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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Tower Semiconductor Third Quarter 2023 Financial Results Conference Call. All participants are currently in a listen-only mode. Following management's prepared statements, instructions will be given for the question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded, November 13, 2023. Joining us today are Mr. RussellÂ Ellwanger, Tower's CEO; and Mr. Oren Shirazi, CFO. I would now like to turn the conference over to Ms. Noit Levy, Senior Vice President of Investor Relations and Corporate Communications. Ms. Levy, please go ahead.

Noit Levy-Karoubi - *Tower Semiconductor Ltd. - SVP of IR & Corporate Communications*

Thank you, and welcome to Tower Semiconductor Financial Results conference call for the third quarter of 2023. Before we begin, I would like to remind you that some statements made during this call may be forward-looking and are subject to uncertainties and risk factors that could cause actual results to be different from those currently expected. These uncertainties and risk factors are fully disclosed in our Forms 20-F, F4, F3 and 6-K filed with the Securities and Exchange Commission as well as filings with the Israeli Securities Authority. They are also available on our website. Tower assumes no obligation to update any such forward-looking statements.

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Please note that the third quarter of 2023 financial results have been prepared in accordance with the U.S. GAAP. The financial tables and data in today's earnings release and in this earnings call also include certain adjusted financial information that may be considered non-GAAP financial measures under Regulation G and related reporting requirements as established within the Securities and Exchange Commission. The financial tables include a full explanation of these measures and the reconciliation of these non-GAAP measures to the GAAP financial. In today's call, we have a supporting slide deck that complements our conference call. This presentation is accessible on our company's website and is also integrated into the webcast for your convenience. Now I'd like to turn the call to our CEO, Mr. RussellÂ Ellwanger. Russell, please go ahead.

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

Welcome, everyone, and thank you for joining our call today. Being the first financials release call we are holding since November 2021, we will include in today's call, a longer-term financial model stating the reasons for and the margins resulting from the new capacity agreements that we have announced in the past years. An important aspect of our growth strategy is manufacturing efficiency and scale.Â Increasing capacity in an accretive cost-efficient manner is a competitive edge.

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First, looking at this past quarter. Our revenue for the third quarter was $358 million, down year-over-year, reflective of challenging market condition. At this revenue level, fab utilizations were Fab 1 6-inch about 55%; Fab 2, 8-inch, about 75%; Fab 3, 8-inch, about 40% due primarily to the weakness in data centers,Â Fab,8-inch at about 60%, FabÂ 7,Â 12-inch, about 60% and Fab 9, 8-inch, about 65%.

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As you can see, with the present utilization levels, we have the ability to quickly ramp up manufacturing to capitalize on a market rebound. A positive point demonstrating our operational efficiency at these lower utilization levels, excluding the accretive impact of onetime items, we had substantial operating profit. Currently, we are seeing a return in several areas to rational customer inventory levels and are beginning to experience some upside relative to customer forecast as end market opportunities present themselves. We have yet to see customers increase their forecast, although certainly in the RF segment, inventory levels have reached or fallen below the previous steady state. We remain proactive with our customers, providing operational flexibility as even small changes in the end markets, if one has the ability to act quickly could have a disproportionately positive impact on near-term results.

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For the fourth quarter of 2023, we expect revenue of $350 million, plus or minus 5%. We are active and committed to creating sustainable value for all of our stakeholders. As we stated at our last investor call on September 5, Tower is actively embedding excellence in everything we do, which we define as effective, efficient and at the highest quality. Tower is extremely efficient, as measured by the 10-point drop from gross margins to operating margins, reflecting total OpEx of about 10% of revenue. Effective can be measured by gross margins, which means value-added offerings at manufacturing scale. Our offerings are value-add. A bit later, our CFO, Mr. Oren Shirazi, will discuss the long-term financial model, showing the result of increasing our manufacturing scale, reflecting Tower's present capacity footprint and the additional capacity capabilities resulting from our investments in the Agrate facility and in the New Mexico facility with ST and with Intel, respectively.

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These technologies that create value, almost by definition, are those which serve exciting high-growth markets. Within the analog world that we serve, we are focused on 3 megatrends: seamless connectivity, served by our RF road maps, green everything served by our power platform and smart systems served by our sensors and display offerings. We are committed to continue to advance the platform serving these trends, which in turn, empowers us to meet the demands of our customers and remain at the forefront of industry trends.

