



Tower & Jazz Merger Frequently Asked Questions (FAQs)

The Merger

Q: *When did the merger take place and what are the names of the companies going forward? What is the ticker symbol?*

A: Tower Semiconductor Ltd. (NASDAQ and TASE: TSEM) and Jazz Technologies, Inc. (formerly AMEX: JAZ) completed the merger on September 19, 2008. As a result of this transaction, both Jazz Technologies and its subsidiary, Jazz Semiconductor, Inc., became wholly owned subsidiaries of Tower Semiconductor. Tower's name will remain the same and Jazz Semiconductor will be known as Jazz Semiconductor, Inc., a Tower Group Company. Tower ordinary shares will continue to trade on the NASDAQ Global Market and the Tel Aviv Stock Exchange (NASDAQ: TSEM, TASE: TSEM). Effective September 19, 2008, Jazz's common stock, warrants and units ceased trading on the American Stock Exchange.

Q: *Why did Tower Semiconductor merge with Jazz Technologies?*

A. The merger creates a leading specialty foundry and the seventh largest pure-play foundry in the world. Tower and Jazz believe Jazz's process technologies and customer base are complementary to Tower with little overlap. Tower and Jazz expect that they will be able to better serve customers' desire for increased analog integration. Tower believes that Jazz's position as a pure play foundry providing specialty analog process technologies presents an exciting opportunity to address market and technology shifts in the coming years. Additionally, the companies expect that the merger will allow for further growth based on the significant cross-selling opportunities that exist between both customer bases and the broader, more comprehensive product, technology and service portfolio to be offered to customers worldwide.

Q: *What are the expected benefits to Jazz and Tower customers?*

A: Teaming Tower with Jazz creates a larger and a potentially more competitive foundry for our current customers and allows us to broaden our companies' customer base with new technologies. In particular, we believe Tower's embedded non-volatile memory (NVM) technology and copper 130 nm CMOS technology will be attractive to Jazz's customer base when combined with Jazz's BCD and SiGe process technologies. Also, we believe that Jazz's specialty analog process technologies will be desirable to Tower's customers. We also expect the merger to enhance our ability to access capital to fund our strategic initiatives, including potential expansions into new applications, executing a more ambitious product roadmap, and expanding manufacturing capacity.

Financial Details

Q: *Who owns Jazz after the merger?*

A: Upon the closing of the transaction, Jazz became a wholly owned subsidiary of Tower.

Q: *How were the shares of Jazz Technologies treated in the merger?*

A: The deal was a stock-for-stock transaction. Under the terms of the merger agreement, upon the closing of the merger each outstanding share of Jazz common stock was converted into the right to receive 1.8 Tower ordinary shares.

Q: How were the units, warrants, options & convertible notes of Jazz Technologies treated in the merger?

A: Immediately prior to the merger, each Jazz unit outstanding (formerly AMEX: JAZ.U) was separated and converted into one share of Jazz common stock (formerly AMEX: JAZ) and two warrants to purchase shares of Jazz common stock (formerly AMEX: JAZ.WS). Upon the closing of the merger, each outstanding share of Jazz common stock was converted into the right to receive 1.8 Tower ordinary shares and each outstanding warrant and outstanding option to acquire shares of Jazz common stock became exercisable for 1.8 Tower ordinary shares. Effective September 19, 2008, Jazz's common stock, warrants and units ceased trading on the American Stock Exchange. Also in connection with the merger, Tower and Jazz executed a supplemental indenture providing that each holder of Jazz's convertible notes will have the right to convert each such convertible note at a conversion ratio of approximately \$4 per share, to ordinary shares of Tower. Because the convertible notes will remain obligations of Jazz, to fulfill its obligations to the note holders Jazz anticipates that it will continue to file with the Securities and Exchange Commission reports on Forms 10-Q, 10-K and 8-K as a standalone entity.

Q: How much of Tower do the former Jazz shareholders own after the merger?

A: The former Jazz stockholders received approximately 34.3 million Tower ordinary shares in the merger, which represented approximately 21.5% of the issued and outstanding Tower ordinary shares as of immediately following the closing.

