
FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

For the month of August 2020 No.3

Commission File Number 000-24790

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 Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

On August 5, 2020, the Registrant issued unaudited condensed interim consolidated financial statements as of June 30, 2020, and for the six and three month's periods then ended. Attached hereto are the following exhibits.

[Exhibit 99.1](#) [Registrant's consolidated financial statements as of June 30, 2020 and the report thereon dated August 5, 2020 of Brightman Almagor Zohar & Co.](#)

[Exhibit 99.2](#) [Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

This Form 6-K, including all exhibits hereto, is hereby incorporated by reference into all effective registration statements filed by us under the Securities Act of 1933.

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: August 5, 2020

By: /s/ Nati Somekh
Name: Nati Somekh
Title: Corporate Secretary

**TOWER SEMICONDUCTOR LTD.
AND SUBSIDIARIES
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2020**

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES

INDEX TO UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2020

	<u>Page</u>
BALANCE SHEETS	F-2
STATEMENTS OF OPERATIONS	F-3
STATEMENTS OF COMPREHENSIVE INCOME	F-4
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	F-5
STATEMENTS OF CASH FLOWS	F-6 - F-7
NOTES TO FINANCIAL STATEMENTS	F-8

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

	As of June 30, 2020	As of December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 258,793	\$ 355,561
Short-term interest-bearing deposits	269,263	215,609
Marketable securities	195,886	176,070
Trade accounts receivable	128,401	126,966
Inventories	210,129	192,256
Other current assets	28,158	22,019
Total current assets	1,090,630	1,088,481
LONG-TERM INVESTMENTS	41,219	40,085
PROPERTY AND EQUIPMENT, NET	765,895	681,939
GOODWILL AND INTANGIBLE ASSETS, NET	16,298	17,281
DEFERRED TAX AND OTHER LONG-TERM ASSETS, NET	91,834	105,047
TOTAL ASSETS	\$ 2,005,876	\$ 1,932,833
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 79,668	\$ 65,932
Trade accounts payable	154,517	119,199
Deferred revenue and customers' advances	8,455	10,322
Employee related liabilities	59,079	50,302
Other current liabilities	9,113	7,301
Total current liabilities	310,832	253,056
LONG-TERM DEBT	219,764	245,821
LONG-TERM CUSTOMERS' ADVANCES	27,570	28,196
EMPLOYEE RELATED LIABILITIES	14,970	13,285
DEFERRED TAX LIABILITY	40,075	45,238
OTHER LONG-TERM LIABILITIES	521	514
TOTAL LIABILITIES	613,732	586,110
THE COMPANY'S SHAREHOLDERS' EQUITY	1,398,009	1,354,547
Non-controlling interest	(5,865)	(7,824)
TOTAL SHAREHOLDERS' EQUITY	1,392,144	1,346,723
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,005,876	\$ 1,932,833

See notes to consolidated financial statements.

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

	Six months ended June 30,		Three months ended June 30,	
	2020	2019	2020	2019
REVENUES	\$ 610,261	\$ 616,171	\$ 310,090	\$ 306,064
COST OF REVENUES	500,013	499,613	252,385	252,657
GROSS PROFIT	110,248	116,558	57,705	53,407
OPERATING COSTS AND EXPENSES:				
Research and development	38,838	37,980	19,424	18,812
Marketing, general and administrative	32,845	33,479	16,154	16,838
	71,683	71,459	35,578	35,650
OPERATING PROFIT	38,565	45,099	22,127	17,757
FINANCING AND OTHER INCOME (EXPENSE), NET	(282)	1,672	1,831	947
PROFIT BEFORE INCOME TAX	38,283	46,771	23,958	18,704
INCOME TAX BENEFIT (EXPENSE), NET	(778)	(649)	(2,484)	1,018
NET PROFIT	37,505	46,122	21,474	19,722
Net loss (income) attributable to non-controlling interest	(1,433)	1,030	(2,422)	1,214
NET PROFIT ATTRIBUTABLE TO THE COMPANY	\$ 36,072	\$ 47,152	\$ 19,052	\$ 20,936
BASIC EARNINGS PER ORDINARY SHARE:				
Earnings per share	\$ 0.34	\$ 0.45	\$ 0.18	\$ 0.20
Weighted average number of ordinary shares outstanding	106,885	105,829	106,956	106,321
DILUTED EARNINGS PER ORDINARY SHARE:				
Earnings per share	\$ 0.33	\$ 0.44	\$ 0.18	\$ 0.20
Net profit used for diluted earnings per share	\$ 36,072	\$ 47,152	\$ 19,052	\$ 20,936
Weighted average number of ordinary shares outstanding used for diluted earnings per share	108,213	107,078	108,277	107,178