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Our RF mobile business is primarily composed of handset RF components, such as switches, antenna tuners and low-volume amplifiers built on our RF SOI technology. As you know, the handset market has been weak in 2023, although there are signs of potential recovery as evidenced by sequential quarterly revenue gains through all of 2023 from a bottom in Q1 '22. Longer term, we anticipate a market recovery, along with increased adoption of 5G and developing nations to contribute to further growth. To accelerate internal growth that outpaces the market, we have invested in advanced RF SOI technology with the recent release of design kits for Q10, our 10th generation process, offering the industry's best or one-off figure of merit, driving improved reception and battery life and handsets. This technology is prototyping today in 200 millimeter, and we are releasing design kits in a 300-millimeter version this quarter. We have significant prototyping and design activity and anticipate this new technology to contribute meaningfully to revenue with design wins already with 2 of the top 5 front-end module providers and active engagements with multiple others.

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Our RF infrastructure business is primarily composed of silicon germanium and silicon photonics for optical transceivers in data centers, artificial intelligence clusters and telecom network. Over the past 3 months, we have met with most all of our major customers throughout the world. One thing that was striking is that the near-term moves 800G data center appear to be much more aggressive than is depicted in analyst reports, resulting in a stronger cycle ramp for the industry as silicon photonics placed an increased role at 800G and beyond. For your reference, please see

Slide 6. Tied to this, we are seeing increased orders for silicon photonics with customers forecasting a substantial ramp continuing through 2024 and beyond. Currently, we have over 50 active CIFO customers serving data center telecom, automotive LiDAR and optical computing.

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In the third quarter, we announced a multi-generation partnership with Intelight, the worldwide leader in data center optical solutions. This partnership highlights the strength of our offering with the end customers representing the core of all hyperscalers, enabling cutting-edge technology to support the growing demands of data centers, including AI and next-generation telecom networks. For our silicon germanium business, we are seeing significant first year design wins for linear pluggable optics LPO components, which promissory player costly DSPs and advanced optical modules. For your reference, please see Slide 7.

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LPOs integrate some additional functionality traditional into traditional silicon germanium drivers andÂ transimpedamplifiersÂ to eliminate the need for costly and power hungry, deep digital, digital signal processors in many 400-tand 800G application. This new innovative technology offers improved cost, reduce power consumption and reduce latency for data center, including for AI applications. We have also seen design wins in first orders for retimers used in active copper cables built with our silicon germanium technology, serving top data center hyperscalers and hyperscaler providers. It is an alternative to more costly pluggable optics, particularly for short-reach applications, further expanding our silicon germanium total available market.

Finally, and also of significant importance, we see increased activity towards the newer market of satellite Internet service using silicon germanium phase dire, offering the best performance and cost trade-off and terrestrial receivers employed by these systems. For your reference, please see Slide 8. This application space promises to meaningfully increase the sowing and germanium total available market over the next several years as each receiver requires on average 250 silicon germanium phased array ICs with a major win having been awarded to us this past quarter.

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Turning to our Power IC business. In the past few months, we had 2 very major wins. Firstly, from a premier power management integrated device maker for the next-generation 65-nanometer BCD; and secondly, from the leading analog fabless company with a design win with their first-tier end customers. These activities are forecast and aligned with at least one end customers to grow to several tens of thousands of wafers per month and is the major catalyst for entering the New Mexico fab manufacturing agreement. In the imaging market, we continue our focus on creating highly differentiated technologies for industrial, medical and automotive use, storing a major win in Q3 where we partner to provide center technology to an iconic mirrorless camera company. For your reference, please see Slides 10 and 11, which define this market.

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In the industrial segment, we gained an entire next-generation line with a leading imaging provider. The display market is undergoing a revolution with the rapid growth of the VR and AR markets. Technology-wise, in order to meet these markets resolution and brightness requirements, a shift from the traditional LCD-based displays to organic LED on silicon is required. For your reference, please see Slide 12. We have developed a 5-fold platform and are currently at advanced stages of creating a 10-volt platform for even higher brightness,Â and are engaged with leading display suppliers in Korea and China. This is the next big thing in the display area, and we are technologically well positioned to take a substantial market share in this exciting new market.

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Providing our revenue breakdown for the third quarter of 2023.Â Sensors and displays represented 18%. RF mobile business represented 26%. RF infrastructure represented 10%; Power IC business, 21%,Â discrete business, 17%, mixed signal CMOS, about 6%, with about 2% miscellaneous for this period. Automotive, which has served through several of the above-mentioned technologies, was at about 17%. I'm pleased to announce 2 strategic organizational changes we just implemented. These changes have been carefully designed to enable our next series of steps to achieve

the next peak in our progress. Dr. Marco Racanelli was promoted to serve as Tower's President. As such, he is responsible for all business units and sales activities and organizations. Dr. Avi Strum was promoted to be Tower's Chief Technology Officer, responsible among others, for a 4- to 6-year accretive technology road map with associated activities and all M&A activities.

