
FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

For the month of November 2013 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.

Yes ☐ No ☒

On November 8, 2013, the Registrant issued Management's Discussion And Analysis Of Financial Condition And Results Of Operations for the nine months ended September 30, 2013 along with an explanation of the review process associated with the approval of the 2012 CEO bonus. Attached hereto are the following exhibits:

Exhibit 99.1 Management's Discussion and Analysis of Financial Condition And Results Of Operations for the nine months ended September 30, 2013

Exhibit 99.2 Background and review process in connection with the approval in Q3 of the 2012 CEO bonus

The information set forth in this report on form 6-K, including Exhibit 99.1 (but excluding Exhibit 99.2) is hereby 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 8, 2013

By: /s/ Nati Somekh
Nati Somekh
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 June 30, 2013 and for the six 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, 2012 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.

	Nine months ended September 30,	
	2013	2012
Statement of Operations Data:		
Revenues	100%	100%
Cost of revenues	94.8	85.7
Gross Profit	5.2	14.3
Research and development expenses, net	6.8	4.8
Marketing, general and administrative expenses	8.6	6.9
Reorganization costs	--	1.2
Amortization related to a lease agreement early termination	1.5	--
Operating profit (loss)	(11.7)	1.4
Interest expenses, net	(6.7)	(4.7)
Other financing expense, net	(4.5)	(4.1)
Other expense, net	(0.1)	(0.2)
Income tax benefit (expense)	2.1	(2.0)
Loss for the period	(20.9)%	(9.6)%

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

	Nine months ended September 30,	
	2013	2012
Statement of Operations Data:		
Revenues	\$ 370,438	\$ 491,244
Cost of revenues	351,270	421,029
Gross Profit	19,168	70,215
Research and development expenses, net	25,075	23,761
Marketing, general and administrative expenses	31,992	33,658
Reorganization costs	--	5,789
Amortization related to a lease agreement early termination	5,598	--
Operating profit (loss)	(43,497)	7,007
Interest expenses, net	(24,748)	(23,161)
Other financing expense, net	(16,729)	(19,969)
Other expense, net	(524)	(1,120)
Income tax benefit (expense)	7,684	(9,637)
Loss for the period	\$ (77,814)	\$ (46,880)

Nine months ended September 30, 2013 compared to the nine months ended September 30, 2012

Revenues. Revenues for the nine months ended September 30, 2013 amounted to \$370.4 million compared to \$491.2 million for the nine months ended September 30, 2012. This decrease is mainly due to the decrease in volume of wafers manufactured in our fab in Japan as a result of the contractual decrease of volumes under the Micron committed volume agreement dated June 2011, in connection with our acquisition of the Japan fab, which is the major reason for a 18% of lower wafers shipments in the nine months ended September 30, 2013 as compared with the nine months ended September 30, 2012.

Cost of Revenues. Cost of revenues for the nine months ended September 30, 2013 amounted to \$351.3 million, a \$69.7 million decrease as compared to \$421.0 million for the nine months ended September 30, 2012, resulting from efficiency measures and cost reduction measures we put in place, including the workforce reduction layoff executed during the second quarter of 2012, and reduced manufacturing activity, mainly in our Japan fab.

Gross Profit. Gross profit for the nine months ended September 30, 2013 was \$19.2 million compared to \$70.2 million for the nine months ended September 30, 2012, mainly as a result of the decrease in revenues and in cost of goods sold, described above.

Research and Development. Research and development expenses for the nine months ended September 30, 2013 amounted to \$25.1 million compared to \$23.8 million for the nine months ended September 30, 2012.

Marketing, General and Administrative Expenses. Marketing, general and administrative expenses for the nine months ended September 30, 2013 amounted to \$32.0 million compared to \$33.7 million for the nine months ended September 30, 2012.

Reorganization costs. During the second quarter of 2012, the Company executed a plan of reorganization to increase efficiency in its Japanese facility, with a reduction in workforce at the facility, resulting in \$5.8 million of reorganization costs in the nine months ended September 30, 2012.

Amortization related to a lease agreement early termination. Operating expenses for the nine months ended September 30, 2013 include \$5.6 million in non-cash amortization expenses related to an early termination of an office building lease contract.

Operating Profit (loss). Operating loss for the nine months ended September 30, 2013 was \$43.5 million compared to \$7.0 million profit for the nine months ended September 30, 2012, resulting mainly from the above-described reduction in gross profit.

Interest Expenses, Net. Interest expenses, net for nine months ended September 30, 2013 were \$24.7 million compared to interest expenses, net of \$23.2 million for the nine months ended September 30, 2012. The increase was mainly due to the Series F debentures issued during 2012.

Other Financing Expenses, Net. Other financing expenses, net for the nine months ended September 30, 2013 were \$16.7 million compared to other financing expenses, net of \$20.0 million for the nine months ended September 30, 2012. Such improvement was mainly due to fair value measurement of the positive effect of the bank agreement signed in 2013 to extend the loans maturity dates reducing the maturities of 2013-2014 from \$105 million to \$30 million.

