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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**  
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of March 2026 No. 1

Commission File Number 0-24790

**TOWER SEMICONDUCTOR LTD.**

(Translation of registrant's name into English)

**Ramat Gavriel Industrial Park**  
**P.O. Box 619, Migdal Haemek, Israel 2310502**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

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This Form 6-K comprises Tower Semiconductor Ltd.'s consolidated financial statements for the year ended December 31, 2025, Management's Discussion and Analysis of Financial Condition and Results of Operations and consent of independent registered public accounting firm, which is attached hereto as Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3, respectively:

- [Exhibit 99.1](#) [Registrant's consolidated financial statements as of December 31, 2025 and 2024, and for each of the years in the three-year period ended December 31, 2025, and the report thereon dated March 2, 2026 of Brightman Almagor Zohar & Co.](#)
- [Exhibit 99.2](#) [Management's Discussion and Analysis of Financial Condition and Results of Operations](#)
- [Exhibit 99.3](#) [Consent of Independent Registered Accounting Firm](#)

This Form 6-K, including all exhibits hereto, is hereby incorporated by reference into the Registrant's Registration Statements on Form S-8 (Registration Nos. 333-204173 and 333-277536).

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### TOWER SEMICONDUCTOR LTD.

Date: March 2, 2026.

By: /s/ Nati Somekh

Name: Nati Somekh

Title: Senior Vice President, Chief Legal Officer.

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**TOWER SEMICONDUCTOR LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2025**

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**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**

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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, 2025 and 2024, 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, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

**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.

**Income Taxes – Income Tax Provision – Refer to Note 18 to the financial statements**

**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, 2025, the consolidated provision for income taxes was \$21.6 million comprised of amounts related to Israel, Japan, U.S. and Italy operations, as detailed in Note 18.

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 and 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.

/s/ Brightman Almagor Zohar & Co.

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

Tel Aviv, Israel  
March 2, 2026

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

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

	As of December 31,	
	2025	2024
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 235,369	\$ 271,894
Short-term deposits	916,541	946,351
Trade accounts receivable	222,795	211,932
Inventories	256,855	268,295
Other current assets	78,062	61,817
<b>Total current assets</b>	<b>1,709,622</b>	<b>1,760,289</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>1,463,056</b>	<b>1,286,622</b>
<b>INTANGIBLE ASSETS, NET</b>	<b>1,530</b>	<b>3,196</b>
<b>GOODWILL</b>	<b>7,000</b>	<b>7,000</b>
<b>OTHER LONG-TERM ASSETS, NET</b>	<b>141,082</b>	<b>23,378</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,322,290</b>	<b>\$ 3,080,485</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 28,112	\$ 48,376
Trade accounts payable	123,915	130,624
Deferred revenue and customers' advances	25,581	21,655
Employee related liabilities	70,299	65,199
Other current liabilities	15,840	19,210
<b>Total current liabilities</b>	<b>263,747</b>	<b>285,064</b>
<b>LONG-TERM DEBT</b>	<b>133,406</b>	<b>132,437</b>
<b>LONG-TERM CUSTOMERS' ADVANCES</b>	<b>1,932</b>	<b>7,690</b>
<b>EMPLOYEE RELATED LIABILITIES</b>	<b>6,448</b>	<b>4,985</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>12,174</b>	<b>10,129</b>
<b>TOTAL LIABILITIES</b>	<b>417,707</b>	<b>440,305</b>
<b>Ordinary shares of NIS 15 par value:</b>	<b>450,905</b>	<b>446,562</b>
150,000 authorized as of December 31, 2025 and 2024		
112,621 and 112,534 issued and outstanding, respectively, as of December 31, 2025		
111,637 and 111,550 issued and outstanding, respectively, as of December 31, 2024		
Additional paid-in capital	1,373,643	1,377,986
Cumulative stock based compensation	274,319	236,551
Accumulated other comprehensive loss	(66,457)	(74,188)
Retained earnings	895,949	675,479
	2,928,359	2,662,390
Treasury stock, at cost - 87 shares	(9,072)	(9,072)
<b>THE COMPANY'S SHAREHOLDERS' EQUITY</b>	<b>2,919,287</b>	<b>2,653,318</b>
Non-controlling interest	(14,704)	(13,138)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,904,583</b>	<b>2,640,180</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,322,290</b>	<b>\$ 3,080,485</b>

See notes to the 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,		
	2025	2024	2023
<b>REVENUE</b>	\$ 1,566,104	\$ 1,436,122	\$ 1,422,680
<b>COST OF REVENUE</b>	1,202,250	1,096,680	1,069,161
<b>GROSS PROFIT</b>	<u>363,854</u>	<u>339,442</u>	<u>353,519</u>
<b>OPERATING COSTS AND EXPENSES:</b>			
Research and development	86,496	79,434	79,808
Marketing, general and administrative	83,186	74,964	72,454
Restructuring gain from sale of machinery and equipment, net	-	-	(52,168)
Restructuring expense (income), net	-	(6,270)	19,662
Merger-contract termination fee, net	-	-	(313,501)
	<u>169,682</u>	<u>148,128</u>	<u>(193,745)</u>
<b>OPERATING PROFIT</b>	194,172	191,314	547,264
<b>FINANCING INCOME, NET</b>	56,738	50,834	30,531
<b>OTHER INCOME (EXPENSE), NET</b>	(10,527)	(24,721)	7,047
<b>PROFIT BEFORE INCOME TAX</b>	<u>240,383</u>	<u>217,427</u>	<u>584,842</u>
<b>INCOME TAX EXPENSE, NET</b>	(21,569)	(10,205)	(65,312)
<b>NET PROFIT</b>	<u>218,814</u>	<u>207,222</u>	<u>519,530</u>
Net loss (income) attributable to non-controlling interest	1,656	642	(1,036)
<b>NET PROFIT ATTRIBUTABLE TO THE COMPANY</b>	<u>\$ 220,470</u>	<u>\$ 207,864</u>	<u>\$ 518,494</u>
<b>BASIC EARNINGS PER SHARE:</b>			
Earnings per share	\$ 1.97	\$ 1.87	\$ 4.70
Weighted average number of shares	<u>111,981</u>	<u>111,153</u>	<u>110,289</u>
<b>DILUTED EARNINGS PER SHARE:</b>			
Earnings per share	\$ 1.94	\$ 1.85	\$ 4.66
Net profit used for diluted earnings per share	<u>\$ 220,470</u>	<u>\$ 207,864</u>	<u>\$ 518,494</u>
Weighted average number of shares used for diluted earnings per share	<u>113,597</u>	<u>112,343</u>	<u>111,216</u>

See notes to the consolidated financial statements.

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

	Year ended December 31,		
	2025	2024	2023
<b>Net profit</b>	\$ 218,814	\$ 207,222	\$ 519,530
<b>Other comprehensive income, net of tax:</b>			
Foreign currency translation adjustment	(2,709)	(19,956)	(15,761)
Unrealized gain on derivatives	10,584	1,065	4,769
Realized gain on marketable securities which was previously presented in other comprehensive income	-	(9,524)	-
Change in employees plan assets and benefit obligations	(54)	126	(222)
<b>Comprehensive income</b>	<u>226,635</u>	<u>178,933</u>	<u>508,316</u>
<b>Comprehensive loss attributable to non-controlling interest</b>	<u>1,566</u>	<u>7,678</u>	<u>4,780</u>
<b>Comprehensive income attributable to the Company</b>	<u>\$ 228,201</u>	<u>\$ 186,611</u>	<u>\$ 513,096</u>

