terminated by Tower pursuant to Section 14.1 (Termination for Material Breach), Intel will uninstall the Tower Tools at its expense and will make them available to Tower without unnecessary delay and this will not derogate from any other claim Tower may have for compensation from Intel, and in addition (i) Intel will return to Tower any prepayments from Tower's customers that Tower paid to Intel for purchase orders that remain unfulfilled as of the date of such termination; (ii) Intel will promptly return the Tower Tools in "as-is" condition, after removing all Intel IP and Intel Confidential Information, and Tower shall be liable for all documented actual expenses incurred by Intel in returning the Tower Tools to Tower; and (iii) Tower may sell or relocate the Tower Tools elsewhere at its sole discretion.
- 14.3.2 If the Agreement is terminated by Intel pursuant to Section 14.1 (Termination for Material Breach), Intel will have the option to purchase the Tower Tools at its sole discretion, on a tool-by-tool basis, for book value on Tower's books at the time of the breach. Tower will reimburse Intel for all documented expenses incurred by Intel in uninstalling and removing the Tower Tools for which Intel does not exercise its purchase option from the Intel facility.
- 14.3.3 If the Agreement is terminated pursuant to Section 14.2 (Termination for Force Majeure Event), (i) Intel will return to Tower any prepayments from Tower's customers that Tower paid to Intel for purchase orders that remain unfulfilled as of the date of such termination; (ii) Intel will promptly return the Tower Tools in "as-is" condition regardless of whether the Tower Tools were affected by the Force Majeure Event and Tower shall be liable for all documented actual expenses incurred by Intel in uninstalling and returning the Tower Tools; and (iii) Tower may sell or relocate the Tower Tools elsewhere at its sole discretion.
- 14.3.4 Termination or expiration of this Agreement will have no effect on any signed Non-Disclosure Agreements between the Parties (including without limitation the CNDA and M-RUNDA), which remain in full force and effect as separate agreements according to their terms.

14.3.5 The Tower Tools will be cleansed of any Intel technology, data and intellectual property as part of any uninstall of the Tower Tools prior to being provided back to Tower and Tower will have no license, express or implied, or other intellectual property rights from Intel or its licensors to any such technology, data or intellectual property.

14.3.5 **Survival.** Sections 1, 5 through 11, 13 through 16, 18, and 19 will survive the termination or expiration of this Agreement.

15. **Change of Control.** Either Party may not assign, delegate or otherwise transfer this Agreement or any rights or obligations under this Agreement in whole or in part (whether by operation of law, through change of control or otherwise), without the other Party's prior written consent, which shall not be unreasonably withheld. Any prohibited assignment or transfer shall be null and void. Notwithstanding the foregoing, either Party may assign this Agreement to its successor following an acquisition or merger of all or substantially all the assets or stock of such Party (or any transaction having a similar effect), provided the assignee or successors shall assume all obligations under this Agreement, which will be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assignees.

16. **Taxes.**

16.1 **Transaction Taxes.** Tower will pay all applicable transaction taxes, in connection with Tower funded cap-ex and tools' purchases and wafers, and purchase of Intel-provided services, including VAT thereon, as imposed on a purchaser by applicable laws, including but not limited to sales and use taxes (including, without limitation any taxes imposed on Intel arising from the transfer of title to the Tower Tools acquired by Intel on Tower's behalf), value added taxes and other transactional charges such as duties, customs, tariffs, imposts, and government-imposed surcharges (collectively, "**Transaction Taxes**"). If Intel is required by applicable law to collect from Tower and remit any Transaction Taxes to the appropriate taxing authority, Tower will pay such Transaction Taxes to Intel as reflected in an applicable invoice issued under this Agreement. If Tower is exempt from any Transaction Taxes which Intel would otherwise be required to collect, Tower will provide proof of such exemption to Intel at least fifteen (15) business days prior to the due date for a payment. If Intel does not collect Transaction Taxes from Tower but later remits payment of Transaction Taxes for which Tower is responsible to any taxing authority, including as a result of an audit, notice of assessment or other written communication from a taxing authority, then within five (5) business days from receipt of a written notice from Intel, Tower will promptly reimburse Intel for such Transaction Taxes and any accrued interest and penalties if any such delay in payment is attributable to Tower.

