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**FORM 6-K**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

For the month of July 2019 No.5

**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): \_\_\_\_\_

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

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On July 30, 2019, the Registrant issued unaudited condensed interim consolidated financial statements as of June 30, 2019, and for the six and three month's periods then ended. Attached hereto are the following exhibits.

[Exhibit 99.1](#)      [Registrant's unaudited condensed interim consolidated financial statements as of June 30, 2019 and for the six and three months periods 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 all effective registration statements filed by us under the Securities Act of 1933.

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## 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: July 30, 2019

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

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**TOWER SEMICONDUCTOR LTD.  
AND SUBSIDIARIES  
UNAUDITED CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2019**

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**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**

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CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2019**

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

	As of June 30, 2019 <u>(unaudited)</u>	As of December 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 405,158	\$ 385,091
Short-term interest-bearing deposits	147,032	120,079
Marketable securities	146,893	135,850
Trade accounts receivable	123,789	153,409
Inventories	174,806	170,778
Other current assets	22,374	22,752
<b>Total current assets</b>	<b>1,020,052</b>	<b>987,959</b>
<b>LONG-TERM INVESTMENTS</b>	<b>36,874</b>	<b>35,945</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>707,122</b>	<b>657,234</b>
<b>INTANGIBLE ASSETS, NET</b>	<b>11,279</b>	<b>13,435</b>
<b>GOODWILL</b>	<b>7,000</b>	<b>7,000</b>
<b>DEFERRED TAX AND OTHER LONG-TERM ASSETS, NET</b>	<b>89,171</b>	<b>88,404</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,871,498</b>	<b>\$ 1,789,977</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of leases and debentures	\$ 45,173	\$ 10,814
Trade accounts payable	92,747	104,329
Deferred revenue and customers' advances	7,975	20,711
Employee related liabilities	57,540	50,750
Other current liabilities	8,364	17,117
<b>Total current liabilities</b>	<b>211,799</b>	<b>203,721</b>
<b>LONG-TERM DEBT</b>		
Debentures	109,079	120,170
Other long-term debt	166,835	136,499
<b>LONG-TERM CUSTOMERS' ADVANCES</b>	<b>27,230</b>	<b>28,131</b>
<b>EMPLOYEE RELATED LIABILITIES</b>	<b>14,295</b>	<b>13,898</b>
<b>DEFERRED TAX LIABILITY</b>	<b>46,434</b>	<b>50,401</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>969</b>	<b>952</b>
<b>TOTAL LIABILITIES</b>	<b>576,641</b>	<b>553,772</b>
<b>THE COMPANY'S SHAREHOLDERS' EQUITY</b>	<b>1,301,122</b>	<b>1,242,966</b>
Non-controlling interest	(6,265)	(6,761)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,294,857</b>	<b>1,236,205</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,871,498</b>	<b>\$ 1,789,977</b>

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,	
	2019	2018	2019	2018
<b>REVENUES</b>	\$ 616,171	\$ 647,848	\$ 306,064	\$ 335,138
<b>COST OF REVENUES</b>	499,613	503,155	252,657	256,610
<b>GROSS PROFIT</b>	116,558	144,693	53,407	78,528
<b>OPERATING COSTS AND EXPENSES:</b>				
Research and development	37,980	36,439	18,812	18,173
Marketing, general and administrative	33,479	32,109	16,838	16,115
	71,459	68,548	35,650	34,288
<b>OPERATING PROFIT</b>	45,099	76,145	17,757	44,240
<b>FINANCING AND OTHER INCOME (EXPENSE), NET</b>	1,672	(9,222)	947	(5,453)
<b>PROFIT BEFORE INCOME TAX</b>	46,771	66,923	18,704	38,787
<b>INCOME TAX BENEFIT (EXPENSE), NET</b>	(649)	(3,733)	1,018	(2,778)
<b>NET PROFIT</b>	46,122	63,190	19,722	36,009
Net loss attributable to non-controlling interest	1,030	670	1,214	1,733
<b>NET PROFIT ATTRIBUTABLE TO THE COMPANY</b>	\$ 47,152	\$ 63,860	\$ 20,936	\$ 37,742
<b>BASIC EARNINGS PER ORDINARY SHARE:</b>				
Earnings per share	\$ 0.45	\$ 0.65	\$ 0.20	\$ 0.38
Weighted average number of ordinary shares outstanding	105,829	98,693	106,321	98,888
<b>DILUTED EARNINGS PER ORDINARY SHARE:</b>				
Earnings per share	\$ 0.44	\$ 0.63	\$ 0.20	\$ 0.37
Net profit used for diluted earnings per share	\$ 47,152	\$ 63,860	\$ 20,936	\$ 37,742
Weighted average number of ordinary shares outstanding used for diluted earnings per share	107,078	101,090	107,178	101,066