See notes to the 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	Cumulative stock based compensation	Accumulated other comprehensive income (loss)	Foreign currency translation adjustments	Accumulated profit (deficit)	Treasury stock	Total comprehensive income	Non controlling interest	Total
<b>BALANCE AS OF JANUARY 1, 2023</b>	110,041	\$ 440,150	\$ 1,384,398	\$ 174,121	\$ (2,040)	\$ (45,497)	\$ (50,879)	\$ (9,072)		\$ (2,640)	\$ 1,888,541
<b>Changes during the year ended December 31, 2023:</b>											
Proceeds from an investment in a subsidiary										1,960	1,960
Exercise of options and issuance of ordinary shares upon vesting of RSUs	871	3,481	(3,481)								-
Employee stock- based compensation				28,222							28,222
<b>Comprehensive income:</b>											
Net Profit							518,494		\$ 518,494	1,036	519,530
Foreign currency translation adjustments						(9,945)			(9,945)	(5,816)	(15,761)
Unrealized gain on derivatives					4,769				4,769		4,769
Change in employees plan assets and benefit obligations					(222)				(222)		(222)
<b>Comprehensive income</b>									<b>\$ 513,096</b>		
<b>BALANCE AS OF DECEMBER 31, 2023</b>	110,912	443,631	1,380,917	202,343	2,507	(55,442)	467,615	(9,072)		(5,460)	2,427,039
<b>Changes during the year ended December 31, 2024:</b>											
Proceeds from an investment in a subsidiary											
Issuance of ordinary shares upon vesting of RSUs	725	2,931	(2,931)								-
Employee stock- based compensation				34,208							34,208
<b>Comprehensive income:</b>											
Net profit							207,864		207,864	(642)	207,222
Foreign currency translation adjustments						(12,920)			(12,920)	(7,036)	(19,956)
Unrealized gain on derivatives and marketable securities					1,065				1,065		1,065
Realized gain on marketable securities which was previously					(9,524)				(9,524)		(9,524)

presented in other comprehensive income											
Change in employees plan assets and benefit obligations					126				126		126
Comprehensive income									<u>\$ 186,611</u>		
BALANCE AS OF DECEMBER 31, 2024	111,637	446,562	1,377,986	236,551	(5,826)	(68,362)	675,479	(9,072)		(13,138)	2,640,180
Changes during the period:											
Issuance of ordinary shares upon vesting of RSUs	984	4,343	(4,343)								-
Employee stock- based compensation				37,768							37,768
Comprehensive income:											
Net profit							220,470		\$ 220,470	(1,656)	218,814
Foreign currency translation adjustments						(2,799)			(2,799)	90	(2,709)
Unrealized gain on derivatives					10,584				10,584		10,584
Change in employees plan assets and benefit obligations					(54)				(54)		(54)
Comprehensive income									<u>\$ 228,201</u>		
BALANCE AS OF DECEMBER 31, 2025	<u>112,621</u>	<u>\$ 450,905</u>	<u>\$1,373,643</u>	<u>\$ 274,319</u>	<u>\$ 4,704</u>	<u>\$ (71,161)</u>	<u>\$ 895,949</u>	<u>\$ (9,072)</u>		<u>\$ (14,704)</u>	<u>\$2,904,583</u>
OUTSTANDING SHARES, NET OF TREASURY STOCK AS OF DECEMBER 31, 2025	<u>112,534</u>										

See notes to the consolidated financial statements.

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

	Year ended December 31,		
	2025	2024	2023
<b>CASH FLOWS - OPERATING ACTIVITIES</b>			
Net profit for the period	\$ 218,814	\$ 207,222	\$ 519,530
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	303,112	266,279	258,021
Exchange rate differences and fair value adjustments	-	133	(1,632)
Other expense (income), net	10,527	24,721	(7,047)
Changes in assets and liabilities:			
Trade accounts receivable	(10,498)	(60,169)	(3,160)
Other current assets	(25,453)	(33,992)	(9,541)
Inventories	11,800	4,778	8,682
Other long term assets	(106,188)	-	-
Trade accounts payable	(12,157)	35,784	(8,254)
Deferred revenue and customers' advances	(1,832)	(14,783)	(35,676)
Employee related liabilities and other current liabilities	12,029	22,021	(70,163)
Long-term employee related liabilities	1,524	(1,312)	(1,210)
Other long-term liabilities	(6,196)	(2,000)	27,011
Net cash provided by operating activities	<u>395,482</u>	<u>448,682</u>	<u>676,561</u>
<b>CASH FLOWS - INVESTING ACTIVITIES</b>			
Investments in property and equipment, net	(444,425)	(436,153)	(444,502)
Proceeds related to sale and disposal of property and equipment	7,864	4,500	12,318
Proceeds from investment realization	-	62	12,458
Investments in other assets	-	(530)	(605)
Deposits and marketable securities, net	38,470	31,882	(300,516)
Net cash used in investing activities	<u>(398,091)</u>	<u>(400,239)</u>	<u>(720,847)</u>
<b>CASH FLOWS - FINANCING ACTIVITIES</b>			
Proceeds from loans	13,808	81,812	24,180
Loans repayment	(19,819)	(76,144)	-
Principal payments on account of capital lease obligation	(27,342)	(38,123)	(38,033)
Debentures repayment	-	-	(18,493)
Proceeds from an investment in a subsidiary	-	-	1,932
Net cash used in financing activities	<u>(33,353)</u>	<u>(32,455)</u>	<u>(30,414)</u>
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGE</b>	<u>(563)</u>	<u>(4,758)</u>	<u>(5,395)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(36,525)</b>	<b>11,230</b>	<b>(80,095)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>271,894</b>	<b>260,664</b>	<b>340,759</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 235,369</b>	<b>\$ 271,894</b>	<b>\$ 260,664</b>

See notes to the consolidated financial statements.

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

	Year ended December 31,		
	2025	2024	2023
<b>NON-CASH ACTIVITIES:</b>			
Investments in property and equipment	\$ 56,515	\$ 50,440	\$ 164,667
Right-of-use asset recognized with corresponding lease liability, net	\$ 11,709	\$ -	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash received during the period from interest	\$ 58,572	\$ 53,613	\$ 30,475
Cash paid during the period for interest	\$ 4,736	\$ 4,255	\$ 4,519
Cash paid for income tax, net during the period	\$ 20,343	\$ 23,488	\$ 12,379

See notes to the consolidated financial statements.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2025**

(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., its wholly-owned subsidiary, Tower Semiconductor Newport Beach, Inc., an independent semiconductor foundry and its wholly-owned subsidiary Newport Fab LLC (Tower Semiconductor NPB Holdings, Inc., Tower Semiconductor Newport Beach, Inc. and Newport Fab LLC, 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 in Hokuriku Japan, (one of which, the Arai facility, ceased its operations in 2022, see Note 12B(ii), with the other 49% of TPSCo’s shares 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 in 2021 following the collaborative arrangement signed in 2021 with ST Microelectronics S.r.l (“ST”) with regards to ST’s 300 mm facility in Agrate, Italy (see Note 12E).

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 its customers in growing markets such as consumer, industrial, automotive, mobile, infrastructure, medical and aerospace and defense. The Company offers a broad range of advanced and innovative analog technology offering, comprised of a broad range of customizable process technologies including: SiPho, SiGe, BiCMOS, mixed signal/ CMOS, RF CMOS, CMOS image sensor, non-imaging sensors, displays and integrated power management. The Company also provides a world-class design enablement platform for a quick and accurate design cycle, as well as development, transfer and optimization services to integrated device manufacturers and fabless companies that require capacity. To provide multi-fab sourcing and expanded capacities and capabilities for its customers, as of December 31, 2025, the Company owns a facility in Israel (200mm), two facilities in the U.S. (200mm), two in Japan through its 51% holding in TPSCo (200mm and 300mm) and shares a clean room and capacity in a 300mm facility in Italy with ST.

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

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2025**  
(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 revenue 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 the 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 plus accrued interest, which approximates their fair value.

**G. 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 receivable 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 \$4,602 and \$4,982 as of December 31, 2025 and 2024, respectively.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. 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.