See notes to consolidated financial statements.

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

	Six months ended June 30,		Three months ended June 30,	
	2020	2019	2020	2019
Net profit	\$ 37,505	\$ 46,122	\$ 21,474	\$ 19,722
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	(124)	2,672	556	4,323
Change in employees plan assets and benefit obligations, net of taxes	(130)	115	(65)	172
Unrealized gain (loss) on derivatives	<u>(1,473)</u>	<u>1,639</u>	<u>4,662</u>	<u>(431)</u>
Comprehensive income	35,778	50,548	26,627	23,786
Comprehensive income attributable to non-controlling interest	<u>(1,959)</u>	<u>(496)</u>	<u>(3,091)</u>	<u>(939)</u>
Comprehensive income attributable to the Company	<u>\$ 33,819</u>	<u>\$ 50,052</u>	<u>\$ 23,536</u>	<u>\$ 22,847</u>

See notes to consolidated financial statements.

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

THE COMPANY'S SHAREHOLDERS' EQUITY												
	Ordinary shares issued	Ordinary shares amount	Additional paid-in capital	Capital notes	Unearned compensation	Accumulated other comprehensive income	Foreign currency translation adjustments	Accumulated deficit	Treasury stock	Comprehensive income	Non controlling interest	Total
BALANCE AS OF JANUARY 1, 2020	106,895	\$ 426,111	\$ 1,395,376	\$ --	\$ 107,774	\$ 1,906	\$ (20,150)	\$ (547,398)	\$ (9,072)		\$ (7,824)	\$ 1,346,723
Changes during the period:												
Exercise of options and RSUs	454	1,952	(647)									1,305
Employee stock-based compensation					8,338							8,338
Other comprehensive income:												
Profit								36,072		\$ 36,072	1,433	37,505
Foreign currency translation adjustments							(650)			(650)	526	(124)
Change in employees plan assets and benefit obligations						(130)				(130)		(130)
Unrealized loss on derivatives						(1,473)				(1,473)		(1,473)
Comprehensive income										<u>\$ 33,819</u>		
BALANCE AS OF JUNE 30, 2020	<u>107,349</u>	<u>\$ 428,063</u>	<u>\$ 1,394,729</u>	<u>\$ --</u>	<u>\$ 116,112</u>	<u>\$ 303</u>	<u>\$ (20,800)</u>	<u>\$ (511,326)</u>	<u>\$ (9,072)</u>		<u>\$ (5,865)</u>	<u>\$ 1,392,144</u>
OUTSTANDING SHARES, NET OF TREASURY STOCK AS OF JUNE 30, 2020	<u>107,262</u>											

See notes to consolidated financial statements.