- 16.2 **Withholding Taxes.** All payments will be made free and clear without deduction for any present and future taxes imposed by any taxing authority. If Tower is required by applicable law to deduct or withhold income taxes (“**Withholding Taxes**”) therefrom, then Tower will duly withhold and will pay to Intel the remaining net amount after the deduction of Withholding Taxes and promptly provide Intel with an official tax receipt or other evidence that Withholding Taxes have been remitted to the relevant taxing authority. Tower will provide written notice to Intel of its intent to withhold (including details of the amounts and legal basis for Withholding Taxes) at least fifteen (15) business days prior to the due date for any payments under this Agreement and will cooperate with Intel to reduce any Withholding Taxes. If Intel provides Tower with an official certificate or other documentation issued by the relevant taxing authority for a lower rate of, or exemption from, Withholding Taxes to be applied on the payments made by Tower to Intel, then Tower will apply such lower rate or exemption to Withholding Taxes in accordance with such certificate or documentation.
17. **Customer Engagement.** Tower may provide Intel with information about its customers in order to enable Intel to manufacture Tower Products. Any such information shall be provided on a confidential basis under the confidentiality obligations set forth herein. Absent Tower’s written pre-approval, during the term of this Agreement, Intel will not engage, directly or indirectly with Tower’s current customers regarding provision of the Services during the term of this Agreement.
18. **Dispute Resolution.**
- 18.1 Any dispute arising directly under the express terms of this Agreement or the grounds for termination of any rights granted under this Agreement shall be resolved as follows: First, within forty five (45) calendar days from one Party’s written request or payment demand giving rise to the dispute (including an invoice or other payment demand) to the other, senior vice presidents or higher of both Parties shall meet to attempt to resolve such dispute. If the senior vice presidents or higher cannot resolve the dispute, either Party may then make a written demand for formal dispute resolution by tendering to the other Party notice of the dispute and its intent to invoke the terms of this Section 18. The Parties agree to meet within forty-five (45) calendar days of such a demand with an impartial mediator selected by mutual agreement to participate in a one-day, non-binding mediation. In the event the Parties cannot agree on a mediator, they shall each select one nominator, who shall not at that time be employed by either Party, and the two nominators shall agree on and appoint the mediator. If the Parties have not resolved the dispute or claim within thirty (30) calendar days after the one-day, non-binding mediation, either Party may begin litigation proceedings.

18.2 This Agreement, and any dispute or claim arising out of or in connection with it or its subject matter or formation, will be governed by the laws of the State of Delaware U.S.A. and the United States notwithstanding its conflicts of laws provision. Each Party irrevocably agrees the courts of Delaware, U.S.A. will have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Agreement or its subject matter or formation. The Parties waive any objection to such choice of law, jurisdiction and venue selection. The Parties expressly reject the application of the United Nations Convention on Contracts for the International Sale of Goods.

19. **Miscellaneous.**

19.1 **Notices.** Notices must be in writing and sent to both the mailing and email address below along with a copy of this Agreement. Email delivery alone is insufficient. Paper copies must be sent by overnight courier with tracking. Nothing in this section relates to service of process. Unless changed by notice, all notices must be addressed as follows:

For Intel: Intel Corporation 2200 Mission College Boulevard Santa Clara, CA 95054 United States of America Attn: General Counsel Reference ID: Sean Fernandes, IFS Legal	With a copy, which will not be notice, to: Intel-Legal-Notices@intel.com And with a copy, which will not be notice, to: Intel Corporation Post Contract Management, M/S FM1-531900 1900 Prairie City Road Folsom, CA 95630 Email: post_contract_mgmt@intel.com
For Tower: Tower Semiconductor Ltd., Ramat Gavriel Industrial Park, P.O. Box 619 Migdal Haemek 23105, Israel Attn: General Counsel	And with a copy, which will not be notice, to: Email: natiso@towersemi.com

19.2 **Compliance with Laws.** Each Party and its agents, employees, and subcontractors must comply with all applicable laws, regulations, and government orders (including those related to anti-corruption and export control) in the performance of this Agreement.

- 19.3 **Policies and Procedures.** The Parties acknowledge and agree that in order for Intel to provide Tower with the Services there will be additional policies and procedures that will need to be provided and adhered to and the Parties agree to work in good faith to implement and operate under such policies and procedures that reflect industry standards.
- 19.4 **Counterparts and Signatures.** This Agreement may be executed in several counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. The Parties agree that facsimile or electronic transmission of original signatures constitute and will be accepted as original signatures.
- 19.5 **Conflicts Among Documents.** The provisions of this Agreement will prevail over different, conflicting, or additional provisions in any purchase order, acknowledgment, invoice, or other similar document issued by either Party in connection with this Agreement. If there is any conflict between the provisions of this Agreement and any other document included or referenced in this Agreement, the descending order of precedence for determining which terms will control is (A) the provisions of this Agreement, (B) Exhibit 1 (Foundry Product Attachment); (C) Exhibit 2 (SOW).
- 19.6 **Severability.** If a court holds a part of this Agreement unenforceable, the court will modify that part to the minimum extent necessary to make that part enforceable, or if necessary, sever that part. The rest of this Agreement remains fully enforceable.
- 19.7 **Entire Agreement.** This Agreement, including Exhibits 1 (Foundry Product Attachment) and Exhibit 2 (SOW) and their respective addenda and schedules, if any, represents the entire agreement between the Parties, and supersedes all prior and contemporaneous agreements, understandings, conditions, representations, warranties, and communications between the Parties relating to this Agreement's subject matter. Amendments to this Agreement shall only have any force and effect to the extent executed by both Parties and identified as an amendment hereto.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers or representatives.

