TOWER SEMICONDUCTOR LTD.
AND SUBSIDIARIES
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2017

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES

INDEX TO UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2017

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

	As of June 30, 2017 (unaudited)	As of December 31, 2016
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	$ 483,603	$ 355,284
Short-term deposits	--	34,093
Trade accounts receivable	150,731	141,048
Inventories	139,010	137,532
Other current assets	34,391	30,041
Total current assets	807,735	697,998
LONG-TERM INVESTMENTS	27,291	25,624
PROPERTY AND EQUIPMENT, NET	628,279	616,686
INTANGIBLE ASSETS, NET	23,848	28,129
GOODWILL	7,000	7,000
OTHER ASSETS, NET	4,355	4,447
TOTAL ASSETS	$ 1,498,508	$ 1,379,884
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt and current maturities of loans and debentures	$ 55,295	$ 48,084
Trade accounts payable	95,328	99,262
Deferred revenue and customers' advances	25,689	26,169
Employee related liabilities	57,814	49,517
Other current liabilities	20,237	24,083
Total current liabilities	254,363	247,115
LONG-TERM LOANS FROM BANKS	120,146	133,163
DEBENTURES	177,463	162,981
LONG-TERM CUSTOMERS' ADVANCES	29,061	41,874
EMPLOYEE RELATED LIABILITES	14,652	14,176
DEFERRED TAX LIABILITY	86,080	95,233
OTHER LONG-TERM LIABILITIES	2,728	2,728
Total liabilities	684,493	697,270
THE COMPANY'S SHAREHOLDERS' EQUITY	820,405	690,032
Non controlling interest	(6,390)	(7,418)
TOTAL EQUITY	814,015	682,614
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,498,508	$ 1,379,884

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, 2017	Six months ended June 30, 2016	Three months ended June 30, 2017	Three months ended June 30, 2016
REVENUES	$ 675,139	$ 583,046	$ 345,059	$ 305,003
COST OF REVENUES	499,310	448,971	253,998	232,275
GROSS PROFIT	175,829	134,075	91,061	72,728
OPERATING COSTS AND EXPENSES:				
Research and development	32,200	31,267	16,432	16,030
Marketing, general and administrative	33,475	32,443	17,238	16,520
Nishiwaki Fab restructuring and impairment cost (income), net	--	(627)	--	--
	65,675	63,083	33,670	32,550
OPERATING PROFIT	110,154	70,992	57,391	40,178
INTEREST EXPENSE, NET	(4,281)	(6,355)	(2,070)	(2,997)
OTHER FINANCING EXPENSE, NET	(3,071)	(11,497)	(1,053)	(7,528)
GAIN FROM ACQUISITION, NET	--	51,298	--	10,158
OTHER INCOME, NET	653	4,362	142	4,362
PROFIT BEFORE INCOME TAX	103,455	108,800	54,410	44,173
INCOME TAX EXPENSE	(4,682)	(3,905)	(2,683)	(3,826)
NET PROFIT	98,773	104,895	51,727	40,347
Net income attributable to non controlling interest	(3,247)	(465)	(1,710)	(1,861)
NET PROFIT ATTRIBUTABLE TO THE COMPANY	$ 95,526	$ 104,430	$ 50,017	$ 38,486
BASIC EARNINGS PER ORDINARY SHARE:				
Earnings per share	$ 1.00	$ 1.22	$ 0.52	$ 0.45
Weighted average number of ordinary shares outstanding	95,139	85,410	96,365	86,300
DILUTED EARNINGS PER ORDINARY SHARE:				
Earnings per share	$ 0.95	$ 1.09	$ 0.49	$ 0.40
Net profit used for diluted earnings per share	$ 99,883	$ 108,556	$ 52,217	$ 40,556
Weighted average number of ordinary shares outstanding used for diluted earnings per share	105,288	99,546	105,648	100,163

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, 2017	Six months ended June 30, 2016	Three months ended June 30, 2017	Three months ended June 30, 2016
Net profit	$ 98,773	$ 104,895	$ 51,727	$ 40,347
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	6,010	19,500	9	11,221
Change in employees plan assets and benefit obligations	(315)	(265)	(157)	(133)
Unrealized gain (loss) on derivatives	1,016	62	(18)	62
Comprehensive income	105,484	124,192	51,561	51,497
Comprehensive income attributable to non-controlling interest	(6,529)	(9,498)	(1,669)	(8,476)
Comprehensive income attributable to the Company	$ 98,955	$ 114,694	$ 49,892	$ 43,021

TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES
CONDENSED INTERIM 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 adjustment	Accumulated deficit	Treasury stock	Comprehensive income	Non controlling interest	Total
BALANCE AS OF JANUARY 1, 2017	93,071	$ 369,057	$ 1,318,725	$ 41,264	$ 68,921	$ (544)	$ (27,283)	$ (1,071,036)	$ (9,072)		$ (7,418)	$ 682,614
Changes during the period:												
Issuance of shares	2,914	12,128	4,500									16,628
Exercise of options	1,064	4,352	6,021									10,373
Capital notes converted into share capital	930	3,792	16,714	(20,506)								-
Employee stock-based compensation					4,417							4,417
Dividend paid to Panasonic											(5,501)	(5,501)
Other comprehensive income:												
Profit								95,526		$ 95,526	3,247	98,773
Foreign currency translation adjustments							2,728			2,728	3,282	6,010
Change in employees plan assets and benefit obligations						(315)				(315)		(315)
Unrealized gain on derivatives						1,016				1,016		1,016
Comprehensive income										$ 98,955		
BALANCE AS OF JUNE 30, 2017	97,979	$ 389,329	$ 1,345,960	$ 20,758	$ 73,338	$ 157	$ (24,555)	$ (975,510)	$ (9,072)		$ (6,390)	$ 814,015
OUTSTANDING SHARES, NET OF TREASURY STOCK AS OF JUNE 30, 2017	97,893											

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

(dollars in thousands)

	Six months ended June 30,	
	2017	**2016**
CASH FLOWS - OPERATING ACTIVITIES		
Net profit	$ 98,773	$ 104,895
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	102,087	96,701
Effect of indexation, translation and fair value measurement on debt	11,761	8,101
Other income, net	(653)	(4,362)
Gain from acquisition, net (a)	--	(51,298)
Changes in assets and liabilities:		
Trade accounts receivable	(7,713)	(10,435)
Other current assets	(11,746)	(4,654)
Inventories	267	(15,524)
Trade accounts payable	(10,658)	10,273
Deferred revenue and customers' advances	(13,299)	23,324
Other current liabilities	3,776	9,241
Long-term employee related liabilities	(491)	(388)
Deferred tax liability, net	(5,670)	(6,651)
Net cash provided by operating activities	166,434	159,223
CASH FLOWS - INVESTING ACTIVITIES		
Investments in property and equipment	(90,514)	(113,243)
Proceeds related to sale and disposal of property and equipment	8,854	1,387
Deposits and investments, net	34,093	29,600
Net cash used in investing activities	(47,567)	(82,256)
CASH FLOWS - FINANCING ACTIVITIES		
Issuance of debentures, net	--	111,364
Exercise of warrants and options, net	27,010	6,241
Proceeds from loans	--	10,000
Short-term debt	--	7,000
Loans repayment	(11,245)	(94,174)
Debentures repayment	(6,215)	--
Dividend payment to Panasonic	(4,378)	(2,563)
Net cash provided by financing activities	5,172	37,868
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGE	4,280	20,652
INCREASE IN CASH AND CASH EQUIVALENTS	128,319	135,487
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	355,284	175,575
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 483,603	$ 311,062

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

	Six months ended June 30, 2017	Six months ended June 30, 2016
NON-CASH ACTIVITIES:		
Investments in property and equipment	$ 25,256	$ 16,962
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 6,308	$ 5,988
Cash paid during the period for income taxes	$ 9,814	$ 2,510

(a) ACQUISTION OF SUBSIDIARIES CONSOLIDATED FOR THE FIRST TIME:

Assets and liabilities of the subsidiaries:

	As of February 1, 2016
Working capital (excluding cash and cash equivalents)	$ 10,775
Fixed assets	106,919
Intangible assets	2,799
Long-term liabilities	(28,021)
	92,472
Less:	
Share capital	40,000
Gain from acquisition, net	52,472
	92,472
Cash from the acquisition of a subsidiaries consolidated for the first time	$ --

See notes to consolidated financial statements.