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

CASH FLOWS - OPERATING ACTIVITIES	Six months ended June 30,	
	2020	2019
Net profit	\$ 37,505	\$ 46,122
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	117,299	104,867
Effect of exchange rate differences on debentures	(910)	6,205
Other income, net	(890)	(445)
Changes in assets and liabilities:		
Trade accounts receivable	(1,296)	31,271
Other current assets	5,122	(5,755)
Inventories	(17,380)	(3,017)
Trade accounts payable	(12,950)	(15,204)
Deferred revenue and customers' advances	(2,498)	(13,649)
Employee related liabilities and other current liabilities	10,729	(1,846)
Long-term employee related liabilities	2,078	39
Deferred tax, net and other long-term liabilities	(1,870)	(1,564)
Net cash provided by operating activities	134,939	147,024
CASH FLOWS - INVESTING ACTIVITIES		
Investments in property and equipment, net	(125,444)	(85,445)
Investments in deposits, marketable securities and other assets, net	(78,786)	(33,825)
Net cash used in investing activities	(204,230)	(119,270)
CASH FLOWS - FINANCING ACTIVITIES		
Exercise of options	1,214	397
Principal payments on account of capital lease obligation	(10,443)	(10,549)
Debentures repayment	(18,754)	--
Net cash used in financing activities	(27,983)	(10,152)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGE	506	2,465
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(96,768)	20,067
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	355,561	385,091
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 258,793	\$ 405,158

See notes to consolidated financial statements.

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

	Six months ended June 30,	
	<u>2020</u>	<u>2019</u>
NON-CASH ACTIVITIES:		
Investments in property and equipment	\$ 71,967	\$ 35,529
Conversion of notes into share capital	\$ --	\$ 20,758
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash received during the period from interest, net	\$ 2,028	\$ 1,226
Cash paid during the period for income taxes, net	\$ 2,149	\$ 10,178

See notes to consolidated financial statements.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS AS OF JUNE 30, 2020
(dollars in thousands, except per share data)

NOTE 1 - GENERAL

Basis for Presentation

The unaudited condensed interim consolidated financial statements of Tower Semiconductor Ltd. (“Tower”) as of June 30, 2020 include the financial statements of Tower and (i) its wholly-owned subsidiary Tower US Holdings Inc., the sole owner of: (1) Tower Semiconductor US Tech Holdings, Inc. (formerly named “Jazz US Holdings Inc.”) and its wholly-owned subsidiary, Tower Semiconductor Newport Beach, Inc. (formerly named “Jazz Semiconductor, Inc.”) and (2) Tower Semiconductor San Antonio, Inc. (formerly named “TowerJazz Texas Inc.”), and (ii) its 51% owned subsidiary, Tower Partners Semiconductor Co., Ltd. (formerly named “TowerJazz Panasonic Semiconductor Co. Ltd.”) (“TPSCo”). Tower and its subsidiaries are collectively referred to as the “Company”.

The Company’s unaudited condensed interim consolidated financial statements are presented after elimination of inter-company transactions and balances and are presented in accordance with U.S. generally accepted accounting principles (“US GAAP”).

The unaudited condensed interim consolidated financial statements of the Company should be read in conjunction with the audited consolidated financial statements of the Company as of December 31, 2019 and for the year then ended, including the notes thereto.

In the opinion of the Company’s management, the unaudited condensed interim consolidated financial statements include all adjustments necessary for a fair presentation of the Company’s financial position as of the dates presented and results of operations for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected on a full-year basis.

NOTE 2 - INITIAL ADOPTION OF NEW STANDARDS

In December 2019, the FASB issued ASU No. 2019-12, “*Income Taxes - Simplifying the Accounting for Income Taxes*” (“Topic 740”). The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The ASU also clarifies and amends existing guidance to improve consistent application among reporting entities. The guidance will be effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

NOTE 3 - RECENT DEVELOPMENTS

In November 2019, Panasonic Corporation announced it will sell its fully-owned subsidiary, Panasonic Semiconductor Solution Co., Ltd (“PSCS”), which holds 49% in TPSCo, to Nuvoton Technology Corporation, a Taiwan-based semiconductor company, which is an affiliate of Winbond Electronics Corporation. The transaction is subject to regulatory and / or other approvals and has not yet closed.