**I. 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 either at fair value, or at cost less any impairment and 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 2L below.

**J. 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 and government subsidies 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: 7-25 years.
- Machinery and equipment: 15 years.
- Software, hardware and others: 3-11 years.

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

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. 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 2L below.

**L. 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, 2025, the Company concluded there was no impairment required 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, 2025, 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.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Leases**

The Company recognizes 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 terminate the lease or extend it 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 9D and 9E.

**N. 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 revenue is generated principally from providing its customers with manufacturing services it performs over wafers it processes in its various fabrications located around the globe through its engineering and technological facilities' process platforms and equipment, as well as revenue from its design and technology support services. 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 revenue, 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)**

**O. 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, 2025, the grants receivable amount was immaterial.

**P. 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 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 expected to be in effect 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 presented 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.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Earnings per Ordinary Share**

Basic earnings per share is 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 is calculated, if applicable, by adjusting the 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.

**R. 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.

**S. 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.

**T. 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.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**U. 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 considerations that may be used to measure fair value to the following three levels:

***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, accounts receivable, payable 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.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**V. 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 recorded 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 presented in the same categories as the cash flows from the respective hedged items.

**W Recently Adopted Accounting Pronouncements**

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU No. 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The adoption of this ASU did not have any impact on the Company's financial position, results of operations or cash flow reports. See Note 14E with regards to applicable disclosure.

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. This ASU requires disclosure of specific categories in rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The amendment also includes other changes to improve the effectiveness of income tax disclosures, including further disaggregation of income taxes paid for individually significant jurisdictions. The amendment is effective for annual periods beginning after December 15, 2024. The adoption of the amendment did not have an impact on the Company's financial position, results of operations or cash flows. See Note 17 with regards to applicable disclosure.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**X. Recently Issued Accounting Pronouncements Not Yet Adopted**

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. ASU 2024-03 requires disclosure of specified information about certain costs and expenses on an interim and annual basis in the notes to the financial statements. The guidance is effective for fiscal years beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. The Company does not expect the new standard to have a material impact on its consolidated financial statements.

In July 2025, the FASB issued ASU No. 2025-05, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets (“ASU 2025-05”), which provides a practical expedient to measure credit losses on current accounts receivable and current contract assets under ASC 606, Revenue from Contracts with Customers. The practical expedient assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset. The ASU 2025-05 is effective for annual reporting period beginning after December 15, 2025 and interim reporting within those annual reporting periods. The new standard is not expected to have a material impact on the Company’s consolidated financial statements.

In November 2025, the FASB issued ASU No. 2025-09, Hedge Accounting Improvements (Topic 815), which amends certain aspects of the hedge accounting guidance in ASC 815, to more closely align hedge accounting with the economics of an entity’s risk management activities. The ASU is effective for annual periods beginning after December 15, 2026 and interim reporting within those annual reporting periods. The ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In December 2025, the FASB issued ASU No. 2025-10, Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities, which adds guidance to ASC 832 on the recognition, measurement, and presentation of government grants. The ASU requires entities to recognize government grant income when all eligibility criteria have been met and the related costs have been incurred, clarifying the timing and presentation of such grants within the financial statements. The ASU is effective for annual periods beginning after December 15, 2028 and interim reporting within those annual reporting periods. The company is still evaluating the potential impact of the new standard on its financial statements.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 3: INVENTORIES**

Inventories consist of the following as of December 31, 2025 and 2024:

Details	2025	2024
Raw materials	\$ 105,301	\$ 127,171
Work in process	144,373	118,642
Finished goods	7,181	22,482
	<u>\$ 256,855</u>	<u>\$ 268,295</u>

Work in process and finished goods are presented net of aggregate writes down to net realizable value of \$6,057 and \$8,803 as of December 31, 2025 and 2024, respectively.

**NOTE 4: OTHER CURRENT ASSETS**

Other current assets consist of the following as of December 31, 2025 and 2024:

Details	2025	2024
Direct and indirect tax receivables	\$ 41,197	\$ 27,551
Prepaid expenses	21,928	32,985
Receivables from hedging transactions - see Note 10A	14,463	768
Other receivables	474	513
	<u>\$ 78,062</u>	<u>\$ 61,817</u>

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 5: PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consist of the following as of December 31, 2025 and 2024:

Details	2025	2024
Original cost: (*)		
Land and buildings, including facility infrastructure	\$ 491,099	\$ 463,564
Machinery and equipment	4,694,587	4,281,817
	<u>5,185,686</u>	<u>4,745,381</u>
Accumulated depreciation:		
Buildings, including facility infrastructure	(317,082)	(303,041)
Machinery and equipment	(3,405,548)	(3,155,718)
	<u>(3,722,630)</u>	<u>(3,458,759)</u>
	<u>\$ 1,463,056</u>	<u>\$ 1,286,622</u>

(\*) Original cost includes ROU assets under capital lease in the amount of \$140,308 and \$153,159 as of December 31, 2025 and 2024, respectively. The depreciation expense of such assets amounted to \$13,786 and \$15,195 for the years ended December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, the original cost of land, buildings, machinery and equipment was presented net of investment grants, in the aggregate amount of approximately \$285,000.

**NOTE 6: INTANGIBLE ASSETS, NET**

Intangible assets, net consist of the following as of December 31, 2025:

Details	Useful life (years)	Cost	Accumulated Amortization	Net
Facilities' lease	19	\$ 33,500	\$ (31,970)	\$ 1,530
Technologies	10-20	6,700	(6,700)	-
Customer relationships	15	2,600	(2,600)	-
Total identifiable intangible assets		<u>\$ 42,800</u>	<u>\$ (41,270)</u>	<u>\$ 1,530</u>

Intangible assets, net consist of the following as of December 31, 2024:

Details	Useful life (years)	Cost	Accumulated Amortization	Net
Facilities' lease	19	\$ 33,500	\$ (30,682)	\$ 2,818
Technologies	10-20	6,700	(6,322)	378
Customer relationships	15	2,600	(2,600)	-
Total identifiable intangible assets		<u>\$ 42,800</u>	<u>\$ (39,604)</u>	<u>\$ 3,196</u>

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 7: OTHER LONG-TERM ASSETS, NET**

Other long-term assets, net consist of the following as of December 31, 2025 and 2024:

Details	2025	2024
ROU - assets under operating leases, see Note 12D	\$ 117,704	\$ 7,874
Deferred tax asset - see Note 17C	13,354	1,768
Investments in privately held companies	4,427	6,780
Prepaid long-term land lease, net	2,451	2,572
Pension plan net assets	1,810	1,870
Long-term prepaid expenses	1,336	2,514
	<u>\$ 141,082</u>	<u>\$ 23,378</u>

**NOTE 8: OTHER CURRENT LIABILITIES**

Other current liabilities consist of the following as of December 31, 2025 and 2024:

Details	2025	2024
Tax payables	\$ 7,105	\$ 12,428
Hedging transactions related payables - see Note 10A	4,806	5,070
Others	3,929	1,712
	<u>\$ 15,840</u>	<u>\$ 19,210</u>

**NOTE 9: LONG-TERM DEBT**

**A. Composition**

As of December 31, 2025 and 2024:

Details	2025	2024
JPY loans - principal amount - see Notes 9B and 9C below	\$ 92,568	\$ 98,962
Capital leases and other long-term liabilities - see Note 9D below	52,928	73,977
Operating leases - see Note 9E below	16,022	7,874
Less - current maturities	(28,112)	(48,376)
	<u>\$ 133,406</u>	<u>\$ 132,437</u>

**B. Repayment Schedule of Long-term JPY Loans**

As of December 31, 2025:

Details	Interest Rate	2026	2027	2028	2029	2030	Total
Long-term JPY loans	2.0	\$ -	\$ 13,224	\$ 26,448	\$ 26,448	\$ 26,448	\$ 92,568

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**NOTE 9: LONG-TERM DEBT (continued)**

**C. Long-term JPY Loans**

In December 2021, TPSCo refinanced its then existing loan with an 11 billion JPY (approximately \$70,000 as of December 31, 2025) 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 carried 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 was 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 \$22,000 as of December 31, 2025) term loan ("2023 JPY Loan"). The 2023 JPY Loan carried a fixed interest rate of approximately 2% per annum with principal payable in seven semiannual payments from September 2024 until September 2027. The 2023 JPY Loan was secured by a second lien over the machinery and equipment of TPSCo located in the Uozu and Tonami facilities.