NOTE 1 - GENERAL

Basis for Presentation

The unaudited condensed interim consolidated financial statements of Tower Semiconductor Ltd. ("Tower") as of June 30, 2017 include the financial statements of Tower and (i) its wholly-owned subsidiary Tower US Holdings Inc., the sole owner of: (1) Jazz US Holdings Inc. and its wholly-owned subsidiary, Jazz Semiconductor, Inc. and (2) since February 2016, Tower US Holdings is also the sole owner of TowerJazz Texas Inc., and (ii) its majority-owned subsidiary, TowerJazz Panasonic Semiconductor Co., Ltd. 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, 2016 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 - RECENT DEVELOPMENTS

A. Equity Grants to CEO and Directors

On June 29, 2017, the annual general meeting of the Company's shareholders approved the grant of the following Restricted Stock Units ('RSUs') to the Company's CEO and members of the Board of Directors under the Company's 2013 Share Incentive Plan: (i) 85,228 time vested RSUs and 97,403 performance based RSUs to the CEO, for a total compensation value of $4,500; (ii) 12,176 time vested RSUs to the chairman of the Board of Directors (the "Chairman") for a total compensation value of $300; and (iii) 3,044 time vested RSUs to each of the members of the Board of Directors (other than to the Chairman and the CEO), for an aggregate compensation value of $600.

B. Debentures

The outstanding balances of debentures Series D and debentures Series F were fully redeemed in cash in January 2017.

(dollars in thousands, except per share data)

NOTE 3 - INITIAL ADOPTION OF NEW STANDARDS

In November 2015, the FASB issued *ASU 2015-17 "Balance Sheet Classification of Deferred Taxes".* ASU 2015-17 simplifies the presentation of deferred income taxes and requires that deferred tax assets and liabilities, as well as any related valuation allowance, be classified as noncurrent in a classified statement of financial position. The retrospective adoption of ASU 2015-17 effective January 1, 2017, has had no material effect on the Company's consolidated financial statements.

NOTE 4 - ADDITIONAL INFORMATION - RECONCILIATION OF US GAAP TO IFRS

A. Introduction

The Company's financial statements are prepared and presented in accordance with US GAAP.

As many of the Company's investors and analysts are located in Israel and in Europe and are familiar with and use the International Financial Reporting Standards rules ("IFRS"), the Company is providing on a voluntary basis a reconciliation from US GAAP to IFRS as detailed below (condensed interim consolidated statements of balance sheet, condensed interim consolidated statements of operations and additional information). IFRS differs in certain significant aspects from US GAAP, however the primary differences between US GAAP and IFRS related to the Company are accounting for goodwill, financial instruments, pension plans and termination benefits. The main adjustments and differences between US GAAP and IFRS relating to the Company's financial statements are described in detail in Note 22 to the Company's financial statements for the year ended December 31, 2016. In addition, the Company is providing on a voluntary basis its condensed IFRS financial statements as of June 30, 2017 and a reconciliation from US GAAP to IFRS as detailed below.

B. Condensed Interim Consolidated Balance Sheet in Accordance with IFRS

	As of June 30, 2017		
	US GAAP	Adjustments	IFRS
ASSETS			
Current assets	$ 807,735	$ --	$ 807,735
Property and equipment, net	628,279	--	628,279
Long-term assets	62,494	(7,000)	55,494
Total assets	$ 1,498,508	$ (7,000)	$ 1,491,508
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	$ 254,363	$ --	$ 254,363
Long-term liabilities	430,130	(1,531)	428,599
Total liabilities	684,493	(1,531)	682,962
TOTAL EQUITY	814,015	(5,469)	808,546
Total liabilities and shareholders' equity	$ 1,498,508	$ (7,000)	$ 1,491,508

(dollars in thousands, except per share data)

NOTE 4 - ADDITIONAL INFORMATION - RECONCILIATION OF US GAAP TO IFRS (Cont.)

C. Condensed Interim Consolidated Statement of Operations in Accordance with IFRS

	Six months ended June 30, 2017		
	US GAAP	Adjustments	IFRS
OPERATING PROFIT	$ 110,154	$ (158)	$ 109,996
Interest expenses, net	(4,281)	--	(4,281)
Other financing expense, net	(3,071)	52	(3,019)
Other income, net	653	--	653
Profit before income tax	103,455	(106)	103,349
Income tax expense	(4,682)	--	(4,682)
NET PROFIT	98,773	(106)	98,667
Net income attributable to non-controlling interest	(3,247)	--	(3,247)
NET PROFIT ATTRIBUTABLE TO THE COMPANY	$ 95,526	$ (106)	$ 95,420

D. Reconciliation of Net Profit from US GAAP to IFRS:

	Six months ended June 30,	
	2017	2016
Net profit in accordance with US GAAP	$ 95,526	$ 104,430
Financial Instruments	52	160
Pension plans	(314)	(265)
Termination Benefits	156	8
Net profit in accordance with IFRS	$ 95,420	$ 104,333

