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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 20-F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

Commission file number 000-30664

**Camtek Ltd.**

(Exact name of Registrant as specified in its charter)

**Israel**

(Jurisdiction of incorporation or organization)

**Ramat Gavriel Industrial Zone, P.O. BOX 544, Migdal Ha'Emek, Israel**

(Address of principal executive offices)

**Moshe Eisenberg, Telephone: (972) (4) 6048100, Facsimile: (972) (4) 6048300, E-mail: moshee@camtek.com**

**Ramat Gavriel Industrial Zone, P.O. BOX 544, Migdal Ha'Emek, Israel**

(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, nominal value NIS 0.01 per share	CAMT	Nasdaq Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

38,671,825 (as of March 18, 2020) ordinary shares, par value NIS 0.01 per share.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## INTRODUCTION

### Definitions

In this annual report, unless the context otherwise requires:

- references to “Camtek,” the “Company,” “us,” “we” and “our” refer to Camtek Ltd. (the “Registrant”), an Israeli company, and its consolidated subsidiaries (unless otherwise indicated);
- references to “ordinary shares,” “our shares” and similar expressions refer to the Registrant’s ordinary shares, NIS 0.01 nominal (par) value per share;
- references to “dollars,” “U.S. dollars” and “\$” are to United States Dollars;
- references to “shekels” and “NIS” are to New Israeli Shekels, the Israeli currency;
- references to the “Companies Law” are to Israel’s Companies Law, 5759-1999;
- references to the “Israeli Securities Law” are to Israel’s Securities Law, 5728-1968;
- references to the “SEC” are to the United States Securities and Exchange Commission; and
- references to the “Nasdaq Rules” are to rules of the Nasdaq Global Market.

### Cautionary Language Regarding Forward-Looking Statements

This Annual Report includes certain statements that are intended to be, and are hereby identified as, “forward-looking statements” for the purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events.

Forward-looking statements can be identified by the use of forward-looking terminology words such as “may,” “will,” “should,” “could,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “seeks,” “strategy,” “potential” or “continue” or the negative or other variations of these words, or other comparable words or phrases, but are not the only way these statements are identified. These statements discuss future expectations, plans and events, contain projections of results of operations or of financial condition or state other “forward-looking” information. When a forward-looking statement includes an underlying assumption, we caution that, while we believe the assumption to be reasonable and make it in good faith, assumed facts almost always vary from actual results, and the difference between a forward-looking statement and actual results can be material. Forward-looking statements may be found in Item 4. “Information on the Company” and Item 5. “Operating and Financial Review and Prospects” and in this Annual Report generally. Our actual results could differ materially from those anticipated in these statements as a result of various factors, including all the risks discussed in “Risk Factors” and other cautionary statements in this Annual Report. All of our forward-looking statements are qualified by and should be read in conjunction with those disclosures. Except as may be required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report might not occur.

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers.**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable.**

Not applicable.

**Item 3. Key Information.**

**A. Selected Consolidated Financial Data.**

We derived the selected data under the captions “Selected Statement of Operations Data” for the years ended December 31, 2019, 2018 and 2017, and “Selected Balance Sheet Data” as of December 31, 2019 and 2018 from the audited consolidated financial statements included elsewhere in this Annual Report. We derived the selected data under the captions “Selected Statement of Operations Data” for the years ended December 31, 2016 and 2015 and “Selected Balance Sheet Data” as of December 31, 2017, 2016 and 2015 from audited financial statements that are not included in this Annual Report.

For all fiscal periods for which consolidated financial data are set forth below, our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
U.S. Dollars (in thousands, except per share data)					
<b>Selected Statement of Operations Data:</b>					
Revenues:					
Revenues	134,019	123,174	93,485	79,228	69,387
Total revenues					
Cost of revenues	69,235	62,378	47,966	41,807	36,508
Reorganization and impairment	-	-	-	4,931	1,041
Total cost of revenues	69,235	62,378	47,966	46,738	37,549
Gross profit	64,784	60,796	45,519	32,490	31,838
Research and development costs	16,331	14,581	13,534	12,630	11,421
Selling, general and administrative expenses	26,481	26,182	22,022	21,900	19,255
Litigation settlement	-	-	13,000	-	14,600
Reorganization and impairment	-	-	-	(4,059)	138
Total operating expenses	42,812	40,763	48,556	30,471	45,414
Operating income (loss)	21,972	20,033	(3,037)	2,019	(13,576)
Financial income (expenses), net	801	728	(150)	(847)	(1,312)
Income (loss) from continuing operations before income taxes	22,773	20,761	(3,187)	1,172	(14,888)
Income tax (expense) benefit	(1,950)	(2,030)	4,875	(303)	2,072
Net income (loss) from continuing operations	20,823	18,731	1,688	869	(12,816)
Discontinued operations					
Income from discontinued operations					
Income before tax expense	1,257	-	18,302	4,450	2,952
Income tax expense	(94)	-	(6,028)	(585)	(249)
Net income from discontinued operations	1,163	-	12,274	3,865	2,703
Net income (loss)	21,986	18,731	13,962	4,734	(10,113)
Earnings (loss) per ordinary share:					
Basic earnings (losses) from continuing operations	0.55	0.52	0.05	0.02	(0.38)
Basic earnings from discontinued operations	0.03	-	0.35	0.11	0.08
Basic net earnings	0.58	0.52	0.40	0.13	(0.30)
Diluted earnings (losses) from continuing operations	0.54	0.51	0.05	0.02	(0.38)
Diluted earnings from discontinued operations	0.03	-	0.34	0.11	0.08
Diluted net earnings	0.57	0.51	0.39	0.13	(0.30)
Weighted average number of ordinary shares outstanding (in thousands):					
Basic	37,626	36,190	35,441	35,348	33,352
Diluted	38,432	36,747	35,964	35,376	33,352

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	U.S. Dollars (in thousands, except per share data)				
<b>Selected Balance Sheet Data:</b>					
Cash and cash equivalents	38,047	54,935	43,744	19,740	30,833
Short-term deposits	51,500	-	-	-	-
Short-term restricted deposit	-	-	-	-	7,875
Total assets	170,369	141,547	113,036	105,558	116,266
Total liabilities	34,067	40,140	28,735	32,193	48,064
Additional paid in capital	101,327	81,873	78,437	76,463	76,034
Total shareholders' equity <sup>1</sup>	136,302	101,407	84,301	73,365	68,202
Ordinary issued and outstanding shares	38,649,979	36,443,069	35,832,131	35,348,176	35,348,176

**B. Capitalization and Indebtedness.**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds.**

Not applicable.

**D. Risk Factors.**

There is a high degree of risk associated with our Company and business. If any of the following risks occur, our business, revenues, operating results and financial condition could be materially adversely affected and the trading price of our ordinary shares could decline.

**Risk Factors Related to Our Business and Our Markets**

**Risks Relating to the Novel Coronavirus (COVID-19) Pandemic (“Coronavirus”)**

The Coronavirus outbreak which began in December 2019, has dramatically expanded into a worldwide pandemic creating macro-economic uncertainty and disruption in the business and financial markets. Many countries around the world, including Israel, have been taking measures designated to limit the continued spread of the Coronavirus, including closing workplaces, restricting travel, prohibiting assembling, closing international borders and quarantining populated areas. Such measures present concerns that may dramatically affect our ability to conduct our business effectively, including, but not limited to, adverse effect on employees' health, a slowdown and stoppage of manufacturing, commerce, delivery, work, travel and other activities which are essential and critical for maintaining on-going business activities.

Given the uncertainty around the extent and timing of the future spread or mitigation of the Coronavirus outbreak and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact to our future results of operations, cash flows or financial condition. Infections may become more widespread and the limitation on our ability to work, travel and timely sell and distribute our products, as well as any closures or supply disruptions, may be extended for longer periods of time and to other locations, all of which would have a negative impact on our business, financial condition and operating results. In addition, the unknown scale and duration of these developments have macro and micro negative effects on the financial markets and global economy which could result in an economic downturn that could affect demand for our products and have a material adverse effects on our operations and financial results, earnings, cash flow, financial condition and our share price. These effects could be material and long term in duration.

While the full impact of the Coronavirus outbreak is unknown at this time, we are closely monitoring the developments and continually assessing the potential impact on our business. Below are some of the risks and challenges that we may face as a result of a prolonged disruption of work due to the Coronavirus pandemic:

- Economic downturn and slowdown of the macro-economic development and significant decline of business that can harm the strength of the worldwide electronics industry in general and the semiconductor fabrication and packaging industry in particular. Such downturn or slowdown could affect demand for our customers' end products and as a result may cause manufacturers in the semiconductor industry to suspend or reduce capital investments in our products for use in their manufacturing processes, and decrease our sales of products and related services to such industry;

<sup>1</sup>Authorized share capital of 100,000,000 ordinary shares, par value NIS 0.01.

- Material reduction in new orders and in procurement of our products, issuance of work stoppage orders or delay in the award of new orders on part of our customers;
- Disruptions or restrictions on our operations and those of our contractors and customers, including on our ability to travel or to install or provide services to our products, as well as temporary closures of our facility or the facilities of our suppliers, manufacturers or customers, and prohibitions on the export, import or release from customs of products and components;
- Lower work efficiency, productivity and service quality; Coronavirus infection could harm the health of one or more of our employees, which could in turn require us to completely shut down all, or almost all, work in our facility in order to prevent further infection and spread of the virus. Key employees may lose their ability to manage and run our operations, share their knowhow and further pursue the development of our products and business;
- Disruption, reduction or interruption in supply, disruption to our suppliers, manufacturers or customers and their other vendors, lack or delay in the supply of raw materials and goods, or in the performance of work or services by our contractors and subcontractors;
- Slowdown in production and manufacturing, and a significant increase in the price of one or more components or materials;
- Imposition of fines, penalties, damages and contract terminations (including the exercise of certain force majeure clauses), and damage to our reputation and relationship with our customers, as a result of delays in production, shipment, deliveries and services due to any of the above constraints;
- Financial difficulties and insolvencies of major customers, which could lead to slowing the payment of their obligations to us or even discharging those obligations; and
- Difficulties in collection of amounts due from customers and in satisfying revenue recognition procedures.

Further realization of any of these or other risks could adversely affect various aspects of our results of operations, including our cash flow and financial condition. In addition, the difficulty to project future revenues under those circumstances, could have an adverse effect on our ability to report future revenues, profitability and cash flow.

**We are dependent upon the semiconductor industry; unfavorable economic conditions or low capital expenditures may negatively impact our operating results.**

Our revenue is dependent upon the strength of the worldwide electronics industry. All of our revenues are derived from sales of products and related services to the semiconductor fabrication and packaging industry. We depend upon the need by manufacturers in such industry to make continuing capital investments in our products for use in their manufacturing processes and their need to keep pace with more technologically complex electronic devices and growing semiconductors industry capacity.

The semiconductor capital equipment procurement practices of these manufacturers have historically been cyclical in nature, and there have been both periodic and sustained downturns. These spending levels are impacted by the actual and expected worldwide level of demand for consumer end products that utilize our solutions in their production processes. Demand for consumer end products can also be a function of prevailing global or regional economic conditions and is negatively affected by a general economic slow-down and/or periods of economic uncertainty as consumers reduce discretionary spending on electronics. Although we have seen a more stable overall pattern of capital investments in the industry we serve in recent years, the occurrences of cyclical downturns in this industry are very difficult to predict, especially in light of the recent Coronavirus global outbreak. For more details regarding the coronavirus global outbreak see Item 3.D – **Risks Relating to the Novel Coronavirus (COVID-19) Pandemic (“Coronavirus”)**. Due to the ongoing need to invest in R&D and the costs of maintaining a global infrastructure of customer service and support operations, we are limited in our ability to reduce expenses in response to circumstances of decreased demand, which could have a material adverse effect on our business and results of operations.

**The markets we serve are highly competitive and have dominant market participants, some with greater resources than us. Such competition could adversely affect the terms on which we sell our products and may negatively affect our financial results.**

The markets that we serve are highly competitive. During market slowdowns, competition is intensified due to the reduced demand for the products that we manufacture. When competitors respond to declining demand by offering discounts, free evaluation machines or more favorable credit terms, we may need to implement some or all of the same methods in order to maintain our market position. These could mean lower prices for our products and a corresponding reduction in our gross margin, as well as more favorable payment terms to our customers and a corresponding decline in our cash flow. If we have to lower prices to remain competitive and are unable to reduce our costs to offset price reductions or are unable to introduce new, higher performance products with higher prices, our operating results may be adversely affected.

Our main competitors are Onto Innovation Inc. (formerly known as Rudolph Technologies Inc. which, on October 25, 2019, merged with Nanometric Inc. into a company named Onto Innovation Inc., hereinafter referred to as “**Onto Innovation**” or “**Rudolph**”), ATI Electronics Pty Ltd, ASTI Holding Limited, Toray Industries, Inc. and, for some limited applications, KLA-Tencor Corporation.

Some of our competitors have greater financial, personnel and other resources and offer a broader range of products and services. These competitors may be able to respond more quickly to new or emerging technologies or changes in customer requirements, develop additional or superior products, benefit from greater economies of scale, offer more aggressive pricing or devote greater resources to the promotion of their products. Other competitors are local smaller competitors, which target the low-end market and may offer products at lower prices. If we are unsuccessful in effectively responding to our competition, our financial results will be adversely affected by reduced revenues as well as lower margins, which may lead to financial losses.

**Technology in the markets in which we operate is rapidly evolving, and we may not be able to adequately predict these changes or keep pace with emerging industry standards, which could lead to a loss of revenues or adversely affect our profits.**

The markets for our products are characterized by changing technology, evolving industry standards, changes in end-user requirements and new product introductions. Our future success will depend on our ability to accurately predict new market needs and requirements and to enhance accordingly our existing products and develop and introduce new technologies for the markets in which we operate. These products must keep pace with technological developments and address the increasingly sophisticated needs of our customers. If we fail to anticipate correctly, or if we are unable to keep pace with, technological changes, products offered by our competitors or emerging industry standards, our ability to generate revenues may be negatively affected. Adopting new technologies may also result in material inventory write-offs which would adversely affect our results of operations.

**A substantial majority of our sales have been to manufacturers in the Asia Pacific region. The concentration of our sales and other resources within a particular geographical region, subjects us to additional risks that could impede harm our revenues, results of operations and cash flow.**

In 2019, our sales in the Asia Pacific region (mainly South Korea, China and Taiwan) accounted for approximately 86% of our total revenues. A number of Asian countries have experienced or could experience political and economic instability. Changes in local legislation, changes in governmental controls and regulations, instability of Asian economies, changes in tariffs and taxes, trade restrictions, a downturn in economic or financial conditions, political instability, an outbreak of hostilities or other political upheaval, as well as any further extraordinary events having an adverse effect on the economy or business environment in this region, would likely harm the operations of our customers in these countries, may cause a significant decline in our future revenues and may have an adverse effect on our results of operations and cash flow. These general risks are heightened in China, which is a major territory for Camtek, where the nature of the economy and the legal parameters are rapidly evolving and where foreign companies may face regulatory, business and cultural obstacles; specifically, recent revisions made in the U.S. administrative policy, mainly with respect to China, have created and may further create changes to trade agreements, restrictions on free trade and significant increases in tariffs on goods imported into the United States, particularly those manufactured in China. Additional circumstances which may affect the economic stability of countries in the Asia-Pacific region include the occurrence of natural disasters, such as earthquakes, cyclones, tsunamis and flooding as well as regional disputes such as those which have occurred between Taiwan and China and North and South Korea.

**Our operating results have varied, and will likely continue to vary significantly from quarter to quarter, and from our expectations for any specific period making it difficult to predict future results.**

Our quarterly operating results have varied in the past and could continue to vary from quarter to quarter or from our expectations for any specific period in the future. This complicates our planning processes, reduces the predictability of our earnings and subjects our stock to price and volume fluctuations. Period-to-period comparisons of our results of operations may not always provide indications of our future performance.

Some of the factors that may influence our operating results include:

- global economic conditions and worldwide demand for electronic equipment;
- changes in demand for our systems;
- changes made by customers to orders for our systems and/or installation schedules;
- product introductions and the market penetration period of new products;
- rapid shifts in industry capacity;
- the size, timing and shipment of substantial orders;
- timing of evaluation and qualification of our products by new customers;
- lack of visibility/low levels of backlog from the preceding quarter;
- product mixes;
- pricing of our products;
- timing of new product, upgrades or enhancements;
- level of operating expenses such as R&D expenses, agent commissions;
- fluctuations in interest and exchange rates; and
- an outbreak of a contagious disease, such as Coronavirus, which may cause us or our suppliers and/or customers to temporarily suspend our operations in the affected city or country.

In light of these factors and the cyclical nature of the markets we target, we expect to continue to experience significant fluctuations in our quarterly operating results.

**We have expanded, and may further attempt to expand our activity within and/or beyond our current served markets, through M&A activity. Such activity may adversely affect our results of operations.**

We have in the past expanded our activity to adjacent markets through M&A, and we may further decide to expand our activity through M&A activities.

Such M&A activity could lead to post-merger integration difficulties; diversion of management's attention from our core business and operations; failure to estimate the acquired businesses' future performance and failure to execute on such expectations; inaccurate evaluation of the fair value of certain assets acquired, liabilities assumed and contingent liabilities; and the loss of key employees of the acquired operations. In addition, as a result of acquisition activity, our future results of operations may be influenced by the possibility of our incurring impairment charges as a result of decline in value of goodwill and other intangible assets, ongoing amortization of intangible assets acquired and financing expenses due to re-evaluation of contingent liabilities and other liabilities assumed presented at fair value (see also in Item 5.A below - "*Operating Results - Critical Accounting Policies*"). Future acquisitions could also result in potentially dilutive issuances of equity securities, a decrease in our cash resources, incurrence of debt, contingent liabilities or impairment charges related to goodwill and other intangible assets, any of which could harm our business. Furthermore, we compete for acquisition and investment opportunities with other well-established and well-capitalized entities. There can be no assurance that we will be able to locate acquisition or investment opportunities upon favorable terms.

**We depend on a limited number of suppliers, and in some cases, a sole supplier and/or subcontractor. If one or more of our third-party suppliers or subcontractors does not provide us with key components or subsystems, we may not be able to deliver our products to our customers in a timely manner, and we may incur substantial costs to obtain these components from alternate sources.**

While a portion of our manufacturing process is performed in our production facilities in Israel, we outsource some of our manufacturing processes to two contract manufacturers, which are located in Israel ("**Contract Manufacturers**"). From time to time, we have experienced and may in the future experience delays in shipments from our Contract Manufacturers. In addition, we rely on single source and limited source suppliers and subcontractors ("**Key Suppliers**") for a number of essential components and subsystems of our products. We do not have agreements with all of these suppliers and subcontractors for the continued supply of the components or subsystems they provide.

Although we believe that our Contract Manufacturers and Key Suppliers have sufficient economic incentive to perform our manufacturing and meet our supply needs, their performance is not within our control and manufacturing problems may occur in the future, including inferior quality and insufficient quantities of components. Delays, disruptions, quality control problems and loss in capacity could result in delays in deliveries of our products to our customers, which could subject us to penalties payable to our customers, increased warranty costs and possible cancellation of orders.

If our Contract Manufacturers and Key Suppliers experience financial, operational, manufacturing capacity or other difficulties, or shortages in components required for manufacturing, our supply may be disrupted and we may be required to seek alternate manufacturers. We may be unable to secure alternate manufacturers that meet our needs in a timely and cost-effective manner.

**We depend on a number of key personnel who would be difficult to replace.**

Our continued growth and success significantly depend on the managerial and technical skills of the members of our senior management and key employees. If our operations rapidly expand, we believe that we will need to promote and hire qualified engineering, administrative, operational, financial and marketing personnel. In particular, we may find it difficult to hire key personnel with the requisite knowledge of our business, products and technologies. The process of locating, training and successfully integrating qualified personnel into our operations can be lengthy and expensive. During periods of economic growth, competition for qualified engineering and technical personnel is intense.

**Increased cyber-attacks, data breaches, risks and threats, along with changes in privacy and data protection laws could have an adverse effect on our business.**

Given the substantial increase of cyber-attacks in recent years, we have implemented network security technological, operational and organizational measures and drafted an internal global information technology security policy. This policy, which follows industry best practices and focuses on Camtek's network and information security, was reviewed by our audit committee and board of directors.

The possible cyber-attacks via unauthorized access, exploitation, manipulation, deception, corruption, disruption, damage, leak, theft or loss of our intellectual property or any other digital assets could result in liabilities to us and other material costs. Cyber-attacks aimed at our digital assets could accumulate increased costs to prevent, respond to or mitigate these incidents. It is also possible that our digital assets and business processes could be jeopardized, compromised or halted via cyber-attacks, without being noticed for some time.

Although we have not yet experienced any cyber-attacks that affected our operations, we cannot fully guarantee that any such potential cyber incidents will not have an adverse effect on our company in the future. Even though we have invested in implementing various cyber security solutions in our networks and systems, in order to mitigate and reduce our exposure to these cyber risks, we can provide no assurance that our current digital assets are fully protected against all sorts of cyber-attacks by malicious third parties.

In addition, the potential liabilities associated with these events could exceed the insurance coverage we maintain as they could lead to financial losses, damage to our reputation, business processes, financial condition and results of operations.

