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**CAMTEK LTD.**

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**FOR IMMEDIATE RELEASE**

**CAMTEK ANNOUNCES SECOND QUARTER 2017 RESULTS**

*Camtek becomes a pure-play semiconductor company;  
Expects continued growth with 15% operating margin in Q4-2017*

**MIGDAL HAEMEK, Israel** – August 3, 2017 – Camtek Ltd. (NASDAQ: CAMT; TASE: CAMT), today announced its financial results for the quarter ended June 30, 2017.

**Recent Highlights**

- Signed an agreement to sell the PCB business for up to \$35 million;
- Reached final settlement with Rudolph Technologies; and
- Adjusted FIT related expenses to a run rate of \$100-125K per quarter.

**Financial Highlights of the Second Quarter 2017**

- Total revenues (including revenue from the discontinued PCB operations) were \$34.3 million, ahead of the guidance range;
- Record revenues in the semiconductor segment of \$22.7 million, up 14% year over year;
- GAAP net loss of \$3.9 million; mainly due to the \$13 million settlement charge
- Non-GAAP net income of \$3.8 million;
- Strong operating cash flow of \$3.8 million; end of quarter net cash of \$27.1 million;

**Guidance for the Second Half of 2017**

Due to the significant business changes that Camtek has undergone, Camtek is providing additional metrics to enable investors and analysts to better model the new business structure for the remainder of 2017.

Third quarter revenues (semiconductors only) are expected to be between \$23-24 million, a year-over-year increase of 12% with gross margins at around 50% and double-digit operating margins.

Fourth quarter revenues are expected to be slightly higher than those of the third quarter while operating costs are expected to reduce and benefit from the reduction in legal and FIT expenses. Non-GAAP operating margins are expected to improve to an approximately 15% in the fourth quarter of 2017 with continued improvement in 2018.

*Due to the expected sale of Camtek's PCB business, the results of this unit ceased to be consolidated into Camtek's financial statements and are accounted for as discontinued operations in both the current period ended June 30, 2017 as well as the comparative periods. Following the settlement with*

*Rudolph Technologies, there is a one-time charge of \$13 million on GAAP net income in the second quarter 2017 results. This amount is excluded from the non-GAAP results. A reconciliation between the GAAP and non-GAAP results appears in the tables at the end of this press release.*

**Rafi Amit, Camtek's CEO, commented,** "The past few months have been very significant for Camtek from a strategic perspective. We are divesting our PCB business at a time of positive momentum in that sector, to a Shanghai-based private equity fund. Following our decision to focus on ink development and a strategic cooperation with a world leading ink developer and manufacturer, we managed to adjust our FIT-related expenses. We also settled outstanding IP litigation which has been an overhang for more than a decade, and this allows us to significantly reduce our ongoing legal-related expenses. Following these initiatives, Camtek has now become a focused semiconductor inspection and metrology company. We have a very strong balance sheet, opening up many potential opportunities on which we intend to capitalize. Our goal is to cement ourselves as the leading advanced packaging inspection and metrology Company for the semiconductor industry."

"Looking ahead, we expect to see longer-term higher revenue growth rates for Camtek. Additionally, we expect to demonstrate higher gross margins and lower operating expenses, leading to significantly improved operating margins. This should be evident already in the coming quarters, and we expect our fourth quarter results to demonstrate approximately 15% operating margin with potential for further improvement in 2018," **continued Mr. Amit.**

**Concluded Mr. Amit,** "We believe the recent actions we have taken will enable the value in Camtek to become more apparent and increase shareholder value. We look forward to taking our business to the next level over the coming years, with even greater vigor and focus."

## **Second Quarter 2017 Financial Results**

**Revenues** for the second quarter of 2017 were \$22.7 million. This compares to second quarter 2016 revenues of \$19.8 million, a growth of 14%. Revenues do not include those of the PCB business, whose sale is expected to close in the third quarter, which are accounted for as discontinued operations.

**Gross profit** on a GAAP and non-GAAP basis in the quarter totaled \$11.2 million (49.2% of revenues), compared to \$10.0 million (50.5% of revenues) in the second quarter 2016. The variance in the gross margin is a function of the product and sales mix in the quarter.