Income Tax benefit (expense). Income tax benefit resulting from the subsidiaries' loss before taxes, amounted to \$7.7 million in the nine months ended September 30, 2013 as compared to \$9.6 million income tax expense for the nine months ended September 30, 2012.

Loss. Loss for the nine months ended September 30, 2013 was \$77.8 million as compared to \$46.9 million for the nine months ended September 30, 2012. Such \$30.9 million increase in the net loss was mainly due to the decrease in operating profit offset partially by the decrease in financing expenses and the income tax benefit as described above.

Impact of Inflation and Currency Fluctuations

The US Dollar costs of our operations in Israel are influenced by changes in the rate of inflation in Israel and the extent to which such changes are not offset by the change in valuation of the NIS in relation to the US Dollar. During the nine months ended September 30, 2013, the exchange rate of the US Dollar in relation to the NIS decreased by 5.3% and the Israeli Consumer Price Index ("CPI") increased by 1.8% (during the nine months ended September 30, 2012, the exchange rate of the US Dollar in relation to the NIS increased by 2.4% and the Israeli CPI increased by 2.1%).

We believe that the rate of inflation in Israel did not have a material effect on our business to date. However, our US Dollar costs will increase if inflation in Israel exceeds the devaluation of the NIS against the US Dollar.

The US Dollar costs of our operations in Japan are influenced by the changes in valuation of the Japanese Yen (“JPY”) in relation to the US Dollar. During the nine months ended September 30, 2013, the exchange rate of the US Dollar in relation to the JPY increased by 13.2% (during the nine months ended September 30, 2012, the exchange rate of the US Dollar in relation to the JPY increased by 0.2%).

Nearly all of the cash generated from our operations and from our financing and investing activities is denominated in US Dollars, NIS and JPY. Our expenses and costs are denominated in NIS, US Dollars, JPY and Euros. We are, therefore, exposed to the risk of currency exchange rate fluctuations.

Liquidity and Capital Resources

As of September 30, 2013, we had an aggregate amount of \$141.4 million in cash, cash equivalents and short term deposits, as compared to \$133.4 million as of December 31, 2012, both figures include \$10 million of designated deposits.

During the nine months ended September 30, 2013, we generated \$52 million from operating activities (excluding \$21 million interest payments) and raised approximately \$40 million from the 2013 Rights Offering (for further details see also Note 2A to the unaudited consolidated financial statements as of June 30, 2013). These liquidity resources mainly financed the capital investments we made during the nine months ended September 30, 2013, which aggregated to approximately \$62 million.

As of September 30, 2013, loans from banks were presented in our balance sheet in the amount of \$136 million, out of which \$39 million were presented in short term. As of such date, we presented an aggregate of \$215 million of debentures in our balance sheet, of which \$6 million were presented as short-term. See also Note 2 to the unaudited consolidated financial statements as of June 30, 2013.

CEO Compensation

In the third quarter of 2013, the Registrant’s Compensation Committee and Board of Directors convened in order to re-examine the grant of the 2012 CEO bonus. Following such examination, the Registrant’s Compensation Committee and Board of Directors approved a 2012 bonus for the Company’s CEO, Mr. Russell Ellwanger, in the amount of \$812,700.

Attached hereto as Exhibit 99.2 is an explanation of the background and review process by the Registrant’s Compensation Committee and Board of Directors in connection with the approval of the 2012 CEO bonus.

Background and Review Process in Connection with the Approval of the 2012 CEO Bonus

In the Company's shareholders' general meeting in May 2013, a performance bonus¹ for the year 2012 for the CEO (the "2012 CEO bonus") was put to a shareholder vote. 85% of the total participating votes were in favor of the 2012 CEO bonus, with 40% of the non-controlling and disinterested shareholders voting in favor. Due to the requirement under the Companies Law for the approval of such bonus by a special non-controlling and disinterested majority of the shares voted at the meeting in addition to the approval by a regular majority of the shareholders, the proposed 2012 CEO bonus was not approved by the shareholders. As a result, the 2012 CEO bonus could only be granted pursuant to the Company's Law if both the Company's Compensation Committee and Board of Directors will determine that based on detailed reasoning and after having re-examined the compensation policy, the approval of such bonus, despite the objection of the majority of the minority Company's shareholders, is for the benefit of the Company.

In the third quarter of 2013, the Company convened a shareholders' meeting to approve the compensation policy for its directors and officers in accordance with the requirements of the Israeli Companies Law (including Amendment No. 20 to the Companies Law ("Amendment 20") which came into effect at the end of 2012)². At the meeting, the shareholders voted on the Company's new compensation policy as well as certain amendments to the CEO's employment agreement, which included a base salary adjustment and a performance bonus formula for 2013 and going forward, as well as an options grant to the CEO. These items all passed with the required affirmative vote by the majority of the non-controlling and disinterested shareholders. 90% of the total participating votes were in favor of the proposals and 60% of the non-controlling and disinterested shareholders voted in favor.