Furthermore, the regulatory framework for data and privacy protection issues is rapidly evolving worldwide. As such, the European Union adopted the General Data Protection Regulation ("GDPR"), which imposes stricter obligations and provides for greater penalties for noncompliance. We may be required to incur significant costs to comply with such data and privacy protection laws, as applicable to our company, or else face an adverse effect on our business prospects and/or financial position.

**Fluctuations in currency exchange rates may result in additional expenses being recorded or in the prices of our products becoming less competitive and thus may have negative impact on our profitability.**

We are a global company that operates in a multi-currency environment. As a major portion of the costs of our Israeli operations, such as personnel, subcontractors, materials and facility-related costs, are incurred in NIS, an increase in the NIS value relative to the U.S. Dollar will increase our costs expressed in U.S. Dollars. We may, from time to time, take various measures designed to reduce our exposure to these effects, but any such steps may be inadequate to protect us from currency rate fluctuations. In addition, although our products' prices in most countries are denominated in U.S. Dollars, in certain territories (currently, Europe and Japan) our products' prices are denominated in local currencies, and much of our service income in additional territories is denominated in local currencies. If there is a significant devaluation in the relevant local currencies in which we operate compared to the U.S. Dollar, we may be required to increase those prices and as a result our products and services may become less competitive.

**A longer sales process for new products may increase our costs and delay time to market of our products, both of which may negatively impact our revenues, results of operations, cash flow and may result in inventory write-offs.**

Our sales process to new and existing customers usually involves: demonstrations and testing against industry benchmarks in our sales centers; sales and technical presentations and presentations regarding our products' competitive advantages; and installation of the systems at the customer's site for side-by-side competitive evaluations for a period of approximately six months. More evaluation time is devoted during the initial market penetration period for new products such as new products under our Eagle product line, and for new customers in new markets, since these circumstances usually require qualification of the systems by the customers and engineering efforts to fix errors, customize tasks and add new features. Considering the above factors, the length of time until we recognize revenue can vary and affect our revenues, cash flow and results of operations.

The long sales process may cause an increase in inventory levels and a risk for inventory write downs and write-offs; for more details regarding recent inventory write downs and write-offs see Item 5.A – *“Operating Results – Critical Accounting Policies – Valuation of Inventory”*.

**Third parties have asserted claims, and may assert additional claims, that our products infringe the intellectual property rights of others, which could expose us to costs and risks.**

Third parties, including one of our competitors in the field of semiconductor wafer inspection equipment, Rudolph (now Onto Innovation), previously asserted claims, and may assert additional claims in the future, that we have infringed their patents or intellectual property rights. Following the settlement of \$13 million and dismissal of all of Rudolph's outstanding claims in 2017, we do not currently have any outstanding intellectual property claims against us (and, in accordance with the terms of the settlement agreement with Rudolph, no such claims may be asserted by Rudolph within the three years following the execution thereof, i.e., until July 2020). However, we may in the future face such intellectual property claims against us, which, even if without merit, could lead to protracted litigation, could be costly to defend and could divert management's attention from our business. Successful claims against us (such as the claim asserted by Rudolph regarding our Falcon product in which a final ruling was granted in Rudolph's favor in 2016) could impose on us monetary awards for damages, as well as for plaintiff's attorney's fees and other costs, and could limit our ability to sell products in certain jurisdictions. Additional costs and expenses may also be incurred in the event of out of court settlement of claims against us (such as the settlement of the Rudolph claims in 2017), which could result in monetary consequences. See in Item 8.A – "*Consolidated Statements and Other Financial Information - Legal Proceedings*" below.

**We may encounter difficulties in purchasing key components and subsystems, or overestimate our needs, to meet customer demand.**

In the current highly competitive business environment, our customers require us to fill orders within a very short period of time. Our products are complex and require essential components and subsystems that are produced by a number of suppliers and subcontractors. In order to meet our customers' needs in the timeframe they require, we usually need to pre-order components and subsystems based on our forecasts of future orders, rather than on actual orders. While we believe that we have sufficient inventory to fill our customers' orders, our predictions may not correspond to our actual future needs and our suppliers and subcontractors cannot always supply such components and subsystems within a shorter than anticipated time frame. Our inability to anticipate rapid market changes may cause an increase of inventory which could result in material inventory write-offs, which we have incurred in the past, or may alternately limit our ability to satisfy customer orders, which could result in the loss of sales and could cause customers to seek products from our competitors.

**If we are unable to protect our proprietary technologies, we may not be able to compete effectively.**

We differentiate our products and technologies from those of our competitors by using our intellectual property for the development of our products. We rely on a combination of patents, copyrights, trade secrets, trademarks, confidentiality and non-disclosure agreements to protect our intellectual property. These measures may not be adequate to protect our proprietary technologies and it may be possible for a third party, including a competitor, to copy or otherwise obtain and use our products or technologies without authorization or to develop similar technologies independently. The inability to protect our intellectual property may affect our competitive advantage.

**We have historically incurred significant losses and negative cash flows and may not sustain profitable operations or continue to have positive operating cash flows in the future.**

Our ability to generate profits is dependent mainly on our ability to generate sufficient sales. In the future, our sales may not be sufficient to cover an increase in our expenses and we may not be able to maintain profitability, mainly during a protracted slowdown. We incurred significant losses and negative cash flows in the past (for example, in 2015 as well as in earlier periods prior to 2011), and may not sustain profitable operations or continue to have positive operating cash flows in the future. We have from time to time in the past undertaken cost cutting initiatives in response to economic conditions, including reducing our worldwide workforce, and may again in the future have to undertake cost reduction initiatives, which could lead to a deterioration of our competitive position, and any difficulty in reducing our cost structure could negatively impact our results of operations in the future and may result in additional losses in the future as well. Our failure to maintain profitability or to continue to have positive operating cash flows may impact our ability to compete in the market for the short and long term and impair our financial condition.

**Compliance with environmental, health and other laws and potential liabilities could materially impact our business, results of operations and financial condition.**

Due to our global operations, we must comply with certain international and domestic laws, regulations and restrictions which may expose our business to risks.

In addition, our business is subject to numerous domestic laws and regulations designed to protect the environment, including with respect to discharges and management of hazardous substances, wastes and emissions and soil and ground water contamination. The failure to comply with current or future environmental requirements could expose us to criminal, civil and administrative charges and monetary liability. We believe that we have complied with these requirements and that such compliance has not had a material adverse effect on our results of operations, financial condition or cash flows. Although we are not presently aware of any liability that could be material to our business, financial condition or operating results, due to the nature of our business and environmental risks, we cannot provide assurance that any such material liability will not arise in the future.

**We may fail to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.**

The Sarbanes-Oxley Act of 2002 (the “**Sarbanes Oxley Act**”) imposes certain duties on us and our executives and directors, including the requirements of Section 404 (Assessment of Internal Control), which requires (i) management’s annual review and evaluation of our internal control over financial reporting and (ii) an attestation report issued by an independent registered public accounting firm on our internal control over financial reporting, in connection with the filing of our Annual Report on Form 20-F for each fiscal year. We have documented and tested our internal control systems and procedures in order for us to comply with the requirements of Section 404. Our efforts to comply with such requirements have resulted in increased general and administrative expenses and a diversion of management time and attention, and we expect these efforts to require the continued commitment of resources. In addition, while our assessment of our internal control over financial reporting resulted in our conclusion that as of December 31, 2019, our internal control over financial reporting was effective, we cannot predict the outcome of our testing in future periods. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting. Failure to maintain effective internal control over financial reporting could result in investigation or sanctions by regulatory authorities, and could have a material adverse effect on our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares.

***Risks Relating to Our Ordinary Shares***

**Our share price and trading volumes have demonstrated significant volatility in the past and may continue to fluctuate in the future. Such share price volatility could limit investors’ ability to sell our shares at a profit, could limit our ability to raise funds successfully and may cause additional exposure for securities class action litigation.**

The stock market in general and the market price of our ordinary shares, in particular, are subject to fluctuation. As a result, changes in our share price may be unrelated to our operating performance. The price of our ordinary shares has experienced volatility in the past and may continue to do so in the future. During the period from January 1, 2019 through March 18, 2020, the closing price of our ordinary shares ranged from \$6.46 to \$12.15 per share. The price volatility of our shares and periodic volatile trading volume may make it difficult for investors to predict the value of their investment, to sell shares at a profit at any given time or to plan purchases and sales in advance. A variety of factors may affect the market price and the trading volume of our ordinary shares, including:

- global economic conditions, which generally influence stock market prices and volume fluctuations;

- investors' views of the attractiveness of our new products;
- changes in expectations as to our future financial performance and/or announcements of actual results that vary significantly from such expectations;
- the announcement by us or our competitors of corporate transactions, merger and acquisition activities or other similar events impacting our financial performance;
- changes in financial estimates by securities analysts;
- our earnings releases and the earnings releases of our competitors;
- market conditions relating to our customers' industries;
- announcements of technological innovations or new products by us or our competitors;
- other announcements, whether by us or others, referring to our financial condition, results of operations and changes in strategy;
- large block transactions in our ordinary shares;
- additions or departures of our key personnel;
- future offerings or sales of our ordinary shares; and
- announcements of significant claims or proceedings against us.

Further, as a result of the volatility of our stock price, we could be subject, and were subject in the past, to securities litigation, which could result in substantial costs and could divert management's attention and Company resources from business. Securities class action litigations are being brought from time to time against companies following periods of volatility in the market price of their securities, and in the past, one was brought against us. Although this claim was dismissed, we cannot guarantee that similar litigation would not be brought against us in the future.

**Our principal shareholders, Priortech and Chroma, hold a controlling interest in us and will be able to exercise their control in ways that may be adverse to the interests of our other shareholders. Our relationship with Priortech and Chroma may give rise to a conflict of interests.**

Priortech Ltd. ("**Priortech**") and Chroma ATE Inc. ("**Chroma**"), beneficially hold in the aggregate 44.13% of our issued and outstanding ordinary shares. As a result of the Chroma Voting Agreement (as defined below), Priortech and Chroma are deemed to be joint controlling shareholders of the Company and have the ability to determine the outcome of certain matters submitted to a vote of our shareholders, including the election of members of our board of directors and the approval of significant corporate transactions. This concentration of ownership may also have the effect of making it more difficult to obtain approval for a change in control of the Company.

Mr. Rafi Amit, our Chief Executive Officer and Chairman of the Board, and Mr. Yotam Stern, a member of our Board, hold, as of March 1, 2020, an aggregate of approximately 31.24% of the voting power at Priortech's general meeting of shareholders, through a voting agreement with David Kishon, Itzhak Krell (deceased), Haim Langmas (deceased), Zehava Wineberg and Hanoch Feldstien (including the estates of the foregoing deceased founders, the "**Founding Members**"), governing *inter-alia* joint voting at Priortech's general meetings of shareholders and the right of first refusal among themselves (the "**Priortech Voting Agreement**"), and as such may be deemed to control Priortech.

Messrs. Amit and Stern also hold various positions in Priortech and its affiliated companies, which may give rise to conflicts of interest. Mr. Amit serves, who serves as our Chief Executive Officer on a 90% position, acts as Priortech's Chairman of the board of directors and provides consulting and management services to Priortech on a 10% basis, as well as serving as a director at Priortech's associated company - P.C.B Technologies Ltd., an Israeli public company ("**PCB Technologies**"). Mr. Stern holds several other positions in the Priortech group including the position of Chief Executive Officer at Priortech and serves as a director at P.C.B Technologies.

In addition, in the framework of the Chroma Transaction (as defined below), Leo Huang, the chairman of the board of directors and a controlling shareholder of Chroma, and I-Shih Tseng, a director and Business Unit President of Chroma, were appointed to serve as members of our Board, which may give rise to conflicts of interest.

Despite our efforts to conduct ourselves by Israeli law procedural requirements concerning interested party transactions, including with respect to audit committee, board of directors and shareholder approvals (including the special majority requirement in appropriate cases), we cannot be certain that the possible conflicts of interest in any of these transactions and activities is fully eliminated.

For more details regarding our senior management arrangements, see Item 6.B below - "*Compensation – Employment Agreements*".

**If we are classified as a passive foreign investment company, our U.S. shareholders may suffer adverse tax consequences.**

There is a risk that we may be classified as a passive foreign investment company ("**PFIC**"). Our treatment as a PFIC could result in a reduction in the after-tax return of U.S. holders of our ordinary shares and may generally cause a reduction in the value of our shares. For U.S. federal income tax purposes, we will generally be classified as a PFIC for any taxable year in which either: (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of our total assets (determined on a quarterly basis) for the taxable year produce or are held for the production of passive income. Based on an analysis of our income, assets, activities and market capitalization, we do not believe that we were a PFIC for the taxable year ended December 31, 2019. However, there can be no assurance that the U.S. Internal Revenue Service ("**IRS**") will not challenge our analysis or our conclusion regarding our PFIC status. There is also a risk that we were a PFIC for one or more prior taxable years or that we will be a PFIC in future years, including 2020. If we were a PFIC during any prior years, U.S. holders who acquired or held our ordinary shares during such years generally will be subject to the PFIC rules. The tests for determining PFIC status are applied annually and it is difficult to make accurate predictions of our future income, assets, activities and market capitalization, which are relevant to this determination. If we were determined to be a PFIC for US federal income tax purposes, highly complex rules would apply to U.S. holders owning our ordinary shares and such U.S. holders could suffer adverse U.S. tax consequences. For more information, please see Item 10.E below - "*U.S. Federal Income Tax Considerations– Tax Consequences if We Are a Passive Foreign Investment Company*".

**Our ordinary shares are traded on more than one market and this may result in price variations.**

In addition to being traded on the Nasdaq Global Market, our ordinary shares are traded on the Tel Aviv Stock Exchange ("**TASE**"). Trading in our ordinary shares on these markets take place in different currencies (U.S. Dollars on Nasdaq and NIS on TASE) and at different times (resulting from different time zones, trading days and public holidays in the United States and Israel). The trading prices of our ordinary shares on these two markets may differ due to these and other factors. Any decrease in the price of our ordinary shares on one market could cause a decrease in the trading price of our ordinary shares on the other market.

## *Risks Relating to Our Operations in Israel*

### **Conditions in the Middle East and Israel may adversely affect our operations.**

Our headquarters and sole facility (including manufacturing facilities) are located in the North of the State of Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly influence our operations. Specifically, we could be adversely affected by:

- hostilities involving Israel;
- the interruption or curtailment of trade between Israel and its present trading partners;
- a downturn in the economic or financial condition of Israel; and
- a full or partial mobilization of the reserve forces of the Israeli army.

Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Middle Eastern neighbors. While Israel has entered into peace arrangements with both Egypt and Jordan, it has no peace arrangements with any other neighboring or Arab countries. Over the years, this state of hostility, varying from time to time in intensity and degree, has led to security and economic problems for Israel.

Further, all efforts to improve Israel's relationship with the Palestinians have failed to result in a permanent peaceful solution, and there have been numerous periods of hostility as well as civil insurrection of Palestinians in the West Bank and the Gaza Strip in recent years.

Also, relations between Israel and Iran continue to be hostile, due to the fact that Iran is perceived by Israel as sponsor of Hamas (a militia group and political party controlling the Gaza Strip) and Hezbollah (a Shia Islamist political party and militant group based in Lebanon), while maintaining a military presence in Syria, and with regard to Iran's nuclear program. The recent assassination of Iran's senior general Qassim Soleimani by the U.S. military, followed by Iranian retaliatory attack against U.S. military basis in Iraq, has contributed to the tension in the region and further intensified the hostility between Iran and Israel and between Israel and Hezbollah, which operates adjacent to Israel's northern border.

Lastly, Israel is engaged, from time to time, in armed conflicts with Hamas. These conflicts involve missile strikes against civilian targets in the southern parts of Israel, and have also involved such missile strikes against central parts of Israel, most recently in November 2019.

All of the above raise a concern as to the stability in the region, which may affect the political and security situation in Israel and therefore could adversely affect our business, financial condition and results of operations.

Furthermore, the continued conflict with the Palestinians is already disrupting some of Israel's trading activities. Certain countries, primarily in the Middle East, but also in Malaysia and Indonesia, as well as certain companies and organizations around the world, continue to participate in a boycott of Israeli brands, and others doing business with Israel and Israeli companies. The boycott, restrictive laws, policies or practices directed towards Israel or Israeli businesses could, individually or in the aggregate, have a material adverse effect on our business, for example by way of sales opportunities that we could not pursue or from which we will be precluded in the future. In addition, should the BDS Movement, the movement for boycotting, divesting and sanctioning Israel and Israeli institutions (including universities) and products become increasingly influential in the United States and Europe, this may also adversely affect our business and financial condition. Further deterioration of our relations with the Palestinians or countries in the Middle East could expand the disruption of international trading activities in Israel, may materially and negatively affect our business conditions, could harm our results of operations, and adversely affect the share price of our ordinary shares.

Our business may also be disturbed by the obligation of personnel to perform military service. Our employees who are Israeli citizens are generally subject to a periodical obligation to perform reserve military service, until they reach the age of 45 (or older, for reservists with certain occupations), but during military conflicts, these employees may be called to active duty for longer periods of time. In response to the increase in violence and terrorist activity in the past years, there have been periods of significant call-ups for military reservists and it is possible that there will be further military reserve duty call-ups in the future. In case of further regional instability such employees, who may include one or more of our key employees, may be absent for extended periods of time, which may materially adversely affect our business.

Furthermore, our Company's insurance does not cover any loss arising of events related to the security situation in the Middle East. While the Israeli government currently covers the reinstatement value of direct damages caused by acts of war or terror attacks, we cannot be certain that such coverage will be maintained.

We can give no assurance that the political, economic and security situation in Israel will not have a material adverse impact on our business in the future.

**Our ability to take advantage of Israeli government programs and tax benefits may change, which could increase our tax expenses.**

We participate in certain Israeli government programs and enjoy certain tax benefits, particularly tax exemptions, resulting from our "Approved Enterprise" status, provided to us due to our manufacturing facilities in Israel. In order to continue to be eligible for these programs, or similar programs, and tax benefits, we must continue to meet certain conditions, including making specified investments in fixed assets and equipment. If we fail to meet such conditions in the future, these tax benefits could be cancelled, and we could be required to refund any tax benefits already received. Further, these programs and tax benefits may not continue in the future at their current levels or at any level. The termination or reduction of these tax benefits would likely increase our tax liability. For information regarding the above-mentioned tax benefits, see Item 10.E below – "*Taxation – Israeli Taxation - Tax Benefits under the Law for the Encouragement of Capital Investments, 1959.*"

**The government grants we received for know-how research and development expenditures impose certain restrictions on utilization of the funded grants and may expose us to payment of royalties in connection with the commercialization thereof.**

We have received government grants from the Israel Innovation Authority (the "IIA") for the financing of a portion of our research and development expenditures over the years. Even following full repayment of any IIA grants, and unless otherwise agreed by the applicable authority of the IIA, we must nevertheless continue to comply with the requirements of the Encouragement of Industrial Research and Development Law, 1984 and the regulations promulgated there under (together: the "**R&D Law**"), with respect to technologies the development of which was financed by such grants (the "**Financed Know-How**"), including an obligation for repayment of such grants from sales of products based on the Financed Know-How, if and when such sales occur.

As of December 31, 2019, the total amount of grants received by the IIA and not yet repaid (including interest accrued by Camtek) was \$7.3 million. This amount also includes grants received by Printar Ltd. ("**Printar**"), which we assumed in the framework of the acquisition of Printar's assets and certain liabilities and which we have written off as we believe that no such payments will be made to the IIA (for more information please see the discussion relating to the cessation of the Functional Inkjet Technology ("**FIT**") activity in Item 4.B below - "*Business Overview – Our Business*").

In addition to the obligation to pay royalties to the IIA, the R&D Law requires that products which incorporate Financed Know-How be manufactured in Israel, and prohibits the transfer of the Financed Know-How and any right derived therefrom to third parties, unless otherwise approved in advance by the IIA. Such prior consent may be given by the IIA subject to payment of increased royalties.

Although as of the date of this Annual Report, no Financed Know-How is used or incorporated in our current or currently anticipated products lines, the abovementioned restrictions and requirements for payment could in the future – if and as applicable – impair our ability to sell such Financed Know-How, or to outsource or transfer manufacturing activities with respect to any product or technology based on Financed Know-How, outside of Israel. Furthermore, the consideration available to our shareholders in a transaction involving the transfer outside of Israel of Financed Know-How (such as a merger or similar transaction) may be reduced by any amounts that we are required to pay to the IIA.

For more information regarding the above-mentioned and other restrictions imposed by the R&D Law and regarding grants received by us from the IIA (and the repayment thereof), see Item 4.B below - "*Business Overview – The Israel Innovation Authority*".

**It may be difficult to enforce a U.S. judgment against us or our officers and directors, or to assert U.S. securities law claims in Israel.**

We are incorporated under the laws of the State of Israel. Service of process upon our directors and officers, all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, because the majority of our assets and all of our directors and officers are located outside the United States, any judgment obtained in the United States against us or any of them may not be collectible within the United States.

Further, it may be difficult for an investor to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear such a claim, it is not certain whether Israeli law or U.S. law will be applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact by an expert witness, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing these matters.

**Being a foreign private issuer exempts us from certain SEC requirements and Nasdaq Rules, which may result in less protection than is afforded to investors under rules applicable to domestic issuers.**

We are a “foreign private issuer” within the meaning of rules promulgated by the SEC. As such, we are exempt from certain provisions under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) applicable to U.S. public companies, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q and current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of securities registered under the Exchange Act, including extensive disclosure of compensation paid or payable to certain of our highly compensated executives as well as disclosure of the compensation determination process;
- the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profit realized from any “short-swing” trading transaction (a purchase and sale, or sale and purchase, of the issuer’s equity securities within less than six months).

