

**AMENDMENT NO. 1 ON
FORM 6-K/A**

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

For the month of November 2005 No. 2

TOWER SEMICONDUCTOR LTD.

(Translation of registrant's name into English)

**Ramat Gavriel Industrial Park
P.O. Box 619, Migdal Haemek, Israel 23105**
(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 whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

EXPLANATORY NOTE

This Amendment No.1 is being filed in connection with the incorporation by reference of this Report into the Registrant's Registration Statement on Form F-2 (File No. 333-126909), to include Management's Discussion and Analysis of Financial Condition and Results of Operations as of September 30, 2005 and for the nine months then ended, as required by Item 8.A.5 of Form 20-F.

This Amendment No.1 on Form 6-K/A amends the Registrant's Report on Form 6-K for the Month of November 2005 No. 2, as filed with the Securities and Commission on November 8, 2005, by adding Exhibit 99.3 thereto. Except as so amended, the Registrant's Report on Form 6-K for the Month of November 2005 No. 2 remains as originally filed.

This Form 6-K/A is being incorporated by reference into all effective Registration Statements filed by the Registrant 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: November 22, 2005

BY: /S/ Nati Somekh Gilboa

Nati Somekh Gilboa
Corporate Secretary

**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 September 30, 2005 and for the nine months then ended and related notes included in this report and (2) our consolidated financial statements and related notes included in our Annual Report on Form 20-F for the year ended December 31, 2004 and the other information contained in such Annual Report, particularly the information under the caption "Operating and Financial Review and Prospects." Our financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Israel. Differences between Israeli GAAP and US GAAP as they relate to our financial statements are described in Note 6 to our unaudited condensed interim consolidated financial statements as of September 30, 2005 and in Note 19 to our audited annual consolidated financial statements included in our 2004 Form 20-F.

Results of Operations

The following table sets forth certain statement of operations data as a percentage of total revenues for the periods indicated.

	Nine Months Ended September 30,	
	2005	2004
	(unaudited)	
Statement of Operations Data:		
Total revenues	100.0%	100.0%
Cost of total revenues	253.2	169.0
Gross loss	(153.2)	(69.0)
Research and development expenses, net	18.1	11.7
Marketing, general and administrative expenses	19.0	16.9
Operating loss	(190.3)	(97.6)
Financing expense, net	(35.9)	(21.7)
Other income, net	3.6	0.1
Loss	(222.6)%	(119.2)%

Nine Months Ended September 30, 2005 compared to Nine Months Ended September 30, 2004

Total Revenues. Total Revenues for the nine months ended September 30, 2005 decreased by 26.1% to \$70.9 million from \$96.0 million for the nine months ended September 30, 2004. This \$25.1 million decrease was attributable to lower volume of wafer shipments, which was offset by increased revenues from a joint development agreement of certain technology with a Japanese semiconductor manufacturer.

During the nine months ended September 30, 2005, we had five significant customers who contributed between 5% and 23% of our revenues.

Cost of Total Revenues. Cost of total revenues for the nine months ended September 30, 2005 totaled \$179.6 million, compared with \$162.2 million for the nine months ended September 30, 2004. This increase was mainly due to an increase in depreciation and amortization expenses.

Gross Loss. Gross loss for the nine months ended September 30, 2005 was \$108.7 million compared to a gross loss of \$66.3 million for the nine months ended September 30, 2004. The increase in gross loss was attributable to the decrease in total revenues and to the increased cost of total revenues.

Research and Development. Research and development expenses for the nine months ended September 30, 2005 increased to \$12.8 million from \$11.2 million for the nine months ended September 30, 2004. The increase was mainly attributable to an increase in the amortization of intellectual property software and CAD (computer-assisted-design) tools used in design and development activities. Research and development expenses are reflected net of participation grants received from the Israeli government (\$0.6 million and \$1.4 million, for the nine months ended September 30, 2005 and 2004, respectively).

Marketing, General and Administrative Expenses. Marketing, general and administrative expenses for the nine months ended September 30, 2005 decreased to \$13.5 million from \$16.2 million for the nine months ended September 30, 2004, primarily due to lower sales related expenses as well as to cost reductions and efficiency measures taken by the Company.

Operating Loss. Operating loss for the nine months ended September 30, 2005 was \$135.0 million, compared to \$93.6 million for the nine months ended September 30, 2004. The increase in the operating loss is attributable mainly to the decrease in total revenues and an increase in depreciation and amortization expenses.