Following the above approvals by the shareholders, the Company's Compensation Committee and Board of Directors convened in order to re-examine the grant of the 2012 CEO bonus. This 2012 CEO bonus had been previously approved by both the Compensation Committee and Board of Directors after taking into account certain "Compensation Parameters" as described in the Company's Proxy #2. The Compensation Committee and the Board of Directors reconvened to assess whether approving the 2012 CEO bonus, after the shareholders' rejection in May 2013, would be prejudicial to the welfare of the Company and, if not, to decide whether to approve the 2012 CEO bonus upon re-examining the proposal and taking the shareholder rejection into consideration. As part of this re-examination of the 2012 CEO bonus, the Compensation Committee and Board of Directors engaged the services of a leading global consulting firm which carried out a comprehensive compensation benchmarking exercise based on the appropriate peer group. The Company and the leading global consulting firm ensured that the bonus in question would take into account executive compensation best practices, and would be considered reasonable and not excessive in comparison to the Company's peer group.

The Compensation Committee and Board of Directors considered various factors in their analysis, including (i) the Compensation Parameters noted above, (ii) the fact that the CEO is a US resident who spends a significant amount of his working time in Israel (since 2005) as CEO of the Company, (iii) his professional experience, skills and knowledge of many aspects of the semiconductor industry, including technical knowledge, operational expertise and market familiarity with key vendors, customers and others in the semiconductor arena, which caused the Company, in the 8 years passed since he commenced his employment, to improve its customer base, market share and operational performance, as well as be driven to become sales centric and customers oriented; (iv) the fact that the CEO's performance in 2012 was significant in providing the foundation for future forecasted corporate revenue growth and materialization of its strategic goals and long term plans; and (v) the competitive and global market in which the Company operates. As a US resident with his professional background and as a seasoned executive, it is the view of the Compensation Committee and the Board of Directors that the CEO's compensation should be competitive with the Company's global peer companies, many of which are located in the US, where this proposed level of annual bonus is in line with the benchmark of such peer group companies.

¹ For more details on the proposed 2012 management by objective ("MBO") bonus for the CEO, see Proposal #4 in the Proxy Statement ("Proxy #1") including in the Company's Form 6-K filed on April 16, 2013.

² For more details on Amendment 20 and the Company's compensation policy, please see the Company's proxy statement ("Proxy #2") filed as Exhibit 99.1 to the Form 6-K dated July 30, 2013.

In re-examining the 2012 CEO bonus, the Compensation Committee and the Board of Directors also considered that the opposition of the shareholders at the May 2013 meeting may have derived, at least in part, from two reasons: (a) a certain disconnect between certain elements of the performance of the Company in 2012 and payment of the bonus (see next paragraph); and (b) the position of certain Israeli institutional investors not to approve the bonus grant until such time that the Company adopted a compensation policy as required under Amendment 20. In addition, the shareholders' (which included the majority of the non-controlling and disinterested shareholders) subsequent approval of the compensation policy and amendments to the CEO's compensation, including the bonus formula for 2013 and going forward, demonstrated their general support for the CEO's compensation and the method for determining the components of his fixed and variable compensation. The Compensation Committee and Board of Directors determined that the proposed 2012 CEO bonus was in line with the terms of the compensation policy as was eventually approved by the shareholders (including a majority of the non-controlling and disinterested shareholders) and decided to approve the 2012 CEO bonus despite not obtaining the non-controlling and disinterested shareholder majority in the May 2013 meeting as they determined the bonus to be acceptable and reasonable in comparison to the Company's peer group, not detrimental to the Company, that it will provide the proper incentive for future performance and fulfillment by the CEO of his role going forward and is in line with the CEO's skills, experience and contribution to the Company.

The Compensation Committee and the Board of Directors noted that they believe that the shareholders at the May 2013 meeting may have been concerned that the discretionary portion of the bonus seemed too high relative to the performance of the Company in 2012. Further, the Compensation Committee and the Board of Directors believe the position of certain Israeli institutional investors not to approve the bonus grant until such time that the Company adopted a compensation policy as required under Amendment 20 was another significant reason for the rejection. As a result, the Compensation Committee and Board of Directors resolved to address this concern by reducing the discretionary portion of the bonus (component "B") which had used a multiplier of 1.10 to instead use the overall Corporate MBO score for 2012 of 0.903 as the multiplier (for more details, see Proxy #1). Thus, after taking this concern into account, having re-examined the specific special circumstances of the Company and its business and industry, and the CEO's individual contribution to the achievements and performance of the Company and the proposed bonus grant to the CEO for 2012, and in order to better align it to the overall financial performance and corporate MBO score of the Company for 2012, the Compensation Committee and board of directors, unanimously decided, notwithstanding the shareholders' rejection of the 2012 CEO bonus, to approve an MBO bonus for 2012 but reduce the amount granted from the original bonus of \$865,890 to an amount of \$812,700, reflecting the reduction from 1.10 to 0.903 score explained above.