In addition, we are permitted to follow certain home country corporate governance practices and law instead of those rules and practices otherwise required by Nasdaq for domestic issuers. For instance, we have relied on the foreign private issuer exemption with respect to shareholder approval requirements for equity-based compensation plans, with respect to the Nasdaq requirement to have a separate compensation committee and a formal charter for such committee, and with respect to the quorum requirement for the convening of general meetings of shareholders; See in Item 16G. “**Corporate Governance**” below.

Following our home country corporate governance practices, as opposed to the requirements that would otherwise apply to a U.S. company listed on Nasdaq, may provide less protection to investors than is afforded under the Nasdaq Rules applicable to domestic issuers.

**Provisions of Israeli law may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.**

Israeli corporate law regulates mergers and acquisitions and requires that a tender offer be effected when certain thresholds of percentage ownership of voting power in a company are exceeded (subject to certain conditions), which may have the effect of delaying, preventing or making more difficult a merger with, or acquisition of, us. See Item 10.B - “**Memorandum and Articles - Anti-Takeover Effects of Israeli Laws; Mergers and Acquisitions Under Israeli Law**” below. Further, Israeli tax considerations may make potential transactions undesirable to us, or to some of our shareholders whose country of residence does not have a tax treaty with Israel, granting tax relief to such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which certain sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no actual disposition of the shares has occurred. See Item 10.E - “**Taxation - Israeli Taxation**” below. In addition, in accordance with the Restrictive Trade Practices Law, 1988 and under the Israeli Law for the Encouragement of Industrial Research and Development of 1984 and regulations promulgated thereunder (together, the “**R&D Law**”), approvals regarding a change in control (such as a merger or similar transaction) may be required in certain circumstances. For more information regarding such required approvals please see in Item 4.B - “**Business Overview - The Israel Innovation Authority**” below. In addition, as a corporation incorporated under the laws of the State of Israel, we are subject to the Israeli Economic Competition Law, 1988 and the regulations promulgated thereunder (formerly known as the Israeli Antitrust Law, 1988), under which we may be required in certain circumstances to obtain the approval of the Israel Competition Authority (formerly known as the Israel Antitrust Authority) in order to consummate a merger or a sale of all or substantially all of our assets.

These provisions of Israeli law could have the effect of delaying or preventing a change in control and may make it more difficult for a third-party to acquire us, even if doing so would be beneficial to our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares.

**Shareholder rights and responsibilities are governed by Israeli law which differs in some respects from the rights and responsibilities of shareholders of U.S. companies.**

Since we are incorporated under Israeli law, the rights and responsibilities of our shareholders are governed by our articles of association, as amended from time to time (our “**Articles**”) and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in United States-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters, such as an amendment to a company’s articles of association, an increase of a company’s authorized share capital, a merger of a company and approval of related party transactions that require shareholder approval. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of an Office Holder in a company, or who otherwise has the power to direct a company’s operations, has a duty to act in fairness towards such company. Israeli law does not define the substance of this duty of fairness and there is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

**Item 4. Information on the Company.**

**A. History and Development of the Company**

Our legal and commercial name is Camtek Ltd. We were incorporated under the laws of the State of Israel in 1987 and operate under the Companies Law. Our headquarters are located in Ramat Gavriel Industrial Zone, P.O. Box 544, Migdal Ha’Emek 23150, Israel, and our telephone number is +972-4-604-8100. Other than Israel, we currently have operations in the Asia Pacific region, North America and Europe. Our agent for service of process in the United States is Camtek USA, Inc., located at Fremont Blvd., Ste. 112, Fremont, California 48389, Tel: 510-624-9905. We have been a public company since July 2000. Our ordinary shares are listed on the Nasdaq Global Market and on the TASE.

In our first years of operation, we provided manual optical inspection equipment to address the needs of the PCB industry. In September 2001, we acquired a developer and producer of Automatic Optical Inspection (AOI) Inspection systems for the semiconductor fabrication industry. This acquisition allowed us to enter the back-end semiconductor inspection market. After a period of intense internal research and development, in the fourth quarter of 2003, we shipped our first new Falcon system for the back-end market of the semiconductor industry. The first revenue recognition of the Falcon system was in the second quarter of 2004. In the following years, applying our core technologies, we introduced three additional Inspection and Metrology product lines for the semiconductor industry - the Condor, the Gannet and the Eagle; sales of all four semiconductor Inspection and Metrology product lines have since accounted for a significant portion of our total sales. In 2017, we consolidated all of our products for the semiconductor industry (which, following the PCB Sale Transaction in 2017 (see in this Item 4.A below), constitute all of our product lines) under the Eagle product lines. See in Item 4.B - “**Business Overview**” below.

In 2017, we concluded the sale of our Printed Circuit Board (“PCB”) inspection business unit (the “PCB Sale Transaction”), to Trophy Imaging Technology Co. Ltd. Pursuant to the PCB Sale Transaction, we sold the entire assets and activity of our PCB business unit (including our subsidiaries in China and Taiwan which were engaged primarily in such activity), in consideration for a total cash payment of \$32 million at closing and an additional cash amount of \$1.257 million, the payment of which was conditioned upon the financial performance of the PCB business unit and was made in full in 2019. Since the closing of the PCB Sale Transaction, we have devoted, and will continue to devote, our resources and attention to further developing and expanding our semiconductor Inspection and Metrology field of activity.

Further, as a result of our acquisition of the assets and certain liabilities of Printar in 2009, we became involved in the field of FIT, which we have gradually reduced over the past few years, until eventually reaching the decision to fully cease such activity in 2018. In 2009 we also completed the acquisition of the entire share capital of SELA – Semiconductor Engineering Laboratories Ltd. (“Sela”) which was engaged in the development, manufacturing and marketing of automated SEM (Scanning Electron Microscope) and TEM (Transmission Electron Microscope) sample preparation equipment, primarily for the front-end semiconductor industry. In 2015, the Company concluded a definitive agreement for the transfer of the Sela division activity (assets and liabilities) to a company fully owned by Sela’s long time business manager, thereby effectively terminating any and all involvement of the Company in the Sela business.

In July 2000, we sold 5,835,000 ordinary shares in an initial public offering, in which we received net proceeds of approximately \$35 million. In August 2002, we sold 5,926,730 ordinary shares in a rights offering of ordinary shares to our then existing shareholders (of which 5,922,228 shares were sold to Prioritech), in which we received net proceeds of \$6.1 million. On August 23, 2005, we raised \$5 million as a convertible loan from FIMI Opportunity Fund L.P and FIMI Israel Opportunity Fund, Limited Partnership (FIMI), which amount was repaid in full by August 2010. On April 30, 2006, we completed a private placement in which we issued 2,525,252 ordinary shares to Israeli institutional investors at a price of \$5.94 per share, raising \$14.5 million. In May 2015, we completed a public offering of our shares on Nasdaq in which we issued 4,655,982 shares at a price of \$2.85 per share, raising net proceeds of \$11.9 million.

In February 2019, the Company signed a series of definitive agreements, referred to as the “**Chroma Transaction**”, in the framework of which Chroma acquired a total of 6,117,440 ordinary shares from Prioritech at a price of \$9.50 per share, and an additional 1,700,000 new shares were issued to Chroma by the Company, at the same price of \$9.50 per share; as of March 18, 2020, Chroma holds 20.21% of our ordinary shares, while Prioritech holds 23.92% of our ordinary shares. The Chroma Transaction was closed in June, 19, 2019 (the “**Chroma Closing Date**”), following the occurrence of closing conditions defined therein, including the approval of the Chroma Transaction by the Company’s shareholders in the 2019 AGM (as defined below) as well as the grant of approvals by certain regulatory bodies, including the Committee on Foreign Investment in the United States (CFIUS) and the Taiwan Overseas Foreign Investment Commission (MOEAIC).

In addition, the Company entered into a Technological Cooperation Agreement with Chroma under which the Company granted Chroma a license for an application under Company’s triangulation technology platform. In addition, Prioritech and Chroma entered into a voting agreement according to which they vote together in the Company’s shareholders meetings and have joint control over the Company (the “**Chroma Voting Agreement**”). Under the Chroma Voting Agreement, Chroma is entitled to nominate individuals for two seats on the Company’s seven member Board and Prioritech is entitled to nominate three members. The remaining seats are held by two external directors. The Company also entered into a Second Amended and Restated Registration Rights Agreement with Prioritech and Chroma, according to which Chroma is entitled to the same rights Prioritech has with respect to registration of our shares (see Item 7.B. – “**Related Party Transactions**”).

For a discussion of capital expenditures, see Item 5.B - “**Liquidity and Capital Resources**” below.

The SEC maintains an Internet web site at <http://www.sec.gov> that contains reports and other material that are filed through the SEC's Electronic Data Gathering, Analysis and Retrieval, or EDGAR, system. Our website is located at [www.camtek.com](http://www.camtek.com). The information on our website is not incorporated by reference into this Annual Report.

**B. Business Overview.**

**Our Business**

Camtek develops and manufactures state of the art equipment for Inspection and Metrology of wafers, our equipment is used by all the leading semiconductors manufacturers. Camtek provides Automatic Inspection and Metrology systems to find defects on individual dice on wafer before they are packaged, sorting defecting dice before packaging is crucial in the Semiconductors industry because a single defecting device can cause a failure of the entire product. Camtek is a leading provider of Inspection and Metrology systems in its market and enabling and supporting customers' latest technologies. Camtek addresses this industry with dedicated solutions based on our advanced core technologies including advanced Optics and electronics hardware, advanced algorithms and software, image processing, motion control and material handling.

Semiconductors wafers are scanned under the advanced optic heads (2D Inspection and metrology and 3D metrology) in our systems, advanced software and algorithms are implemented on the scanned wafers data, as a result our systems automatically sort good dies and defecting dies, the defecting dies will be sort out of the production lots and will not be inserted into a package. Hence the total end product yield is enhanced by ensuring that only known good dies will be shipped to end-users. The systems are easy to operate and offer high accuracy and productivity in high volume manufacturing environments. These systems incorporate proprietary advanced image processing software and algorithms, as well as advanced electro-optics and precision mechanics and are designed for easy operation and maintenance. Our global, direct customer support organization provides responsive, localized pre- and post- sales support for our customers through our wholly owned subsidiaries.

Inspection and Metrology are implemented at various stages along the semiconductor manufacturing process. Camtek's systems serve various manufacturing stages starting from the front-end macro inspection and outgoing Quality Control (OQC), through Inspection and Metrology of bumps in the mid-end and the inspection of post-diced wafers in the back end (Assembly).

**Our Markets**

The semiconductor manufacturing industry produces integrated circuits mainly on silicon wafers but also on other materials. Each wafer contains numerous integrated dies containing microelectronic devices. The growth of the semiconductor manufacturing industry in the past few years has been driven largely by demand from electronics such as smartphones and the proliferation of applications including the Internet of Things and cloud computing. Continued growth is expected with the enhancements of existing products and the inclusion of emerging technologies such as Artificial Intelligence (AI) in products and 5G networks, as well as rapid growth in automotive and industrial electronics. The effect of such market growth trends on the demand of Inspection and Metrology systems is driven by two main factors: (i) growing electronic devices manufacturing volume requires more equipment, for example, the 5G network generation will speed the manufacturing of new mobile phones and (ii) applications such as automotive require a higher level of reliability and hence more Inspection and Metrology.

In the fast-growing advanced packaging market segment, which includes wide variety of devices and technologies, a new inspection and measurements steps become crucial to ensure a known good package. The bumps are becoming the main interface connection instead of the conventional wire bonding. There is a wide variety of bump types and sizes which are used for different packaging requirements. Camtek's systems equipped with several 3-D measurement sensors and inspection technologies provide wide coverage to many of those inspection and metrology steps such as bump height, die stack planarity, RDL dimensions. These are examples for typical steps to ensure high quality product.

Wafers with tens million bumps are becoming more common and require 100% inspection and metrology due to the packaging reliability requirements. The high cost of packages which in many cases combine multiple dice requires Known Good Dice in order to ensure that each die in the package is fully functional. Camtek's systems are designed to deliver 100% Inspection and Metrology in high volume manufacturing environment, without compromising on throughput and performance.

A fast-growing segment is the complementary metal oxide semiconductor ("CMOS") image sensors ("CIS") used for cameras. With the growing number of cameras in each mobile phone and the increase in the number of pixels per each sensor and reduction in the size of each pixel, a high-resolution inspection is mandatory. Camtek has developed unique capabilities to address these requirements and its systems are being used by largest CIS manufacturers.

Another growing segment is the "micro-electro mechanical systems" ("MEMS"), which mainly serves the mobile, medical and automotive markets, utilizing materials, manufacturing technologies and facilities from the semiconductor industry to produce miniature mechanisms, such as inkjet print heads, accelerometers, sensors, video projection devices and microphones. Camtek's Inspection and Metrology is implemented at various stages along the manufacturing process of MEMS devices to detect mechanical damage and other surface defects including cracks and foreign materials or, as well as to confirm dimensional conformity, thus eliminating subsequent testing of defective products, increasing yield and reducing overall production costs.

Other significantly growing segments include power, mainly used for high-end computing and designed to manage the exponentially growing amounts of data. Radio Frequency (RF) devices that need to address the next generation communication network, known as 5G.

Camtek's systems are designed to meet the industry roadmap and market requirements.

## **Product Lines**

### **Inspection and Metrology Systems**

Our systems consist of:

- an electro-optical assembly unit, either movable or fixed, which consists of a video camera, precision optics and illumination sources. The electro-optical unit captures the image of the inspected product;
- a precise, either movable or fixed table, that holds the inspected product; and
- an electronic hardware unit, which operates the entire system and includes embedded components that process and analyze the captured image by using our proprietary algorithms.

The inspected product is placed on a designated platform and is scanned under the optical assembly unit. The optical assembly unit then captures images of the product, while the electronic hardware unit processes the image using the analysis algorithms. Detected discrepancies are logged and reported as defects per the user definitions. The image of the defect is immediately available for verification by the system operator. Our systems can also compile and communicate statistical reports of inspection findings via the customer's factory information system.

We offer a broad range of systems for automated optical Inspection and Metrology of semiconductor wafers. We invest significant resources in R&D to provide our customers with advantageous performance, low cost of ownership, high reliability and ease of operation. We believe that a significant part of our competitive advantage derives from our R&D innovative capabilities which enable us to adapt our technologies to evolving market needs.

Over the years, our Inspection and Metrology products for the semiconductor industry included the Falcon, Condor, Gannet and Eagle products lines. In 2017, we finalized the implementation of our decision from 2015 to focus our semiconductor activity on the Eagle platform only and have phased out all other product lines for this industry.

Product	Function
Eagle-i	The Eagle-i system family is designed for high volume 2D inspection, delivering superior 2D inspection and metrology capabilities. The system utilizes the most advanced algorithms enabling detection of down to sub-micron defects and measuring two micron line and space redistribution layer ("RDL"). The Eagle-i system family includes the Eagle <sup>T</sup> -I and Eagle <sup>T</sup> -I <i>Plus</i> models, which were designed for better accuracy and optical resolutions and higher throughput.
Eagle-AP	The Eagle-AP system family addresses the fast-growing advanced packaging market using state of the art technologies, both software and hardware, that deliver superior 2D and 3D inspection and metrology capabilities on the same platform. The advanced packaging market uses a wide spectrum of bump types and sizes. The Eagle-AP meets the current and future requirements in inspection and metrology including measurement of bumps down to 2µm (microns) and providing high throughput. The Eagle-AP system family includes the Eagle <sup>T</sup> -AP and Eagle <sup>T</sup> -AP <i>Plus</i> models, equipped with higher throughput and improved metrology capabilities.
Golden Eagle	Camtek's panel inspection and metrology system designed to support the manufacturing of panel wafers used in the manufacturing of fan-out level packaging applications.

In addition, we intend to offer certain software solutions we develop, such as the Automatic Defect Classification ("ADC"), which provides automatic defect classification of color images, utilizing deep learning techniques, and will enable our customers to reduce and even eliminate manual verification.

#### Customers

We target wafer manufacturers and companies involved in the testing, assembly and packaging of semiconductor devices.

Our customers are semiconductor manufacturers, among them outsourced semiconductor assembly and test (OSAT), integrated device manufacturers and wafer level packaging subcontractors. Our customers, many of whom have multiple facilities, are located throughout Asia, Europe and North America. In 2018 and 2017, no individual customer accounted for more than 10% of our total revenues; however in 2019, one customer accounted for 11% of our total revenues. As of December 31, 2019, our installed base was approximately 1,049 systems.

The following table shows our revenues classified by geographical region for each of the last three years:

U.S. Dollars (In thousands)	Year Ended December 31,		
	2019	2018	2017
Asia Pacific	115,925	98,468	79,105
United States	10,388	13,227	9,484
Europe	7,706	11,479	4,896
<b>Total</b>	<b>134,019</b>	<b>123,174</b>	<b>93,485</b>

#### Marketing and Customer Support

We have established a global distribution and support network throughout the territories in which we sell, install and support our products, including the Asia Pacific region, North America and Europe. We believe that this is an essential factor in our customers' decision to purchase our products. We primarily utilize our own employees to provide these customer support services. We may expand our network into additional territories as market conditions warrant.

We have a distribution rights agreement with a Japanese company, under which this company sells, installs and supports our products in Japan.

As of December 31, 2019, 130 of our employees were engaged in our worldwide marketing and support efforts, including support and marketing administration staff. Due to the concentration of marketing in the Asia Pacific region, we have adjusted our marketing organization accordingly, and significantly expanded our marketing and support teams in this region.

Our marketing efforts include participation in various trade shows and conventions, publications and trade press, product demonstrations performed at our facilities and regular contact with customers by marketing personnel. We generally provide a 12-month warranty to our customers. In addition, for a fee, we offer service and maintenance contracts commencing after the expiration of the warranty period. Under our service and maintenance contracts, we provide prompt on-site customer support.

We take various measures to secure customers' payment on a case by case basis by means of letters of credit. Also, we receive advanced payments before shipment from most customers.

### **Manufacturing**

Our manufacturing activities consist primarily of the assembly and final integration of parts, components and subassemblies, which are acquired from third-party vendors and subcontractors. The manufacturing process for our products generally lasts six to twelve weeks. We utilize subcontractors for the production of subsystems, and our current main product, the Eagle system, is manufactured by two Israeli contractors who perform most of the material planning, procurement, manufacturing, testing and assembly work with respect to such systems.

We rely on single source and limited source suppliers and subcontractors for a number of essential components and subsystems of our products. We generally maintain several months' of inventory of critical components used in the manufacture and assembly of our products. During times of rapid increase in demand in the semiconductor fabrication industry, the delivery time of suppliers in this industry is extended. However, to date, we have been able to obtain sufficient units of these components to meet our needs in a timely fashion.

We have a manufacturing facility, located in Migdal Ha'Emek, Israel.

### **Competition**

The markets in which we operate are highly competitive. Our main competitors are Onto Innovations, ATI Electronics Pty Ltd., Cheng Mei Instrument Technology Co., ASTI Holding Limited, Toray Industries Inc. and, for some limited applications, KLA-Tencor Corporation.

We believe that the principal elements of a sustainable competitive advantage are:

- ongoing research, development and commercial implementation of new image acquisition, processing and analysis technologies;
- product architecture based on proprietary core technologies and commercially available hardware. Such architecture supports shorter time-to-market, flexible cost structure, longer service life and higher margins;
- fast response to evolving customer needs;
- ability to maintain competitive pricing;
- product compatibility with customer automation environment; and
- strong pre- and post-sale support (applications, service and training) deployed in immediate proximity to customer sites.

We believe that we compete effectively on all of these factors.

## The Israel Innovation Authority

The Government of Israel encourages research and development projects in Israel through the Israel Innovation Authority, IIA, formerly and more commonly known as the Office of Chief Scientist (the "OCS"), pursuant to and subject to the provisions of the R&D Law.

Under the R&D Law, research and development projects which are approved by the Research Committee of the IIA are eligible for grants, in exchange for payment of royalties from revenues generated by the products developed within the framework of such approved project and subject to compliance with certain requirements and restrictions under the R&D Law as detailed below, which must generally continue to be complied with even following full repayment of all IIA grants.

As of the date of this Annual Report, no Financed Know-How is utilized in our current or currently anticipated activities (See in Item 3.D - "*Risk Factors - Risks relating to our Operations in Israel*" above).

The R&D Law generally requires that a product developed under a grant program be manufactured in Israel. However, subject to receipt of an approval from the IIA, some of the manufacturing volume may be performed outside of Israel. Such approval is subject to the repayment of increased royalties, in an amount of up to 300% of the total grant amount, plus applicable interest, and an increase of 1% in the royalty rate, depending on the extent of the manufacturing that is to be conducted outside of Israel.

The R&D Law also provides that Financed Know-How and any right derived therefrom may not be transferred to third parties, unless such transfer was approved in accordance with the R&D Law. The research committee operating under the IIA may approve the transfer of Financed Know-How between Israeli entities, provided that the transferee undertakes all the obligations in connection with the R&D grant as prescribed under the R&D Law. In certain cases, the research committee may also approve a transfer of Financed Know-How outside of Israel, in both cases subject to the receipt of certain payments, calculated according to a formula set forth in the R&D Law. In the case of transfer outside of Israel, a payment of up to six times the total amount of the grants plus applicable interest, and in the case the R&D activity related to the know-how remains in Israel, a payment of three times of such total amount. These approvals are not required for the sale or export of any products resulting from such R&D activity or based on such Financed Know-How.