Tower Semiconductor Ltd.

By: _____

Name: _____

Title: _____

Date: _____

Intel Corporation

By: _____

Name: _____

Title: _____

Date: _____

SUBSIDIARIES

The following is a list of our significant subsidiaries, including the name, country/jurisdiction of incorporation and the proportion of our ownership interest.

<u>Subsidiary</u>	<u>Jurisdiction</u>	<u>Ownership</u>
Tower US Holdings Inc.	Delaware	100% directly
Tower Semiconductor NPB Holdings Inc.	Delaware	100% indirectly through Tower US Holdings Inc.
Tower Semiconductor Newport Beach, Inc.	Delaware	100% indirectly through Tower Semiconductor NPB Holdings Inc.
Newport Fab LLC	Delaware	100% indirectly through Tower Semiconductor Newport Beach Inc.
Tower Semiconductor San Antonio Inc.	Delaware	100% indirectly through Tower US Holdings Inc.
Tower Partners Semiconductor Co., Ltd.	Japan	51% directly
Tower Semiconductor Italy S.r.l.	Italy	100% directly

CERTIFICATION

I, Russell C. Ellwanger, certify that:

1. I have reviewed this annual report on Form 20-F of Tower Semiconductor Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(c) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

April 22, 2024

/s/ Russell C. Ellwanger
Russell C. Ellwanger
Chief Executive Officer
Tower Semiconductor Ltd.

CERTIFICATION

I, Oren Shirazi, certify that:

1. I have reviewed this annual report on Form 20-F of Tower Semiconductor Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(c) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

April 22, 2024

/s/ Oren Shirazi

Oren Shirazi
Chief Financial Officer
Tower Semiconductor Ltd.

**CERTIFICATION PURSUANT TO
18 USC SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Tower Semiconductor Ltd. (the "Registrant") on Form 20-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Russell C. Ellwanger, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Russell C. Ellwanger

Russell C. Ellwanger
Chief Executive Officer

April 22, 2024

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 USC SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Tower Semiconductor Ltd. (the "Registrant") on Form 20-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Oren Shirazi, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Oren Shirazi
Oren Shirazi
Chief Financial Officer

April 22, 2024

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

We consent to the incorporation by reference in Registration Statements No. 333-204173 and 333-277536 on Form S-8 of our reports dated February 29, 2024, relating to the consolidated financial statements of Tower Semiconductor Ltd. (the "Company") and the effectiveness of the Company's internal control over financial reporting, appearing in this annual report on Form 20-F for the year ended December 31, 2023.

/s/ Brightman Almagor Zohar & Co
Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel

April 22, 2024

Tower Semiconductor Ltd.
Incentive Compensation Clawback Policy

1. Purpose

The purpose of the Tower Semiconductor Ltd. Incentive Compensation Clawback Policy (this “**Policy**”) is to provide for the recovery of certain Incentive-Based Compensation in the event of an Accounting Restatement. This Policy is intended to comply with, and to be administered and interpreted consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 promulgated under the Exchange Act (“**Rule 10D-1**”), and Listing Rule 5608 adopted by the Nasdaq Stock Market LLC (“**Nasdaq**”) (the “**Listing Standards**”). Unless otherwise defined in this Policy, capitalized terms shall have the meanings set forth in the Appendix attached hereto.

2. Policy for Recovery of Erroneously Awarded Compensation

In the event of an Accounting Restatement, it is the Company's policy to recover reasonably promptly the amount of any Erroneously Awarded Compensation Received during the Recovery Period.

3. Application of Policy

This Policy applies to Incentive-Based Compensation Received by an Executive Officer (i) on or after the Nasdaq Effective Date, from the date on which such individual began service as an Executive Officer, (ii) if that person served as an Executive Officer at any time during the performance period for the Incentive-Based Compensation, and (iii) while the Company had a listed class of securities on a national securities exchange.

