FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

For the month of May 2008 (No. 4)

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 [X]   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 [X]

On May 20, 2008, the Registrant announced its financial results for the three months ended March 31, 2008 and on May 21, 2008 issued unaudited condensed interim consolidated financial statements as of March 31, 2008 and for the three months period then ended. Attached hereto are the following exhibits:

Exhibit 99.1   Registrant's unaudited condensed interim consolidated financial statements as of March 31, 2008 and for the three months period then ended.

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 (1) all effective registration statements filed by us under the Securities Act of 1933 and (2) Registration Statement No. 333-140174 and Registration No. 333-141640 on Form F-3.

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: May 21, 2008

By: /s/ Nati Somekh Gilboa

Nati Somekh Gilboa
Corporate Secretary

EXHIBIT 99.1

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARY
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2008

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARY

INDEX TO UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2008

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	AS OF MARCH 31, 2008 (UNAUDITED)	AS OF DECEMBER 31, 2007
A S S E T S		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	$ 32,374	$ 44,536
TRADE ACCOUNTS RECEIVABLE:		
RELATED PARTIES	10,494	12,823
OTHERS	31,691	32,154
OTHER RECEIVABLES	3,805	4,748
INVENTORIES	34,398	27,806
OTHER CURRENT ASSETS	1,347	1,580
TOTAL CURRENT ASSETS	114,109	123,647
LONG-TERM INVESTMENTS	14,984	15,093
PROPERTY AND EQUIPMENT, NET	520,518	502,287
INTANGIBLE ASSETS, NET	31,855	34,711
OTHER ASSETS , NET	10,652	11,044
TOTAL ASSETS	$692,118	$686,782
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
CURRENT MATURITIES OF CONVERTIBLE DEBENTURES	$ 8,426	$ 7,887
TRADE ACCOUNTS PAYABLE	55,988	49,025
DEFERRED REVENUE	9,935	--
OTHER CURRENT LIABILITIES	17,926	20,024
TOTAL CURRENT LIABILITIES	92,275	76,936
LONG-TERM DEBT FROM BANKS (*)	390,210	379,314
DEBENTURES (**)	116,618	117,460
LONG-TERM CUSTOMERS' ADVANCES	16,059	27,983
OTHER LONG-TERM LIABILITIES	59,793	40,380
TOTAL LIABILITIES	674,955	642,073
SHAREHOLDERS' EQUITY	17,163	44,709
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$692,118	$686,782

(*) OF WHICH $360,210 AND $365,563 AT FAIR VALUE AS OF MARCH 31, 2008 AND DECEMBER 31, 2007, RESPECTIVELY.

(**) OF WHICH $27,326 AND $28,484 AT FAIR VALUE AS OF MARCH 31, 2008 AND DECEMBER 31, 2007, RESPECTIVELY

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except share data and per share data)

	THREE MONTHS ENDED MARCH 31, 2008	THREE MONTHS ENDED MARCH 31, 2007	YEAR ENDED DECEMBER 31, 2007
	(UNAUDITED)	(UNAUDITED)	
REVENUES	$ 57,607	$ 55,604	$ 230,853
COST OF SALES	68,255	71,519	284,771
GROSS LOSS	(10,648)	(15,915)	(53,918)
OPERATING COSTS AND EXPENSES			
RESEARCH AND DEVELOPMENT	2,976	3,609	13,790
MARKETING, GENERAL AND ADMINISTRATIVE	7,768	8,077	31,604
	10,744	11,686	45,394
OPERATING LOSS	(21,392)	(27,601)	(99,312)
FINANCING EXPENSE, NET	(7,800)	(12,710)	(34,976)
OTHER INCOME (EXPENSE), NET	(428)	69	92
LOSS FOR THE PERIOD	$ (29,620)	$ (40,242)	$(134,196)
BASIC LOSS PER ORDINARY SHARE			
LOSS PER SHARE	$ (0.24)	$ (0.38)	$ (1.13)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING - IN THOUSANDS	124,228	105,060	118,857