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,	
	2019	2018	2019	2018
<b>Net profit</b>	\$ 46,122	\$ 63,190	\$ 19,722	\$ 36,009
<b>Other comprehensive income, net of tax:</b>				
Foreign currency translation adjustment	2,672	2,301	4,323	(5,689)
Change in employees plan assets and benefit obligations, net of taxes	115	(435)	172	(217)
Unrealized gain (loss) on derivatives	<u>1,639</u>	<u>(814)</u>	<u>(431)</u>	<u>117</u>
<b>Comprehensive income</b>	50,548	64,242	23,786	30,220
Comprehensive loss (income) attributable to non-controlling interest	<u>(496)</u>	<u>(576)</u>	<u>(939)</u>	<u>4,768</u>
<b>Comprehensive income attributable to the Company</b>	<u>\$ 50,052</u>	<u>\$ 63,666</u>	<u>\$ 22,847</u>	<u>\$ 34,988</u>

See notes to consolidated financial statements.

**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 adjustments	Accumulated deficit	Treasury stock	Comprehensive income	Non controlling interest	Total
<b>BALANCE AS OF JANUARY 1, 2019</b>	105,066	\$ 418,492	\$ 1,380,396	\$ 20,758	\$ 93,226	\$ (672)	\$ (22,716)	\$ (637,446)	\$ (9,072)		\$ (6,761)	\$1,236,205
<b>Changes during the period:</b>												
Exercise of options and RSUs	271	1,127	(730)									397
Capital notes converted into share capital	1,181	4,892	15,866	(20,758)								--
Employee stock-based compensation					7,707							7,707
Profit								47,152		\$ 47,152	(1,030)	46,122
Foreign currency translation adjustments							1,146			1,146	1,526	2,672
Change in employees plan assets and benefit obligations						115				115		115
Unrealized gain on derivatives						1,639				1,639		1,639
Comprehensive income										\$ 50,052		
<b>BALANCE AS OF JUNE 30, 2019</b>	<u>106,518</u>	<u>\$ 424,511</u>	<u>\$ 1,395,532</u>	<u>\$ --</u>	<u>\$ 100,933</u>	<u>\$ 1,082</u>	<u>\$ (21,570)</u>	<u>\$ (590,294)</u>	<u>\$ (9,072)</u>		<u>\$ (6,265)</u>	<u>\$1,294,857</u>
<b>OUTSTANDING SHARES, NET OF TREASURY STOCK AS OF JUNE 30, 2019</b>	<u>106,432</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,	
	2019	2018
Net profit	\$ 46,122	\$ 63,190
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	104,867	107,470
Effect of exchange rate differences on debentures	6,205	(6,537)
Other income, net	(445)	(1,600)
Changes in assets and liabilities:		
Trade accounts receivable	31,271	(10,262)
Other current assets	(5,755)	9,083
Inventories	(3,017)	(9,405)
Trade accounts payable	(15,204)	3,909
Deferred revenue and customers' advances	(13,649)	(6,178)
Employee related liabilities and other current liabilities	(1,846)	9,136
Long-term employee related liabilities	39	(194)
Deferred tax, net and other long-term liabilities	(1,564)	(6,682)
Net cash provided by operating activities	147,024	151,930
<b>CASH FLOWS - INVESTING ACTIVITIES</b>		
Investments in property and equipment, net	(85,445)	(80,195)
Investments in deposits, marketable securities and other assets, net	(33,825)	(30,451)
Net cash used in investing activities	(119,270)	(110,646)
<b>CASH FLOWS - FINANCING ACTIVITIES</b>		
Exercise of options	397	684
Proceeds from loans	--	99,964
Loans repayment	--	(101,314)
Principal payments on account of capital lease obligation	(10,549)	(1,497)
Net cash used in financing activities	(10,152)	(2,163)
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGE</b>	2,465	1,798
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	20,067	40,919
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	385,091	445,961
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	\$ 405,158	\$ 486,880

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,	
2019	2018

**NON-CASH ACTIVITIES:**

Investments in property and equipment	\$ 35,529	\$ 33,493
Conversion of notes into share capital	\$ 20,758	\$ --

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid (received) during the period for interest, net	\$ (1,226)	\$ 2,376
Cash paid during the period for income taxes, net	\$ 10,178	\$ 2,139