Financing Expenses, Net. Financing expenses, net, for the nine months ended September 30, 2005 were \$25.4 million compared to financing expenses, net, of \$20.9 million for the nine months ended September 30, 2004. This increase is mainly due to an increase of \$5.5 million in connection with our Fab 2 facility agreement attributable to (i) an increase in the average amount of long-term loans which financed the construction and equipping of Fab 2 during the nine months ended September 30, 2005 as compared to the average amount of long-term loans under our Fab 2 facility agreement during the nine months ended September 30, 2004, and (ii) the increase in the LIBOR rate from approximately 1.3% for the nine months ended September 30, 2004 to approximately 3.1% for the nine months ended September 30, 2005 (the loans bear interest at a rate of LIBOR + 2.5% per annum).

Other Income, Net. Other income, net, for the nine months ended September 30, 2005 was \$2.5 million compared to \$0.1 million for the nine months ended September 30, 2004. Other income, net for the nine months ended September 30, 2005 was attributable mainly to insurance proceeds related to damage caused to equipment.

Loss. Our loss for the nine months ended September 30, 2005 was \$157.9 million, compared to \$114.4 million for the nine months ended September 30, 2004. This increase is primarily attributable to the increased operating loss of \$41.4 million and the increase in financing expenses, net of \$4.5 million offset by increased other income, net of \$2.4 million.

Impact of Inflation and Currency Fluctuations

The dollar cost of our operations in Israel is influenced by the timing of any change in the rate of inflation in Israel and the extent to which such change is not offset by the change in valuation of the NIS in relation to the dollar. During the nine months ended September 30, 2005, the dollar rose in value against the NIS by 6.7%, and the Israeli Consumer Price Index, or CPI, increased by 1.9%. During the nine months ended September 30, 2004, the dollar rose in value against the NIS by 2.4%, while the CPI in Israel increased by 1.2%.

We believe that the rate of inflation in Israel has not had a material effect on our business to date. However, our dollar costs will increase if inflation in Israel exceeds the devaluation of the NIS against the dollar, or if the timing of such devaluation lags behind inflation in Israel.

Almost all of the cash generated from our operations and from our financing and investing activities is denominated in U.S. dollars and NIS. Our expenses and costs are denominated in NIS, U.S. dollars, Japanese Yen and Euros. We are, therefore, exposed to the risk of currency exchange rate fluctuations.

Liquidity and Capital Resources

At September 30, 2005, we had an aggregate of \$29.7 million in cash, cash equivalents, and short-term interest-bearing deposits, of which \$8.0 million was contractually restricted for Fab 2 use only and \$10.0 million was contractually restricted for exclusive use in the Siliconix project. This compares to \$58.5 million we had as of September 30, 2004 in cash, cash equivalents, and short-term and interest-bearing deposits, of which \$18.2 million was contractually restricted for Fab 2 use only and \$18.4 million was contractually restricted for exclusive use in the Siliconix project. In addition, as of September 30, 2004, we had \$4.9 million in long-term interest-bearing deposits which was contractually restricted for Fab 2 use only.

During the nine months ended September 30, 2005, we received \$13.4 million from bank loans, \$6.0 million from Investment Center grants and \$2.1 million in proceeds from disposal of property. These liquidity resources partially financed our operating activities (net amount of \$42.4 million) and our investments made during the nine months ended September 30, 2005, which aggregated to \$36.0 million, mainly in connection with the construction, and purchase and installation of equipment and other assets of Fab 2.

As of September 30, 2005, we had long-term loans in the amount of \$510.4 million in connection with the loans we obtained during 2005, 2004, 2003 and 2002 for the establishment of Fab 2.

We completed the construction of the building and infrastructure of Fab 2 during the third quarter of 2003 and since then have been in the process of ramping-up Fab 2, our new advanced wafer facility adjacent to Fab 1 in Migdal Haemek, Israel. Production capacity of Fab 2 at the end of September 2005 was 14,600 wafers per month. We currently expect to have production capacity of 15,400 wafers per month by the end of 2005, of which approximately 800 wafers per month are expected to be in 0.13-micron. As of September 30, 2005, we had received a total of \$1,186 million for Fab 2, as set forth below in tabular form. The remainder of the Fab 2 ramp up costs may be funded by additional grants available from the Investment Center, sale of our securities, additional loans, including from our banks, wafer prepayments from our customers, cash flow from operations and/or from other sources.