For a discussion of the effects of Israeli governmental regulations and our operation in Israel on our business, see in Item 3.D - "*Risk Factors - Risks relating to our Operations in Israel*" above.

## Capital Expenditures

The following table shows our capital expenditures in fixed assets for the last three years:

	December 31,		
	2019	2018	2017
	(U.S. Dollars in thousands)		
Machinery and equipment*	1,998	1,902	1,280
Building and leasehold improvements	154	1,327	2,200
Computer equipment and software	305	604	655
Office furniture and equipment	97	96	53
Right of use (ROU) assets **	904	-	-
<b>Total</b>	<b>\$ 3,458</b>	<b>\$ 3,929</b>	<b>\$ 4,188</b>

\* including transfer of inventory to fixed assets in the aggregate of \$1,405, \$1,425, and \$1,050 in 2019, 2018 and 2017, respectively.

\*\* related to implementation of ASC 842 - Leases as of January 1, 2019.

## Material Effects of Governmental Regulations

The following EU directives, which represent the European standard required in order to sell in Europe, apply to our business: Machinery Directive 2006/42/EC and EMC 2004/108/EC. The following SEMI Standards, which define uniform standards for manufacturers in the semiconductor fabrication industry and production equipment producers, apply to us: SEMI S-2 (safety requirements for sale of equipment in the semiconductor fabrication) and SEMI S-8 (ergonomic requirements for sale of equipment in the semiconductor fabrication industry). We comply with the above-mentioned governmental regulations during the systems' design process, which is conducted in accordance with the Company's quality assurance manual ISO9001:2015. In addition, all modules of systems are tested by independent laboratories that certify their compliance with these governmental regulations and have required accreditation.

### C. Organizational Structure

Through its affiliated companies, one of our principal shareholders, Priortech, engages in various aspects of the electronic production, including, advance packaging designs for the semiconductor industry and advanced organic coreless substrate technology. Priortech currently holds 23.92% of our outstanding ordinary shares, and is a party to the **Chroma Voting Agreement**. Under the Chroma Voting Agreement, Priortech is entitled to nominate three Board members. We have no revenues from sales to affiliates and subsidiaries of Priortech.

The following table shows the Company's subsidiaries, all of which are wholly owned by us or by our subsidiaries (except for Camtek HK Ltd., in which Priortech holds no more than one percent of the voting rights), together with each subsidiary's jurisdiction of incorporation, as of the date of this Annual Report:

Name of Subsidiary	Jurisdiction of Incorporation
Camtek H.K. Ltd.	Hong Kong
Camtek USA Inc.	New Jersey, USA
Camtek (Europe) NV	Belgium
Camtek Germany GmbH	Germany
Camtek Inspection Technology (Suzhou) Ltd.	China
Camtek Japan Ltd.	Japan
Camtek Inspection Technology Limited	Taiwan
Camtek South East Asia Pte Ltd.	Singapore
Camtek Korea Ltd.	South Korea

### D. Property, Plants and Equipment

Our main office, manufacturing and research and development facilities are located in the Ramat Gavriel Industrial Zone of Migdal Ha'Emek in northern Israel. These facilities occupy 84,500 square feet of which 16,000 square feet are devoted to the manufacturing of our products, and approximately 10,500 square feet are leased to a third party lessee. In accordance with agreements signed in 2010 and 2011 with Bank Leumi L'Israel and in 2011 with Bank Mizrahi, a lien has been placed on these facilities.

Our sales offices and demonstration centers, which we lease in various locations around the world, occupy an aggregate of approximately 26,000 square feet.

**Item 4A. Unresolved Staff Comments.**

None.

**Item 5. Operating and Financial Review and Prospects.**

**A. Operating Results**

**General**

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the notes to those statements included therein, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The following discussion does not address certain items in respect of our fiscal year ended December 31, 2017 in reliance on amendments to disclosure requirements adopted by the SEC in 2019. A discussion of our fiscal year ended December 31, 2017 may be found in “Item 5 – *Operating and Financial Review and Prospects*” of our Annual Report on Form 20-F for the fiscal year ended December 31, 2018, filed with the SEC on March 25, 2019.

**Overview**

We design, develop, manufacture and market automated solutions dedicated for enhancing production processes and yield for the semiconductor fabrication industry, principally based on our Inspection and Metrology core technology; see in Item 4.B “*Business Overview - Our Business*” above.

We sell our systems internationally. The majority of sales of our systems in 2019 were to manufacturers in the Asia Pacific region, including South Korea, China, Taiwan and South East Asia, due to, among other factors, the migration of the electronic manufacturers into this region following the development and growth of electronics industry centers.

In 2019, our sales in the Asia Pacific region accounted for approximately 86% of our total revenues, of which approximately 75% of our total revenues were from sales in South Korea, China and Taiwan.

In addition to revenues derived from the sale of systems and related products, we generate revenues from providing maintenance and support services for our products. We generally provide a one-year warranty with our systems. Accordingly, service revenues are not earned during the warranty period.

In regular market conditions, the demand for our systems is characterized by short notice. To meet customers’ needs for quick delivery and to realize the competitive advantage of the ability to do so, we have to pre-order components and subsystems based on our forecast of future orders, rather than on actual orders. This need is compounded by the fact that, in times of increasing demand in our markets, our suppliers and subcontractors tend to extend their delivery schedules or fail to meet their delivery deadlines. To compensate for these unscheduled delays, we build inventories further into the future, which increases the risk that our forecast may not correspond to our actual future needs. The uncertainties involved in these longer-term estimates during regular times of business expansion tend to increase the level of component and subsystem inventories (See also in Item 3.D. - “*Risk Factors - A longer sales process for new products may increase our costs and delay time to market of our products, both of which may negatively impact our revenues, results of operations, cash flow and may result in inventory write-offs*” above and under Item 5.A - “*Operating Results - Critical Accounting Policies - Valuation of Inventory*” below). Compared to our sales cycles for repeat orders from existing customers, we have longer sales cycles for new customers in our markets as well as for new customers in new markets. In addition, the selling cycle in our markets typically takes several quarters from first contact to revenue recognition, including on-site evaluation. Naturally, repeat orders take less time.

**Critical Accounting Policies**

Critical accounting policies are those that, in management’s view, are most important to the portrayal of a company’s financial condition and results of operations and most demanding on their calls on judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. We believe our most critical accounting policies relate to:

*Revenue Recognition.* On January 1, 2018, the Company adopted Topic 606 retrospectively with the cumulative effect recognized as of the date of adoption.

The Company's contracts with its customers include performance obligations to provide its products or to service the installed products. A product sale contract may include an extended warranty (that is, for longer than the twelve-month standard warranty), which is considered a separate performance obligation.

The Company recognizes revenue from contracts for sales of products when the Company transfers control of the product to the customer, which is generally upon installation at the customer's premises. Revenues from the contract are recognized in an amount that reflects the consideration the Company expects to be entitled to receive once the product is operating in accordance with its specifications and signed documentation of the arrangement, such as a signed contract or purchase order, has been received. Payment terms with customers may vary, but are generally based on milestones within the delivery process such as shipping and installation. Payment terms do not include significant financing components.

In the limited circumstances when the products are installed by a trained distributor acting as an end user, revenue is recognized upon delivery to the distributor assuming all other criteria for revenue recognition are met.

The Company does not incur costs in obtaining a contract except for agents' commissions, which are incurred upon the recognition of revenues. Revenues are recognized over a period of less than a year and as such, there are no underlying sales commissions to be capitalized.

Service revenues consist mainly of contracts charged under time and material arrangements. Service revenues from maintenance contracts are recognized ratably over the contract period.

Contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers.

The Company's multiple performance obligations consist of product sales and non-standard warranties. A non-standard warranty is one that is for a period longer than 12 months. Accordingly, income from a non-standard warranty is deferred as unearned revenue and is recognized ratably as revenue commencing with and over the applicable warranty term.

The Company records contract liabilities when the customer has been billed in advance of the Company completing its performance obligations. These amounts are recorded as deferred revenue in the Consolidated Balance Sheets.

*Valuation of Accounts Receivable.* We review accounts receivable to determine which are doubtful of collection. In making this determination of the appropriate allowance for doubtful accounts, we consider information at hand regarding specific customers, including aging of the receivable balance, evaluation of the security received from customers, our history of write-offs, relationships with our customers and the overall credit worthiness of our customers. Changes in the credit worthiness of our customers, the general economic environment and other factors may impact the level of our future write-offs.

*Valuation of Inventory.* Inventories consist of completed systems, partially completed systems and components, and are recorded at the lower of cost, determined by the moving – average basis, or net realizable value. We review inventory for obsolescence and excess quantities to determine that items deemed obsolete or excess inventory are appropriately reserved. In making the determination, we consider forecasted future sales or service/maintenance of related products and the quantity of inventory at the balance sheet date, assessed against each inventory item's past usage rates and future expected usage rates. Changes in factors such as technology, customer demand, competing products and other matters could affect the level of our obsolete and excess inventory in the future.

In the years 2019 and 2018 we wrote-off inventory in the amount of approximately \$0.2 million and \$0.1 million, respectively. The write-off amounts are included in the item line called "Cost of revenues" in the consolidated statements of operations. The write-offs create a new cost basis and are a permanent reduction of inventory cost. The write-offs in the amount of approximately \$0.2 and \$0.1 million in 2019 and 2018, respectively, related to damaged, obsolete, excess and slow-moving inventory. Inventory that is not expected to be converted or consumed in 2020 is classified as non-current. As of December 31, 2019, a \$2.8 million portion of our inventory was classified as non-current. Management periodically evaluates our inventory composition, giving consideration to factors such as the probability and timing of anticipated usage and the physical condition of the items, and then estimates a charge (reducing the inventory) to be provided for slow moving, technologically obsolete or damaged inventory. These estimates could vary significantly from actual requirements based upon future economic conditions, customer inventory levels or competitive factors that were not foreseen or did not exist when the inventory write-offs were established.

*Intangible assets.* Patent registration costs are capitalized at cost and amortized, beginning with the first year of utilization, over its expected life of ten years.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the long lived asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as computed by subtracting the fair market value of the asset from its carrying value.

*Provisions for contingent liabilities.* A contingency (provision) in accordance with ASC Topic 450-10-05, Contingencies, is an existing condition or situation involving uncertainty as to the range of possible loss to the entity. A provision for claims is recognized if it is probable (likely to occur) that a liability has been incurred and the amount can be estimated reasonably. Provisions in general are highly judgmental, especially in cases of legal disputes. We assess the probability of an adverse event if the probability is evaluated to be probable, we are required to fully provide for the total amount of the estimated contingent liability. We continually evaluate our pending provisions to determine if accruals are required. It is often difficult to accurately estimate the ultimate outcome of a contingent liability. Different variables can affect the timing and amount we provide for certain contingent liabilities. Our assessments are therefore subject to estimates made by us and our legal counsel, adverse revision in our estimates of the potential liability could materially impact our financial condition, results of operations or liquidity.

*Valuation of Long Lived Assets.* We apply ASC Subtopic 360-10, "Property, Plant and Equipment". This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the long lived asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as computed by subtracting the fair market value of the asset from its carrying value. We prepare future cash flows based on our best estimates including projections and financial statements, future plans and growth estimates.

*Income Taxes.* We account for income taxes under ASC Subtopic 740-10 Income Taxes – Overall. Deferred tax assets or liabilities are recognized in respect of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts as well as in respect of tax losses and other deductions which may be deductible for tax purposes in future years, based on tax rates applicable to the periods in which such deferred taxes will be realized. The rates applied are those enacted in law as of December 31, 2019. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and during which the carry-forwards are available. Valuation allowances are established when necessary to reduce deferred tax assets to the amount considered more likely than not to be realized.

Our financial statements include deferred tax assets, net, which are calculated according to the above methodology. If there is an unexpected critical deterioration in our operating results and forecasts, we would have to increase the valuation allowance with respect to those assets. We believe that it is more likely than not that those net deferred tax assets included in our financial statements will be realized in subsequent years.

*Stock Option and Restricted Share Plans.* We account for our employee stock-based compensation awards in accordance with ASC Topic 718, *Compensation - Stock Compensation*. ASC Topic 718 requires that all employee stock-based compensation is recognized as a cost in the financial statements and that for equity-classified awards such cost is measured at the grant date fair value of the award. We estimate grant date fair value using the Black-Scholes-Merton option-pricing model. Forfeitures are recognized when they occur.

*Leases.* On January 1, 2019, we adopted Accounting Standards Update No. 2016-02, *Leases* (Topic 842) (ASU 2016-02) using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application. Results and disclosure requirements for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with historical accounting under Topic 840.

Upon adoption, we recognized total right-of-use (ROU) assets of \$2.1 million, with corresponding lease liabilities of \$2,052 on the consolidated balance sheets. The adoption did not impact our beginning retained earnings, or prior year consolidated statements of income and statements of cash flows.

Under Topic 842, we determine if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, we consider only payments that are fixed and determinable at the time of commencement. As most of our leases do not provide an implicit rate, we use its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our incremental borrowing rate is a hypothetical rate based on its understanding of what our credit rating would be (2.8% in 2019). Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such options. When determining the probability of exercising such options, we consider contract-based, asset-based, entity-based, and market-based factors. Lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes or other costs. Variable lease costs are expensed as incurred on the consolidated statements of income. Our lease agreements generally do not contain any residual value guarantees or restrictive covenants.

Operating lease ROU assets are presented as property, plant and equipment on the consolidated balance sheet. The current portion of operating lease liabilities is included in other current liabilities and the long-term portion is presented within long-term liabilities on the consolidated balance sheet.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

ROU assets for operating leases are periodically reduced by impairment losses. We use the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

#### ***New standards not yet adopted***

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2016-13, *Financial Instruments-Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model which will result in earlier recognition of credit losses. We will adopt the new standard effective January 1, 2020 and do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued Accounting Standard Update No. 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements* (Topic 820) (ASU 2018-13), which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. We will adopt the new standard effective January 1, 2020 and do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In December 2019, the FASB issued Accounting Standard Update No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12), which simplifies the accounting for income taxes. This guidance will be effective in the first quarter of 2021 on a prospective basis, and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

#### Comparison of Period-to-Period Results of Operations

The following table presents consolidated statement of operations data for the periods indicated as a percentage of total revenues:

	Year Ended December 31,	
	2019	2018
Total Revenues	100.00%	100.00%
Total Cost of revenues	51.66%	50.64%
Gross profit	48.34%	49.36%
Operating expenses:		
Research and development costs	12.19%	11.84%
Selling, general and administrative expenses..	19.76%	21.26%
Total operating expenses	31.94%	33.09%
Operating income (loss)	16.39%	16.26%
Financial income (expenses), net	0.60%	0.59%
Income tax (expenses) benefit	(1.46%)	(1.65%)
Net income from continuing operations	15.54%	15.21%
Net income from discontinued operations	0.87%	-
Net income	16.41%	15.21%

#### Year Ended December 31, 2019 compared to Year Ended December 31, 2018

*Revenues.* Revenues increased by 9% to \$134.0 million in 2019 from \$123.2 million in 2018, due primarily to an increase in the number of product units sold.

*Gross Profit.* Gross profit consists of revenues less cost of revenues, which includes the cost of components, production materials, labor, depreciation, factory and service center overheads and provisions for warranties. These expenditures are only partially affected by sales volume. Our total gross profit increased to \$64.8 million in 2019 from \$60.8 million in 2018, an increase of \$4.0 million, or 7%. Our gross margin decreased to 48.3% in 2019, compared to a gross margin of 49.4% in 2018, mainly as a function of the product and sales mix delivered.

*Research and Development Costs.* Research and development expenses consist primarily of salaries, materials consumption and costs associated with subcontracting certain development efforts. Total research and development expenses for 2019 increased to \$16.3 million from \$14.6 million in 2018 due to increased researched and development activity.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses consist primarily of expenses associated with salaries, commissions, promotion and travel, professional services and rent costs. Our selling, general and administrative expenses increased by 1% to \$26.5 million in 2019 from \$26.2 million in 2018, mainly due to increased salary expenses, offset by decreased sales commissions.

*Financial Income (Expenses), Net.* We had net financial income of \$0.8 million in 2019, compared to net financial income of \$0.7 million in 2018. These changes mainly relate to interest revenue on our cash deposits offset by foreign currency expenses, net. Foreign currency expenses, net, resulting from transactions not denominated in U.S. Dollars, amounted to \$352 thousand in 2019 compared to income of \$226 thousand in 2018.

*Provision for Income Taxes.* Income tax expense was \$2.0 million in 2019, mostly based on the utilization of prior tax losses, and similar to the \$2.0 million expense in 2018.

*Net Income from continuing operations.* We realized net income of \$20.8 million in 2019 compared to net income of \$18.7 million in 2018, due to increased revenues.

## **B. Liquidity and Capital Resources**

At December 31, 2019, our cash and cash equivalent and short-term deposit balances totaled approximately \$89.5 million. At December 31, 2018, our cash and cash equivalent balances totaled approximately \$54.9 million. The year-to-year increase in cash and cash equivalents and short-term deposits mainly results from increased revenues, in addition to the investment received from Chroma, offset by a cash dividend. Our cash is invested in bank deposits spread among several banks, primarily in Israel.

From our inception through December 31, 2019 we raised approximately \$36.0 million from our initial public offering in 2000, approximately \$6.1 million in a rights offering of ordinary shares to our then existing shareholders in 2002, \$14.5 million from a private placement to Israeli institutional investors in 2006, \$11.9 million in a public offering of our shares in May 2016 and \$16.2 million pursuant to the share issuance under the Chroma Transaction in June 2019 (see Item 4.A. – *“History and Development of the Company”*).

Our working capital was approximately \$116.1 million in 2019 and \$80.6 million in 2018. The increase is mainly attributed to increased cash and cash equivalents and decreased trade accounts payable and other current liabilities, partially offset by decreased inventory.

Our capital expenditures during 2019 were approximately \$1.4 million, mainly due to operating activities.

We anticipate that our existing capital resources and cash flows from operations will be adequate to satisfy our liquidity requirements for at least the next 12 months. If available liquidity is not sufficient to meet our operating obligations as they come due, our plans include pursuing alternative financing arrangements or reducing expenditures as necessary to meet our cash requirements (see also Item 3.D *“Risk Factors - We have historically incurred significant losses and negative cash flows and may not sustain profitable operations or continue to have positive operating cash flows in the future”* above).

### ***Cash flow from operating activities***

Net cash and cash equivalents provided by operating activities for the years ended December 31, 2019 and 2018 totaled \$24.6 million and \$16.8 million, respectively.

During 2019, cash provided by operating activities was primarily attributed to net income and the decrease in inventories, offset by decreases in trade accounts payable and other current liabilities.

During 2018, cash provided by operating activities was primarily attributed to net income, offset by increases in inventory, trade accounts receivable, trade accounts payable and other current liabilities.

### ***Cash flow from investing activities***

Cash flow used in investing activities in 2019 was \$51.7 million, due to investment in short-term deposits and fixed and intangible assets. Cash flow used in investing activities in 2018 was \$2.3 million, due to investment in fixed and intangible assets.

Our capital expenditures in 2019 were used primarily for operating activities. Our capital expenditures in 2018 were used primarily for the building of new clean room facilities in Migdal Ha'Emek and operating activities.

### *Cash flow from financing activities*

Cash flow provided by financing activities in 2019 was \$10.0 million, mainly due to the Chroma investment and the proceeds from exercise of share options, offset by a dividend payment.

Cash flow used in financing activities in 2018 was \$3.3 million, mainly due to a dividend payment offset by the proceeds from exercise of share options.

### **Effective Corporate Tax Rate**

Camtek's production facility in Israel has been granted "Approved Enterprise" status under the Investment Law (as defined in Item 10.E – "*Taxation – Israeli Taxation - Tax Benefits Under the Law for the Encouragement of Capital Investments, 1959*" below). We participate in the Alternative Benefits Program and, accordingly, income from our Approved Enterprise will be tax exempt for a period of 10 years, commencing on the first year in which the Approved Enterprise first generates taxable income, due to the fact that we operate in Zone "A" in Israel.

On April 1, 2005, an amendment to the Investment Law came into effect (the "**Amendment**") and significantly changed the provisions of the Investment Law. The Amendment limits the scope of an enterprise which may be approved by the Investment Center by setting criteria for the approval of a facility as a "Beneficiary Enterprise"; such criteria generally require that at least 25% of the Beneficiary Enterprise's income will be derived from export. Additionally, the Amendment enacted major changes in the manner in which tax benefits are awarded under the Investment Law so that companies no longer require Investment Center approval in order to qualify for tax benefits.

In addition, the Amendment provides that terms and benefits included in any certificate of approval issued prior to December 31, 2004 will remain subject to the provisions of the Investment Law as they were on the date of such prior approval. Therefore, our existing Approved Enterprise will generally not be subject to the provisions of the Amendment. As a result of the Amendment, tax-exempt income generated under the provisions of the new law, as part of a new Beneficiary Enterprise, will subject us to taxes upon distribution or liquidation.

Camtek has been granted the status of Approved Enterprise, under the Investment Law, for investment programs for the periods which ended in 2007 and 2010, and the status of Beneficiary Enterprise according to the Amendment, for a period which ended in 2014. In addition, Camtek has elected 2010 as the year of election for a period ending 2021 (collectively, "**Programs**").