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I believe that these organizational changes will enhance Tower's value proposition and continuous profitable growth. Please join me in wishing Marco and Avi much success. Scott Speed. Oren, please.

Oren Shirazi - *Tower Semiconductor Ltd. - CFO & Senior VP of Finance*

Thank you, Russell. We released today our quarterly results, reporting revenues of $358 million, gross profit of $87 million and net profit of $342 million, which net profit included $290 million of net profit impact associated with the merger contract termination fee received from Intel. I will start my review by analyzing the P&L highlights, followed by our balance sheet and the presentation of our long-term financial model. Revenue for the quarter ended in September 2023 was $58 million compared to $357 million in the or quarter, and gross profit for the quarter ended in September 2023 was $87 million, similar to the gross profit in the prior quarter. Operating profit and net profit for the quarter included the net impact of merger contract termination fee we received from in the amount of $314 million net of associated costs. This amount is included in operating profit. The net profit impact after tax is $290 million based on a 7.5% preferred income tax rate that applies to us in Israel. Including the termination fees, operating profit for the quarter was $362 million as compared to $51 million in the prior quarter, and net profit were $342 million or $3.10 basic earnings per share compared to net profit of $51 million or $0.46 per share of basic earnings in the prior quarter.

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Our balance sheet as of the end of September totaled $2.8 billion, primarily comprised of $1.1 billion of fixed assets, mostly machinery and equipment and $1.7 billion of current assets, 72% of which were cash deposits and marketable securities. Current assets ratio reflecting the multiple by which current assets are larger than short-term liabilities is very strong by a multiple of 6.7x as compared to 4.8x in the prior quarter. Shareholders' equity increased by 17% quarter-over-quarter and by 24% as compared to its amount in the end of FY '22 and reached a total of almost $2.4 billion. Our strong financial position enables us to plan the following investments in growth opportunities that are aligned with our vision. One, approximately $500 million of total aggregate cash was allocated to make investments in equipment and other CapEx items required for the 12-inch factory in Agrate Italy required for a tower of portion of the stion partnership, of which $100 million were already invested in FY '22 and an additional $150 million were invested today to date. Two, as announced 2 months ago, we will invest $300 million to buy equipment and other CapEx items that we will own in Intelsat New Mexico, enabling tower to ramp up production and manufacturing for its customers.

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Three, we expect our maintenance CapEx baseline level to remain as previously announced, between $180 million and $200 million per annum. And four, we will continue to invest to refine our product mix in the technologies and markets Russell previously described to enhance our flexibility to cross manufacture at our multiple factories, all should result in a richer mix from a margins point of view and all in accordance with our growth strategy. Russel described previously, the market, technologies and customer demand, which drives our need to increase our capacity. I will now outline our target financial model, which is based on the assumption that the presently expressed and forecasted customer demand for the products, technologies and markets Russell described, would result in 85% utilization of our capacity, including the ramp-up of Agrate and New Mexico.

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I refer to the target financial model, a summary of which is presented in Slide 14 in this call slide. Based on this assumption, we believe we will have the opportunity to achieve annual revenue of about $2.65 billion. Achieving this level of revenue should according to this model result in an annual gross profit of $740 million and annual operating profit of $560 million and an annual net profit of $500 million. To provide context, reaching revenue growth at a level of 1.9x of our last published quarter annualized revenue run rate would result in gross profit, operating profit and net profit to be 2.1x, 2.9x and 2.4x respectively as compared to the last published quarter annualized run rate, excluding the accretive onetime impact

as outlined in the model. Our model demonstrates several key indicators of our efficiency and effectiveness as follows: one, we are showing an increase of 86% in revenue, while keeping OpEx costs below 10% of revenue. Our incremental growth, operating and net margins as a percentage of the added revenue of $1.2 billion stated in the model should be 32%, 30% and 24%, respectively, which are higher than our current baseline margin. three, by increasing our revenue by 86% from the last reported quarter run rate, we should increase our operating profit by 187% and our net profit by 140%. In summary, achieving these planned targets would result in annual revenue of about $2.65 billion annual gross profit of $740 million, $560 million in operating profit per annum and $500 million in net profit per annum. And now I'd like to turn the call back to our CEO, Mr. Russell Ellwanger.