In May 2020, the Company received approval of its shelf prospectus filed in Israel, to serve as a platform for future possible issuance of securities. No decision has been made to date with respect to any specific type of securities to be issued or its timing, if any.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

The information contained in this section should be read in conjunction with (1) our unaudited condensed interim consolidated financial statements as of June 30, 2020 and for the six months then ended and related notes included in this report and (2) our audited consolidated financial statements and related notes included in our Annual Report on Form 20-F for the year ended December 31, 2019 and the other information contained in such annual report, particularly the information in Item 5 - "Operating and Financial Review and Prospects". 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 revenues for the periods indicated:

	Six months ended June 30,	
	2020	2019
Revenues	100%	100%
Cost of revenues	81.9	81.1
Gross profit	18.1	18.9
Research and development expense	6.4	6.2
Marketing, general and administrative expense	5.4	5.4
Operating profit	6.3	7.3
Financing and other income (expense), net	0.0	0.3
Profit before income tax	6.3	7.6
Income tax expense, net	(0.1)	(0.1)
Net profit	6.2	7.5
Net loss (income) attributable to the non-controlling interest	(0.2)	0.2
Net profit attributable to the company	6.0%	7.7%

The following table sets forth certain statement of operations data for the periods indicated (in thousands):

	Six months ended June 30,	
	2020	2019
Revenues	\$ 610,261	\$ 616,171
Cost of revenues	500,013	499,613
Gross profit	110,248	116,558
Research and development expense	38,838	37,980
Marketing, general and administrative expense	32,845	33,479
Operating profit	38,565	45,099
Financing and other income (expense), net	(282)	1,672
Profit before income tax	38,283	46,771
Income tax expense, net	(778)	(649)
Net profit	37,505	46,122
Net loss (income) attributable to the non-controlling interest	(1,433)	1,030
Net profit attributable to the company	\$ 36,072	\$ 47,152

Six months ended June 30, 2020 compared to six months ended June 30, 2019

Revenues. Revenues for the six months ended June 30, 2020 were \$610.3 million, as compared to \$616.2 million for the six months ended June 30, 2019. The \$5.9 million revenue reduction is attributed mainly to our amended contract signed with Panasonic Semiconductor Solutions Co., Ltd (“PSCS”) in March 2019, according to which, PSCS continues to utilize TPSCo’s manufacturing facilities in Japan for its semiconductor business under a new structure with lower prices, effective from April 2019.

Cost of Revenues. Cost of revenues for the six months ended June 30, 2020 amounted to \$500.0 million as compared to \$499.6 million for the six months ended June 30, 2019. There is no decline in the cost of goods sold despite the \$5.9 million lower revenues since (i) the above referenced PSCS revenue reduction was not derived from lower quantity of products sold but from lower selling prices; and (ii) a large portion of our cost is fixed.

Gross Profit. Gross profit for the six months ended June 30, 2020 amounted to \$110.2 million as compared to \$116.6 million for the six months ended June 30, 2019. The \$6.3 million decrease in gross profit resulted mainly from the \$5.9 million revenue reduction described above and the small \$0.4 million increase in cost of revenues, as described above.

Research and Development. Research and development expense for the six months ended June 30, 2020, amounted to \$38.8 million as compared to \$38.0 million in the six months ended June 30, 2019. The insignificant change in research and development expense reflects our continuing focus on enhancing our mid-term and long-term products’ funnel, technology capabilities and future design wins.

Marketing, General and Administrative. Marketing, general and administrative expense for the six months ended June 30, 2020 amounted to \$32.8 million, a decrease of \$0.6 million as compared to \$33.5 million recorded in the six months ended June 30, 2019, reflecting 5.4% of revenues in both periods.

Operating Profit. Operating profit for the six months ended June 30, 2020 amounted to \$38.6 million as compared to \$45.1 million for the six months ended June 30, 2019. The \$6.5 million decrease in operating profit resulted mainly from the \$6.3 million reduction in gross profit described above.

Financing and Other Income (Expense), Net. Financing and other expense, net for the six months ended June 30, 2020 amounted to \$0.3 million as compared to financing and other income, net of \$1.7 million for the six months ended June 30, 2019. During the six months ended June 30, 2020 interest income was lower due to the reduced interest rates and yields we were able to get on our deposits and marketable securities.