On December 29, 2010, the Investment Law was amended to significantly revise the tax incentive regime in Israel commencing on January 1, 2011. For more information, see Item 10.E – "*Taxation – Israeli Taxation - Tax Benefits Under the Law for the Encouragement of Capital Investments, 1959*" below.

As of December 31, 2019, approximately \$20.7 million of Camtek's prior year earnings were tax-exempt earnings attributable to its Approved Enterprise and approximately \$3.2 million were tax-exempt earnings attributable to its Beneficiary Enterprise. The tax-exempt income attributable to the Approved and Beneficiary Enterprises cannot be distributed to shareholders without subjecting the Company to taxes. If these retained tax-exempt profits are distributed, the Company would be taxed at the reduced corporate tax rate applicable to such profits in the year in which they were generated. According to the Amendment, tax-exempt income generated under the Beneficiary Enterprise will be taxed upon dividend distribution or complete liquidation, whereas tax exempt income generated under the Approved Enterprise will be taxed only upon dividend distribution (but not upon complete liquidation, as the tax liability will be incurred by the shareholders).

As of December 31, 2019, if the income attributed to the Approved Enterprise was distributed as dividend, we would incur a tax liability of approximately \$5.2 million. If income attributed to the Beneficiary Enterprise was distributed as dividend, or upon liquidation, we would incur a tax liability in the amount of approximately \$0.8 million. These amounts would be recorded as an income tax expense in the period in which we would declare the dividend.

We intend to indefinitely reinvest the amount of our tax-exempt income and not distribute any amounts of our undistributed tax-exempt income as dividend. Accordingly, no deferred tax liabilities have been provided on income attributable to our Approved and Beneficiary Enterprise Programs as the undistributed tax exempt income is essentially permanent in duration.

The entitlement to the above benefits is conditional upon our fulfilling the conditions stipulated by the law and the regulations published there under as well as the criteria set forth in the approval for the specific investments in Approved Enterprises. In the event of failure to meet such requirements in the future, income attributable to our Programs could be subject to the statutory Israeli corporate tax rates and we could be required to refund a portion of the tax benefits already received, with respect to such Programs. Our management believes that we have met the aforementioned conditions.

#### **Foreign Currency Fluctuation**

See Item 3.D – *“Risk Factors – Risk Factors Related to Our Business and Our Markets – Fluctuations in currency exchange rates may result in additional expenses being recorded or in the prices of our products becoming less competitive and thus may have negative impact on our profitability”* above.

#### **C. Research and Development, Patents and Licenses.**

We believe that intensive R&D is essential to our business. We devote substantial R&D resources to developing new products and to improving our existing products to meet our customers’ evolving needs. We have dedicated teams with expertise in image processing software and algorithms, electronic hardware, electro-optics, physics, mechanics and systems design.

Our R&D efforts are primarily focused on:

- improving our defect detection capabilities while reducing the number of false alarms, simplifying operation and reducing the level of user expertise required to realize the benefits of our systems;
- increasing the throughput of our Inspection and Metrology systems;
- providing unique technological solutions to our customers; and
- adding capabilities to expand our market segments.

In addition, we are focusing our efforts on leveraging our core technologies, expertise and experience into continually enhancing the value to the user and the return on investment from our products. We believe that our internal multi-disciplinary expertise will enable us to maintain and enhance our technological edge.

As of December 31, 2019, we had 77 employees engaged in R&D, all of whom are based in our headquarters in Israel. We also use subcontractors for the development of some of the hardware components of our systems. Our R&D expenses were \$16.3 million and \$14.6 million for the years ended December 31, 2019 and 2018, respectively, representing 12.2% and 11.8% of the total revenues for the years then ended.

We will continue to devote our R&D resources to maintaining and extending our technology leadership position.

Our R&D costs are expensed as incurred.

In general, we rely on a combination of our copyrights, trade secrets, patents, trademarks and non-disclosure agreements to protect our proprietary know-how and intellectual property. We also enter into confidentiality agreements with key employees and with all of the subcontractors who develop and manufacture components for use in our products. We also employ specialists whose main role is to maintain and protect our intellectual property from both professional and legal perspectives. We cannot be certain that actions we take to protect our proprietary rights will be adequate nor can we be certain that we will be able to deter reverse engineering or that there will not be independent third-party development of our technology.



**Item 6. Directors, Senior Management and Key Employees**

**A. Directors and Senior Management**

The following table lists the name, age and position of each of our current directors and senior management:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Rafi Amit	71	Chief Executive Officer and Chairman of the Board of Directors*
Yotam Stern	67	Director
Leo Huang	68	Director
I-Shih Tseng	58	Director
Yael Andorn	49	Director**
Yosi Shacham-Diamand	66	Director**
Moty Ben-Arie	65	Director
Moshe Eisenberg	53	Chief Financial Officer
Ramy Langer	66	Chief Operating Officer
Orit Geva Dvash	48	Vice President - Human Resources

\* Rafi Amit serves as our Chairman of our Board of Directors as of June 3, 2019. The approval of Mr. Amit's appointment, while continuing to assume CEO's responsibilities, was obtained in the 2019 annual general meeting of shareholders, dated June 3, 2019 (the "2019 AGM").

\*\* Ms. Yael Andorn and Prof. Yosi Shacham-Diamand have served as our external directors as such term is defined under the Companies Law, since October 2018.

Set forth below is a biographical summary of each of the above-named directors and senior management.

**Rafi Amit** has served as our Chief Executive Officer since January 2014, and as our Chairman of the Board of Directors since the 2019 AGM. Between 2010 and March 2017, Mr. Amit also served as our Active Chairman of the Board of Directors. Previously, Mr. Amit served as our Chief Executive Officer from January 1998 until August 2010 and as Chairman of the Board of Directors from 1987 until April 2009. Since 1981, Mr. Amit has also served as the President and director of Priortech and has been the Chairman of the Board of Directors of Priortech since 1988. From 1981 until 2004, Mr. Amit served as Priortech's Chief Executive Officer. Mr. Amit also serves as a Director of PCB Technologies, our affiliate and Priortech's associated company. Mr. Amit holds a B.Sc. in Industrial Engineering and Management from Technion - Israel Institute of Technology.

**Yotam Stern** has served on our Board of Directors since 1987. From May 2009 until August 2010, Mr. Stern served as the Chairman of the Board of Directors and from 2001 until 2012, Mr. Stern served as our Executive Vice President, Business & Strategy. From 1998 until 2001, Mr. Stern served as our Chief Financial Officer. Mr. Stern served in the past as the Chief Financial Officer of Priortech and has been serving as a director of Priortech since 1985 and as its Chief Executive Officer since 2004. Mr. Stern also serves as a Director of PCB Technologies. He holds a B.A. in Economics from Hebrew University of Jerusalem.

**Leo Huang** has served on our Board of Directors as a representative of Chroma since June 3, 2019. Mr. Huang co-founded Chroma in 1984 and has been serving as chairman of the board of directors of Chroma since October 23, 1984. Mr. Huang was the QA Engineer of TIMEX Corp. from 1975 to 1977 and served as the Sales Manager of Philips Electronics Industries (Taiwan) Ltd. from 1978 to 1984. Mr. Huang holds a bachelor's degree in Electronics Engineering from National Chiao Tung University.

**I-Shih Tseng** has served on our Board of Directors as a representative of Chroma since June 3, 2019. Mr. Tseng joined Chroma in 1998, serving as a director since June 6, 2012 and as Business Unit President of Chroma since July 1, 2007. Mr. Tseng was a Research Assistant at Pennsylvania State University from 1986 to 1992 and served as the Project Manager of Institute for Information Industry from 1992 to 1998. Mr. Tseng holds a PhD degree in Mechanical Engineering from Pennsylvania State University.

**Yael Andorn** has served on our Board of Directors since October 3, 2018 and she is currently the Chairperson of our Audit Committee. Ms. Andorn is the founder and CEO of CapitalA, and serves on the Boards of Directors of Israeli public companies such as El-Al Airlines and Castro. Ms. Andorn previously served on private and public boards, including Midroog-Moody's Rating, Oil Refineries (Bazan), Retalix, The National Lottery, Clal Health Insurance and Clal Credit Insurance, and as head of the Investment Committee of the Teacher's Saving Fund. Ms. Andorn served as director general of Israel's Ministry of Finance between 2013 and 2015 and as Partner at Viola Credit between 2012 and 2013. Between 2005 and 2011, Ms. Andorn served as CEO at Amitim and also served on the investment committee. Ms. Andorn held several positions at Israel's Ministry of Finance Budget Department, Bank of Israel and IDF 8200 Intelligence Unit. Ms. Andorn holds a Bachelor of Economics and a Master in Business Administration from the Hebrew University of Jerusalem.

**Yosi Shacham-Diamand** has served on our Board of Directors since October 3, 2018. Since 2001, Prof. Shacham-Diamand serves as The Bernard L. Schwartz Academic Chair for nanoscale information technologies in the Department of Electrical Engineering - Physical Electronics, and in the Department of Material Science and Technology, Faculty of Engineering, Tel Aviv University (TAU). Prof. Shacham-Diamand currently serves on the advisory board of CartaSense Ltd. and SolChip Ltd., and previously served as a consultant to numerous manufacturing companies such as Zoran Inc., Intel Inc., Applied Materials Inc., Nova Instruments Inc., as well as to numerous investment and holding companies in Israel and abroad. Prof. Shacham-Diamand previously served on the board of directors of PCB Ltd. (today, Priortech Ltd.) and "RAMOT" by Tel Aviv University. Since 2019 he is an endowed chair processor at Thapar Institute of Engineering and Technology (TiET), Patiala, Punjab, India and the international director of the Tel-Aviv University/TiET Food Security Center of Excellence. Since 2018, Prof. Shacham-Diamand serves as a visiting professor at the Department of Electronics and Telecommunication, The Politecnico di Torino, Torino, Italy. Since 2012, serves as a distinguished international Chair Professor in Feng Chia University, Taichung, Taiwan. Since 2014 he is serving as a visiting professor at Waseda University, Tokyo, Japan. During 2014 - 2018, Prof Shacham-Diamand served as a member of the MAGNET committee, Ministry of Trade and Industry. Prof. Shacham-Diamand holds a D.Sc. EE, M.Sc. EE, and B.Sc. EE (Summa-cum Laude), all from the Technion - Israel Institute of Technology, Haifa, Israel, and also completed postdoctoral research at U.C. Berkeley, CA, USA.

**Moty Ben-Arie** has served on our Board of Directors since March 28, 2017. From March 2017 until the 2019 AGM, Mr. Ben-Arie served as the Chairman of the Board of Directors. Mr. Ben-Arie is the co-founder and serves as the Chairman of the board of directors of Invisicare Ltd. Mr. Ben-Arie has served as a consultant to entrepreneurs and investors since 2014. Previously, Mr. Ben-Arie served as the CEO of Sital Technology from 2012 until 2014. From 2006 until 2011, Mr. Ben-Arie also served as a managing partner of Vertex Ventures, where he focused on investments in Israeli-related hi-tech companies and evaluation of companies in the field of telecommunication, IT, test equipment, medical equipment and multidisciplinary systems. During these years, Mr. Ben-Arie served as a member of the fund investment committee, managed investments in several companies and served as a board member in companies in their early stages, including Color Chip Inc., Multiphi, Expand Networks, Comability and Ethos Networks. From 2000 until 2006, Mr. Ben-Arie also served as a partner of Walden Israel Ventures, where he focused on investments in Israeli-related hi-tech companies. During these years, Mr. Ben-Arie managed investments in several companies and served as a board member in companies from early stage, including Color Chip Inc. and Passave. From 1998 until 2000, Mr. Ben-Arie served as a director in Radcom Ltd., as a consultant in Walden Israel, and financed seed phases for new startups. From 1991 until 1998, Mr. Ben-Arie served as the co-founder and CEO of Radcom Ltd., Israel. From 1978 until 1982, Mr. Ben-Arie served as an electronic engineer and a project manager in Elisra Ltd. Mr. Ben-Arie holds a MBA from Tel Aviv University, and a B.Sc. in Electrical Engineering from the Technion - Israel Institute of Technology.

**Moshe Eisenberg** has served as our Chief Financial Officer since November 2011. From 2010 to 2011, Mr. Eisenberg served as the Chief Financial Officer of Exlibris, a global provider of library automation solution for the academic market. Prior to that, from 2005 to 2009, Mr. Eisenberg served as the Chief Financial Officer of Scopus Video Networks Ltd., a leading provider of digital compression, decoding & video processing equipment. Prior to that, Mr. Eisenberg held various professional and managerial positions at Gilat Satellite Networks Ltd. and its wholly owned US subsidiary, Spacenet Inc. Mr. Eisenberg holds an MBA from Tel Aviv University and a B.Sc. in Agricultural Economics from the Hebrew University of Jerusalem.

**Ramy Langer** has served as our Chief Operating Officer since November 2017, following the consummation of the PCB Sale Transaction. Prior to his appointment as Chief Operating Officer he served as Vice President - Semiconductors Division from February 2014. From 2007 until 2012, Mr. Langer served as the Chief Executive Officer (and co-founder) of Infinite Memory Ltd., a fab-less developer of products based on Saifun Semiconductors Ltd.'s technology. From 2005 until 2007, Mr. Langer served as Vice President- Business Development of Saifun, where he marketed non-volatile memory IP. From 2002 until 2005, Mr. Langer served as Managing Director of Infineon Flash, a fab-less developer of products based on Saifun's technology using Infineon DRAM process. From 1999 until 2002, Mr. Langer served as Vice President-Marketing & Sales of Tower Semiconductors Ltd., manufacturer of integrated circuits. Prior to that, Mr. Langer held various executive positions at Kulicke and Soffa Industries, Inc., a leading global semiconductor assembly equipment manufacturer. Mr. Langer holds a B.Sc. in Electronic Engineering from the Technion - Israel Institute of Technology and a M.Sc. in Electronic Engineering from Drexel University, Philadelphia.

**Orit Geva Dvash** has served as our VP Human Resources (“**HR**”) since November 2017. Previously, since 2014, Ms. Geva Dvash served as our HR Director. From 2008 to 2014, Ms. Geva Dvash served as our HR manager. From 2002 to 2008, Ms. Geva Dvash served at various HR positions at IBM research lab. Ms. Geva Dvash holds a Masters in political science from Haifa University and B.A. in political science and English literature from Haifa University.

#### **Arrangements Involving Directors and Senior Management**

In accordance with the terms of the Chroma Voting Agreement, at the 2019 AGM Mr. Leo Huang and Mr. I-Shih Tseng were appointed for service as our directors (see Item 4.A. – “*History and Development of the Company*”).

Except for the Chroma Voting Agreement, there are no arrangements or understandings of which we are aware relating to the election of our directors or the appointment of executive officers in our Company. In addition, there are no family relationships among any of the individuals listed in this Section A (Directors and Senior Management).

#### **B. Compensation**

##### **Aggregate Executive Compensation**

The aggregate remuneration paid by us for the year ended December 31, 2019 to all persons listed in Section A (Directors and Senior Management) above, and other directors who served as such during the year 2019 and have terminated their service with us, was approximately \$2,843,991. This sum includes \$181,057 paid to provide pension, retirement or similar benefits, amounts expended by us for automobiles made available to all our executive officers, and other fringe benefits commonly reimbursed or paid by companies in Israel.

We have a performance-based bonus plan which includes our executive officers. The plan is based on our overall performance, and individual performance. Up to 50% of the performance objectives of our executive officers may be qualitative, provided that with respect to our Chief Executive Officer such portion shall not exceed three monthly base salaries. The measurable performance objectives can change year over year, and are a combination of financial parameters, such as revenues, booking, operating or net income and collection. The plan for our executive officers is reviewed and approved annually by our Audit Committee (in its capacity as our Compensation Committee) and Board of Directors, as is any bonus payment to an executive officer made under such plan (provided that with respect to the bonus plan for our CEO we also obtain shareholder approval – see in Item 6.B - “*Compensation – Employment Agreements*” below).

We compensate our independent directors for serving on our board of directors by payment of cash fees in accordance with regulations promulgated under the Companies Law concerning the remuneration of external directors (the “**Remuneration Regulations**”), reimbursement for expenses and the award of share options or restricted stock units (“**RSUs**”). Messrs. Rafi Amit and Yotam Stern, as well as Chroma’s representatives on our Board, do not receive compensation for their service as our directors. See Item 6.C “*Board Practices - Remuneration of Directors*” below.

## Individual Compensation of Covered Office Holders

The table below presents the compensation granted to our five most highly compensated Office Holders (as such term is defined in the Companies Law; see Item 6.C - “*Board Practices – External Directors – Qualification*” below) during or with respect to the year ended December 31, 2019. We refer to the five individuals for whom disclosure is provided herein as our “Covered Office Holders”. All amounts specified below are in terms of cost to the Company, as recorded in our financial statements.

Name and Principal Position (1)	Salary Cost (USD) (2)	Bonus (USD) (3)	Equity-Based Compensation (USD) (4)(5)	Other (USD) (6)	Total (USD)
Rafi Amit – Chief Executive Officer	313,134	352,125	360,146 (-)	106,733	1,132,138
Ramy Langer - Chief Operating Officer	267,213	94,118	268,735 (191,334)	-	630,066
Moshe Eisenberg - Chief Financial Officer	275,440	94,118	273,806 (191,334)	-	643,364
Orit Geva-Dvash - Vice President, Human Resources	160,806	41,727	129,601 (124,410)	-	332,134
Yael Andorn – Director, Chairwoman of the Audit Committee	-	-	7,063 (-)	32,613	39,676
<b>Total</b>	<b>1,016,593</b>	<b>582,088</b>	<b>1,031,564</b>	<b>139,346</b>	<b>2,769,591</b>

- (1) All Covered Office Holders are employed on a full-time (100%) basis, except for Mr. Amit who dedicates 90% of his time to his role as our Chief Executive Officer and except for Ms. Yael Andorn who serves as an external director in the Company’s Board of Directors.
- (2) Salary cost includes the Covered Office Holder’s gross salary plus payment of social benefits made by the Company on behalf of such Covered Office Holder. Such benefits may include, to the extent applicable to the Covered Office Holder, payment, contributions and/or allocations for saving funds (e.g. Managers’ Life Insurance Policy), education funds (referred to in Hebrew as “*Keren Hishtalmut*”), pension, severance, risk insurances (e.g. life, or work disability insurance), payments for social security and tax gross-up payments, vacation, car, medical insurance and benefits, phone, convalescence or recreation pay, and other benefits and perquisites consistent with the Company’s policies.
- (3) Represents annual bonuses paid in accordance with the Covered Office Holder’s performance of targets as set forth in his or her bonus plan and approved by the Company’s Audit Committee and Board of Directors and/ or any special one-time bonuses as approved by the Company’s Audit Committee and Board of Directors in accordance with the Company’s Compensation Policy.
- (4) Bracketed numbers represent the fair value on the grant date of equity based compensation granted to the Covered Office Holder during the year ended December 31, 2019.
- (5) Represents the equity based compensation expenses recorded in the Company’s consolidated financial statements for the year ended December 31, 2019 for each Covered Office Holder, based on the options’ fair value on the grant date, calculated in accordance with accounting guidance for equity-based compensation.
- (6) Includes relocation expenses which may consist of, to the extent applicable to the Covered Office Holder: housing, schooling, car, medical insurance and travel expenses for the Covered Office Holder and family members residing with him abroad.

## Employment Agreements

We maintain written employment agreements with our employees, including all of our executive officers, that contain customary provisions, including non-compete and confidentiality agreements.

Effective May 26, 2015, we entered into an amended employment agreement with Mr. Amit, Chief Executive Officer and our Chairman of the Board of Directors. Under his amended employment agreement, Mr. Amit spends 90% of his time in service as our CEO, and his compensation includes: (i) an annual base salary in the amount of \$313,134; and (ii) an annual performance-based bonus. In the annual general meeting of shareholders held in June 2018 (the “**2018 AGM**”), our shareholders approved a three-year Cash Bonus Plan for Mr. Amit, for the years 2018-2020. According to such bonus plan, Mr. Amit’s annual on target cash bonus for each of these years shall be equal to nine monthly base salaries, conditioned upon his performance in each of these years measured against criteria pre-determined by our Compensation Committee and Board of Directors, with respect to the applicable year. Also, in 2019, Mr. Amit received a cash bonus for the year 2018, in the sum of \$352,125.

Further, Mr. Amit’s amended agreement contains confidentiality provisions for the term of Mr. Amit’s services and thereafter, and non-compete provisions for the term of Mr. Amit’s service and for a six month period after the termination of his service. It provides that all intellectual property developed by Mr. Amit, or in which he took part, during or in connection with his services, is our sole property. It may be terminated by the Company at any time, by written notice of termination delivered to Mr. Amit six months in advance. We may, however, immediately terminate the engagement of Mr. Amit in various circumstances, including a breach of fiduciary duty.

As Mr. Amit may be deemed, together with the Priortech Founding Members and Chroma, to control the Company (see Item 3.D - “*Risk Factors- Our principal shareholders, Priortech and Chroma, hold a controlling interest in us and will be able to exercise their control in ways that may be adverse to your interests. Our relationship with Priortech and Chroma may give rise to a conflict of interests*” above), in accordance with the Companies Law, his term of employment must be approved by the Company’s shareholders at least once every three years, and, accordingly, was last re-approved at the 2018 AGM. Mr. Amit does not receive any compensation in respect of his service as a member of our Board of Directors.