Q: What is the anticipated financial picture for Tower and Jazz?

A: The merger creates a financially stronger entity with Trailing Twelve Month (TTM) revenues of approximately \$440 million and pro forma TTM EBITDA of approximately \$120 million, which includes the effects of an expected additional \$40 million in annual cost saving synergies previously announced in conjunction with the merger. Following the anticipated closing of Tower's restructuring transaction with its lenders based on the Memorandum of Understanding reached in August 2008, Tower's balance sheet will be significantly improved and reflect a \$250 million reduction in debt and corresponding \$250 million increase in shareholders' equity. This restructuring is also expected to result in improved financial performance and cash flow margins due to lower interest expense as a result of the reduced debt.

Q. Do you expect the merger to generate more or less than the \$40 million original target for synergies?

A: Excluding implementation costs, Tower and Jazz believe the merger could generate as much as \$40 million in annual gross synergies resulting from the elimination of duplicate spending and overlapping functions, improved supplier pricing, avoidance of planned expenditures and manufacturing scale.

Q: How can I access Tower Semiconductor's SEC Filings?

A: They can be found on the Investor Relations section of Tower's website at www.towersemi.com. They can also be found on the SEC's website at www.sec.gov.

Organizational Structure

Q: How will Tower and Jazz be managed? What will the new organization look like?

A: Tower's CEO, Russell Ellwanger, will also serve as the Chairman of the Board of Jazz, and will be responsible for developing final details of the merged organizational structure and the integration plan over the next several months. Jazz will operate as a wholly owned subsidiary of Tower. Our intention is to continue our existing customer business operations with existing customer interfaces for the immediate future.

Q: What will the role of Gil Amelio, the CEO of Jazz Technologies, be in the new organization?

A: Gil Amelio retired as Jazz's chairman and chief executive officer effective upon closing of the merger and is no longer an officer or director of Jazz. He will continue to serve as a special advisor to Tower's board of directors.

Strategy and Operations

Q: What will be the total capacity for Tower and Jazz?

A: Tower and Jazz are expected to have a total capacity of up to 750,000 eight inch equivalent wafers a year, which we believe can be further expanded to over 900,000 wafers annually.

Q: Will the business strategies of Jazz and Tower change as a result of the merger?

A: Jazz and Tower intend to continue to pursue many of the same strategies they have already been pursuing, including initiatives to improve profit margins and efficiency, and to expand their customer base and manufacturing capacity. Of course, Tower and Jazz's business strategies may evolve and change over time.

Q: How does the merger affect Jazz and Tower's customers and partners? Do they need to do anything differently?

A: We intend to maintain the same level of service, quality and support customers have received in the past to maximize the transparency to our customers. The transaction should also be seamless to our partners.

Q: As originally stated in the merger announcement, there are few customers that overlap. Have you been able to start cross-selling technologies?

A: We are pleased with the reaction from both Tower and Jazz customers in gaining access to the other company's process technologies. We expect the combined offerings will accelerate new selling opportunities.

Q: If customers have a Jazz sales manager and a Tower sales manager, will they have only one going forward?

A: We will develop sales manager assignments on a specific customer basis to ensure each customer receives the same level of service received in the past.

Q: Where do customers send purchase orders, Tower or Jazz?

A: Customers will continue to submit purchases orders to the company manufacturing its products as they do today.

Q: When payment is made, do they pay Tower or Jazz? Where is payment sent?

A: Invoices will continue to come from either Tower or Jazz based on the purchase order submitted.

Q: Can I contact Jazz for Tower concerns and vice versa?

A: Please contact your existing sales manager or account manager.

Q: Do you plan on combining the company websites: www.towersemi.com and www.jazzsemi.com? If I have WIP in both fabs, can I find what I need on one website?

A: Tower and Jazz will maintain their separate company websites and each website will have a link to the other company's website. Over time, we aim to allow a single WIP interface. In the meantime, you should use your existing WIP interface.

Q: Are there any processes that have been identified that will be transitioning to Israel or vice versa to Newport Beach?