In December 2024, TPSCo signed an agreement with its lenders to refinance its 2021 JPY Loan and 2023 JPY Loan with a new 14.5 billion JPY (approximately \$92,000 as of December 31, 2025) asset-based loan ("2024 JPY Loan"). 12.5 billion JPY were drawn in 2024 and used to repay 11.5 billion JPY of the 2021 JPY Loan and 2023 JPY Loan, resulting in outstanding JPY Loans of 15.5 billion JPY (approximately \$100,000) as of December 31, 2024. In accordance with this agreement, during the first half of 2025, 3 billion JPY were used to repay the remaining 2021 JPY Loan and 2023 JPY Loan and an additional amount of 2 billion JPY was withdrawn, resulting in outstanding JPY Loans of 14.5 billion JPY (approximately \$92,000) as of December 31, 2025. The lenders of the 2024 JPY Loan are a consortium of financial institutions consisting of (i) JA Mitsui Leasing, Ltd., (ii) Mitsubishi HC Capital Inc. and (iii) BOT lease Co. Ltd.. The 2024 JPY Loan carries a fixed interest rate of 2% per annum with principal payable in seven semiannual payments from December 2027 to December 2030. The 2024 JPY Loan is secured mainly by a lien over the machinery and equipment of TPSCo located in the Uozu and Tonami facilities.

The 2024 JPY Loan contains 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 Loan are not guaranteed by Tower, NTCJ, or any of their affiliates.

As of December 31, 2025, TPSCo maintained compliance with all of the financial covenants under the 2024 JPY Loan.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 9: LONG-TERM DEBT (continued)**

**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.

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, 2025 and 2024, the Company's total outstanding capital lease liabilities for fixed assets were \$52,928 and \$73,453, respectively, of which \$25,043 and \$24,785, 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, 2025:

Fiscal Year	Amount (\$)
2026	\$ 25,838
2027	8,245
2028	6,112
2029	5,495
2030	4,118
2031 and on	5,148
Total	54,956
Less - imputed interest	(2,028)
Total	\$ 52,928

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 9: LONG-TERM DEBT (continued)**

**E. Operating Lease Agreements**

The Company entered into operating leases, primarily with regard to certain of its operating and other facilities. In 2025 TSNB entered into an operating lease agreement to extend its current building lease, see Note 12D. Operating lease cost for the years ended December 31, 2025, 2024 and 2023 was \$8,899, \$4,592 and \$4,807, respectively. During 2025, cash paid for operating lease liabilities was \$110,582.

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

Details	Presentation in the Consolidated Balance Sheets	December 31, 2025	December 31, 2024
ROU - assets under operating leases	Other long-term assets, net	\$ 117,704	\$ 7,874
Lease liabilities:			
Current operating lease liabilities	Current maturities of long-term debt	\$ 3,069	\$ 3,913
Long-term operating lease liabilities	Long-term debt	12,953	3,961
<b>Total operating lease liabilities</b>		<b>\$ 16,022</b>	<b>\$ 7,874</b>
Weighted average remaining lease term (years)		4.5	2.6
Weighted average discount rate		1.95%	1.95%

The following presents the maturity presentation of operating lease liabilities as of December 31, 2025:

Fiscal Year	Amount (\$)
2026	\$ 3,330
2027	5,016
2028	5,007
2029	3,293
<b>Total</b>	<b>16,646</b>
Less - imputed interest	(624)
<b>Total</b>	<b>\$ 16,022</b>

**NOTE 10: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

The Company makes certain disclosures as detailed below with regards 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.

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**NOTE 10: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)**

**A. Exchange Rate Transactions**

As the functional currency of the Company is the USD and a portion of Tower's expenses are denominated in NIS, 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 NIS-denominated expenses. 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, recorded in the statement of operations, when the hedged item's exposure affects earnings. As of December 31, 2025 and 2024, the fair values of these exchange rate translation-related derivatives, net were \$13,540 and \$768, respectively, in an asset position, presented in other current assets. The face values of such agreements as of such dates were \$156,000 and \$156,000, respectively.

As the functional currency of the Company is the USD and TPSCo revenue and a portion of its 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 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, recorded in the statement of operations, when the hedged item's exposure affects earnings. As of December 31, 2025, the fair value of these exchange rate translation-related derivatives, net was \$6,996 in a liability position, of which \$4,806 presented in other current liabilities and \$2,190 presented in other long term liabilities. As of December 31, 2024, the fair value of such derivatives was \$4,261 in a liability position, presented in other current liabilities. As of December 31, 2025 and 2024, the face value amounts of such agreements were \$243,000 and \$186,000, respectively.

As the functional currency of the Company is the USD and a portion of TSIT's expenses are denominated in EUR, 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 EUR-denominated expenses. 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, recorded in the statement of operations, when the hedged item's exposure affects earnings. As of December 31, 2025, the fair value of these exchange rate translation-related derivatives, net was \$923 in an asset position, presented in other current assets and as of December 31, 2024, the fair value of such derivatives, net was \$809 in a liability position, presented in other current liabilities. The face value amounts of such exchange rate agreements as of such dates were \$48,000 and \$39,600, respectively.

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**NOTE 10: 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, derivatives, trade receivables and government and other receivables. The Company's cash, deposits 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 receivable which as of December 31, 2025 was an insignificant amount. The Company performs ongoing credit evaluations of its customers.

**C. Fair Value of Financial Instruments**

The estimated fair values of the Company's financial instruments do not materially differ from their respective carrying amounts as of December 31, 2025 and 2024.

**D. 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. During 2024, the Company sold its entire marketable securities portfolio and had no outstanding marketable securities as of December 31, 2024.

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**NOTE 10: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)**

**D. Fair Value Measurements (continued)**

*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.

*Level 3 Measurements*

Investments in equity securities of privately-held companies without readily determinable fair values are measured using the Measurement Alternatives (see Note 2L). 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, 2025, the Company recorded a decrease of \$2,354 in the value of such investments, presented in other income (expense), net in the statements of operations, and for the year ended December 31 2024, the Company did not record significant changes to the carrying value of such investments.

Recurring fair value measurements using the indicated inputs:

Details	December 31, 2025	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Privately held companies	\$ 4,427	\$ -	\$ -	\$ 4,427
Foreign exchange forward and cylinders - net asset position	9,618	-	9,618	-
	<u>\$ 14,045</u>	<u>\$ -</u>	<u>\$ 9,618</u>	<u>\$ 4,427</u>

Details	December 31, 2024	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
Foreign exchange forward and cylinders - net liability position	(4,302)	-	(4,302)	-
	<u>\$ 2,478</u>	<u>\$ -</u>	<u>\$ (4,302)</u>	<u>\$ 6,780</u>

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**NOTE 10: FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)**

**E. Short-Term Deposits**

Short-term deposits amounted to \$916,541 and \$946,351, as of December 31, 2025 and December 31, 2024, respectively.

**NOTE 11: 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.

Tower implements 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 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. Payments relating to Israeli employee termination benefits were \$7,098, \$5,716 and \$5,752 for 2025, 2024 and 2023, respectively.

