

TOWER SEMICONDUCTOR LTD
Form 20-F
April 30, 2010

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

FORM 20-F

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

For the fiscal year ended December 31, 2009

number: 0-24790

Commission File

TOWER SEMICONDUCTOR LTD.

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

Israel

(Jurisdiction of incorporation or organization)

Ramat Gavriel Industrial Park
P.O. Box 619, Migdal Haemek 23105, Israel

(Address of principal executive offices)

Nati Somekh Gilboa, +972-4-6506109, natiso@towersemi.com,
Ramat Gavriel Industrial Park P.O.Box 619, Migdal Haemek 23105, Israel

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

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary Shares, par value New Israeli Shekels 1.00 per share	NASDAQ Global Market
Convertible Debentures	NASDAQ Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

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

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 198,961,286 Ordinary Shares

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

Yes No

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

Yes No

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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

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

Yes No

FORWARD LOOKING STATEMENTS

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

EXPLANATORY INFORMATION

Beginning with the fourth quarter of 2007, Tower Semiconductor Ltd. ("Tower") prepares its consolidated financial statements in United States dollars and in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). Tower recasted the comparative amounts included in its financial statements and in this report to US GAAP. Prior to the fourth quarter of 2007, Tower prepared its financial reports in United States dollars and in accordance with generally accepted accounting principles in Israel (“Israeli GAAP”) and provided reconciliation to US GAAP in the notes to the financial statements.

The transition to US GAAP was made as a result of Israel Accounting Standard 29, which stipulates that Israeli public companies that previously reported their financial results based on Israeli GAAP must begin reporting their financial results in accordance with International Financial Reporting Standards (“IFRS”) for periods beginning on or after January 1, 2008. However, Israeli public companies that are also listed on NASDAQ are allowed to report utilizing US GAAP rather than IFRS. We elected to use US GAAP to increase transparency and comparability of our financial reports and facilitate research and analysis by shareholders, analysts and other participants in the U.S. capital markets.

All references herein to “dollars” or “\$” are to United States dollars, and all references to “Shekels” or “NIS” are to New Israeli Shekels.

On September 19, 2008, we completed the merger with Jazz Technologies, Inc. (“Jazz Technologies”) in a stock for stock transaction. Jazz Technologies, through its wholly-owned subsidiary, Jazz Semiconductor, Inc. (“Jazz Semiconductor”), is an independent semiconductor foundry focused on specialty process technologies for the manufacture of analog intensive mixed-signal semiconductor devices. As a result of this transaction, Jazz Technologies became a wholly owned subsidiary of Tower. Jazz Technologies and Jazz Semiconductor are collectively referred to in this report as “Jazz”.

Following the merger with Jazz, our financial statements include Jazz’s results commencing September 19, 2008 and our consolidated balance sheets as of December 31, 2009 and 2008 includes Jazz's balances as of such dates.

As used in this annual report, “we,” “us,” “our,” and the Company” and words of similar import, when used with reference to periods on or after September 19, 2008, refer to Tower Semiconductor Ltd., together with its direct and indirect wholly-owned subsidiaries including Jazz, and when used with reference to periods prior to such date refer to Tower and its subsidiaries other than Jazz.

Manufacturing or production capacity refers to installed equipment capacity in our facilities and is a function of the process technology and product mix being manufactured because certain processes require more processing steps than others. All information herein with respect to the wafer capacity of our manufacturing facilities is based upon our estimate of the effectiveness of the manufacturing equipment and processes in use or expected to be in use during a period and the actual or expected process technology and product mix for such period. Unless otherwise specifically stated, all references herein to “wafers” with respect to Fab 1 capacity are to 150-mm wafers and with respect to Fab 2 and Jazz capacity are to 200-mm wafers.

JAZZ SEMICONDUCTOR® is a registered trademark of Jazz in the U.S.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Data

This section presents our selected historical financial data. You should carefully read the financial statements included in this annual report, including the notes to the financial statements. The selected data in this section is not intended to replace the financial statements.

We derived the selected statement of operations data and other financial data for the years ended December 31, 2009, 2008 and 2007, and selected balance sheet data as of December 31, 2009 and 2008 from the audited financial statements included in this annual report. Those financial statements were audited by Brightman Almagor Zohar & Co., a member firm of Deloitte Touche Tohmatsu, independent registered public accounting firm. We derived the selected statement of operations data and other financial data for the years ended December 31, 2006 and 2005 and the selected balance sheet data as of December 31, 2007, 2006 and 2005 from our audited financial statements that are not included in this annual report, which were recasted to US GAAP. Our management believes that the financial statements included in this annual report contain all adjustments needed to present fairly the information included therein.

Following our merger with Jazz, our consolidated financial statements include Jazz's results commencing September 19, 2008, and our consolidated balance sheets as of December 31, 2009 and 2008 include Jazz's balances as of such dates.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues	\$298,812	\$251,659	\$230,853	\$187,438	\$101,991
Cost of revenues	325,310	296,513	284,771	267,520	238,358
Gross loss	(26,498)	(44,854)	(53,918)	(80,082)	(136,367)
Research and development	23,375	14,969	13,790	15,048	16,029
Marketing, general and administrative	31,943	33,223	31,604	25,831	17,418
Write-off of in-process research and development	--	1,800	--	--	--
Merger related costs	--	520	--	--	--
Fixed assets impairment	--	120,538	--	--	--
Operating loss	(81,816)	(215,904)	(99,312)	(120,961)	(169,814)
Financing expense, net	(45,710)	(17,566)	(34,976)	(47,563)	(35,651)
Gain on debt restructuring	--	130,698	--	--	--
Other income (expense), net	2,045	(918)	92	597	2,383

Loss before income tax expenses	(125,481)
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