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	THREE MONTHS ENDED MARCH 31, 2008	2007
	(UNAUDITED)	
CASH FLOWS - OPERATING ACTIVITIES		
LOSS FOR THE PERIOD	$(29,620)	$(40,242)
ADJUSTMENTS TO RECONCILE LOSS FOR THE PERIOD TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
INCOME AND EXPENSE ITEMS NOT INVOLVING CASH FLOWS:		
DEPRECIATION AND AMORTIZATION	35,421	43,585
EFFECT OF INDEXATION, TRANSLATION AND FAIR VALUE MEASUREMENT ON DEBT	(742)	2,461
OTHER EXPENSE (INCOME), NET	428	(69)
CHANGES IN ASSETS AND LIABILITIES:		
DECREASE (INCREASE) IN TRADE ACCOUNTS RECEIVABLE	2,792	(4,629)
DECREASE IN OTHER RECEIVABLES AND OTHER CURRENT ASSETS	1,170	455
INCREASE IN INVENTORIES	(7,127)	(3,484)
INCREASE IN TRADE ACCOUNTS PAYABLE	4,201	9,191
DECREASE IN OTHER CURRENT LIABILITIES	(2,505)	(1,259)
INCREASE (DECREASE) IN OTHER LONG-TERM LIABILITIES	(150)	68
	3,868	6,077
DECREASE IN LONG-TERM CUSTOMERS' ADVANCES, NET	(183)	(528)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,685	5,549
CASH FLOWS - INVESTING ACTIVITIES		
INVESTMENTS IN PROPERTY AND EQUIPMENT	(41,087)	(23,836)
PROCEEDS RELATED TO SALE AND DISPOSAL OF PROPERTY AND EQUIPMENT	--	69
INVESTMENTS IN OTHER ASSETS AND INTANGIBLE ASSETS	(21)	(911)
INCREASE IN SHORT-TERM INTEREST-BEARING DEPOSITS	--	(3,770)
NET CASH USED IN INVESTING ACTIVITIES	(41,108)	(28,448)
CASH FLOWS - FINANCING ACTIVITIES		
PROCEEDS FROM ISSUANCE OF DEBENTURES AND WARRANTS, NET	1,440	--
PROCEEDS FROM LONG-TERM LOANS	32,000	--
PROCEEDS FROM ISSUANCE OF ORDINARY SHARES AND WARRANTS, NET	--	28,867
REPAYMENT OF DEBENTURE	(8,179)	(7,088)
PROCEEDS FROM EXERCISE OF SHARE OPTIONS	--	2
NET CASH PROVIDED BY FINANCING ACTIVITIES	25,261	21,781
DECREASE IN CASH AND CASH EQUIVALENTS	(12,162)	(1,118)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	44,536	39,710
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 32,374	$ 38,592
NON-CASH ACTIVITIES		
INVESTMENTS IN PROPERTY AND EQUIPMENT	$ 14,351	$ 8,743
CONVERSION OF LONG-TERM CUSTOMERS' ADVANCES TO SHARE CAPITAL	$ --	$ 1,666
CONVERSION OF CONVERTIBLE DEBENTURES TO SHARE CAPITAL	$ 3	$ 540
CUMULATIVE EFFECT OF THE FACILITY AGREEMENT TO RETAINED EARNINGS	$ --	$ 65,207
RECLASSIFICATION OF BIFURCATED CONVERSION OPTION TO SHAREHOLDERS' EQUITY	$ --	$ 28,377

	========	========
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID DURING THE PERIOD FOR INTEREST	$ 6,956	$ 7,221
	========	========
CASH PAID DURING THE PERIOD FOR INCOME TAXES	$ 4	$ 4
	========	========

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTE 1 - GENERAL

A. BASIS FOR PRESENTATION

(1) The unaudited condensed interim consolidated financial statements as of March 31, 2008 and for the three months then ended ("interim financial statements") of Tower Semiconductor Ltd. and subsidiary ("the Company") should be read in conjunction with the audited consolidated financial statements of the Company as of December 31, 2007 and for the year then ended, including the notes thereto. In the opinion of management, the interim financial statements include all adjustments necessary for a fair presentation of the financial position and results of operations as of the date and 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.

(2) The interim financial statements are presented in accordance with U.S. generally accepted accounting principles ("US GAAP"). Prior to the 2007 audited consolidated financial statements, the Company prepared its financial statements in accordance with generally accepted accounting principles in Israel ("IL GAAP") and provided reconciliation to US GAAP in the notes to the financial statements.

(3) RECENTLY ISSUED ACCOUNTING STANDARDS

In March 2008, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. The Company will be required to provide enhanced disclosures about (a) how and why derivative instruments are used; (b) how derivative instruments and related hedged items are accounted for under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Certain Hedging Activities ("SFAS 133"), and its related interpretations; and (c) how derivative instruments and related hedged items affect the Company's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the additional disclosure requirements of SFAS 161.

(4) Certain amounts in prior years' financial statements have been reclassified in order to conform to 2008 presentation.