Income Tax Expense, Net. Income tax expense, net for the six months ended June 30, 2020 amounted to \$0.8 million, a small increase of \$0.2 million as compared to \$0.6 million in the six months ended June 30, 2019, reflecting mainly an increase in profitability in TPSCo (Japan), which is a higher tax region.

Net profit. Net profit for the six months ended June 30, 2020 amounted to \$37.5 million as compared to a net profit of \$46.1 million for the six months ended June 30, 2019. The decrease in net profit in the amount of \$8.6 million was mainly due to the decrease of \$6.5 million in operating profit as described above and the \$2.0 million increase in financing expense, net as described above.

Net loss (income) attributable to the non-controlling interest. Net loss (income) attributable to the non-controlling interest for the six months ended June 30, 2020 amounted to \$1.4 million expense as compared to an income of \$1.0 million in the six months ended June 30, 2019, reflecting mainly an increase in TPSCo’s profitability, of which we hold 51%.

Net Profit attributable to the company. Net profit attributable to the company for the six months ended June 30, 2020 amounted to \$36.1 million as compared to a net profit of \$47.2 million for the six months ended June 30, 2019. The decrease in net profit in the amount of \$11.1 million was mainly due to the decrease of \$6.5 million in operating profit, \$2.0 million increase in financing expense, net, and \$2.5 million higher income attributable to non-controlling interest, as described above.

For details with regards to risks associated with the Covid-19 pandemic and/or risks that may result from the pandemic, see our disclosure under ITEM 3 in our Form 20-F filed on April 30, 2020.

Impact of Currency Fluctuations

The Company currently operates in three different regions: Japan, the United States and Israel. The functional currency of our entities in the United States and Israel is the US dollar (“USD”). The functional currency of our subsidiary in Japan is the Japanese Yen (“JPY”). Our expenses and costs are denominated mainly in USD, JPY and New Israeli Shekels (“NIS”), revenues are denominated mainly in USD and JPY and our cash from operations, investing and financing activities are denominated mainly in USD, JPY and NIS. Therefore, the Company is exposed to the risk of currency exchange rate fluctuations in Israel and Japan.

The USD cost of our operations in Israel is influenced by changes in the USD to NIS exchange rate, with respect to costs that are denominated in NIS. During the six months ended June 30, 2020, the USD appreciated against the NIS by 0.3%, as compared to 4.9% depreciation during the six months ended June 30, 2019.

The fluctuation of USD against the NIS can affect our results of operations as it relates to the entity in Israel. Appreciation of the NIS has the effect of increasing the cost, in USD terms, of some of the purchases and labor costs that are denominated in NIS, which may lead to erosion in the profit margins. The Company uses foreign currency cylinder transactions to hedge a portion of this currency exposure to be contained within a pre-defined fixed range. In addition, the Company executed swap-hedging transactions to hedge the exposure to the fluctuation of USD against the NIS to the extent it relates to non-convertible Series G debentures, which are denominated in NIS.

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

During the six months ended June 30, 2020, the USD depreciated against the JPY by 0.7%, as compared to 2.0% depreciation during the six months ended June 30, 2019. The net effect of USD depreciation against the JPY on TPSCo’s assets and liabilities denominated in JPY is presented in the Cumulative Translation Adjustment (“CTA”) as part of Other Comprehensive Income (“OCI”) in the balance sheet.

Liquidity and Capital Resources

As of June 30, 2020, the Company had an aggregate amount of \$258.8 million in cash and cash equivalents, as compared to \$355.6 million as of December 31, 2019. The main cash activities during the six months ended June 30, 2020 were: \$134.9 million net cash provided by operating activities; \$125.4 million invested in property and equipment, net; \$78.8 million invested in short-term deposits, marketable securities and other assets, net and \$29.2 million debt repaid.

Short-term and long-term debt presented in the balance sheet as of June 30, 2020, included bank loans, debentures, operating leases and capital leases amounted to \$79.7 million and \$219.8 million, respectively. As of June 30, 2020, the aggregate principal amount of debentures was \$115.7 million and its carrying amount in the balance sheet was \$113.5 million, of which \$37.8 million was presented as a short-term liability.