TPSCo established a Defined Contribution Retirement Plan (the "DC Plan") for its employees through which TPSCo contributes approximately 8% of employee base salary to the DC Plan. Such contribution releases the employer from further obligation to any payments upon termination of employment. The contribution is remitted either to third party benefit funds based on employee preference, or directly, to those employees who elected not to enroll in the DC Plan. Total payments under the DC Plan in 2025, 2024 and 2023 amounted to \$3,660, \$3,853 and \$4,266 respectively.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
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**NOTE 11: EMPLOYEE RELATED LIABILITIES (continued)**

**B. TSNB Employee Benefit Plans**

*TSNB Pension Plan*

TSNB has a pension plan that provides 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.

Funded status surplus under the plan was \$1,810 and \$1,870 as of December 31, 2025 and 2024, respectively, comprising of plan assets with a fair value of \$19,203 and \$18,904 as of December 31, 2025 and 2024 respectively, net of benefit obligation of \$17,393 and \$17,034, as of December 31, 2025 and 2024, respectively. The funded status surplus is included in non-current assets.

Net expense recognized on the plan were \$183, \$87 and \$183 for the years ended December 31, 2025, 2024 and 2023, respectively, comprised primarily of expected return on plan assets of \$1,099, \$1,075 and \$1,034 for the years ended December 31, 2025, 2024 and 2023, respectively, offset by interest costs of \$918, \$868 and \$891, for the years ending December 31, 2025, 2024 and 2023, respectively. No service costs were incurred during the years included in these financial statements as the plan did not include active employees during those years.

Unrecognized losses under the plan as of December 31, 2025 and 2024 were \$3,599 and \$3,681, respectively. Amortization of unrecognized losses included in net expense recognized on the plan was approximately \$100 per year. Unrecognized losses are substantially in their entirety comprised of historically deferred net actuarial gains and losses.

Weighted average assumptions used in determining the funded status surplus were as follows:

Details	2025	2024	2023
Discount rate	5.30%	5.60%	4.90%
Expected return on plan assets	6.10%	5.60%	5.60%
Rate of compensation increases	N/A	N/A	N/A

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.

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**NOTE 11: EMPLOYEE RELATED LIABILITIES (continued)**

**B. TSNB Employee Benefit Plans (continued)**

Benefits paid under the plan during the years ending December 31, 2025 and 2024 were appropriately \$1,000 per year. 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
2026	\$ 1,262
2027	1,335
2028	1,368
2029	1,389
2030	1,395
2031 - 2035	\$ 6,717

For each of the years included in these financial statements, the plan's assets measured at fair value on a recurring basis consisted solely of investments in commingled funds, valued as a level 2 fair value measurement. The weighted average asset allocations for periods included were approximately 10% in equity securities and 90% in debt securities.

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.

***Post-Retirement Medical Plan***

Additionally, TSNB has a medical plan that provides post-retirement health and life benefits to eligible employees upon retirement. Benefit obligation under the plan was \$1,228 and \$1,235 as of December 31, 2025 and 2024, respectively. The benefit obligation is mostly included in non-current liabilities. Unrecognized losses under the plan as of December 31, 2025 and 2024, comprised in their entirety of historically deferred net actuarial gains and losses, were \$829 and \$1,018, respectively. Net expense recognized on the plan and amortization of unrecognized losses included in net expense recognized on the plan were immaterial in each of the years included in these financial statements.

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**NOTE 12: COMMITMENTS AND CONTINGENCIES**

**A. Liens**

**Loans and Capital Leases**

For liens under TPSCo's JPY Loans, see Note 9C. For liens under the capital lease agreements, see Note 9D.

**B. TPSCo**

**I. Renewed Contracts**

In 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.

**II. Japanese Operations Restructuring**

During 2022, TPSCo's operation in Japan was re-organized and re-structured, maintaining 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, ceased operations, with a portion of the machinery and equipment of the Arai facility being transferred to the Tonami facility. 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, which was mostly completed during 2023 and finalized during 2024, resulted in restructuring gain, net from the sale of machinery and equipment of \$52,168 in 2023, as well as total restructuring costs (income) of \$6,270 income and \$19,662 expense recorded in 2024 and 2023, respectively.

Changes in accruals related to the Arai facility cessation for the years ended December 31, 2024 and December 31, 2023 were as follows:

Details	Asset disposal accrual	Other Restructuring costs accrual
Accrued balance as of January 1, 2023	\$ 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
Cash payments	-	(2,127)
Accrued balance as of December 31, 2024	\$ -	\$ -

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**NOTE 12: COMMITMENTS AND CONTINGENCIES (continued)**

**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 during 2030, following an extension of the lease signed in November 2025, that extended the lease from the previous 2027 expiration. A prepayment of \$105,000 that was paid in 2025 was included in cash flow used in operating activities for the year ended December 31, 2025 and is being expensed to the cost of revenue in the Company's statement of operations during the lease extended term through 2030 at an amount of approximately \$6,000 per quarter. The landlord is party to an option agreement pertaining to the Newport Beach site with a third-party, under which such third party believes he has certain collateral or other rights with respect to it, hence has stated he is considering to file claims against the landlord and/ or the Company. The landlord and the Company dispute the third-party's claims. The landlord has agreed to indemnify the Company and to provide a defense to any claims asserted by the third-party. In prior 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. TSNB does not agree and is disputing these claims.

**E. 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. Under this arrangement, the parties were to share the cleanroom space and the facility infrastructure, with the Company installing certain of its own equipment inside the clean room in an area which consumes approximately one-third of the total clean room space. TSIT and ST invested in their respective process equipment and have been working to accelerate the process flows' transfer to the facility, product development, qualification and subsequent ramp-up. The comprehensive qualification process was completed in the fourth quarter of 2024, followed by the commencement of volume production and operations, which were, and will continue to be, managed by ST.

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**NOTE 12: COMMITMENTS AND CONTINGENCIES (continued)**

**F. Termination of Intel Acquisition Agreement**

In February 2022, Intel and Tower have signed a definitive agreement under which Intel was to acquire all of Tower's outstanding ordinary shares, however, the closing conditions for this transaction were not met since certain regulatory approvals were not obtained. As a result, in August 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 gross 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.

**G. Capacity Corridor Agreement with Intel**

In September 2023, Tower and Intel signed an agreement under which Intel has committed to build a capacity corridor at Tower's instructions, in order for Intel to manufacture wafers for Tower's customers in Intel's 300mm facility in New Mexico, USA. Under this agreement, Tower has committed to invest up to \$300,000 for equipment and other fixed assets to be owned by Tower and to be installed and qualified for Tower processes and for its customer products in this Intel facility. As of December 31, 2025, the corridor was in the initial equipment procurement and installation stage and not qualified for production. Recently, Intel has expressed its intention not to perform under the agreement and the parties are presently in a mediation process.

**H. 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 13: SHAREHOLDERS' EQUITY**

**A. Description of Ordinary Shares**

As of December 31, 2025, Tower had 150 million authorized ordinary shares, par value NIS 15.00 each, of which approximately 112.5 million were outstanding. Holders of ordinary shares are entitled to participate equally in the payment of cash dividends and bonus share (stock dividend) distributions, if any, 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 13: 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 a total of approximately 0.78 million restricted stock units ("RSUs") to its employees and directors during 2025 and a total of approximately 1.58 million RSUs to its employees and directors during 2024, including the below-described grants to the CEO and directors, with vesting periods of up to three years. These RSUs amounts also include performance based RSUs ("PSUs") and market based RSUs ("MSUs"). The Company determines compensation expenses of the RSUs based on the closing market price of the ordinary shares on the last trading day immediately prior to the date of grant and amortizes it over the applicable vesting period, taking into consideration achievement, if any, of performance and market criteria.