E. Reconciliation of Shareholders' Equity from US GAAP to IFRS:

	As of June 30,	As of December 31,
	2017	2016
Shareholders' equity in accordance with US GAAP	$ 814,015	$ 682,614
Financial Instruments	(185)	(237)
Termination Benefits	1,716	1,560
Goodwill	(7,000)	(7,000)
Shareholders' equity in accordance with IFRS	$ 808,546	$ 676,937

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, 2017 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, 2016 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

In February 2016, Tower acquired a fabrication facility in San Antonio, Texas from Maxim Integrated Products Inc. The acquisition was done through an indirectly wholly owned subsidiary of Tower, TowerJazz Texas Inc. ("TJT"). For additional information regarding the acquisition of TJT, see Note 3B to our consolidated financial statements as of December 31, 2016. Our consolidated financial statements include TJT's balance sheet starting February 1, 2016 and TJT's results of operations commencing immediately following such date.

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,	
	2017	**2016**
Statement of Operations Data:		
Revenues	100%	100%
Cost of revenues	74.0	77.0
Gross profit	26.0	23.0
Research and development expense	4.8	5.4
Marketing, general and administrative expense	5.0	5.6
Nishiwaki Fab restructuring and impairment cost (income), net	--	(0.1)
Operating profit	16.2	12.1
Interest expense, net	(0.6)	(1.1)
Other financing expense, net	(0.5)	(2.0)
Gain from acquisition, net	--	8.8
Other income, net	0.1	0.7
Profit before tax	15.2	18.5
Income tax expense	(0.7)	(0.7)
Net profit	14.5	17.8
Net income attributable to the non-controlling interest	(0.5)	(0.1)
Net profit attributable to the company	14.0%	17.7%

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

	Six months ended June 30, 2017	Six months ended June 30, 2016
Statement of Operations Data:		
Revenues	$ 675,139	$ 583,046
Cost of revenues	499,310	448,971
Gross profit	175,829	134,075
Research and development expense	32,200	31,267
Marketing, general and administrative expense	33,475	32,443
Nishiwaki Fab restructuring and impairment cost (income), net	--	(627)
Operating profit	110,154	70,992
Interest expense, net	(4,281)	(6,355)
Other financing expense, net	(3,071)	(11,497)
Gain from acquisition, net	--	51,298
Other income, net	653	4,362
Profit before tax	103,455	108,800
Income tax expense	(4,682)	(3,905)
Net profit	98,773	104,895
Net income attributable to the non-controlling interest	(3,247)	(465)
Net profit attributable to the company	$ 95,526	$ 104,430

Six months ended June 30, 2017 compared to six months ended June 30, 2016

Revenues. Revenues for the six months ended June 30, 2017 increased to $675.1 million, as compared to $583.0 million for the six months ended June 30, 2016. The increase in revenues of $92.1 million is mainly due to an increase in the number of wafers shipped, mostly from our Israeli and Japanese factories.

Cost of Revenues. Cost of revenues for the six months ended June 30, 2017 amounted to $499.3 million as compared to $449.0 million for the six months ended June 30, 2016. The $50.3 million increase in manufacturing cost is due to the variable costs required to manufacture and ship the larger amount of products which were shipped in the six months ended June 30, 2017 as compared to the six months ended June 30, 2016, directly resulting in the incremental $92.1 million revenues, as described above.

Gross Profit. Gross profit for the six months ended June 30, 2017 increased to $175.8 million as compared to $134.1 million for the six months ended June 30, 2016. The $41.8 million increase in gross profit resulted directly from the increase of $92.1 million in revenues, partially offset by the increase in manufacturing cost of revenues, as described above.

Research and Development. Research and development expense for the six months ended June 30, 2017, amounted to $32.2 million or 4.8% of revenue, as compared to $31.3 million or 5.4% of revenue recorded in the six months ended June 30, 2016.

Marketing, General and Administrative. Marketing, general and administrative expense for the six months ended June 30, 2017 amounted to $33.5 million or 5.0% of revenue, as compared to $32.4 million or 5.6% of revenue recorded in the six months ended June 30, 2016.

Nishiwaki Fab Restructuring and Impairment Cost (Income), Net. Nishiwaki Fab restructuring and impairment cost (income), net for the six months ended June 30, 2016 totaled net income of $0.6 million and is related to the 2014 cessation of operations of the Nishiwaki Fab in Japan.

Operating Profit. Operating profit for the six months ended June 30, 2017 increased to $110.2 million as compared to $71.0 million for the six months ended June 30, 2016. The $39.2 million increase in operating profit resulted mainly from the increased gross profit described above.