See notes to consolidated financial statements.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS AS OF JUNE 30, 2019**  
(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, 2019 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) TowerJazz Texas Inc., and (ii) its 51% 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, 2018 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 February 2016, the FASB issued ASU 2016-02 “*Leases*” (“ASU 2016-02”), which primarily changes the leases accounting for operating leases by requiring recognition of lease right-of-use assets and lease liabilities. The amendments are effective January 1, 2019, and for interim periods within that year, with early adoption permitted. In July 2018, the FASB issued ASU 2018-10 “*Codification Improvements to Topic 842, Leases*,” to clarify application of certain aspects of the new leases standard and to remove inconsistencies within the guidance and ASU 2018-11 “*Targeted Improvements*” (“ASU 2018-11”), which provides for an alternate transition method. Specifically, ASU 2018-11 allows the new lease standard to be applied as of the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings rather than retroactive restatement of all periods presented. The Company has identified all existing operating and financing leases and implemented the new standard accordingly. As of June 30, 2019, the present value of the new lease assets and liabilities was approximately \$36,000.

**TOWER SEMICONDUCTOR LTD. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS AS OF JUNE 30, 2019**  
(dollars in thousands, except per share data)

**NOTE 3 - RECENT DEVELOPMENTS**

**A. TPSCo new agreements**

In March 2019, the Company, Panasonic Semiconductor Solutions (“PSCS”) and TPSCo signed three-year agreements, extending its previous agreements with Panasonic Semiconductor Solutions (PSCS) effective as of April 1, 2019. Under the agreements, among others, PSCS will continue to utilize TPSCo’s three manufacturing facilities in Japan for its semiconductor business. TPSCo’s wafer loading level from PSCS are expected to remain similar, with a new pricing structure, resulting in revenue reductions of approximately \$20,000 per quarter.

**B. Equity Grants to CEO and Directors**

In June 25, 2019, 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) 128,797 time vested RSUs and 128,798 performance based RSUs to the CEO, which RSUs will vest linearly over a three-year period, 33% at the end of each year of the 3 years following the grant date for a compensation value of \$3,900; in this regard, the Company has adopted stock ownership guidelines whereby the CEO will be required to own a minimum value that equals at least 3 times of his annual base salary in ordinary shares of the Company and the CEO has 5 years from May 2019 to accumulate said minimum, during which the CEO must retain at least 20% of the vested time-based RSUs that are granted to him from May 2019 and such RSUs that may be granted to him in the future until the guideline is met; (ii) 19,815 time vested RSUs to the chairman of the Board of Directors (“the Chairman”) for a total compensation value of \$300, to vest linearly over a three-year period, 33% at the end of each year of the 3 years following the grant date; and (iii) 4,953 time vested RSUs to each of the 8 members of the Board of Directors (other than the Chairman and the CEO), for an aggregate compensation value of \$600, with 50% vesting on the first anniversary from the date of grant and 50% on the second anniversary of the date of grant.

**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, 2019 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, 2018 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,	
	2019	2018
Revenues	100%	100%
Cost of revenues	81.1	77.7
Gross profit	18.9	22.3
Research and development expense	6.2	5.6
Marketing, general and administrative expense	5.4	5.0
Operating profit	7.3	11.7
Financing and other income (expense), net	0.3	(1.5)
Profit before income tax	7.6	10.2
Income tax expense, net	(0.1)	(0.6)
Net profit	7.5	9.6
Net loss attributable to the non-controlling interest	0.2	0.1
Net profit attributable to the company	7.7%	9.7%

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

	Six months ended June 30,	
	2019	2018
Revenues	\$ 616,171	\$ 647,848
Cost of revenues	499,613	503,155
Gross profit	116,558	144,693
Research and development expense	37,980	36,439
Marketing, general and administrative expense	33,479	32,109
Operating profit	45,099	76,145
Financing and other income (expense), net	1,672	(9,222)
Profit before income tax	46,771	66,923
Income tax expense, net	(649)	(3,733)
Net profit	46,122	63,190
Net loss attributable to the non-controlling interest	1,030	670
Net profit attributable to the company	\$ 47,152	\$ 63,860

## Six months ended June 30, 2019 compared to six months ended June 30, 2018

*Revenues.* Revenues for the six months ended June 30, 2019 were \$616.2 million, as compared to \$647.8 million for the six months ended June 30, 2018. This reduction is attributed mainly to a \$36.6 million revenue reduction from Panasonic Semiconductor Solutions (“PSCS”), mainly due to the terms of the extended agreements signed in March 2019 with PSCS, which resulted in, among others, pricing reduction for products and services provided from TPSCo to PSCS. For additional information on the terms of the extended contract, see Note 3A to the unaudited condensed interim consolidated financial statements as of June 30, 2019.