A: We have no current plans to move any specific process technologies between Tower and Jazz. Jazz's Newport Beach fab will continue to manufacture all of the processes currently in production and has no plans to change that.

Q: How will the merger affect Jazz Semiconductor's facilities?

A: The Newport Beach facility will continue to operate, and we expect to continue Jazz's relationships with manufacturing partners in China.

Q: Will Jazz continue to be run from Newport Beach?

A: Jazz Semiconductor's business will continue to be managed from Newport Beach as a wholly owned subsidiary of Tower.

Q Will the Newport Beach facility continue to work with Aerospace and Defense?

A: No changes are expected in Jazz's support for its Aerospace and Defense business. We intend to continue Jazz's support for its Aerospace and Defense business, and plan to continue to work with DSS and comply with the Trusted Foundry program requirements, export control rules, and other applicable regulations.

Q: Why is your confidence high that this merger will be successful?

A: Both Tower and Jazz customers have been overwhelmingly positive on the merger and they will benefit significantly from a broader product portfolio. Tower and Jazz may save as much as \$40 million in annual operating expenses. We expect the merger to provide expanded opportunities for growth based on the significant cross-selling opportunities.

General Questions

Q: What is the total number of employees for Tower and Jazz?

A: Tower has about 1,200 employees and Jazz has about 660 employees. More details of organization integration will be rolled out over the next several months.

Q: How many fabs do Tower and Jazz operate?

A: Tower Semiconductor operates two manufacturing facilities in Israel. Fab 1 process technologies range from 1.0-micron to 0.35-micron on 150mm wafers. Fab 2 features 0.18-micron and below standard and specialized process technologies on 200mm wafers.

Jazz Semiconductor operates one manufacturing facility in the U.S. Process technologies range from 0.5-micron to 0.13-micron on 200mm wafers. Jazz has additional wafer capacity through manufacturing alliances with Advanced Semiconductor Manufacturing Corporation (ASMC) and Hua Hong NEC Electronics Company (HHNEC) in China.

Q: Who are Jazz Semiconductor's major customers?

A: Jazz's major customers listed alphabetically include, among others: Conexant Systems, Inc., Entropic, Marvell Technology Group, Ltd., Mindspeed Technologies, Inc., RF Micro Devices, Inc., Skyworks Solutions, Inc. and Texas Instruments.

Q: Who are Tower Semiconductor's major customers?

A: Tower's major customers listed alphabetically include, among others: Atheros Communications, International Rectifier, Macronix International, On Semiconductors, SanDisk Corporation, Siliconix-Vishay and Zoran Corporation.

Forward-Looking Statements

This document includes forward-looking statements based on management's current expectations and beliefs which are subject to risks and uncertainties. For example, forward-looking statements include statements regarding synergies, customer benefits, growth opportunities, financial improvements, costs savings, revenue enhancements, increased efficiencies in manufacturing, ability to access capital to fund strategic initiatives, potential expansions into new applications, executing a more ambitious technology roadmap, further expanding manufacturing capacity, expanded process offerings, synergy potential for both revenues and expenses, improved margins and increased profitability, financial guidance, industry ranking, execution of integration plans, management and organizational structure, and other benefits anticipated from the merger and the expected closing of Tower's restructuring transaction with its banks. Actual results may vary from those projected or implied by such forward-looking statements. The potential risks and uncertainties include, among others, the possibility that expected synergies, customer benefits, growth opportunities, financial improvements, costs savings and other benefits will not be achieved or that the companies are unable to successfully execute their integration strategies, that after the closing of the merger, the businesses of the companies may suffer due to uncertainty, as well as other risks. A complete discussion of risks and uncertainties that may affect the accuracy of forward-looking statements included in this document or which may otherwise affect our business is included under the heading "Risk Factors" in Tower's most recent filings on Forms 20-F, F-3, F-4 and 6-K, as were filed with the Securities and Exchange Commission (the "SEC") and the Israel Securities Authority, and Jazz's most recent filings on Forms 10-K and 10-Q, as were filed with the SEC. Tower and Jazz do not intend to update, and expressly disclaim any obligation to update, the information contained in this document.

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