### C. Board Practices

#### Corporate Governance Practices

We are incorporated in Israel and therefore are subject to various corporate governance practices under the Companies Law, relating to matters such as external directors, audit and compensation committees, internal auditor and approvals of interested parties transactions. These matters are in addition to the Nasdaq Rules and other relevant provisions of U.S. securities laws. Under applicable Nasdaq Rules, a foreign private issuer such as us may generally follow its home country rules of corporate governance in lieu of comparable Nasdaq Rules, except for certain matters such as composition and responsibilities of the audit committee and the independence of its members. See Item 3.D – “*Risk Factors - Being a foreign private issuer exempts us from certain SEC Requirements and Nasdaq Rules, which may result in less protection that is afforded to investors under rules applicable to domestic issuers*” above. For information regarding home country rules followed by us see Item 16G – “*Corporate Governance*” below.

#### General Board Practices

Our Articles provide that our Board of Directors shall consist of not less than five and not more than ten directors, including the external directors. Currently, our board consists of seven members. At our 2019 AGM, each of Messrs. Rafi Amit, Yotam Stern and Moty Ben-Arie were re-appointed for service as our directors, and, following the completion of the Chroma Transaction, Messrs. Leo Huang and I-Shih Tseng were first appointed to serve as our directors. All directors were appointed following the recommendation by the Company’s Nomination Committee, and each of them is serving an approximately one-year term, which is due to expire at our 2020 annual general meeting of shareholders. In addition, following the recommendation of our Nomination Committee and Board of Directors, our shareholders approved, at our 2018 AGM, the appointment of Ms. Yael Andorn and Prof. Yosi Shacham-Diamand as external directors in accordance with the Companies Law, for a term of three years each.

According to the Chroma Voting Agreement (see Item 4.A. – “*History and Development of the Company*”), Chroma is entitled to nominate individuals for two seats on the Company’s seven member Board and Priortech is entitled to nominate three members. The remaining seats are held by two external directors.

In accordance with the Companies Law, our Board of Directors retains all the powers in managing our Company that are not specifically granted to the shareholders. For example, the Board may make decisions to borrow money for the Company, and may set aside reserves out of our profits, for whatever purposes it sees fit.

The Board of Directors may pass a resolution when a quorum is present (in person or via telecommunication), and by a vote of at least a majority of the directors present when the resolution is put to vote. A quorum is defined as at least a majority of the directors then in office who are lawfully entitled to participate in the meeting but not less than two directors. The Chairman of the Board is elected and removed by the Board members. Minutes of the meetings of the Board of Directors are recorded and kept at our offices. In addition, the Board of Directors may pass a resolution by way of a written resolution signed by all members of our Board of Directors.

The Board of Directors may, subject to the provisions of the Companies Law, appoint a committee of the Board and delegate to such committee all or any of the powers of the Board, as it deems appropriate. Notwithstanding the foregoing and subject to the provisions of the Companies Law, the Board may, at any time, amend, restate or cancel the delegation of any of its powers to any of its committees. Our Board of Directors has appointed an Audit Committee, also serving as a Compensation Committee, and a Nomination Committee. For information regarding the duties, responsibilities and composition of each of our committees, see Item 6.C – “*Board Practices - Committees of the Board of Directors*” below.

Our Articles provide that any director may appoint as an alternate director, by written notice to us or to the Chairman of the Board, any individual who is qualified to serve as director and who is not then serving as a director or alternate director for any other director. An alternate director has all of the rights and obligations of a director, excluding the right to appoint an alternate for himself. Currently no alternate directors serve on our board.

#### **Election, Terms and Skills of Directors**

Directors, other than external directors, are elected by a resolution of the shareholders at the annual general meeting and serve until the conclusion of the next annual general meeting of the shareholders, unless earlier terminated in the event of such director’s death, resignation, bankruptcy, incapacity or removal by a resolution of the shareholders.

According to the Companies Law, a person who does not possess the skills required and the ability to devote the appropriate time to the performance of the office of director in a company, taking into consideration, among other things, the special requirements and size of that company, shall neither be appointed as a director nor serve as a director in a public company. A public company shall not summon a general meeting the agenda of which includes the appointment of a director, and a director shall not be appointed, unless the candidate has submitted a declaration that he or she possesses the skills required and the ability to devote the appropriate time to the performance of the office of director in the company, that sets forth the aforementioned skills and further states that the limitations set forth in the Companies Law regarding the appointment of a director do not apply in respect of such candidate.

A director who ceases to possess any qualification required under the Companies Law for holding the office of director or who becomes subject to any ground for termination of his/her office must inform the company immediately and his/her office shall terminate upon such notice.

#### **Independent Directors**

Under the Nasdaq Rules, a majority of our directors is required to be independent. The independence standard under the Nasdaq Rules excludes, among others, any person who is: (i) a current or former (at any time during the past three years) employee of a company or its affiliates; or (ii) an immediate family member of an executive officer (at any time during the past three years) of a company or its affiliates. Three of our seven members of the Board - Ms. Yael Andorn and Messrs. Yosi Shacham-Diamand and Moty Ben Arie - qualify as independent directors under the Nasdaq Rules.

## External Directors

Under the Companies Law, we are required to appoint at least two external directors. Each committee of a company's board of directors which is authorized to exercise the board of directors' authorities is required to include at least one external director, except for the audit committee and the compensation committee, which are required to include all of the external directors.

Qualification. To qualify as an external director, an individual or his or her relative, partner, employer, any person to whom such person is directly or indirectly subject to, or any entity under his or her control may not have, as of the date of appointment, or may not have had during the previous two years, any affiliation with the company, any entity controlling the company on the date of the appointment or with any entity controlled, at the date of the appointment or during the previous two years, by the company or by its controlling shareholder (and in a company that does not have a shareholder or an affiliated group of shareholders holding 25% or more of the company's voting rights, such person may not have any affiliation with any person who, at the time of appointment, is the chairman, the chief executive officer, the chief financial officer or a 5% shareholder of the company). In general, the term "affiliation" includes: an employment relationship, a business or professional relationship maintained on a regular basis, control and service as an Office Holder; "Control" is defined in the Israeli Securities Law as the ability to direct the actions of a company but excluding a power that is solely derived from a position as a director of the company or any other position with the company; a person who is holding 50% or more of the "controlling power" in the company – voting rights or the right to appoint a director or a general manager – is automatically considered to possess control. The Companies Law defines the term "**Office Holder**" of a company to include a director, the chief executive officer, an executive vice president, a vice president, any other person fulfilling or assuming any of the foregoing positions without regard to such person's title, and any manager who is directly subordinated to the chief executive officer.

In addition, no person can serve as an external director if the person's position or other business creates, or may create conflicts of interest with the person's responsibilities as an external director or may otherwise interfere with the person's ability to serve as an external director. Until the lapse of two years from termination of office, a company or its controlling shareholder may not give any direct or indirect benefit to a former external director.

Election and Term of External Directors. External directors are elected by a majority vote at a shareholders' general meeting, provided that either:

- a majority of the shares voted at the meeting, which are not held by controlling shareholders or shareholders with personal interest in approving the appointment (excluding personal interest not resulting from contacts with the controlling shareholder), not taking into account any abstentions, vote in favor of the election; or
- a vote in which the total number of shares voting against the election of the external director, does not exceed two percent of the aggregate voting rights in the company.

In a company in which, at the date of appointment of an external director, all the directors are of the same gender, the external director to be appointed shall be of the other gender.

An external director can be removed from office only by: (i) the same majority of shareholders that is required to elect an external director; or (b) a court, and provided that either (a) the external director ceases to meet the statutory qualifications with respect to his or her appointment, or (b) the external director violates his or her duty of loyalty to the company. The court may also remove an external director from office if he or she is unable to perform his or her duties on a regular basis.

An external director who ceases to possess any qualification required under the Companies Law for holding the office of an external director must inform the company immediately and his/her office shall terminate upon such notice.

In general, external directors serve a three-year term, which may then be extended for two additional three-year periods. Thereafter, in accordance with regulations promulgated under the Companies Law, an external director may be appointed for additional terms of service of not more than three years each provided that: (a) a company's audit committee, followed by the board of directors, have approved that considering the expertise and special contribution of the external director to the work of the board of directors and its committees, the appointment for an additional term of service is beneficial to the company; (b) the appointment for an additional term of service is approved in accordance with the requirements of the Companies Law; and (c) the prior periods of service of such external director, as well as the reasoning of the audit committee and board of directors for the approval of the extension of the term of service, were presented to the shareholders prior to their approval.

Re-election of an external director may be effected through one of the following mechanisms:

1. a shareholder holding one percent or more of a company's voting rights proposed the re-election of the nominee;
2. the board of directors proposed the re-election of the nominee and the election was approved by the shareholders by the majority required to appoint external directors for their initial term; or
3. the external director who is up for renewal has proposed himself or herself for re-election.

With respect to mechanisms 1 and 3 above, the re-election is required to fulfill all of the following terms: (i) to be approved by a majority of the votes cast by the shareholders of the Company, excluding the votes of controlling shareholders and shareholders who have a personal interest in approving such nomination resulting from their relations with the controlling shareholders; (ii) to include votes cast in favor of the re-election by such non-excluded shareholders constituting more than two percent of the voting rights in the Company; and (iii) the external director is not a related or competing shareholder or a relative of such a related or competing shareholder, at the time of the appointment, and does not and did not have any affiliation with a related or competing shareholder, at the time of the appointment or within the two years preceding the appointment. A "related or competing shareholder" is a shareholder proposing the re-appointment or a shareholder holding 5% or more of the outstanding shares or voting rights of the company, provided that at the time of the re-appointment, such shareholder, a controlling shareholder thereof or a company controlled by such shareholder or by a controlling shareholder thereof, have business relationships with the Company or are competitors of the Company.

**Financial and Accounting Expertise.** Pursuant to the Companies Law and regulations promulgated there under, (1) each external director must have either "accounting and financial expertise" or "professional qualifications" and (2) at least one of the external directors must have "accounting and financial expertise". A director with "accounting and financial expertise" is a director whose education, experience and skills qualifies him or her to be highly proficient in understanding business and accounting matters and to thoroughly understand the company's financial statements and to stimulate discussion regarding the manner in which financial data is presented. A director with "professional qualifications" is a person who meets any of the following criteria: (i) has an academic degree in economics, business management, accounting, law, public administration; (ii) has a different academic degree or has completed higher education in an area relevant to the company's business or which is relevant to his or her position; or (iii) has at least five years' experience in any of the following, or has a total of five years' experience in at least two of the following: (A) a senior position in the business management of a corporation with substantial business activities, (B) a senior public position or a senior position in the public service, or (C) a senior position in the company's main fields of business.

**Compensation.** An external director is entitled to compensation as provided in the Remuneration Regulations and is otherwise prohibited from receiving any other compensation, directly or indirectly, from the Company. For more information, please see "**Remuneration of Directors**" below.

**Our External Directors.** Ms. Yael Andorn and Prof. Yosi Shacham-Diamand were appointed as our external directors in the 2018 AGM, for a three-year-term which will expire on October 2, 2021. Our Board of Directors has determined that Ms. Andorn has the "accounting and financial expertise" and that Mr. Shacham-Diamand has the "professional qualifications" required by the Companies Law.

## Remuneration of Directors

Generally, directors' remuneration should be consistent with a company's compensation policy for Office Holders (see "**Compensation Policy**" below) and requires the approval of the compensation committee, the board of directors and the shareholders (in that order). Notwithstanding the above, in certain circumstances shareholder approval may be waived (see below) and, under different circumstances, the compensation committee and the board of directors may approve an arrangement that deviates from the compensation policy, provided that such arrangement is approved by a special majority of the company's shareholders, including (i) at least a majority of the shareholders, present and voting (abstentions are disregarded), who are not controlling shareholders and who do not have a personal interest in the matter, or (ii) the non-controlling shareholders and shareholders who do not have a personal interest in the matter who were present and voted against the matter hold two percent or less of the voting power of the Company.

According to the Remuneration Regulations, external directors are generally entitled to an annual fee, a participation fee for each meeting of the board of directors or any committee of the board on which he or she serves as a member, and reimbursement of travel expenses for participation in a meeting which is held outside of the external director's place of residence. The minimum, fixed and maximum amounts of the annual and participation fees are set forth in the Remuneration Regulations, based on the classification of the company according to the amount of its capital. The remuneration of external directors must be made known to the candidate for such office prior to his/her appointment and, subject to certain exceptions, will not be amended throughout the three-year period during which he or she is in office. A company may also compensate an external director in shares or rights to purchase shares, other than convertible debentures which may be converted into shares, in addition to the annual and participation remuneration and the reimbursement of expenses, subject to certain limitations set forth in the Remuneration Regulations.

According to regulations promulgated under the Companies Law with respect to relief in approval of certain related party transactions (the "**Relief Regulations**"), shareholders' approval for directors' compensation and employment arrangements is not required if both the Compensation Committee and the board of directors resolve that either (i) the directors' compensation and employment arrangements are solely for the benefit of the company or (ii) the remuneration to be paid to any such director does not exceed the maximum amounts set forth in the Remuneration Regulations. Further, according to the Relief Regulations, shareholders' approval for directors' compensation and employment arrangements is not required if (i) both the Compensation Committee and the board of directors resolve that such terms (a) are not more beneficial than the former terms, or are essentially the same in their effect; and (b) are in line with the company's compensation policy; and (ii) such terms are brought for shareholder approval at the next general meeting of shareholders. Also, according to the Remuneration Regulations, shareholder approval may be waived if the remuneration to be paid to the external directors is between the fixed and maximum amounts set forth in such regulations.

As consideration for their service as directors and their participation in each meeting of the Board or Board's committees, we pay each of our external and independent directors (all Board members except for Messrs. Amit, Stern, Huang and Tseng) a fixed annual fee, a fixed participation fee and reimbursement of expenses in the following amounts: NIS 70,000 (approximately \$19,640) as annual fee, NIS 2,600 (approximately \$729) as in-person participation fee, NIS 1,560 (approximately \$437) for conference call participation and NIS 1,300 (approximately \$364) for written resolutions. As these amounts are in the range between the fixed amounts of the annual and participation fees, as set forth in the Remuneration Regulations, based on the amount of the Company's capital, and the maximum amounts of such fees as set forth in the Companies Regulations (Alleviation for Public Companies whose shares are Traded on the Stock Exchange Outside of Israel), 2000 (the "**Alleviation Regulations**"), they are exempt from shareholder approval, in accordance with the Relief Regulations. The above-mentioned cash remuneration is in line with the Company's Executives & Directors Compensation Policy (the "**Compensation Policy**"), according to which each of the Company's non-executive (and non-controlling) directors is entitled to receive cash fees which include annual and participation fees.

Messrs. Amit, Stern, Huang and Tseng do not receive any payment with respect to their service as our directors.

At the 2018 AGM, as well as in previous years, we have granted RSUs and options (respectively) to our directors. See item 6.E – “Share Ownership – Share Incentive Plans” below. The following table sets forth the number of Ordinary Shares held by our directors, as of March 18, 2020, and the number of options exercisable and RSUs vested as of March 18, 2020 and within 60 days from such date:

Name of Director	Number of Options Exercisable as of March 18, 2020 and within 60 days	Number of RSU's vested as of March 18, 2020 and within 60 days	Number of Ordinary Shares held as of March 18, 2020
Rafi Amit	-	-	-
Yotam Stern	-	-	87,757
Moty Ben-Arie	-	269	1,345
Yael Andorn	-	269	1,345
Yosi Shacham-Diamand	-	269	1,345
Leo Huang	-	-	-
I-Shih Tseng	-	-	-

The options were granted pursuant to our then in effect equity plan and in accordance with the grant terms included therein. The RSUs were granted pursuant to our Share Incentive Plan (and Sub-Plan for Grantees Subject to Israeli Taxation) (the “2018 Plan”). For additional information regarding the main terms of the option and RSUs grants, please see item 6.E below – “Share Ownership – Share Incentive Plans”

#### Committees of the Board of Directors

##### Audit Committee

*SEC and Nasdaq Requirements.* In accordance with the Exchange Act, rules of the SEC under the Exchange Act and Nasdaq Rules, we are required to have an audit committee consisting of at least three directors, each of whom is (i) independent; (ii) does not receive any compensation from the Company (other than directors’ fees); (iii) is not an affiliated person of the Company or any of its subsidiaries; (iv) has not participated in the preparation of the Company’s (or subsidiary’s) financial statements during the past three years; and (v) financially literate and one of whom has been determined by the board to be the audit committee financial expert. The duties and responsibilities of the audit committee under the Nasdaq Rules include: (i) recommending the appointment of the Company’s independent auditor to the board of directors, determining its compensation and overseeing the work performed by it; (ii) pre-approving all services of the independent auditor; (iii) overseeing our accounting and financial reporting processes and the audits of our financial statements; and (iv) handling complaints relating to accounting, internal controls and auditing matters.

We have adopted an audit committee charter as required by the Nasdaq Rules.

*Companies Law Requirements.* Under the Companies Law, the board of directors of any Israeli company whose shares are publicly traded must appoint an audit committee, comprised of at least three directors including all of the external directors. In addition, the majority of the members must meet certain independence criteria and may not include: (i) the chairman of the board; (ii) any controlling shareholder or a relative thereof; (iii) any director employed by or providing services on a regular basis to the Company, a controlling shareholder or a company owned by a controlling shareholder; or (iv) any director whose main income is provided by a controlling shareholder (the “Non-Permitted Members”). The chairman of such audit committee must be an external director.

The duties and responsibilities of our audit committee under the Companies Law include (1) identification of irregularities and deficiencies in the management of our business, in consultation with the internal auditor and our independent auditors, and suggesting appropriate courses of action to amend such irregularities; (2) reviewing and approval of certain transactions and actions of the Company, including the approval of related party transactions, that require approval by the audit committee under the Companies Law; defining whether certain acts and transactions that involve conflicts of interest are material or not and whether transactions that involve conflict of interests are material or not and whether transactions that involve interested parties are extraordinary or not, and to approve such transactions; (3) determining with respect to transactions with controlling shareholders, even if such are not extraordinary transactions, a duty to conduct a competitive process, under the supervision of the committee or under the supervision of whomever designated by the committee and according to standards determined by the committee, or determining other proceedings, prior to entering into such transactions, all in accordance with the type of transaction; (4) determining the method of approval of transactions which are not insignificant, including the types of transactions which shall require approval of the committee; (5) recommending the appointment of the internal auditor and its compensation to the board of directors; (6) examining the performance of our internal auditor and whether he is provided with the required resources and tools necessary for him to fulfill his role, considering, among others, the Company’s size and special needs; and (7) setting procedures for handling complaints made by Company’s employees in connection with management deficiencies and the protection to be provided to such employees.

Non-Permitted Members shall not attend audit committee's meetings or take part in its decisions, unless the chairman of the audit committee has determined that such person is required for the presentation of a certain matter. Nevertheless, an employee who is not a controlling shareholder or a relative thereof may be present at the discussion part only, pursuant to the Committee's request, and the Company's legal counsel and secretary, who are not controlling shareholders or relatives thereof, may be present during both discussion and decision making parts - pursuant to the Committee's request.

The quorum for discussions and decisions shall be the majority of the members, provided that the majority of the members present meet the independence criteria set forth in the Companies Law and at least one of them is an external director.

*Our Audit Committee.* The members of our Audit Committee are Ms. Yael Andorn and Messrs. Moty Ben Arie and Yosi Shacham-Diamand, all of whom are independent directors in accordance with Nasdaq Rules and meet the independence criteria set forth in the Companies Law. Ms. Andorn is the Chairperson of our Audit Committee and qualifies as its audit committee financial expert.

#### Compensation Committee

*Nasdaq Requirements.* Under Nasdaq Rules, the compensation payable to our executive officers must be determined or recommended to the board for determination either by a majority of the independent directors on the board, in a vote in which only independent directors participate, or by a compensation committee comprised solely of independent directors, subject to certain exceptions.

*Companies Law Requirements.* According to the Companies Law, the board of directors of any Israeli company whose shares are publicly traded, must appoint a compensation committee, comprised of at least three directors, including all of the external directors which shall be the majority of its members and one thereof must serve as the chairman of the committee. The remaining members of the committee must satisfy the criteria for remuneration applicable to the external directors and qualified to serve as members of the audit committee pursuant to Companies Law requirements, as described above. However, an audit committee that satisfies the requirements of the Companies Law regarding the composition of a compensation committee may be authorized to carry out all duties and responsibilities of the compensation committee.

Further, under the Companies Law, a compensation committee is responsible for: (i) making recommendations to the board of directors with respect to the approval of the compensation policy (see below - "**Compensation Policy**") and any extensions thereto; (ii) periodically reviewing the implementation of the compensation policy and providing the board of directors with recommendations with respect to any amendments or updates thereto; (iii) reviewing and resolving whether or not to approve arrangements with respect to the terms of office and employment of Office Holders; and (iv) determining whether or not to exempt a transaction with a candidate for chief executive officer, who is not affiliated with the Company or its controlling shareholder, from shareholder approval if subjecting of such transaction to shareholder approval may prevent its conclusion, and provided that the terms approved are consistent with the compensation policy.

The attendance and participation in meetings of the compensation committee are subject to the same limitations that apply to the Audit Committee. The quorum for discussions and decisions shall be the majority of the members, provided that those members present are independent directors and at least one of them is an external director.