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

Thank you, Oren.Â Truly very exciting. To close, I'll speak to the situation in Israel. October 7 was an act of pure Evil, a direct and purpose attacked on civilians by Hama using the tools of motor, rate and mutilation,Â the same tools used by prudent in Ukraine that have been employed by other depraved desktops throughout history. In this present instance, under her mouth leaders who live the life of billionaires, Harvard and shielded safely and far Nation, carrying nothing for any God-given human values, no value for life at all, certainly not for Israelis but also not their own people who they use is Pam.

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Since this time, I've been extremely moved by the outpouring of warm thoughts and prayers for Tower and our employees in Israel by many customers, shareholders, suppliers and as well as from employees in other geographic regions. A special thank you to a customer who accompanied this well wishing with a sizable donation towards the extra support towers providing for our employees or either the employee themselves or the employee spouse is serving their country to defend the principles they believe in, similar to the support towers offered to our employees in Ukraine. Thank you all. My heartful thanks to our employees worldwide and specific at this time for our employees in Israel to those sacrificing comfort and possibly life to serve the country. And to those in the factories, Jewish, Muslim, Brews and Christian, taking additional burdens on themselves, having enabled that we have not missed a single customer commit and doing all in their power to ensure that we will not miss any in the future. We have robust business continuity procedures in place in the company, including multisite qualification of major process loans and a very strong external expert advised and audited IT safeguard system.

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I have always appreciated and valued Tower's corporate culture. In times to disease, one of the few upsides and positive emotion has seen the unsecuring dedication of our employees and the loyal support of our customers, shareholders and suppliers. Thank you. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)Â The first question is from Cody Acree of Benchmark.

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Maybe, Russell, if we could start with the utilization trends, flat down in all of your locals, I think that's right, yes. And so is that indicative of the magnitude of the revenue contribution from those end markets directly? And then if you could also provide some discussion of your revenue concentration per facility, knowing that you've got specific facilities that are going to be more broadly utilized among your revenue...

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

You're really bumbling right now. I can't make out what you're saying at the moment. Could you restate your last few sentences?

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Yes. I guess what I'm trying to focus on is more revenue capacity per facility, knowing that you've got some facilities that are more dedicated to one of your revenue segments versus others? And then just what you contribute the declining utilization rates across the board that would flat to down the last 2 quarters.

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

Yes. I don't mean this tug and cheek, but certainly, I attribute it to less market demand I mean that's 10% focus of utilization. I think you had asked if it's indicative of revenue. Obviously, the revenue is very much in line with what utilization levels are. So the market is weak. The markets that we serve isn't very strong at the moment. Although we are seeing rebounding and we've been able to, as I stated, see increases in the specifically demand for switches and amplifiers, tuners within -- that go into front-end modules. But in general, obviously, utilization is very indicative of market and our revenue is tied to the utilization. And I gave a revenue forecast that's predominantly flat for Q4, which shows that by customer forecast, as I clearly stated, we have not yet seen big upside.

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We have, however, seen in some end markets, increases in orders that we'll be able to realize within Q1 and beyond, specifically, I mentioned silicon photonics. The concentration, and I think -- well, I know I said it in the script, Fab 3 Newport Beach is predominantly doing the silicon germanium activities, the most advanced platform for silicon germanium are in Newport Beach and data center is weak at the moment. So I think, if that adds the color that you're asking for.Â InÂ Japan, 200-millimeter factory in Migdal Henick. In both, we have a good amount of BCD. And in the McDole, 200-millimeter factory, we'll also do a lot of RF SOI. In San Antonio, we do a lot of discrete and a good amount of power activity serving automotive.

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Very helpful. Oren, can you just walk through your timing of your outlays for ST Micro and the Intel properties? I know you've given more details on the Italian spending patterns. But just wondering what your plans are for the Intel fabs.

Oren Shirazi - *Tower Semiconductor Ltd. - CFO & Senior VP of Finance*

Yes. Italy, like you said, I outlined it that we already paid EUR 250 million out of the EUR 500 million. And the reminder, you may expect it in the coming 1.5 years, you can maybe, if you want, in the model to amortize it linearly. On Intel, we still don't have specific details of that because we just announced it 2 months ago. So we are now forming the CapEx equipment list. Following that, we will exactly calculate the exact timing of the spend of the investment of the EUR 300 million. But obviously, it should be done in the coming 2, 2.5 years.