Interest Expense, Net. Interest expense, net of interest income for the six months ended June 30, 2017 decreased to $4.3 million as compared to $6.4 million for the six months ended June 30, 2016 mainly due to our early repayment of bank loans during 2016, and due to our increased level of cash and deposits.

Other Financing Expense, Net. Other financing expense, net for the six months ended June 30, 2017 decreased to $3.1 million as compared to other financing expense, net of $11.5 million for the six months ended June 30, 2016, mainly due to 2016 financing cost relating to the early repayment of Israeli banks' loans executed during 2016.

Gain from Acquisition, Net. Gain from acquisition, net for the six months ended June 30, 2016, the Company recorded a gain from the acquisition of the San Antonio fabrication facility in the amount of $51.3 million, net. For more details, see note 3B to the financial statements for the year ended December 31, 2016.

Other Income, Net. Other income, net for the six months ended June 30, 2017 amounted to $0.7 million as compared with $4.4 million in the six months ended June 30, 2016, mainly due to lower amount of capital gains generated from the sale of several machinery and equipment tools.

Income Tax Expense. Income tax expense for the six months ended June 30, 2017 amounted to $4.7 million as compared to $3.9 million income tax expense in the six months ended June 30, 2016. The increase in tax expense resulted mainly from the increase in the profit before tax of TowerJazz Panasonic Semiconductor Co., Ltd. ("TPSCo"), the Company's majority owned Japanese subsidiary, due to the increased revenues from its third party foundry customers.

Net Profit. Net profit for the six months ended June 30, 2017 amounted to $95.5 million as compared to a net profit of $104.4 million for the six months ended June 30, 2016. The decrease in net profit in the amount of $8.9 million was mainly due to the $51.3 million net gain from the acquisition of the San Antonio facility during the six months ended June 30, 2016, as described above, partially offset by the increase of $41.8 million in gross profit described above.

Impact of Currency Fluctuations

We operate in three different regions: Japan, the United States and Israel. The functional currency of the United States and Israel entities 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 New Israeli Shekels ("NIS"), USD, and JPY, our revenues are denominated mainly in USD and JPY and our cash from operations, investing and financing activities are denominated mainly in NIS, USD, and JPY. Therefore, we are exposed to the risk of currency exchange rate fluctuations in Israel and Japan.

The USD costs of our operations in Israel are 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, 2017, the USD depreciated against the NIS by 9.1%, as compared to 1.4% depreciation during the six months ended June 30, 2016.

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

The majority of TPSCo revenues are denominated in JPY and the majority of the expenses of TPSCo are in JPY, which limits the exposure to fluctuations of the USD / JPY exchange rate on TPSCo's results of operations, as the impact on the revenues will be mostly offset by the impact on the expenses. In order to mitigate the net exposure to the USD / JPY exchange rate over the net profit margins, we have engaged in cylinder hedging transactions to contain the currency's fluctuation within a pre-defined fixed range. During the six months ended June 30, 2017, the USD depreciated against the JPY by 4.4%, as compared to 14.6% depreciation during the six months ended June 30, 2016. The effect of USD depreciation on TPSCo's assets and liabilities 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, 2017, we had an aggregate amount of $483.6 million in cash, cash equivalents and short term deposits, as compared to $389.4 million as of December 31, 2016. The main cash activities during the six months ended June 30, 2017 included: $166.4 million positive cash flow generated from operating activities; $27.0 million proceeds received from exercise of warrants and options, net; $81.7 million invested in property and equipment, net; $17.5 million debt repaid; $4.4 million dividend paid to Panasonic by TPSCo; and an impact of the JPY foreign exchange rate fluctuation in the amount of $4.3 million (which was mostly offset by a similar impact on the Japanese loans' balance).

As of June 30, 2017, the outstanding principal amount of bank loans was $160.9 million, of which $44.2 million was presented as short term. As of such date, we had an aggregate principal amount of $180.0 million in debentures on our balance sheet. As of June 30, 2017, we had a carrying amount of $159.7 million of bank loans and $177.5 million of debentures in our balance sheet.

Additional Information

The analysis in this Management's Discussion and Analysis of Financial Condition and Results of Operations is derived from our unaudited condensed interim consolidated financial statements as of June 30, 2017 and June 30, 2016 and related notes for the six months then ended which were prepared in accordance with US GAAP. Information of our results of operations for the six months ended June 30, 2017 and balance sheet as of June 30, 2016 under International Financial Reporting Standards ("IFRS") is provided on a voluntary basis, including reconciliation from US GAAP to IFRS, and provided in Note 4 of our unaudited condensed interim consolidated financial statements as of June 30, 2017.