*Cost of Revenues.* Cost of revenues for the six months ended June 30, 2019 amounted to \$499.6 million as compared to \$503.2 million for the six months ended June 30, 2018. This small decrease of \$3.6 million in manufacturing cost, as compared to the \$31.6 million reduced revenues, attributed mainly to the above referenced TPSCo - PSCS extension agreement, according to which, revised pricing levels were established as well as to the fact that a large portion of our costs is fixed.

*Gross Profit.* Gross profit for the six months ended June 30, 2019 amounted to \$116.6 million as compared to \$144.7 million for the six months ended June 30, 2018. The decrease in gross profit resulted directly from the \$31.6 million revenue reduction described above, while the decrease in cost of revenue was \$3.6 million as described above.

*Research and Development.* Research and development expense for the six months ended June 30, 2019, amounted to \$38.0 million as compared to \$36.4 million in the six months ended June 30, 2018, a 4% increase, which reflects our focus to enhance 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, 2019 amounted to \$33.5 million, an increase of \$1.4 million as compared to \$32.1 million recorded in the six months ended June 30, 2018.

*Operating Profit.* Operating profit for the six months ended June 30, 2019 amounted to \$45.1 million as compared to \$76.1 million for the six months ended June 30, 2018. The \$31.0 million decrease in operating profit resulted mainly from the \$28.1 million reduction in gross profit described above.

*Financing and Other Income (Expense), Net.* Financing and other income, net for the six months ended June 30, 2019 amounted to \$1.7 million as compared to financing and other expense, net of \$9.2 million for the six months ended June 30, 2018. During the six months ended June 30, 2019, interest income was higher resulting from higher balance of interest-bearing bank deposits, and investment in marketable securities and financing expense was lower than 2018 expense mainly due to the full conversion of Jazz Notes during 2018.

*Income Tax Expense, Net.* Income tax expense, net for the six months ended June 30, 2019 amounted to \$0.6 million as compared to \$3.7 million in the six months ended June 30, 2018. The decrease in income tax expense, net in the amount of \$3.1 million was mainly due to the \$20.2 million lower profit before tax as described above.

*Net Profit.* Net profit for the six months ended June 30, 2019 amounted to \$47.2 million as compared to a net profit of \$63.9 million for the six months ended June 30, 2018. The decrease in net profit in the amount of \$16.7 million was mainly due to the decrease of \$31.0 million in operating profit, offset by \$10.9 million increase in financing and other income, net and \$3.1 million lower income tax expense, as explained above.

### Impact of Currency Fluctuations

The Company currently operates 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 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.

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The USD costs 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, 2019, the USD depreciated against the NIS by 4.9%, as compared to 5.3% appreciation during the six months ended June 30, 2018.

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 the Company's Israeli purchases and labor NIS denominated costs, 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 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. 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, 2019, the USD depreciated against the JPY by 2.0%, as compared to 1.6% depreciation during the six months ended June 30, 2018. 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, 2019, the Company had an aggregate amount of \$405.2 million in cash and cash equivalents, as compared to \$385.1 million as of December 31, 2018. The main cash activities during the six months ended June 30, 2019 were: \$147.0 million positive cash flow generated from operating activities; \$85.4 million invested in property and equipment, net of proceeds received from sales of equipment; \$33.8 million invested in short-term deposits, marketable securities and other assets, net; and \$10.5 million debt repaid.

As included in Note 2 to the unaudited condensed interim consolidated financial statements as of June 30, 2019, the Company implemented effective January 1, 2019, the new accounting standard ASU 2016-2 "Leases" ("ASU 2016-02"), which primarily changed the leases accounting for operating leases by requiring recognition of lease right-of-use assets and lease liabilities. As of June 30, 2019, the present value of the new lease assets and liabilities was approximately \$36 million, which was recorded in the balance sheet.

Short-term and long-term debt presented on the balance sheet as of June 30, 2019, including bank loans, debentures, operating leases and capital leases amounted to \$45.2 million and \$275.9 million, respectively. As of June 30, 2019, the aggregate principal amount of debentures was \$131.2 million and its carrying amount in the balance sheet was \$127.2 million, of which \$18.1 million were presented as short-term liability.

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