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

And Oren, I guess I asked this on the last conference call, we hit it from a different angle, maybe your supply relationship with STMicro and Intel, they're just based on a set wafer price to you, assuming different technologies provided different wafer costs. But I assume that there was some risk calendar contribution or if the this kind of price it's factored in with your contribution of the hardware and technology if it is fat. So I guess how is that process going to work? And do you expect that to be very accretive to gross margin with these waters and those revenues?

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

Yes, Kodiak you. So I think this is exactly why because of these type of questions, we presented -- I presented the long-term financial model. It really shows you in the right column of the financial model that the incremental margins baked in everything all in, is a 32% gross margin, 30% operation margin. Now of course, this is better than the current growth and operating margins that we have. And this is lower than the 50% incremental margin that we always discussed about organic growth. So this gives you the answer to that while this is a very nice incremental contribution. It is not in organic because it's not from our existing space.

Now we cannot disclose the exact cost per wafer that we pay to Intel or to FTÂ Partnership because this is under, of course, confidentiality. But you see that in the financial model, these are the results. This is the incremental is mostly because of Intel and not inter because of the capacity corridor and Agrate as well as other growth in the company.

Operator

The next question is from Richard Shannon of Craig-Hallum. Please go ahead.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

I did want to preface them with 2 quick things here. Thanks for the investor presentation, we have some of this detail. It's very helpful to see it that way. And also, I do want to congratulate the promotions here in particular, having gotten to know micro marker over the years, I think it's a very appropriate promotion. So congratulations on that. With that said here, a few questions that come to mind. I guess I'll ask and bottoms up your question on the data center market here where you're seeing a bit of weakness. And I think if I heard your comments correctly, not necessarily seeing upside here improving directly even though we hear from a lot of participants in this market have is great deal of strength here. Maybe help us understand, is there some inventory still left to be burned here? And then do you have any visibility into when that ramps? And do you expect that to be more of a ratable ramp or something more -- I don't know if I want to use the word spiky or not, but certainly seeing some of those dynamics in the market. Wondering if we should expect that over time.

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

Thank you for the question. I did state that we are seeing inventory levels having burned off quite substantially and they have, and in particular, in the RF space and particularly with data center to where our customers and their customer is down now to levels at or before the market if you would say, 1 week. Every time that we've experienced the data center market coming back, it is a very steep function when it comes back. It's a step function. Will that be the case now? I don't know. That's hard for me to predict. We do believe it will come back and we'll be back within the next quarters, and we're well prepared to take care of that growth.

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Now part of the reason that we're very optimistic about data center is really our partnerships with the leaders into not just what we have served in the past but into those technologies that are serving the future. I mentioned a very strong lamp being forecasted by customers within silicon photonics. And additionally, that analyst reports that are fairly recent seem to be very far off on the adoption of 800G and 800G driving many activities that were not in 100G. So we see that as very, very positive. I stated and I cannot overstate the importance of the partnership that we have with Innolight on driving very state-of-the-art solution with our silicon photonics platforms. So we're pretty bullish on that.

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If you look at the other activities that we spoke about with, for example, the linear portable optics. We have many things coming into play right now that are technological upside that have the benefit of the innovation of cost reduction. And those get implemented relatively quickly. If one is doing a new build-out of a 400G or an 800G and you have the ability to reduce cost and so doing, that is implemented very fast. So that's part of

the reason that we would see and believe that the rebound will be extremely strong because of new technologies where we have really a very strong partnership with leaders. So exactly how steep that ramp will be, I cannot say. Well, the rap come, it appears from inventory levels presently, it will come. and it should come fairly shortly, exactly when, I don't know. But I did state, we have not yet seen the increase in purchase orders, but we're very prepared other than in silicon photonics, but we're very prepared to capitalize on it when it comes. Hopefully, that answers your question, Richard. I really don't have more color to add than that.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

That was very helpful. We appreciate your position and visibility. So thanks for portraying that one. I guess is a question maybe for Russell Orin here, but I think some of the big questions we get, and I think you've had post to you many times in the past here that I think are especially important given we're going through an inventory cycle in parts of your markets as well as the typical calendar seasonality that you experienced. So I think the big question we're getting is, how do we think about your first quarter seasonality. You typically don't give guidance more than a quarter out, but are you seeing anything that would suggest it's going to be meaningfully different than normal, which I think is kind of a little bit down sequentially in the first quarter.