**Operating loss** on a GAAP basis in the quarter totaled \$11.0 million, compared to an operating income of \$0.8 million (3.9% of revenues), in the second quarter 2016. This includes the one-time \$13 million charge for the Rudolph settlement.

**Operating profit** on a non-GAAP basis in the quarter totaled \$2.1 million (9.2% of revenues), compared to \$0.9 million (4.5% of revenues), in the second quarter 2016.

**Net loss** on a GAAP basis in the quarter totaled \$3.9 million, or \$0.11 per share. This compares to net income of \$1.3 million, or \$0.04 per diluted share, in the second quarter 2016. This includes a deferred tax income of \$5.5 million and the results of the discontinued operations.

**Net income** on a non-GAAP basis in the quarter totaled \$3.8 million, or \$0.11 per diluted share. This compares to net income of \$1.5 million, or \$0.04 per diluted share, in the second quarter 2016.

**Cash and cash equivalents** as of June 30, 2017 were \$27.1 million compared to \$24.3 million as of March 31, 2017. The \$13 million settlement amount is expected to be paid in the third quarter. The Company reported a positive operating cash flow of \$3.7 million during the quarter.

## Conference Call

Camtek will host a conference call today, August 3, 2017, at 9:00 am ET.

Rafi Amit, CEO, Moshe Eisenberg, CFO and Ramy Langer, VP Head of the Semiconductors Division will host the call and will be available to answer questions after presenting the results. To participate, please call one of the following telephone numbers a few minutes before the start of the call.

<b>US:</b>	1 888 407 2553	at 9:00 am Eastern Time
<b>Israel:</b>	03 918 0610	at 4:00 pm Israel Time
<b>International:</b>	+972 3 918 0610	

For those unable to participate, the teleconference will be available for replay on Camtek's website at <http://www.camtek.com> beginning 24 hours after the call.

## ABOUT CAMTEK LTD.

Camtek Ltd. provides automated and technologically advanced solutions dedicated to enhancing production processes, increasing products yield and reliability, enabling and supporting customer's latest technologies in the Semiconductors, Printed Circuit Boards (PCB) and IC Substrates industries.

Camtek addresses the specific needs of these interconnected industries with dedicated solutions based on a wide and advanced platform of technologies including intelligent imaging, image processing and functional inkjet printing.

This press release is available at [www.camtek.com](http://www.camtek.com)

*This press release may contain projections or other forward-looking statements regarding future events or the future performance of the Company. These statements are only predictions and may change as time passes. We do not assume any obligation to update that information. Actual events or results may differ materially from those projected, including as a result of changing industry and market trends, reduced demand for our products, the timely development of our new products and their adoption by the market, increased competition in the industry, intellectual property litigation, price reductions as well as due to risks identified in the documents filed by the Company with the SEC.*

### *Use of non-GAAP Measures*

*This press release provides financial measures that exclude: (i) settlement expenses; (ii) tax benefits; (iii) share based compensation expenses; (iv) write off of inventory and fixed-assets related to the discontinued FIT product line; and (v) revaluation of liabilities with respect to the acquisition of Printar, and are therefore not calculated in accordance with generally accepted accounting principles (GAAP). Management believes that these Non-GAAP financial measures provide meaningful supplemental information regarding our performance. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management uses both GAAP and non-GAAP measures when evaluating the business internally and therefore felt it is important to make these non-GAAP adjustments available to investors. A reconciliation between the GAAP and non-GAAP results appears in the tables at the end of this press release.*

## Consolidated Balance Sheets

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(In thousands)