During 2025, the Company's CEO and members of the Board of Directors were awarded the following RSUs under the 2013 Plan:

(i) approximately 73 thousand time-vested RSUs, 132 thousand PSUs and 44 thousand MSUs, granted to the CEO, with 33% of such RSUs, PSUs and MSUs to vest at the end of each year for 3 years following the grant date. The total compensation value of these awards was approximately \$12,000. The grant also included a provision requiring the CEO to own ordinary shares of the Company at a minimum value that equals at least three times his annual base salary (the "Minimum Holding"). As of December 31, 2025, the CEO is in compliance with the Minimum Holding requirement;

(ii) approximately 6.3 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) approximately 4.2 thousand time-vested RSUs to each of the eight members of the Board of Directors then serving (other than to the Chairman and the CEO), for a total compensation value of \$200 each, 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.

The members of the Board 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").

As of December 31, 2025, the members of the Board and the Chairman are in compliance with the BDO Minimum Holding requirement.

During 2024, the Company's CEO and members of the Board of Directors were awarded the following RSUs under the 2013 Plan:

(i) approximately 78 thousand time-vested RSUs, 176 thousand PSUs and 256 thousand MSUs, granted to the CEO, with 33% of such RSUs, PSUs and MSUs to vest at the end of each year for 3 years following the grant date. The total compensation value of these awards was approximately \$16,500.

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**NOTE 13: SHAREHOLDERS' EQUITY (continued)**

**B. Equity Incentive Plans (continued)**

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

(ii) approximately 7.4 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) approximately 4.9 thousand time-vested RSUs to each of the eight members of the Board of Directors then serving (other than to the Chairman and the CEO), for a total compensation value of \$200 each, 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.

**(2) RSUs awards**

<u>Details</u>	2025		2024		2023	
	<u>Number of RSUs</u>	<u>Weighted average fair value</u>	<u>Number of RSUs</u>	<u>Weighted average fair value</u>	<u>Number of RSUs</u>	<u>Weighted average fair value</u>
Outstanding as of beginning of year	2,398,135	\$ 34.51	1,585,560	\$ 38.10	1,712,996	\$ 32.90
Granted	781,952	\$ 46.37	1,581,492	\$ 31.89	797,241	\$ 37.64
Converted	(983,643)	\$ 35.62	(726,007)	\$ 36.52	(870,720)	\$ 27.80
Forfeited	(49,820)	\$ 36.87	(42,910)	\$ 36.96	(53,957)	\$ 32.49
Outstanding as of end of year (*)	<u>2,146,624</u>	\$ 38.26	<u>2,398,135</u>	\$ 34.51	<u>1,585,560</u>	\$ 38.10

(\*) Include (i) 717,148, 736,014 and 559,184 PSUs as of December 31, 2025, 2024 and 2023, respectively and (ii) 535,809 and 649,249 MSUs as of December 31, 2025 and 2024, respectively.

**(3) Summary of Information about Employees' Share Incentive Plans**

<u>Details for the year ended December 31,</u>	2025	2024	2023
The intrinsic value of converted RSUs	\$ 58,605	\$ 28,667	\$ 26,976
The original fair value of converted RSUs	\$ 35,039	\$ 26,510	\$ 24,206

Stock-based compensation expenses were recognized in the Statement of Operations for the years ended December 31, 2025, 2024 and 2023 as follows:

<u>Details</u>	2025	2024	2023
Cost of goods	\$ 8,256	\$ 8,764	\$ 8,332
Research and development, net	7,984	7,422	5,639
Marketing, general and administrative	21,528	17,651	13,960
Total stock-based compensation expense	<u>\$ 37,768</u>	<u>\$ 33,837</u>	<u>\$ 27,931</u>

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**NOTE 13: SHAREHOLDERS' EQUITY (continued)**

**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.

**NOTE 14: INFORMATION ON GEOGRAPHIC AREAS AND MAJOR CUSTOMERS**

**A. Revenue by Geographic Area - as Percentage of Total Revenue**

Years ended December 31, 2025, 2024 and 2023:

Details	2025	2024	2023
USA	42%	42%	46%
Japan	13	16	17
Asia (other than Japan)	39	33	27
Europe	6	9	10
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The basis of attributing revenue 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, substantially all of TPSCo's long-lived assets are located in Japan and substantially all of TSIT's long-lived assets are located in Italy.

As of December 31, 2025 and 2024, property and equipment, net consisted of the following:

Details	2025	2024
Israel	\$ 348,558	\$ 279,023
United States	399,227	322,947
Europe	462,794	452,557
Japan	252,477	232,095
	<b>\$ 1,463,056</b>	<b>\$ 1,286,622</b>

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**NOTE 14: INFORMATION ON GEOGRAPHIC AREAS AND MAJOR CUSTOMERS (continued)**

**C. Major Customers - as Percentage of Net Accounts Receivable Balance**

As of December 31, 2025 and 2024, one and two customers, respectively exceeded 10% of the net accounts receivable balance.

**D. Major Customers - as Percentage of Total Revenue**

Years ended December 31, 2025, 2024 and 2023:

Details	2025	2024	2023
Customer A	11%	13%	14%
Customer B	7	11	9
Other customers *	32	16	21

\* Represents aggregated revenue to six customers that accounted for between 4% and 7% of total revenue during 2025, to three customers that accounted for between 3% and 9% of total revenue during 2024, and to three customers that accounted for between 3% and 9% of total revenue during 2023.

**E. Reportable Segment**

(1) The Company believes it is driving its revenue from a single reportable segment, which is its analog foundry operations that is providing semiconductor solutions offering a broad range of process technologies. To provide the capacity and expanded capabilities for its customers, as of December 31, 2025, the Company owns multiple facilities and is sharing capacity and/ or ownership in other facilities as described in Note 1.

(2) Since the Company has a single reportable segment, the accounting policies of the segment are the same as those described in the summary of significant accounting policies. The chief operating decision maker ("CODM") assesses performance and decides how to allocate resources based on the consolidated results of the Company.

(3) Since the Company has a single reportable segment, its CODM does not allocate resources among segments but is responsible for allocating the entity's resources. The CODM uses the consolidated measures of profit or loss mostly when assessing performance rather than allocating resources.

(4) Since the Company has a single reportable segment, it manages its business activities on a consolidated basis.

(5) The Company's CODM is the chief executive officer of the Company.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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(dollars in thousands, except per share data)

**NOTE 15: FINANCING INCOME, NET**

Financing income, net consists of the following for the years ended December 31, 2025, 2024 and 2023:

Details	<u>2025</u>	<u>2024</u>	<u>2023</u>
Interest income	53,792	55,488	39,987
Interest expense	\$ (3,658)	\$ (4,029)	\$ (4,444)
Exchange rate results	2,628	3,403	1,013
Hedging transactions related gain (loss), net	4,734	(7,800)	(5,153)
Marketable securities fair value adjustments	--	5,605	2,944
Bank fees and others	(758)	(1,833)	(3,816)
	<u>\$ 56,738</u>	<u>\$ 50,834</u>	<u>\$ 30,531</u>

**NOTE 16: RELATED PARTIES BALANCES AND TRANSACTIONS**

**A. Balance**

The nature of the relationship involved as of December 31, 2025 and 2024:

Details	Description	<u>2025</u>	<u>2024</u>
Long-term investment	Equity investment in a limited partnership	\$ 41	\$ 40

**B. Transactions**

Description of the transactions for the years ended December 31, 2025, 2024 and 2023:

Details	Description	<u>2025</u>	<u>2024</u>	<u>2023</u>
General and administrative expense	Directors' fees and reimbursement to directors	\$ 1,118	\$ 804	\$ 780

**NOTE 17: INCOME TAX**

**A. Tower Statutory Income Rates and Pillar 2 Model**

Pursuant to Amendment 73 to the Israeli Investment Law adopted in 2017 and since Tower is an Israeli industrial company located in Migdal Ha'emek, Israel, it meets the conditions for "Preferred Enterprises" and as such is entitled 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 Israeli statutory corporate income tax rate of 23%.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 17: INCOME TAX (continued)**

**A. Tower Statutory Income Rates and Pillar 2 Model (continued)**

In December 2021, the OECD issued the Pillar Two model rules, which introduce a 15% global minimum tax applicable on a jurisdiction-by-jurisdiction basis to multinational corporations with consolidated annual revenue exceeding €750 million. As of December 31, 2025, the rules had been partially enacted in certain jurisdictions in which the Company operates. The Pillar Two model rules include transitional safe harbor provisions which if met allow such corporations to defer the application of the rules for periods that will commence after December 31, 2025. Until December 31, 2025 (inclusive), the Company qualified for the transitional safe harbor provisions in all jurisdictions in which it operates. As such, the Pillar Two model rules did not have an impact on the Company's consolidated financial statements through December 31, 2025, however, the Company believes it would result in significant additional income taxes for the years 2026 and beyond, mainly with respect to its Israeli operations.