NOTE 1 - GENERAL (CONT.)

B. ESTABLISHMENT AND OPERATIONS OF NEW FABRICATION FACILITY ("FAB 2")

In 2001, the Company's Board of Directors approved the establishment of the Company's second wafer fabrication facility in Israel ("Fab 2"). In Fab 2, the Company manufactures semiconductor integrated circuits on silicon wafers in geometries of 0.18 to 0.13 micron on 200-millimeter wafers. In connection with the establishment, equipping and financing of Fab 2, the Company has entered into several related agreements and other arrangements and has completed several public and private financing transactions. For additional information, see Notes 9B,13A,14C and 14F-M to the 2007 audited consolidated financial statements.

The Fab 2 project is a complex undertaking, which entails substantial risks and uncertainties. For further details concerning the Fab 2 project and related agreements, some of which were amended several times, see Notes 9B and 13A to the 2007 audited consolidated financial statements.

C. FINANCING OF THE COMPANY'S ONGOING OPERATIONS

In recent years, the Company has experienced significant recurring losses, recurring negative cash flows from operating activities and an increasing accumulated deficit. The Company is working in various ways to mitigate its financial difficulties. Since the second half of 2005, the Company has increased its customer base, mainly in Fab 2, modified its organizational structure to better address its customers and its market positioning, increased its sales, recorded ten consecutive quarters of positive EBITDA commencing the fourth quarter of 2005 and six consecutive quarters of positive cash flow from operations commencing the fourth quarter of 2006, reduced its losses, increased its capacity level and utilization rates, raised funds and restructured its bank debt. See also Notes 9B, 13A(4), 14C and 14 I-M to the 2007 audited consolidated financial statements.

The Company continues to examine alternatives for additional funding sources in order to fund its Fab2 ramp-up plan.

(dollars in thousands, except share data and per share data)

NOTE 2 - INVENTORIES

Inventories consist of the following:

	March 31, 2008	December 31, 2007
Raw materials	$12,594	$12,351
Work in process	19,549	14,964
Finished goods	2,255	491
	$34,398	$27,806

Work in process and finished goods inventories are presented net of aggregate write downs to net realizable value of $7,218 and $6,497 as of March 31, 2008 and December 31, 2007, respectively.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Company decided to early adopt the provisions of SFAS No. 157 effective January 1, 2007, concurrent with the adoption of FASB 159 "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS No. 159). In February 2008, the FASB issued FASB Staff Position 157-2 ("FSP 157-2"), which delayed the implementation of SFAS 157 until January 1, 2009 for nonfinancial assets and liabilities that are not required to be measured at fair value on a recurring basis. We early adopted FASB No. 157 as of January 1, 2007 and as such would not be affected by the issuance of this FSP.

The income approach was applied using a present value technique. For Loans - The cash flows used in that technique reflect the income stream expected to be used to satisfy the obligation over its economic life. For Embedded Derivatives - the Company utilized the Black Scholes Merton formula. For Over the Counter derivatives - the Company used the market approach using quotation from dealer markets. For convertible debentures series E - The market approach was applied using quoted prices for the same debentures.

(dollars in thousands, except share data and per share data)

NOTE 3 - FAIR VALUE MEASUREMENTS (CONT.)

Recurring Fair Value Measurements Using:

	March 31, 2008	Quoted prices in active market for identical liability (Level 1)	Significant Unobservable Inputs (Level 3)
Quoted securities - convertible debentures series E	$ 27,326	$ 27,326	$ --
Long-term debt	360,210	--	360,210
Derivatives	5,672	--	5,672
	$393,208	$ 27,326	$365,882

Asset Measurement on a Recurring Basis Using Significant Unobservable Inputs (Level 3):

	Long-term debt	Derivatives
As of January 1, 2008- at fair value	$ 365,563	$ 7,313
Total gains unrealized in earnings	(5,353)	(1,641)
As of March 31, 2008 - at fair value	$ 360,210	$ 5,672
Unrealized gain in earnings from liabilities still held at period end	$ (5,353)	$ (1,641)

Recurring Fair Value Measurements Using:

	December 31, 2007	Quoted prices in active market for identical liability (Level 1)	Significant other observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading securities - convertible debentures series E	$ 28,484	$ 28,484	$ --	$ --
Long-term debt	365,563	--	--	365,563
Derivatives	7,018	--	(295)	7,313
	$ 401,065	$ 28,484	$ (295)	$ 372,876

(dollars in thousands, except share data and per share data)

NOTE 3 - FAIR VALUE MEASUREMENTS (CONT.)