4. Administration

- 4.1. This Policy shall be administered by the Compensation Committee. The Compensation Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy.
 - 4.2. The Company is authorized to take appropriate steps to implement this Policy and may effect recovery hereunder by: (i) requiring payment to the Company, (ii) set-off, (iii) reducing compensation, or (iv) such other means or combination of means as the Compensation Committee determines to be appropriate.
 - 4.3. The Company need not recover Erroneously Awarded Compensation if and to the extent that the Compensation Committee or a majority of the independent members of the Board determines that such recovery is impracticable and not required under Rule 10D-1 and the Listing Standards, when the Compensation Committee or a majority of the independent members of the Board determines that: (i) the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered after making a reasonable attempt to recover, (ii) recovery would violate home country law adopted prior to November 28, 2022, after obtaining the opinion of home country counsel, or (iii) recovery would likely cause an otherwise tax-qualified broad-based retirement plan to fail the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.
 - 4.4. Any determinations made by the Compensation Committee under this Policy shall be final and binding on all affected individuals and need not be uniform among affected individuals.
-

5. **Other Recovery Rights: Company Claims**

Any right of recovery pursuant to this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law or pursuant to the terms of any compensation recovery policy in any employment agreement, plan or award agreement, or pursuant to the terms of any other compensation recovery policy of the Company. Nothing contained in this Policy and no recovery hereunder shall limit any claims, damages, or other legal remedies the Company may have against an individual arising out of or resulting from any actions or omissions by such individual.

6. **Reporting and Disclosure**

The Company shall file all disclosures with respect to this Policy in accordance with the requirements of U.S. federal securities laws, the Listing Standards and/or any rules or standards adopted by a national securities exchange on which the Company's securities are listed.

7. **Indemnification Prohibition**

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement that may be interpreted to the contrary, the Company shall not indemnify any Executive Officer with respect to amount(s) recovered under this Policy or claims relating to the enforcement of this Policy against such Executive Officer, including any payment or reimbursement for the cost of third-party insurance purchased by such Executive Officer to fund potential clawback obligations hereunder.

8. **Amendment; Termination**

The Board or the Compensation Committee may amend or terminate this Policy from time to time in its discretion as it deems appropriate and shall amend this policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed; provided, however, that no amendment or termination of this Policy shall be effective to the extent it would cause the Company to violate any U.S. federal securities laws, Securities and Exchange Commission rules or the rules or standards of any national securities exchange on which the Company's securities are listed.

9. **Successors**

This Policy shall be binding and enforceable against all individuals who are or were Executive Officers and their beneficiaries, heirs, executors, administrators, or other legal representatives.

10. **Effective Date**

This Policy was approved by the Compensation Committee on November 26, 2023 and is effective only for Incentive-Based Compensation Received on or after the Nasdaq Effective Date.

APPENDIX

Definitions. For purposes of this Policy, the following terms shall have the meanings set forth below:

“**Accounting Restatement**” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any accounting restatement required to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“**Board**” means the Company’s Board of Directors.

“**Company**” means Tower Semiconductor Ltd., a company organized under the laws of the State of Israel and its affiliates.

“**Compensation Committee**” means the Compensation Committee of the Board.

“**Erroneously Awarded Compensation**” means the amount, as determined by the Compensation Committee, of Incentive-Based Compensation received by an Executive Officer that exceeds the amount of Incentive-Based Compensation that would have been received by the Executive Officer had it been determined based on the restated amounts. For Incentive-Based Compensation based on stock price or total shareholder return, the Compensation Committee will determine the amount based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received, and the Company will maintain documentation of the determination of that reasonable estimate and provide the documentation to Nasdaq. In all cases, the amount to be recovered will be calculated without regard to any taxes paid by the Executive Officer with respect to the Erroneously Awarded Compensation.

“**Executive Officers**” means the Company’s current and former executive officers as determined by the Compensation Committee in accordance with Rule 10D-1 and the Listing Standards. Generally, Executive Officers include any executive officer designated an Executive Officers under the Company’s Compensation Policy for Executive Officers and Directors as in place from time to time.

“**Financial Reporting Measure**” means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements and any measure derived wholly or in part from such a measure, and (ii) any measure based wholly or in part on the Company’s stock price or total shareholder return. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the Securities and Exchange Commission.

“**Incentive-Based Compensation**” means the portion of any compensation granted, earned, or vested based in whole or in part on the Company’s attainment of a Financial Reporting Measure. Incentive-Based Compensation is deemed to be “**Received**” for purposes of this Policy in the fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

“**Nasdaq Effective Date**” shall mean October 2, 2023.

“**Recovery Period**” means the three completed fiscal years immediately preceding the date that the Company is required to prepare the applicable Accounting Restatement and any “transition period” as described under Rule 10D-1 and the Listing Standards. For purposes of this Policy, the “**date that the Company is required to prepare the applicable Accounting Restatement**” is the earlier to occur of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.