During the nine months ended September 30, 2005 and in recent years, we have experienced significant recurring losses from operations and recurring negative cash flows from operating activities and an increasing accumulated deficit. According to our approved short-term working plan, based on the current prevailing semiconductor market conditions, in the event we raise in a timely manner approximately \$60,000 in funds as contemplated by an amendment to the facility agreement with our banks that was signed in July 2005, and by the commitments of certain of our equity investors and wafer partners, we will still need to raise additional funds in order to finance our short-term activities and liabilities in 2006, at least until we achieve positive cash flow from our operations. See Note 4B to the unaudited condensed interim consolidated financial statements as of September 30, 2005 for details concerning recent amendments to the financial ratios and covenants through the third quarter of 2006 under the amended facility agreement with our banks, which were obtained subsequent to a waiver letter agreement signed between us and our banks in January 2005.

In light of the financing requirements described above, we have been taking comprehensive measures to obtain the needed funds for our near-term ongoing operations, as well as to reduce our short-term liabilities. We have also implemented cost reduction measures, including measures to reduce expenses, cost structure and cash burn, and in March 2005, we completed a workforce cutback, as part of an across-the-board savings plan focused on operational efficiencies. In this regard, we have been holding discussions with certain of our equity investors, wafer partners and our banks, to provide additional funding of an aggregate amount of approximately \$60 million. Consequently, we signed an amendment to the facility agreement with our banks in July 2005, which closed in August 2005. As set forth in the amendment, our banks agreed to provide us with up to approximately \$30 million through the end of March 2006 (of which \$21.1 million was drawn down to date), provided that we raise a similar amount from investors. Certain of our equity investors and wafer partners have committed and are obligated to invest \$25.5 million in the framework of a rights offering.

The following chart illustrates the amounts received from various financial sources that funded the construction and ramp-up of Fab 2, as of September 30, 2005 and the amounts expected to be received, or are to be raised, from various sources for that purpose as of that date. We cannot assure you that we will be able to obtain funds from these sources as expected due to poor conditions in capital markets, poor conditions in the semiconductor market, failure to benefit from upswings in the semiconductor market or other factors, any or all of which may affect our ability to raise funds. If we do not satisfy our need for funds for Fab 2 or if the timing of the receipt of financing lags behind the timing of expenses, we may from time to time experience a lack of liquidity for our activities. The table reflects the amendment to the facility agreement that was signed in July 2005 with our banks that provides for financing in the amount of up to \$30 million through the end of March 2006 and the commitments of our equity investors and wafer partners to invest \$25.5 million in the framework of a rights offering.

Financial Sources based on agreements
and arrangements completed through
September 30, 2005

Received as of September 30, 2005	Amounts expected or required to be received after September 30, 2005	Total (5)
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Wafer Partners and other equity investors	\$ 306	\$ 25.5	\$ 331.5
Israel Government Investment Center	157	93(1)	250
Credit facility	510(2)	17(4)	527
Other financing sources	213	26(3)(4)	239

(1) Under Israeli Law, we are required to complete our approved investment program for Fab 2 by the end of 2005. Currently, we do not expect to complete our investments by December 31, 2005 and failure to achieve a satisfactory arrangement with the Investment Center by way of an expansion plan may result in the cancellation of all or a portion of our grants, including those expected to be received subsequent to December 31, 2005, and the Investment Center may require us to repay all or a portion of grants already received.

(2) Under the credit facility agreement, we are required to comply with minimum production capacity milestones and maintain certain financial ratios and additional conditions and covenants.

(3) Under the amendments to our Fab 2 credit facility, we are required to raise additional financing from specified sources by various prescribed dates in an aggregate amount of \$152.0 million by no later than June 30, 2006. As of September 30, 2005, we have raised an aggregate of \$126 million and are required to raise additional \$26 million by June 30, 2006, in addition to our commitments under the amendments to the facility agreement to raise, in equity or convertible debentures, \$23.5 million by November 30, 2005 and \$6.5 million by March 31, 2006. We expect to raise the remaining funding towards the \$152 million through: (i) equity investments, including the sale of convertible securities and/or (ii) wafer prepayments from customers.

(4) Assumes that Israel Corp. will invest at least \$14 million in the context of a rights offering as described in Note 5D to the September 2005 interim financial statements. We have agreed with our banks and the Israel Corporation Ltd. to complete a rights offering on pre-determined terms if we do not complete the required fundraising of \$152 million described above. This arrangement may result in the availability of up to \$12 million in additional loans under our credit facility and up to \$14 million from Israel Corp. However, pursuant to the July 2005 amendment to the facility agreement, such undertaking will be deemed to have been fulfilled if Israel Corp. invests at least \$14 million in the context of the rights offering described in Note 5D to the September 2005 interim financial statements, in which case we would not be entitled to such \$12 million from our banks.

(5) We will be required to make capital investments and acquire and implement advanced technologies in order to complete the ramp-up of Fab 2. In addition to the amounts listed in footnote 3 above, we will require additional cash to complete the full ramp-up of Fab 2.