*Our Compensation Committee.* We follow the provisions of the Companies Law with respect to the composition and responsibilities of our Compensation Committee. As all of the members of our Audit Committee meet the independence requirements for compensation committee members set forth in the Nasdaq Rule 5605(d)(2), as a foreign private issuer, we have elected, pursuant to Nasdaq Rule 5615(a)(3), to follow Israeli practice, in lieu of compliance with the certain provisions of Nasdaq Rule 5605(d), which would require us to have a separate compensation committee. Pursuant to the Companies Law, allowing an audit committee that satisfies the requirements of the Companies Law regarding the composition of a compensation committee, to carry out all duties and responsibilities of the compensation committee, our Board of Directors has authorized our Audit Committee to carry out the duties and responsibilities of the compensation committee.

### Nomination Committee

The Nasdaq Rules require that director nominees be selected or recommended for the board's selection either by a nomination committee composed solely of independent directors or by a majority of independent directors, in a vote in which only independent directors participate, subject to certain exceptions. In 2018 our Board of Directors appointed a Nomination Committee, comprised of our two external directors, Ms. Andorn and Mr. Shacham-Diamand. Following such appointment, our Nomination Committee has assumed the responsibility for recommending to the Board nominees for election (including re-election) to the Company's Board of Directors, in lieu of the recommendation by our independent directors.

As approved by our Board of Directors and consistent with the requirements of the Nasdaq Rules, our Nomination Committee is responsible for: (i) identifying potential new candidates for service on the Company's Board of Directors, taking into account, *inter alia*, the candidate's applicable experience, expertise and/or familiarity with the Company's field of business, as well as the candidate's ethical character, independent judgment and industry reputation; (ii) conducting appropriate inquiries into the backgrounds and qualifications of potential candidates for service as directors; and (iii) reviewing and resolving whether or not to approve arrangements with respect to such candidates .

### **Approval of Office Holders Terms of Employment**

The terms of office and employment of Office Holders (other than directors and the chief executive officer) require the approval of the compensation committee and the board of directors, provided such terms are in accordance with the company's compensation policy. Shareholder approval is also required if the compensation of such officer is not in accordance with such policy. However, in special circumstances the compensation committee and then the board of directors may nonetheless approve such compensation even if such compensation was not approved by the shareholders, following a further discussion and for detailed reasoning.

The terms of office and employment of directors, the chief executive officer or controlling shareholders (or a relative thereof), regardless of whether or not such terms conform to the company's compensation policy, should be approved by the compensation committee, the board of directors and the shareholders, by a special majority, except for: (a) approval of terms of office and employment of directors, which are consistent with the company's compensation policy, and require shareholder approval by a regular majority; or (b) approval of terms of office and employment of directors pursuant to certain reliefs provided for under the Remuneration Regulations and/or the Relief Regulations, with respect to which shareholder approval is waived. Shareholder special majority should include (i) at least a majority of the shareholders who are not controlling shareholders and who do not have a personal interest in the matter, present and voting (abstentions are disregarded), or (ii) the non-controlling shareholders and shareholders who do not have a personal interest in the matter who were present and voted against the matter hold two percent or less of the voting power of the company ("**Special Majority**"). Notwithstanding the above, in special circumstances the compensation committee and then the board of directors may nonetheless approve compensation for the chief executive officer, even if such compensation was not approved by the shareholders, following a further discussion and for detailed reasoning.

In addition, amendment of existing terms of office and employment of Office Holders who are not directors requires the approval of the compensation committee only, if the compensation committee determines that the amendment is not material.

### **Compensation Policy**

Under the Companies Law we are required to adopt a compensation policy, which sets forth company policy regarding the terms of office and employment of Office Holders, including compensation, equity awards, severance and other benefits, exemption from liability and indemnification. Such compensation policy should take into account, among other things, providing proper incentives to directors and officers, management of risks by the company, the officer's contribution to achieving corporate objectives and increasing profits, and the function of the officer or director.

Our Compensation Policy is designed to balance between the importance of incentivizing Office Holders to reach personal targets and the need to assure that the overall compensation meets our Company's long-term strategic performance and financial objectives. The Compensation Policy provides our Compensation Committee and our Board of Directors with adequate measures and flexibility to tailor each of our Office Holder's compensation package based, among other matters, on geography, tasks, role, seniority and capability. Moreover, the Compensation Policy is intended to motivate our Office Holders to achieve ongoing targeted results in addition to a high level business performance in the long term, without encouraging excessive risk taking.

The Compensation Policy and any amendments thereto must be approved by the board of directors, after considering the recommendations of the compensation committee, and by a Special Majority of our shareholders. The Compensation Policy must be reviewed from time to time by the board, and must be re-approved or amended by the board of directors and the shareholders no less than every three years. If the Compensation Policy is not approved by the shareholders, the compensation committee and the board of directors may nonetheless approve the policy, following further discussion of the matter and for detailed reasons.

Our Compensation Policy for Office Holders was originally approved by our shareholders at a special general meeting of shareholders held in October 2013, and was amended five times since; in November 2014 our shareholders approved an increase of the maximum yearly equity value which may be granted to any of our Office Holders; in August 2015 our shareholders approved an amendment increasing the maximum annual salary which may be granted to our Chief Executive Officer; in November 2016 our shareholders approved certain additional amendments to our Compensation Policy, mainly: (1) allowing the Company's Chief Executive Officer to approve insignificant changes in the terms of office and employment of executives (i.e., not exceeding 5% of the aggregate value of the total cash compensation for such calendar year) who are directly subordinated to him, without the need for Compensation Committee approval, provided that such changes are in accordance with the Compensation Policy; (2) increasing the cap for the portion of the targets for annual bonuses of executives (other than our Chief Executive Officer) which may be based on non-measurable criteria, up to 50%; and (3) with respect to our Chief Executive Officer – setting the cap for the portion of the targets for his annual bonuses which may be based on non-measurable criteria, at 50%, provided however, that such portion shall not exceed three monthly salaries; in June 2018, our shareholders approved certain additional amendments to our Compensation Policy, as follows: (1) increasing the cap of the on target annual bonus of our Chief Executive Officer from six (6) monthly base salaries to nine (9) monthly base salaries; (2) increasing the maximum amount of annual bonus payable to our Chief Executive Officer from nine (9) monthly base salaries to thirteen and a half (13.5) monthly base salaries; (3) increasing the payment threshold for payment of annual bonuses to the Company's Office Holders, from \$2,000,000 to \$4,500,000; (4) providing that the determination and caps on the remuneration of external directors shall be subject to and in accordance with all applicable regulations under the Companies Law (rather than previous reference to Remuneration Regulations only); and (5) increasing the coverage and premiums caps with respect to our directors and officers liability insurance policy; and, in June 2019, (1) increasing the cap of the on target annual bonus of our executives (other than our Chief Executive Officer) from four (4) monthly base salaries to six (6) monthly base salaries; (2) increasing the maximum amount of annual bonus payable to our executives (other than our Chief Executive Officer) from six (6) monthly base salaries to nine (9) monthly base salaries.

#### **Approval of Certain Transactions with Related Parties**

The Companies Law requires the approval of the audit committee or the compensation committee, thereafter the approval of the board of directors and in certain cases — the approval of the shareholders, in order to effect specified actions and extraordinary transactions, such as the following:

- transactions with Office Holders and third parties - where an Office Holder has a personal interest in the transaction;
- employment terms of Office Holders; and
- extraordinary transactions with controlling parties or with a third party where a controlling party has a personal interest in the transaction; or any transaction with the controlling shareholder or his relative regarding terms of service (provided directly or indirectly, including through a company controlled by the controlling shareholder) and terms of employment (for a controlling shareholder who is not an Office Holder). A "relative" is defined in the Companies Law as spouse, sibling, parent, grandparent, descendant, spouse's descendant, sibling or parent and the spouse of any of the foregoing.

Such extraordinary transactions with controlling shareholders require the approval of the audit committee, or the compensation committee, the board of directors and the majority of the voting power of the shareholders present and voting at the general meeting of the company (not including abstentions), provided that either:

- the majority of the shares of shareholders who have no personal interest in the transaction and who are present and voting, vote in favor; or
- shareholders who have no personal interest in the transaction who vote against the transaction do not represent more than two percent of the aggregate voting rights in the company.

Any shareholder participating in the vote on approval of an extraordinary transaction with a controlling shareholder must inform the company prior to the voting whether or not he or she has a personal interest in the approval of the transaction, and if he or she fails to do so, his or her vote will be disregarded.

Further, such extraordinary transactions, as well as any transactions with a controlling shareholder or his relative concerning terms of service or employment, need to be re-approved no less than every three years provided however that with respect to certain such extraordinary transactions the audit committee may determine that a longer duration is reasonable given the circumstances related thereto and such extended period has been approved by the shareholders.

In accordance with regulations promulgated under the Companies Law, certain defined types of extraordinary transactions between a public company and its controlling shareholder(s) are exempt from the shareholder approval requirements.

In addition, the approval of the audit committee, followed by the approval of the board of directors and the shareholders, is required to effect a private placement of securities, in which either: (i) 20% or more of the company's outstanding share capital prior to the placement is offered, and the payment for which (in whole or in part) is not in cash, in tradable securities registered in a stock exchange or not under market terms, and which will result in an increase of the holdings of a shareholder that holds 5% or more of the company's outstanding share capital or voting rights or will cause any person to become, as a result of the issuance, a holder of more than 5% of the company's outstanding share capital or voting rights; or (ii) a person will become a controlling shareholder of the company.

A "controlling shareholder" is defined in the Israeli Securities Law and in the provisions governing related party transactions under the Companies Law as a person with the ability to direct the actions of a company but excluding a person whose power derives solely from his or her position as a director of the company or any other position with the company, and with respect to approval of transactions with related parties also as a person who holds 25% or more of the voting power in a public company, if no other shareholder owns more than 50% of the voting power in the company, and provided that two or more persons holding voting rights in the company, who each have a personal interest in the approval of the same transaction, shall be deemed to be one holder for the evaluation of their holdings with respect to approval of transactions with related parties.

Compensation committee approval is required and thereafter, in most cases, the approval of the board of directors and in certain cases – the additional approval of the shareholders, in order to approve the grant of an exemption from the responsibility for a breach of the duty of care towards the company, for the provision of insurance and for an undertaking to indemnify any Office Holder of the company; see below under "*Insurance, Indemnification and Exemption*".

## **Duties of Office Holders and Shareholders**

### ***Duties of Office Holders***

#### *Fiduciary Duties*

The Companies Law imposes a duty of care and a duty of loyalty on all Office Holders of a company, including directors and officers. The duty of care requires an Office Holder to act with the level of care with which a reasonable Office Holder in the same position would have acted under the same circumstances. The duty of loyalty includes avoiding any conflict of interest between the Office Holder's position in the company and his personal affairs, any competition with the company, or exploiting any business opportunity of the company in order to receive personal advantage for himself or others. It also requires an Office Holder to reveal to the company any information or documents relating to the company's affairs which the Office Holder has received due to his position as an Office Holder.

The company may approve an action by an Office Holder from which the Office Holder would otherwise have to refrain due to its violation of the Office Holder's duty of loyalty if: (i) the Office Holder acts in good faith and the act or its approval does not cause harm to the company, and (ii) the Office Holder discloses the nature of his or her interest in the transaction to the company a reasonable time before the company's approval.

Each person listed in the table under "Directors and Senior Management" above is considered an Office Holder under the Companies Law (for definition of "Office Holder" under the Companies Law see above under "*External directors*" – "*Qualification*").

#### ***Disclosure of Personal Interests of an Office Holder***

The Companies Law requires that an Office Holder of a company promptly disclose any personal interest that he or she may possess and all related material information and documents known to him or her relating to any existing or proposed transaction by the company. If the transaction is an extraordinary transaction, the Office Holder must also disclose any personal interest held by the Office Holder's spouse, siblings, parents, grandparents, descendants, spouse's siblings, parents and descendants and the spouses of any of these people, or any corporation in which the Office Holder: (i) holds at least 5% of the company's outstanding share capital or voting rights; (ii) is a director or general manager; or (iii) has the right to appoint at least one director or the general manager. An extraordinary transaction is defined as a transaction that is either (i) not in the ordinary course of business; (ii) not on market terms; or (iii) likely to have a material impact on the company's profitability, assets or liabilities.

In the case of a transaction which is not an extraordinary transaction, after the Office Holder complies with the above disclosure requirements, only board approval is required unless the articles of association of the company provide otherwise. The transaction must be for the benefit of the company. If a transaction is an extraordinary transaction, or with respect to terms of office and employment, then in addition to any approval stipulated by the articles of association, it also must be approved by the company's audit committee (or with respect to terms of office and employment, the compensation committee) and then by the board of directors, and, under certain circumstances, by the shareholders of the company. A director who has a personal interest in a transaction, may be present if a majority of the members of the board of directors or the audit committee (or with respect to terms of office and employment, the compensation committee), as the case may be, has a personal interest. If a majority of the board of directors has a personal interest, then shareholders' approval is also required.

#### ***Duties of Shareholders***

Under the Companies Law, a shareholder has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, by voting in a general meeting of shareholders with respect to the following matters: (a) any amendment to the articles of association; (b) an increase of the company's authorized share capital; (c) a merger; or (d) approval of interested party transactions which require shareholders' approval.

In addition, any controlling shareholder, any shareholder who knows that he or she possess power to determine the outcome of a shareholder vote and any shareholder who, pursuant to the provisions of a company's articles of association, has the power to appoint or prevent the appointment of an Office Holder in the company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty but states that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty of fairness, taking into account such shareholder's position.

## Insurance, Indemnification and Exemption

Pursuant to the Companies Law and the Israeli Securities Law, the Israeli Securities Authority is authorized to impose administrative sanctions, including monetary fines, against companies like ours and their officers and directors, for certain violations of the Israeli Securities Law (see in “*Administrative Enforcement*” below) or the Companies Law. The Companies Law further provides that companies like ours may indemnify their officers and directors and purchase an insurance policy to cover certain liabilities, if provisions for that purpose are included in their articles of association.

Our Articles allow us to indemnify and insure our Office Holders to the fullest extent permitted by law.

### *Office Holders' Exemption*

Under the Companies Law, and provided that the company's articles of association allow it to do so, an Israeli company may exempt in advance an Office Holder from his or her liability to the company, in whole or in part, for a breach of his or her duty of care (except in connection with distributions). Exemption from liability for a breach of duty of loyalty is not allowed. Our Articles allow us to exempt our Office Holders to the fullest extent permitted by law.

### *Office Holders' Insurance*

Our Articles provide that, subject to the provisions of the Companies Law, we may enter into a contract for the insurance of all or part of the liability imposed on our Office Holders in respect of an act performed by him or her in his or her capacity as an Office Holder, concerning the following:

- a breach of his or her duty of care to us or to another person;
- a breach of his or her duty of loyalty to us, provided that the Office Holder acted in good faith and had reasonable cause to assume that his or her act would not prejudice our interests; and
- a financial liability imposed upon him or her in favor of another person.

Without derogating from the aforementioned, subject to the provisions of the Companies Law and the Israeli Securities Law, we may also enter into a contract to insure an Office Holder for expenses, including reasonable litigation expenses and legal fees, incurred by him or her in relation to an administrative proceeding instituted against such Office Holder or payment required to be made to an injured party pursuant to certain provisions of the Israeli Securities Law.

### *Office Holder's Indemnification*

Our Articles provide that, subject to the provisions of the Companies Law and the Israeli Securities Law, we may indemnify any of our Office Holders in respect of an obligation or expense specified below, imposed on or incurred by the Office Holder in respect of an act performed in his capacity as an Office Holder, as follows:

- a financial liability imposed on him or her in favor of another person by any judgment, including a settlement or an arbitration award approved by a court;
- reasonable litigation expenses, including attorney's fees, incurred by the Office Holder as a result of an investigation or proceeding instituted against him by a competent authority which concluded without the filing of an indictment against him and without the imposition of any financial liability in lieu of criminal proceedings, or which concluded without the filing of an indictment against him but with the imposition of a financial liability in lieu of criminal proceedings concerning a criminal offense that does not require proof of criminal intent or in connection with a financial sanction (the phrases “proceeding concluded without the filing of an indictment” and “financial liability in lieu of criminal proceeding” shall have the meaning ascribed to such phrases in section 260(a)(1a) of the Companies Law);
- reasonable litigation expenses, including attorneys' fees, expended by an Office Holder or charged to the Office Holder by a court, in a proceeding instituted against the Office Holder by the Company or on its behalf or by another person, or in a criminal charge from which the Office Holder was acquitted, or in a criminal proceeding in which the Office Holder was convicted of an offense that does not require proof of criminal intent; and
- expenses, including reasonable litigation expenses and legal fees, incurred by an Office Holder in relation to an administrative proceeding instituted against such Office Holder, or payment required to be made to an injured party, pursuant to certain provisions of the Israeli Securities Law.

The Company may undertake to indemnify an Office Holder as aforesaid, (a) prospectively, provided that, in respect of the first act (financial liability) the undertaking is limited to events which in the opinion of the board of directors are foreseeable in light of the Company's actual operations when the undertaking to indemnify is given, and to an amount or criteria set by the board of directors as reasonable under the circumstances, and further provided that such events and amount or criteria are set forth in the undertaking to indemnify, and (b) retroactively; provided, however, that the total aggregate indemnification amount that the Company shall be obligated to pay to all of its Office Holders, for all matters and circumstances described above, shall not exceed an amount equal to twenty five percent (25%) of the shareholders' equity at the time of the indemnification.

#### *Limitations on Insurance and Indemnification*

The Companies Law provides that a company may not insure, exempt or indemnify an Office Holder for any breach of his or her liability arising from any of the following:

- a breach by the Office Holder of his or her duty of loyalty, except that the company may enter into an insurance contract or indemnify an Office Holder if the Office Holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the Office Holder of his or her duty of care if such breach was intentional or reckless, but unless such breach was solely negligent;
- any act or omission done with the intent to derive an illegal personal benefit; or
- any fine, civil fine, financial sanction or monetary settlement in lieu of criminal proceedings imposed on such Office Holder.

Under the Companies Law, exemption and indemnification of, and procurement of insurance coverage for, our Office Holders, must be approved by our compensation committee and our board of directors and, with respect to the CEO and to an Office Holder who is a director also by our shareholders. However, according to the Relief Regulations, shareholders' approval for the procurement of directors' insurance is not required if the insurance policy is approved by our compensation committee and (i) the terms of such policy are within the framework for insurance coverage as approved by our shareholders and set forth in our compensation policy; (ii) the premium paid under the insurance policy is at fair market value; and (iii) the insurance policy does not and may not have a substantial effect on the Company's profitability, assets or obligations. Further, as our insurance coverage includes Office Holders who are controlling shareholders, in accordance with the Relief Regulations, shareholders' approval may be waived, if, in addition to the approval of the compensation committee as set forth above, our board of directors approves all such matters approved by the compensation committee, and both organs approve that the terms of the insurance policy are identical with respect to all Office Holders, including the controlling shareholders.

Indemnification letters, covering exemption from, indemnification and insurance of those liabilities imposed under the Companies Law and the Israeli Securities Law discussed above, were granted to each of our present Office Holders and were approved for future Office Holders. Hence, we indemnify our Office Holders to the fullest extent permitted under the Companies Law.

We currently hold directors' and officers' liability insurance policy for the benefit of our Office Holders, including our directors. This policy was approved by our Compensation Committee on January 1, 2020 and by our Board of Directors on January 2, 2020, and is effective until November 30, 2020.

Insofar as indemnification for liabilities arising under the United States Securities Act of 1933, as amended, may be permitted to our directors, officers and controlling persons, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

### Administrative Enforcement

The Israeli Securities Law includes an administrative enforcement procedure to be used by the Israeli Securities Authority, or ISA, to enhance the efficacy of enforcement in the securities market in Israel. This administrative enforcement procedure may be applied to any company or person (including director, officer or shareholder of a company) performing any of the actions specifically designated as breaches of law under the Securities Law. Furthermore, the Israeli Securities Law requires that the Chief Executive Officer of a company supervise and take all reasonable measures to prevent the company or any of its employees from breaching such law. The Chief Executive Officer is presumed to have fulfilled such supervisory duty if the company adopts internal enforcement procedures designed to prevent such breaches, appoints a representative to supervise the implementation of such procedures and takes measures to correct the breach and prevent its reoccurrence.

As detailed above, under the Israeli Securities Law, a company cannot obtain insurance against or indemnify a third party (including its officers and/or employees) for any administrative procedure and/or monetary fine (other than for payment of damages to an injured party). The Israeli Securities Law permits insurance and/or indemnification for expenses related to an administrative procedure, such as reasonable legal fees, provided that it is permitted under the company's articles of association.

We have adopted and implemented an internal enforcement plan to reduce our exposure to potential breaches of the Companies Law and sections in the Israeli Securities Law, which are applicable to us. Our Articles and letters of indemnification permit, among others, insurance and/or indemnification as contemplated under the Israeli Securities Law (see "*Insurance, Indemnification and Exemption*" above).