**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, resulting in applicable taxable income attributable to each of the locations the Company operates in.

The Company's income tax provision consists of the following for the years ended December 31, 2025, 2024 and 2023:

Details	2025	2024	2023
<b>Current tax expense:</b>			
Local	\$ 14,181	\$ 17,431	\$ -
Foreign	2,392	5,579	13,374
<b>Deferred tax expense (benefit):</b>			
Local	17,629	(17,141)	62,748
Foreign	(12,633)	4,336	(10,810)
<b>Income tax expense, net</b>	<u>\$ 21,569</u>	<u>\$ 10,205</u>	<u>\$ 65,312</u>
Details	2025	2024	2023
<b>Profit (loss) before taxes:</b>			
Local	\$ 211,122	\$ 242,879	\$ 588,453
Foreign	29,261	(25,452)	(3,611)
<b>Total profit (loss) before taxes</b>	<u>\$ 240,383</u>	<u>\$ 217,427</u>	<u>\$ 584,842</u>

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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(dollars in thousands, except per share data)

**NOTE 17: 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, 2025 and 2024:

Details	2025	2024
Deferred tax asset and liability - long-term:		
<b>Deferred tax assets:</b>		
Net operating loss carryforward	\$ 19,446	\$ 7,397
Employees compensation	10,215	9,675
Accruals and allowances	9,332	11,355
Research and development credit	26,027	24,689
Research and development, including Section 174 under U.S. Internal Revenue Code	18,299	27,732
Lease liabilities	10,629	9,617
Others	722	652
	<u>94,670</u>	<u>91,117</u>
Valuation allowance, see Note 17E below	<u>(24,522)</u>	<u>(31,613)</u>
Deferred tax assets	<u>\$ 70,148</u>	<u>\$ 59,504</u>
<b>Deferred tax liabilities - long-term:</b>		
Depreciation and amortization	\$ (62,184)	\$ (64,859)
ROU - assets under operating leases	(2,284)	(1,131)
Others	(1,148)	(801)
Deferred tax liabilities	<u>\$ (65,616)</u>	<u>\$ (66,791)</u>
Presented in long term deferred tax assets	<u>\$ 13,354</u>	<u>\$ 1,768</u>
Presented in long term deferred tax liabilities	<u>\$ (8,822)</u>	<u>\$ (9,055)</u>

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 17: INCOME TAX (continued)**

**D. Effective Income Tax**

The reconciliation of the Israeli statutory income tax rate to the effective tax rate for the years ended December 31, 2025, 2024 and 2023:

Details	<u>2025</u>	<u>Percentages</u>
Tax expense computed at statutory rates, see (*) below	\$ 55,288	23.0%
Foreign tax effects:		
<u>U.S</u>		
- Changes in valuation allowance, see Note 17E below	(17,742)	(7.4)%
- Other adjustments	(3,761)	(1.6)%
Italy		
- Changes in valuation allowance, see Note 17E below	10,651	4.4%
- Foreign currency translation impact	(8,061)	(3.4)%
- Other adjustments	(87)	0%
Other jurisdictions	820	0.3%
Nontaxable or nondeductible items	264	0.1%
Changes in unrecognized tax benefits, see (**) below	16,870	7.0%
Preferred Enterprise benefit in Israel	(32,673)	(13.6)%
Income tax expense	<u>\$ 21,569</u>	<u>8.8%</u>
Details	<u>2024</u>	<u>2023</u>
Tax expense computed at statutory rates, see (*) below	\$ 50,008	\$ 134,514
Effect of different tax rates in different jurisdictions and Preferred Enterprise Benefit in Israel	(36,588)	(89,487)
Change in valuation allowance, see Note 17E below	11,375	2,697
Permanent differences and other, net	(14,590)	17,588
Income tax expense	<u>\$ 10,205</u>	<u>\$ 65,312</u>

(\*) The tax expense was computed based on the Israeli statutory corporate income tax rate of 23%.

(\*\*) The amount is comprised substantially from additions for tax positions relating to prior years.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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(dollars in thousands, except per share data)

**NOTE 17: INCOME TAX (continued)**

**E. Net Operating Loss Carryforward**

As of December 31, 2025, Tower had no net operating loss carryforward.

As of December 31, 2025, Tower US Holdings had U.S. federal net operating loss carryforwards of approximately \$31,000 of which approximately \$22,000 does not expire and is subject to an annual taxable income limitation of 80%. The remaining federal tax loss carryforward of \$9,000 will expire in 2028, unless previously utilized.

As of December 31, 2025, Tower US Holdings had a 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 federal deferred tax asset balances as of December 31, 2024 and 2023. The valuation allowance was released as of December 31, 2025, re-establishing deferred tax assets balances.

Tower US Holdings recorded a valuation allowance thereby reducing the state deferred tax asset balances as of December 31, 2025, 2024 and 2023.

As of December 31, 2025 TPSCo had immaterial net operating loss carryforward.

As of December 31, 2025, TSIT had net operating loss carryforward of approximately \$13,000.

TSIT has recorded a valuation allowance thereby reducing the deferred tax asset balance of the net operating loss carryforward.

**F. Final Tax Assessments**

Tower possesses final tax assessments through the year 2021.

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 2021 and state and other U.S. local income tax examinations for any of the years before 2020. 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 to make adjustments up to the amount of the net operating loss carryforward amount.

TPSCo possesses final income tax assessments through the year 2020.

TSIT possesses no final income tax assessments.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**CONDENSED MANAGEMENT'S DISCUSSION AND ANALYSIS OF**  
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information contained in this section should be read in conjunction with our consolidated financial statements as of December 31, 2025 and 2024 and the related notes for the years then ended. Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP").

**Results of Operations**

The following table sets forth certain statement of operations data as a percentage of total revenue for the years ended December 31, 2025 and 2024:

Details	2025	2024
Revenue	100%	100%
Cost of revenue	76.8	76.4
Gross profit	23.2	23.6
Research and development	5.5	5.5
Marketing, general and administrative	5.3	5.2
Restructuring income, net	--	(0.4)
Operating profit	12.4	13.3
Financing income, net	3.6	3.5
Other expense, net	(0.7)	(1.7)
Profit before income tax	15.3	15.1
Income tax expense, net	(1.3)	(0.7)
Net profit	14.0	14.4
Net loss attributable to non-controlling interest	0.1	0.1
Net profit attributable to the company	14.1%	14.5%

The following table sets forth certain statement of operations data for the years ended December 31, 2025 and 2024 (dollars in thousands):

Details	2025	2024
Revenue	\$ 1,566,104	\$ 1,436,122
Cost of revenue	1,202,250	1,096,680
Gross profit	363,854	339,442
Research and development	86,496	79,434
Marketing, general and administrative	83,186	74,964
Restructuring income, net	--	(6,270)
Operating profit	194,172	191,314
Financing income, net	56,738	50,834
Other expense, net	(10,527)	(24,721)
Profit before income tax	240,383	217,427
Income tax expense, net	(21,569)	(10,205)
Net profit	218,814	207,222
Net loss attributable to non-controlling interest	1,656	642
Net profit attributable to the company	\$ 220,470	\$ 207,864

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**CONDENSED MANAGEMENT'S DISCUSSION AND ANALYSIS OF**  
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Year ended December 31, 2025 compared to Year ended December 31, 2024**

**Revenues**

Revenue for the year ended December 31, 2025 amounted to \$1,566.1 million, as compared to \$1,436.1 million for the year ended December 31, 2024, reflecting a \$130.0 million or 9% year over year revenue increase. The increase is mostly due to higher wafers shipments, including revenue and shipments from the 300mm facility in Agrate, Italy, which commenced volume production and operations in the fourth quarter of 2024, and therefore its revenue was included in our statement of operations for the entire 2025 calendar year, as compared to only a limited portion of 2024.