Asset Measurement on a Recurring Basis Using Significant Unobservable Inputs (Level 3):

	Long-term debt	Derivatives
As of January 1, 2007- at fair value	$ 367,223	$ 11,513
Total gains unrealized in earnings	(1,660)	(4,200)
As of December 31, 2007 - at fair value	$ 365,563	$ 7,313
Unrealized gain in earnings from liabilities still held at period end	$ (1,660)	$ (4,200)

NOTE 4 - RECENT DEVELOPMENTS

A. REGISTRATION STATEMENT

In January 2008, the Company has filed a shelf registration statement on Form F-3 with the U.S. Securities and Exchange Commission, registering the possible offer and sale from time to time of up to $40,000 of securities which the Company may elect to so offer and sell during the three years following the effective date of the registration statement. The registration form was declared effective in February 2008. The Company has made no decisions as to when, if at all, it will actually raise funds under this registration statement.

B. CUSTOMER AGREEMENT AMENDMENT

In 2004, the Company and Siliconix incorporated ("Siliconix"), a subsidiary of Vishay Intertechnology Inc., entered into a definitive long-term foundry agreement for semiconductor manufacturing in the Company's Fab 1. During the first quarter of 2008, the parties amended the agreement to revise the terms of the purchase of trench wafers products as well as transfer additional product platforms to Tower for manufacturing new products to Siliconix in Fab 1.

NOTE 4 - RECENT DEVELOPMENTS (CONT.)

C. HEDGING ACTIVITIES

As of March 31, 2008 and December 31, 2007, the Company had outstanding agreements to hedge the cash flows variability of interest rate on loans, the aggregate amount of which was $370,000 and $80,000 respectively. These agreements resulted in realized interest income of $168 and $276 for the three months ended March 31, 2008 and 2007, respectively, and in realized interest income of $1,074 for the year ended December 31, 2007. For additional information, see also Note 11A to the 2007 audited consolidated financial statements.

D. ACQUISITION OF JAZZ TECHNOLOGIES

On May 2008, the Company entered into a definitive agreement (the "Agreement") with Jazz Technologies(TM), Inc (AMEX: JAZ), the parent company of its wholly-owned subsidiary, Jazz Semiconductor, a leading independent wafer foundry focused on Analog-Intensive Mixed -Signal (AIMS) process technologies based in NewPort Beach, California ("Jazz"), pursuant to which the Company is to acquire Jazz in a stock-for-stock transaction.

The Agreement provides that, upon the terms and subject to the conditions set in the Agreement, Jazz will merge with a wholly-owned subsidiary of the Company (to be formed for that purpose), with Jazz as the surviving corporation (the "Acquisition"). The Agreement has been approved by the boards of directors of both the Company and Jazz and is subject to the approval of Jazz's shareholders and other customary closing conditions and other regulatory approvals. The acquisition is expected to close in the second half of 2008.

EXHIBIT 99.2

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 MARCH 31, 2008 AND FOR THE THREE MONTHS THEN ENDED AND RELATED NOTES INCLUDED IN THIS REPORT AND (2) OUR CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007 AND RELATED NOTES FOR THE YEAR THEN ENDED AND (3) OUR REPORT OF FORM 6-K, FILED FEBRUARY 7, 2008. OUR FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN UNITED STATES ("US GAAP").

Prior to the 2007 audited consolidated financial statements, the Company prepared its financial statements in accordance with generally accepted accounting principles in Israel ("IL GAAP") and provided reconciliation to US GAAP in the notes to the financial statements. The Company recasted the comparative amounts included in its financial statements and in this report to 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.

	THREE MONTHS ENDED MARCH 31,	
	2008	2007
STATEMENT OF OPERATIONS DATA:		
Total revenues	100%	100%
Cost of total sales	118.5	128.6
Gross loss	(18.5)	(28.6)
Research and development expenses, net	5.2	6.5
Marketing, general and administrative expenses	13.5	14.5
Operating loss	(37.1)	(49.6)
Financing expense, net	(13.5)	(22.9)
Other income (expenses), net	(0.7)	0.1
Loss	(51.4)%	(72.4)%

THREE MONTHS ENDED MARCH 31, 2008 COMPARED TO THREE MONTHS ENDED MARCH 31, 2007

REVENUES. Revenues for the three months ended March 31, 2008 increased by 3.6% to $57.6 million from $55.6 million for the three months ended March 31, 2007.