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

You are correct. We don't give guidance longer term than 1 quarter. I honestly think that Q1 seasonality is an impact that everyone faces each year. There's been a few years where we've been able to capitalize against it by having entered into a new strong market with offerings. But I think the industry itself expects a Q1 seasonality. I don't think that this year will be different as far as what the industry will be experiencing. Data center is data center, and that is where it's at. But I had mentioned specifically one other area. It's not data center specifically, but it is the phased array that is used for satellite, and that is a very, very bigÂ marketÂ that has come about that we're very active in and got a strong design win with a first-tier provider. So we see that in addition to a data center rebound as a strong tailwind for what we're doing with silicon germanium. And it's not data center itself, but it really is somewhat tied into the same application base.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

So going to ask one more question and I will jump back into the queue here. But kind of big picture, you had some really interesting comments across a number of markets. Obviously, sliphatomics, power display sensors, and I probably missed some here. But when you think about over say, I don't know, pick a time frame like, say, 2 years, are any of these going to be much more powerful to your revenue contributions than any others? Or they'll kind of kind of in the same area? How would you characterize them or even rank them?

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

What we're doing with advanced 300-millimeter, 65-nanometer BCD and a very advanced and aggressive road map on our BCD platform. as I stated, the major catalyst for what we're doing in the New Mexico factory, I think that, that probably will be the biggest incremental growth in the company.

Operator

The next question is fromÂ NataliaÂ WinklerÂ of Jefferies. I have a couple.

Natalia Sukhotina Winkler - *Jefferies LLC, Research Division - Equity Associate*

One is on the silicon photonics. Russell, could you please speak about the market share dynamics because you're seeing in social Obviously, your market share in germanium has been the leading I'm just curious if you're seeing similar or any different competitive dynamics in Silicon Photonics.

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

It's a very good question and one that I don't have the greatest answer for you because the silicon photonics market is not as mature as far as its establishment as is the Solan trmanium. We're certainly in with the leaders there. I think what we do with CFO is very strong. I couldn't give you an exact market share number at this moment. I expect that we will have a substantial, if not the major market share of SIFO as the ramps occur as the 800G and beyond really start moving quickly. But I could not tell you right now what our exact market share is. I really couldn't. I know that we're very well positioned, but it's a little bit difficult to know. I think that at the moment, the major market share belongs to an IDM.

Natalia Sukhotina Winkler - *Jefferies LLC, Research Division - Equity Associate*

Understood. That's very helpful. And then if I may, on just kind of -- if we're thinking about the long-term model, how should we think about the mix with a net long-term one? And I guess another way to put it is if we're thinking about the capacity additions that you guys are doing in Agrate and Intel, are there any kind of silicon germanium additional capacity that's coming online? Or is that margin to kind of focus on the nonsolicilicon photonics applications such as the Simon analogue?

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

That's a very good question. The bulk of the reasons for driving the capacity increases in Agrate is the RF SOI and in the Cab11X in New Mexico, it's for the BCD as I mentioned before. That's not to say that we're not doing activities to expand silicon photonics, both the 200-millimeter and at 300-millimeter. We are. But the biggest growth drivers right now and impetus for the grade as well as the New Mexico was RFSOI and power management on 65 BCD and an extendable road map for that.

Natalia Sukhotina Winkler - *Jefferies LLC, Research Division - Equity Associate*

This is very helpful. And if I may, just a quick follow-up on this. On the 300-millimeter spoken photonics, is that something you guys already shipping? Or is that kind of part of the future road map?

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

We have shipped prototypes. So yes, we have shipped. And yes, it is part of the future roadmap. So it's not something that doesn't exist now. We do have some prototypes that are going out..

Operator

This concludes the question-and-answer session. Mr.Â Ellwanger, would you like to make your concluding statement?

Russell C. Ellwanger - *Tower Semiconductor Ltd. - CEO & Director*

Yes. Thank you. Firstly, again really much appreciation to everyone that has given well-wishing during this period of war. Secondly, as far as the company, I don't believe we've ever been in a more exciting position than we are now. So much advancement in technology platforms, so much advancement in customer partnerships. We sit extremely confident that in areas where there has been market weakness, the market will return, and we will return with higher market shares than we had in the past. And that's how you outgrow the market. So we thank everybody. And my biggest appreciation, as stated to our employees that still come to the factory and put everything they can to take up for the burdens of those that can't presently come to the factory here in Israel. So thank you very, very much.

Operator

Thank you. This concludes Tower Semiconductor conference call. Thank you for your participation. You may go ahead and disconnect.