**Cost of Revenue**

Cost of revenue for the year ended December 31, 2025 amounted to \$1,202.3 million as compared to \$1,096.7 million for the year ended December 31, 2024. The \$105.6 million increase in cost of revenue is mainly due to higher depreciation and other manufacturing costs associated with the increased number of wafers shipped in the year ended December 31, 2025, including higher depreciation and other manufacturing costs associated with the 300mm facility in Agrate, Italy, which commenced volume production and operations in the fourth quarter of 2024, and therefore its cost was included in our statement of operations for the entire 2025 calendar year, as compared to only a limited portion of 2024.

**Gross Profit**

Gross profit for the year ended December 31, 2025 amounted to \$363.9 million as compared to \$339.4 million for the year ended December 31, 2024. The \$24.5 million increase in gross profit resulted from the \$130.0 million or 9.6% increase in revenue, net of the \$105.6 million increase in cost of revenue, as described above.

**Research and Development**

Research and development expenses for the year ended December 31, 2025, amounted to \$86.5 million, reflecting 5.5% of revenue, as compared to \$79.4 million for the year ended December 31, 2024, also reflecting 5.5% of revenue.

**Marketing, General and Administrative**

Marketing, general and administrative expenses for the year ended December 31, 2025 amounted to \$83.2 million, reflecting 5.3% of revenue, as compared to \$75.0 million for the year ended December 31, 2024, reflecting a similar percentage of 5.2% of revenue.

**Restructuring Income, net**

Restructuring income, net, for the year ended December 31, 2024 amounted to \$6.3 million, resulting from the reorganization and restructuring of our Japan operations executed during 2022, as described in Note 12B(ii) to our financial statements for the year ended December 31, 2025.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**CONDENSED MANAGEMENT'S DISCUSSION AND ANALYSIS OF**  
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Operating Profit**

Operating profit for the year ended December 31, 2025 amounted to \$194.2 million as compared to \$191.3 million for the year ended December 31, 2024. The \$2.9 million increase in operating profit resulted mainly from the \$24.5 million increase in gross profit, as described above, offset by \$7.1 million increase in research and development expenses, the \$8.2 million increase in marketing, general and administrative expenses in the year ended December 31, 2025 and the \$6.3 million restructuring income in 2024, as described above.

**Financing Income, net**

Financing income, net, for the year ended December 31, 2025 amounted to \$56.7 million as compared to \$50.8 million for the year ended December 31, 2024. The \$5.9 million increase in financing income, net, is mainly due to hedging transaction gains recorded in the year ended December 31, 2025.

**Other Expense, net**

Other expense, net, for the year ended December 31, 2025 amounted to \$10.5 million as compared to other expense, net, of \$24.7 million for the year ended December 31, 2024. Other expense, net included mainly non-recurring, non-operational items.

**Income Tax Expense, net**

Income tax expense, net, for the year ended December 31, 2025 amounted to \$21.6 million as compared to \$10.2 million for the year ended December 31, 2024. The \$21.6 million tax expense for the year ended December 31, 2025 reflects 9% of the income before tax, mostly due to the 7.5% preferred income tax rate applied on the Israeli operations eligible income, with other jurisdictions subject to higher tax rate, see also note 17 to the financial statements.

**Net Profit**

Net profit for the year ended December 31, 2025 amounted to \$218.8 million as compared to \$207.2 million for the year ended December 31, 2024. The \$11.6 million increase in net profit is mainly due to the increase in operating profit and financing income, net, and the decrease in other expense, net, as described above, offset by the increase in income tax expense, net, described above.

**Net Loss Attributable to Non-Controlling Interest**

Net loss attributable to non-controlling interest for the year ended December 31, 2025 amounted to \$1.7 million as compared to net loss attributable to non-controlling interest of \$0.6 million for the year ended December 31, 2024. The \$1.1 million increase resulted from the increase of \$2.2 million in the Company's 51% owned subsidiary, Tower Partners Semiconductor Co., Ltd.'s ("TPSCo") net loss.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**CONDENSED MANAGEMENT'S DISCUSSION AND ANALYSIS OF**  
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Net Profit Attributable to the Company**

Net profit attributable to the Company for the year ended December 31, 2025 amounted to \$220.5 million as compared to \$207.9 million for the year ended December 31, 2024. The \$12.6 million increase in net profit attributable to the Company is mainly due to the increase in net profit of \$11.6 million as described above, and the increase in net loss attributable to non-controlling interest of \$1.1 million, as described above.

**Impact of Currency Fluctuations**

The Company currently operates in four different regions: the United States, Japan, Israel and Italy. The functional currency of the Company's entities in the United States, Israel and Italy is the US dollar ("USD"). The functional currency of the Company's operations in Japan is the Japanese Yen ("JPY"). The Company's expenses and costs are denominated mainly in USD, JPY, New Israeli Shekels ("NIS") and Euro, revenue is denominated mainly in USD and JPY, and the cash from operations, investing and financing activities are denominated mainly in USD, JPY and NIS. Therefore, the Company is exposed to the risk of currency exchange rate fluctuations in Japan, Israel and Italy.

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

During the year ended December 31, 2025, the USD appreciated against the JPY by 0.01%, as compared to 10.7% appreciation during the year ended December 31, 2024. 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 as part of Other Comprehensive Income on the balance sheet.

The USD cost of the Company's operations in Israel is influenced by changes in the USD-to-NIS exchange rate, with respect to expenses and costs that are denominated in NIS. During the year ended December 31, 2025, the USD depreciated against the NIS by 12.5%, as compared to 0.6% appreciation during the year ended December 31, 2024.

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

The USD cost of the Company's operations in Italy is influenced by changes in the USD-to-Euro exchange rate, with respect to expenses and costs that are denominated in Euro, however the amount of cost denominated in Euro is immaterial, and therefore the Company exposure to Euro fluctuations is limited. During the year ended December 31, 2025, the USD appreciated against the Euro by 12.8%, as compared to 5.9% depreciation during the year ended December 31, 2024.

**Liquidity and Capital Resources**

As of December 31, 2025, the Company had an aggregate amount of \$235.4 million in cash and cash equivalents, as compared to \$271.9 million as of December 31, 2024. The main cash items during the year ended December 31, 2025 were as follows: \$395.5 million net cash provided by operating activities; \$444.4 million invested in property and equipment, net; \$38.5 million received from sales of short-term deposits, net; and \$33.4 million net cash used in financing activities.

Short-term and long-term debt presented in the balance sheet as of December 31, 2025 amounted to \$28.1 million and \$133.4 million, respectively, and included loans, operating leases and capital leases.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-204173 and 333-277536 on Form S-8 of our report dated March 2, 2026 relating to the consolidated financial statements of Tower Semiconductor Ltd appearing in this Report on Form 6-K of Tower Semiconductor Ltd filed on March 2, 2026.

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

Tel Aviv, Israel  
March 2, 2026

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