COST OF TOTAL SALES. Cost of total sales for the three months ended March 31, 2008 amounted to $68.3 million, compared with $71.5 million for the three months ended March 31, 2007. This decrease of 4.6% in cost of sales despite the increase in revenues was mainly attributable to a reduction in depreciation and amortization expenses following the previously announced change in the estimated useful lives of the Company's machinery and equipment in the second quarter of 2007 (and as a result, the Company's machinery and equipment is depreciated over estimated useful lives of 7 years rather than 5 years).

GROSS LOSS. Gross loss for the three months ended March 31, 2008 was $10.6 million compared to a gross loss of $15.9 million for the three months ended March 31, 2007. The decrease in gross loss was mainly attributable to the 4.6% decrease in Cost of Total Sales and by the 3.6% increase in Sales as described above.

RESEARCH AND DEVELOPMENT. Research and development expenses for the three months ended March 31, 2008 decreased to $3.0 million from $3.6 million for the three months ended March 31, 2007.

MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES. Marketing, general and administrative expenses for the three months ended March 31, 2008 decreased to $7.8 million from $8.1 million for the three months ended March 31, 2007.

OPERATING LOSS. Operating loss for the three months ended March 31, 2008 was $21.4 million, compared to $27.6 million for the three months ended March 31, 2007. The decrease in the operating loss is attributable mainly to the decrease in the gross loss described above.

FINANCING EXPENSES, NET. Financing expenses, net for the three months ended March 31, 2008 were $7.8 million compared to financing expenses, net of $12.7 million for the three months ended March 31, 2007. This decrease is mainly due to measuring at fair value of our loans and convertible debentures derivatives which was partially offset by the influence of the valuation of the NIS in relation to the dollar.

OTHER (EXPENSE) INCOME, NET. Other expense, net, for the three months ended March 31, 2008 was $0.4 million compared to other income, net of $0.1 million for the three months ended March 31, 2007.

LOSS. Loss for the three months ended March 31, 2008 was $29.6 million, compared to $40.2 million for the three months ended March 31, 2007. This decrease is attributable to the decrease of $5 million in the gross loss and to the $5 million decrease in financing expenses described above.

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 three months ended March 31, 2008, the exchange rate of the dollar in relation to the NIS decreased by 7.6% and there was no change in the Israeli Consumer Price Index, or CPI (during the three months ended March 31, 2007 there was a decrease of 1.7% in the exchange rate of the dollar in relation to the NIS and a decrease of 0.2% in the CPI).

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. The recent devaluation of the US dollar in relation to the NIS mainly increased our dollar expenses related to our NIS denominated debentures and the dollar amount of our NIS denominated expenses.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2008, we had an aggregate of $32.4 million in cash and cash equivalents. This compares to $44.5 million we had as of December 31, 2007.

During the three months ended March 31, 2008, we raised $32 million through long-term loans and generated a net amount of $3.7 million from our operating activities. These liquidity resources partially financed the capital expenditure investments we made during the three months ended March 31, 2008, which aggregated to an amount of $41.1 million, in connection with the purchase and installation of equipment for the ramp up of Fab 2 and repayment of convertible debentures in the amount of $8.2 million.

We continue to examine alternatives for additional funding sources in order to fund our Fab2 ramp-up plan, support our growth plans, including the Jazz's acquisition described below, and improve our shareholders' equity, otherwise expected to become negative.

As of March 31, 2008, we had long-term loans from banks in the amount of $390.2 million (most of which are presented at fair value), which we obtained mainly in connection with the establishment of Fab 2. As of such date, we had an aggregate of $125.0 million of debentures, of which $8.4 million are presented as current maturities.

ACQUISITION OF JAZZ TECHNOLOGIES

On May 2008, the Company entered into a definitive agreement (the "Agreement") with Jazz Technologies(TM), Inc (AMEX: JAZ), the parent company of its wholly-owned subsidiary, Jazz Semiconductor, a leading independent wafer foundry focused on Analog-Intensive Mixed -Signal (AIMS) process technologies based in NewPort Beach, California ("Jazz"), pursuant to which the Company is to acquire Jazz in a stock-for-stock transaction.

The Agreement provides that, upon the terms and subject to the conditions set in the Agreement, Jazz will merge with a wholly-owned subsidiary of the Company (to be formed for that purpose), with Jazz as the surviving corporation (the "Acquisition"). The Agreement has been approved by the boards of directors of both the Company and Jazz and is subject to the approval of Jazz's shareholders and other customary closing conditions and other regulatory approvals. The acquisition is expected to close in the second half of 2008.