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	<u>U.S. Dollars (In thousands)</u>	
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	27,122	19,740
Trade accounts receivable, net	21,371	22,066
Inventories	20,681	16,647
Due from affiliated companies	367	-
Other current assets	1,506	2,039
Deferred tax asset	4,649	894
Current assets held for sale	27,030	25,018
Total current assets	<u>102,726</u>	<u>86,404</u>
Fixed assets, net	<u>15,618</u>	<u>13,725</u>
Long-term inventory	1,390	1,461
Deferred tax asset	4,894	3,179
Other assets, net	270	270
Intangible assets, net	474	519
	<u>7,028</u>	<u>5,429</u>
<b>Total assets</b>	<u><b>125,372</b></u>	<u><b>105,558</b></u>
<b><u>Liabilities and shareholders' equity</u></b>		
<b>Current liabilities</b>		
Trade accounts payable	12,515	10,304
Other current liabilities	29,308	14,722
Due to affiliated companies	-	18
Current liabilities held for sale	9,423	6,482
Total current liabilities	<u>51,246</u>	<u>31,526</u>
<b>Long term liabilities</b>		
Liability for employee severance benefits	928	667
	<u>928</u>	<u>667</u>
<b>Total liabilities</b>	<u><b>52,174</b></u>	<u><b>32,193</b></u>
<b>Shareholders' equity</b>		
Ordinary shares NIS 0.01 par value, 100,000,000 shares authorized at June 30, 2017 and at December 31, 2016; 37,490,367 issued shares at June 30, 2017 and 37,440,552 at December 31, 2016; 35,397,911 shares outstanding at June 30, 2016 and 35,348,176 at December 31, 2016	148	148
Additional paid-in capital	76,874	76,463
Accumulated losses	(1,926)	(1,348)
	<u>75,096</u>	<u>75,263</u>
Treasury stock, at cost (2,092,376 as of June 30, 2017 and December 31, 2015)	(1,898)	(1,898)
Total shareholders' equity	<u>73,198</u>	<u>73,365</u>
<b>Total liabilities and shareholders' equity</b>	<u><b>125,372</b></u>	<u><b>105,558</b></u>

\* On July 18, 2017, Camtek signed a definitive agreement with an affiliate of Principle Capital, a Shanghai-based private-equity fund, to sell its PCB business. In accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), the financial position and results of operations of the PCB business are presented as discontinued operation and, as such, have been excluded from continuing operation for all period presented.

## Consolidated Statements of Operations

(in thousands, except share data)

	Six Months ended June 30,		Three Months ended June 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	U.S. dollars		U.S. dollars		U.S. dollars
<b>Revenues</b>	<b>43,828</b>	36,669	<b>22,682</b>	19,835	79,228
Cost of revenues	<b>22,384</b>	18,665	<b>11,527</b>	9,828	41,807
Reorganization and impairment	-	-	-	-	4,931
<b>Gross profit</b>	<b>21,444</b>	18,004	<b>11,155</b>	10,007	32,490
Research and development costs	<b>6,852</b>	6,497	<b>3,413</b>	3,295	12,630
Selling, general and administrative expenses	<b>11,159</b>	10,887	<b>5,754</b>	5,936	21,900
Reorganization and impairment	-	-	-	-	(4,059)
Expenses from settlement	<b>13,000</b>	-	<b>13,000</b>	-	-
<b>Operating income (loss)</b>	<b>(9,567)</b>	620	<b>(11,012)</b>	776	2,019
Financial expenses, net	<b>(209)</b>	(379)	<b>(56)</b>	(160)	(847)
<b>Income (loss) from continuing operations before income taxes</b>	<b>(9,776)</b>	241	<b>(11,068)</b>	616	1,172
Income tax benefit (expense)	<b>5,364</b>	(147)	<b>5,404</b>	(108)	(303)
<b>Income (loss) from continuing operations</b>	<b>(4,412)</b>	94	<b>(5,664)</b>	508	869
<b>Discontinued operation</b>					
<b>Income from discontinued operation</b>					
Income before tax benefit (expense)	<b>4,339</b>	1,499	<b>1,981</b>	984	4,450
Income tax benefit (expense)	<b>(505)</b>	(284)	<b>(194)</b>	(207)	(585)
<b>Income from discontinued operation</b>	<b>3,834</b>	1,215	<b>1,787</b>	777	3,865
<b>Net income (loss)</b>	<b>(578)</b>	1,309	<b>(3,877)</b>	1,285	4,734
<b>Net income (loss) per ordinary share:</b>					
<b>Basic earnings from continuing operation</b>	<b>(0.12)</b>	0.00	<b>(0.16)</b>	0.01	0.02
<b>Basic earnings from discontinued operation</b>	<b>0.11</b>	0.03	<b>0.05</b>	0.02	0.11
<b>Diluted earnings from continuing operation</b>	<b>(0.12)</b>	0.00	<b>(0.16)</b>	0.01	0.02
<b>Diluted earnings from discontinued operation</b>	<b>0.11</b>	0.03	<b>0.05</b>	0.02	0.11
<b>Weighted average number of ordinary shares outstanding:</b>					
<b>Basic</b>	<b>35,359</b>	35,348	<b>35,369</b>	35,348	35,348
<b>Diluted</b>	<b>35,359</b>	35,359	<b>35,369</b>	35,358	35,376

\* On July 18, 2017, Camtek signed a definitive agreement with an affiliate of Principle Capital, a Shanghai-based private-equity fund, to sell its PCB business. In accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), the financial position and results of operations of the PCB business are presented as discontinued operation and, as such, have been excluded from continuing operation for all period presented.

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## Reconciliation of GAAP To Non-GAAP results

(In thousands, except share data)

	Six Months ended June 30,		Three Months ended June 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	U.S. dollars		U.S. dollars		U.S. dollars
<b>Reported net income (loss) attributable to Camtek Ltd. on GAAP basis</b>	<b>(578)</b>	1,309	<b>(3,877)</b>	1,285	4,734
Settlement expense, net of tax (1)	<b>12,025</b>	-	<b>12,025</b>	-	-
Realization of deferred tax assets (2)	<b>(4,495)</b>	-	<b>(4,495)</b>	-	-
Effect of FIT reorganization (3)	-	-	-	-	872
Acquisition of Sela and Printar related expenses (4)	-	183	-	93	183
Share-based compensation	<b>184</b>	173	<b>92</b>	108	363
Attributable to discontinued operations	<b>43</b>	28	<b>22</b>	14	66
<b>Non-GAAP net income</b>	<b>7,179</b>	1,693	<b>3,767</b>	1,500	6,218
<b>Non –GAAP net income per share , basic and diluted</b>	<b>0.20</b>	0.05	<b>0.11</b>	0.04	0.18
<b>Gross margin on GAAP basis from continuing operations</b>	<b>48.9%</b>	49.1%	<b>49.2%</b>	50.5%	41.0%
<b>Reported gross profit on GAAP basis</b>	<b>21,444</b>	18,004	<b>11,155</b>	10,007	32,490
Effect of FIT reorganization (3)	-	-	-	-	4,931
Share-based compensation	<b>19</b>	17	<b>9</b>	15	31
<b>Non- GAAP gross margin</b>	<b>21,463</b>	18,021	<b>11,164</b>	10,022	47.3%
<b>Non-GAAP gross profit</b>	<b>48.9%</b>	49.1%	<b>49.2%</b>	50.5%	37,452
<b>Reported operating income (loss) attributable to Camtek Ltd. on GAAP basis from continuing operations</b>	<b>(9,567)</b>	620	<b>(11,012)</b>	776	2,019
Settlement expense (1)	<b>13,000</b>	-	<b>13,000</b>	-	-
Effect of FIT reorganization (3)	-	-	-	-	872
Share-based compensation	<b>184</b>	173	<b>92</b>	108	363
<b>Non-GAAP operating income</b>	<b>3,617</b>	793	<b>2,080</b>	884	3,254

(1) During the three and the six months ended June 30, 2017, the Company recorded a provision of \$13 million (\$12 million net of tax) in conjunction settlement with Rudolph Technologies Inc.

(2) During the three and the six months ended June 30, 2017 the Company recorded net income of \$4.5 million as a result of a decrease in the valuation allowance on deferred tax assets following the evaluation of the realizability of the assets based on projected future earnings.

- (3) During the year ended December 31, 2016, the Company recorded reorganization costs with regard to the FIT activities of \$0.9 million, consisting of: (1) inventory and fixed asset write-offs of \$4.9 million, recorded under cost of revenues line item; (2) other expenses of \$0.1 million, recorded under cost of revenues line item; (3) fixed asset write-offs of \$0.7 million, recorded under operating expenses; (4) other expenses of \$0.2 million, recorded under operating expenses; and (5) income from write-off of liabilities to OCS \$5.0 million, recorded under operating expenses.
- (4) During the three and the six months ended June 30, 2016 and the twelve months ended December 31, 2016, the Company recorded acquisition expenses of \$0.2 million, \$0.1 million and \$0.2 million, respectively, consisting of revaluation adjustments of \$0.2 million, \$0.1 million and \$0.2 million, respectively, of contingent consideration and certain future liabilities recorded at fair value. These amounts are recorded under finance expenses line item.
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