### D. Employees

#### Employees

The following table sets forth the number of our employees engaged in the specified activities at the end of each of the years 2019, 2018 and 2017:

	As of December 31,		
	2019	2018	2017
Executive management	4	4	4
Research and development	77	67	66
Sales support	92	85	72
Sales and marketing	35	33	32
Administration	47	43	45
Operations	67	63	55
<b>Total</b>	<b>322</b>	<b>295</b>	<b>274</b>

The following table sets forth the number of our employees located in the following geographic regions at the end of each of the years 2019, 2018 and 2017:

	As of December 31,		
	2019	2018	2017
Israel	200	181	172
Abroad	122	114	102
<b>Total</b>	<b>322</b>	<b>295</b>	<b>274</b>

With respect to our Israeli employees, no collective bargaining agreements apply to our employees. However, by virtue of extension orders, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations, relating primarily to the length of the work day, minimum wages, pension contributions, insurance for work-related accidents, procedures for dismissing employees, determination of severance pay and other conditions of employment - are applicable to our employees.

With respect to our (or any of our subsidiaries) Chinese employees, certain provisions of Chinese Labor Contract Law and Social Insurance Law primarily govern the formation of employer-employee relations, termination of employment, severance pay, worker dispatch, part-time employment and social insurance.

We consider our relationship with our employees to be good, and we have never experienced a labor dispute, strike or work stoppage.

**E. *Share Ownership.***

The following table sets forth certain information with respect to the beneficial ownership of our outstanding ordinary shares by our directors and executive officers.

Beneficial ownership is determined in accordance with the rules of the SEC and generally means sole or shared power to vote or direct the voting or to dispose or direct the disposition of any ordinary shares. Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them. The percentage of beneficial ownership is based upon 38,671,825 ordinary shares outstanding as of March 18, 2020.

Name	Number of Ordinary Shares Owned <sup>(1)</sup>	Percentage of Total Outstanding Ordinary Shares
Prioritech Ltd.	9,250,189	23.92%
Chroma ATE Inc.	7,817,440	20.21%
Yotam Stern <sup>(2)</sup>	87,757	0.23%
Rafi Amit <sup>(3)</sup>	*	*
Leo Huang <sup>(4)</sup>	*	*
I-Shih Tseng	*	*
Moty Ben-Arie <sup>(5)</sup>	*	*
Yosi Shacham- Diamand <sup>(5)</sup>	*	*
Yael Andorn <sup>(5)</sup>	*	*
Moshe Eisenberg <sup>(5)</sup>	*	*
Ramy Langer <sup>(5)</sup>	*	*

- (1) Ordinary shares relating to options currently exercisable or exercisable within 60 days as of March 18, 2020, are deemed outstanding for computing the percentage of the persons holding such securities but are not deemed outstanding for computing the percentage of any other person. As of the date of this Annual Report, the total number of options held by the persons included in the above table that are currently exercisable or exercisable within 60 days as of March 18, 2020, was 23,563.
- (2) Mr. Amit does not directly own any of our ordinary shares. In addition, as a result of a voting agreement relating to a majority of Prioritech's voting equity, Mr. Amit may be deemed to control Prioritech. As a result, Mr. Amit may be deemed to beneficially own the shares of the Company held by Prioritech. Mr. Amit disclaims beneficial ownership of such shares.
- (3) Mr. Stern directly owns 87,757 of our ordinary shares. In addition, as a result of a voting agreement relating to a majority of Prioritech's voting equity, Mr. Stern may be deemed to control Prioritech. As a result, Mr. Stern may be deemed to beneficially own the shares of the Company held by Prioritech. Mr. Stern disclaims beneficial ownership of such shares.
- (4) Mr. Huang does not directly own any of our ordinary shares. Based on information we received from Chroma Mr. Huang is considered a controlling person with regard to Chroma, accordingly Mr. Huang may be deemed to beneficially own the shares of the Company held by Chroma. Mr. Huang disclaims beneficial ownership of such shares.
- (5) Holding less than 1% of our outstanding ordinary shares (including options held by each such person which have vested or will vest within 60 days as of March 18, 2020) and have therefore holding percentages have not been listed separately.

### Share Incentive Plans

#### General

We currently maintain one active share incentive plan which is the 2018 Plan.

The 2018 Plan was adopted by the Company in April 2018 and replaced the Company's previous equity plans - the 2014 Share Option Plan (the "**2014 Plan**") and the 2007 Restricted Share Unit Plan (the "**2007 Plan**").

The purpose and intent of the 2018 Plan is to advance, pursuant to the Compensation Plan, the interests of the Company by affording to selected employees, officers, directors, consultants and other services providers of the Company and its affiliates an opportunity to acquire or increase its proprietary interest in the Company by the grant in their favor of options, restricted shares and RSUs (the "**Awards**") thus providing them with an additional incentive to become, and to remain, employed and/or engaged by the Company, encouraging their sense of proprietorship and stimulating their active interest in the success of the Company.

## 2018 Plan

General. As of December 31, 2019, 1,197,425 Awards were outstanding under the 2018 Plan.

*Administration of the 2018 Plan.* Our 2018 Plan is administered by our Board. Under the 2018 Plan, Awards may be granted to our officers, directors, employees or consultants and those of our subsidiaries. The exercise price of options under the 2018 Plan is determined by our Board, and is generally set as the fair market value on the date of grant. The purchase price for each RSU and restricted share is not more than the underlying share's nominal value, unless otherwise determined by the Board. The vesting schedule of the Awards is also determined by the Board of Directors; generally the options vest over a four-year period, with 25% of the options vest on each of the first and second anniversary of the vesting start date, and the remaining options vest on a monthly basis over the subsequent 24 months. The vesting of Awards may also be subject to performance conditions, which shall be either in addition to or instead of the aforementioned time-based vesting. Each Award granted under the 2018 Plan is usually exercisable between its vesting time and up to seven years from the date of grant, subject to certain early expiration provisions, such as in the event of termination of employment or engagement with the Company.

Future Awards to be granted by us to our employees, officers, directors and consultants, or those of our affiliates, will only be made pursuant to the 2018 Plan.

## Previous Plans

As of December 31, 2019, (i) under our old 2003 Share Option Plan there were options exercisable and vested for 95,315 ordinary shares at a weighted average exercise price of \$3.41 per share; (ii) under the 2014 Plan there were options exercisable and vested for 129,795 ordinary shares at a weighted average exercise price of \$2.83, and unvested options exercisable for 84,682 ordinary shares at a weighted average exercise price of \$3.77; and (iii) under the 2007 Plan there are unvested RSUs that cover 35,977 ordinary shares.

## Item 7. Major Shareholders and Related Party Transactions.

### A. Major Shareholders.

The following table provides information regarding the beneficial ownership of our ordinary shares as of March 18, 2020, held by each person or entity who beneficially owns more than 5% of our outstanding ordinary shares. None of these shareholders has different voting rights than any of the Company's other shareholders.

#### **Beneficial Ownership**

Beneficial ownership is determined in accordance with the rules of the SEC and generally means sole or shared power to vote or direct the voting or to dispose or direct the disposition of any ordinary shares. Except as indicated by footnote, the person named in the table below has sole voting and investment power with respect to all ordinary shares shown as beneficially owned by it. The percentage of beneficial ownership is based upon 38,671,825 ordinary shares outstanding as of March 18, 2020.

	Number of Ordinary Shares*	Percentage
Prioritech Ltd. <sup>(1)</sup>	9,250,189	23.92%
Chroma ATE Inc. <sup>(2)</sup>	7,817,440	20.21%
Federated Hermes, Inc. <sup>(3)</sup>	2,000,000	5.17%

<sup>(1)</sup> 31.24% of the voting equity in Prioritech Ltd. is subject to a voting agreement. As a result of this agreement, and due to the fact that there are no other shareholders holding more than 50% of the voting equity in Prioritech Ltd., Messrs. Rafi Amit, Yotam Stern, David Kishon, Zehava Wineberg and Hanoch Feldstien and the estates of Itzhak Krell (deceased) and Haim Langmas (deceased), may be deemed to control Prioritech Ltd. The voting agreement does not provide for different voting rights for Prioritech than the voting rights of other holders of our ordinary shares. Prioritech's principal executive offices are located at South Industrial Zone, Migdal Ha'Emek 23150, Israel.

<sup>(2)</sup> Based on the Schedule 13G filed by Chroma ATE Inc. on August 5, 2019, which presented ownership as of June 19, 2019. The 7,817,440 Ordinary Shares reported under such Schedule 13G by Chroma are beneficially owned by Chroma. Chroma's principal address is No. 66, Hwa Ya 1 Rd., Guishan District, Taoyuan City 333, Taiwan.

<sup>(3)</sup> Based on the Schedule 13G filed by Federated Hermes, Inc. on February 13, 2020, which presented ownership as of December 31, 2019. The 2,000,000 Ordinary Shares reported under such Schedule 13G by Federated Hermes are beneficially owned by registered investment companies and separate accounts advised by subsidiaries of Federated Hermes, Inc. that have been delegated the power to direct investment and power to vote the securities by the registered investment companies' board of trustees or directors and by the separate accounts' principals. Federated Hermes' principal address is 1001 Liberty Avenue, Pittsburgh, PA 15222-3779, USA.

**B. Related Party Transactions.**

**Agreements with Priortech and Chroma**

For a description of definitive agreements signed between the Company, Priortech and Chroma, see Item 4.A. – “*History and Development of the Company*”.

**Registration Rights Agreement with Priortech and Chroma**

On March 1, 2004, we entered into a registration rights agreement providing for us to register with the SEC certain of our ordinary shares held by Priortech. This registration rights agreement may be used in connection with future offerings of our ordinary shares, and includes, among others, the following terms: (a) Priortech is entitled to make up to three demands that we register our ordinary shares held by Priortech, subject to delay due to market conditions; (b) Priortech will be entitled to participate and sell our ordinary shares in any future registration statements initiated by us, subject to delay due to market conditions; (c) we will indemnify Priortech in connection with any liabilities incurred in connection with such registration statements due to any misstatements or omissions other than information provided by Priortech, and Priortech will indemnify us in connection with any liabilities incurred in connection with such registration statements due to any misstatements or omissions in written statements by Priortech made for the purpose of their inclusion in such registration statements; and (d) we will pay all expenses related to registrations which we have initiated, except for certain underwriting discounts or commissions or legal fees, and Priortech will pay all expenses related to a registration initiated at its demand in which we are not participating.

On December 30, 2004, the Registration Rights Agreement with Priortech was amended. The amendment concerns primarily the grant of unlimited shelf registration rights there under to Priortech with respect to its holdings in us, and the assignability of those shelf registration rights to its transferees.

On May 13, 2015, following the approval of our Audit Committee and Board of Directors, the Registration Rights Agreement with Priortech was renewed for an additional 5-year period effective as of December 31, 2014.

In the framework of the Chroma Transaction, the Company, Chroma and Priortech entered into a Second Amended and Restated Registration Rights Agreement with the Company which, following the Chroma Closing Date, replaced the previous Registration Rights Agreement and grants Chroma registration rights with respect to our Ordinary Shares held by it, which are similar to those of Priortech. For a description of the definitive agreements signed under the Chroma Transaction, see Item 4.A. – “*History and Development of the Company*”.

**Employment Agreement with Mr. Rafi Amit**

For a description of the employment agreement with our Chief Executive Officer, Mr. Rafi Amit, see Item 6.B - "*Compensation – Employment Agreements*" above.

**C. *Interests of Experts and Counsel.***

Not applicable.

**Item 8. *Financial Information.***

**A. *Consolidated Statements and Other Financial Information.***

Please see the consolidated financial statements listed in Item 18 for audited consolidated financial statements prepared in accordance with this Item.

**Legal Proceedings**

We are not a party to any material legal proceedings.

**Dividends**

On May 2, 2018, following the approval of our Board of Directors, we declared a cash dividend in the amount of \$0.14 per ordinary share, representing an aggregate distribution of approximately \$5 million, which was paid on May 29, 2018 to all shareholders of record on the Nasdaq Global Market at the close of trade on May 18, 2018. In addition, on August 6, 2019, following the approval of our Board of Directors, we declared a cash dividend in the amount of \$0.17 per ordinary share, representing an aggregate distribution of approximately \$6.5 million, which was paid on September 4, 2019 to all shareholders of record on the Nasdaq Global Market at the close of trade on August 21, 2019. See Item 10.B - "*Memorandum and Articles - Dividend and Liquidation Rights*" below for more information regarding our dividend policy).

**B. *Significant Changes.***

None.

**Item 9. *The Offer and Listing.***

**A. *Offer and Listing Details.***

The Company's ordinary shares are traded on the Nasdaq Global Market and on TASE under the symbol "CAMT". We are subject to Israeli securities legislation which applies to companies that are traded in dual listing.

**B. *Plan of distribution.***

Not applicable.

**C. *Markets.***

See above.

**D. *Selling Shareholders.***

Not applicable.

**E. *Dilution.***

Not applicable.

**F. *Expenses of the Issue.***

Not applicable.

**Item 10. Additional Information.**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles**

Following is a summary of material information concerning our share capital and a brief description of the material provisions contained in our Memorandum of Association and our Articles, which were last amended in the 2018 AGM.

**Register**

Our registration number at the Israeli registrar of companies is 51-123543-4.

**Objectives and Purposes**

Our Memorandum of Association and Articles provide that our purpose is to engage in any legal business and may contribute a reasonable amount for a worthy cause, even if such contribution is not within the framework of the Company's business considerations.

**Share Capital**

Our authorized share capital consists of one class of shares, which are our ordinary shares. Out of our authorized share capital of 100,000,000 ordinary shares, par value NIS 0.01 per ordinary share, 38,649,979 ordinary shares were outstanding and fully-paid as of December 31, 2019.

The ordinary shares do not have preemptive rights. The ownership and voting of our ordinary shares are not restricted in any way by our Articles, or by the laws of the State of Israel, except for shareholders who are citizens of countries in a state of war with Israel. Under the Companies Law, Israeli companies may purchase and hold their own shares, subject to the same conditions that apply to distribution of dividends (see Item 10.B - "*Memorandum and Articles - Dividend and Liquidation Rights*" below). These shares do not confer any rights whatsoever for as long as they are held by us. Additionally, a subsidiary may purchase or hold shares of its parent company to the same extent that the parent company is entitled to purchase its own shares, and these shares do not confer any voting rights for as long as they are held by the subsidiary.

**Transfer of Shares**

Ordinary shares are issued in registered form. Ordinary shares registered on the books of the transfer agent in the United States may be freely transferred on the transfer agent's books.

**Dividend and Liquidation Rights**

Our Board of Directors may declare a dividend to be paid to the holders of ordinary shares out of our retained earnings or our earnings derived over the two most recent years, whichever is higher, as reflected in the last audited or reviewed financial report prepared less than six months prior to distribution, provided that there is no reasonable concern that a payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. Dividends are distributed to shareholders in proportion to the nominal value of their respective holdings.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares in proportion to the nominal value of their respective holdings. This right may be affected by the grant of preferential dividend or distribution rights to the holders of any class of shares with preferential rights that may be authorized in the future. Our shareholders would need to approve any class of shares with preferential rights.

## Modification of Class Rights

The Companies Law provides that the articles of a company may not be modified in such a manner that would have a detrimental effect on the rights of a particular class of shares without the vote of a majority of the affected class. Under our Articles, subject to the provisions of the Companies Law, the Company may, by a resolution adopted by its shareholders, amend the rights attached to all or any of its authorized share capital, whether issued or not, create new classes of shares and/or attach different rights to each class of shares, including special or preferential rights and/or different rights from those attached to the existing shares, including redeemable shares, deferred shares, etc.

## Transfer Agent

The transfer agent and registrar for our ordinary shares is the American Stock Transfer & Trust Company, New York, New York.

## Voting, Shareholders' Meetings and Resolutions

Holders of ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of the shareholders. These voting rights may be affected by the grant of special voting rights to the holders of any class of shares with preferential rights that may be authorized in the future.

As part of the Chroma Voting Agreement, Priortech and Chroma vote together in the Company's shareholders' meetings (see Item 4.A. – "*History and Development of the Company*").

According to the Companies Law, an annual meeting of the shareholders must be held every year not later than 15 months following the last annual meeting. A special meeting of the shareholders may be convened by the board of directors at its decision or upon the demand of any of: (1) two of the directors or 25% of the then serving directors, whichever is fewer; (2) one shareholder or more owning at least 5% of the issued share capital and at least 1% of the voting rights in the Company; or (3) one shareholder or more owning at least 5% of the voting rights in the Company. If the Board of Directors does not convene a meeting upon a valid demand of any of the above then whoever made the demand, and in the case of several shareholders, those shareholders holding more than half of the voting rights of the shareholders making such demand, may convene a meeting of the shareholders to be held within three months of the demand. Alternatively, upon petition by the individuals making the demand, a court may order that a meeting be convened.

The quorum required for a meeting of shareholders consists of at least two shareholders present in person or by proxy within one half hour of the time scheduled for the beginning of the meeting, who hold or represent together at least 25% of the voting power in our company.

A meeting adjourned due to lack of a quorum is generally adjourned to the same day in the following week at the same time and place or any time and place as the directors designate in a notice to the shareholders. If a quorum is not present at the reconvened meeting, the meeting may be held with any number of participants. However, if the meeting was convened following a demand by the shareholders, the quorum will be that minimum number of shareholders authorized to make the demand.

In any shareholders' meeting, a shareholder can vote either in person or by proxy provided such proxy is received by the Company up to twenty-four hours prior to the time set for the meeting. Alternatively, shareholders who hold shares through members of TASE may vote electronically via the electronic voting system of the Israel Securities Authority, up to six hours prior to the time set for the meeting. General meetings of shareholders will be held in Israel, unless decided otherwise by our Board of Directors.

Most resolutions at a shareholders' meeting may be passed by a majority of the voting power of the company represented at the shareholders' meeting and voting on the matter. Resolutions requiring special voting procedures include the appointment and removal of external directors, approval of transactions with controlling shareholders, the terms of office and employment of directors (except for terms which are consistent with the company's compensation policy, and require approval by a regular majority), the chief executive officer or controlling shareholders, approval of the Company's compensation policy and any amendments thereto, and approval of a merger or a tender offer. See in Item 6.C - "*Board Practices - Committees of the Board of Directors*" and "*Approval of Certain Transactions with Related Parties*" above and in "*Anti-Takeover Effects of Israeli Laws; Mergers and Acquisitions under Israeli Law*" below.

## Anti-Takeover Effects of Israeli Laws; Mergers and Acquisitions under Israeli Law

In general, a merger of a company that was incorporated before the enactment of the Companies Law requires the approval of the holders of a majority of 75% of the voting power represented at the annual or special general meeting in person or by proxy or by a written ballot, as shall be permitted, and voting thereon in accordance with the provisions of the Companies Law. Upon the request of a creditor of either party of the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, a merger may not be completed unless at least (i) 50 days have passed from the time that the requisite proposal for the merger has been filed by each party with the Israeli Registrar of Companies and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

The Companies Law also provides that an acquisition of shares in a public company must be made by means of a tender offer: (a) if there is no existing shareholder in the company holding shares conferring 25% or more of the voting rights at the general meeting (a "control block") and as a result of the acquisition the purchaser would become a holder of a control block; or (b) if there is no existing shareholder in the company holding shares conferring 45% or more of the voting rights at the general meeting and as a result of the acquisition the purchaser would become a holder of 45% or more of the voting rights at the general meeting. Notwithstanding, the above requirements do not apply if the acquisition: (1) was made in a private placement that received shareholders' approval (which includes an explicit approval of the purchaser becoming a holder of a "control block", or 45% or more, of the voting power in the company, unless there is already a holder of a "control block" or 45% or more, respectively, of the voting power in the company); (2) was from a holder of a "control block" in the company and resulted in the acquirer becoming a holder of a "control block"; or (3) was from a holder of 45% or more of the voting power in the company and resulted in the acquirer becoming a holder of 45% or more of the voting power in the company. The tender offer must be extended to all shareholders, but the offeror is not required to purchase more than 5% of the company's outstanding shares, regardless of how many shares are tendered by shareholders. The tender offer may be consummated only if: (i) at least 5% of the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If as a result of an acquisition of shares, the acquirer will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares. If as a result of such full tender offer the acquirer would own more than 95% of the outstanding shares, then all the shares that the acquirer offered to purchase will be transferred to it. The law provides for appraisal rights if any shareholder files a request in court within six months following the consummation of a full tender offer, but the acquirer will be entitled to stipulate that tendering shareholders forfeit their appraisal rights. If as a result of a full tender offer the acquirer would own 95% or less of the outstanding shares, then the acquirer may not acquire shares that will cause his shareholding to exceed 90% of the outstanding shares.

Furthermore, certain provisions of other Israeli laws may have the effect of delaying, preventing or making more difficult an acquisition of or merger with us; see in Item 3.D – ***"Risk Factors - Provisions of Israeli law could delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets."***

### C. ***Material Contracts.*** |

None.

### D. ***Exchange Controls***

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The ownership or voting of our ordinary shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our memorandum of association or articles of association or by the laws of the State of Israel.

## E. Taxation

### U.S. Federal Income Tax Considerations

Subject to the limitations described herein, this discussion summarizes certain U.S. federal income tax consequences of the purchase, ownership and disposition of our ordinary shares to a U.S. holder. A U.S. holder is a holder of our ordinary shares who is:

- an individual citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation (or another entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any political subdivision thereof, or the District of Columbia;
- an estate, the income of which may be included in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (i) if, in general, a U.S. court is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (ii) that has in effect a valid election under applicable U.S. Treasury Regulations to be treated as a U.S. person.

Unless otherwise specifically indicated, this discussion does not consider the U.S. tax consequences to a person that is not a U.S. holder or a partnership (a “**non-U.S. holder**”) and considers only U.S. holders that will own ordinary shares as capital assets (generally, for investment).

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the “**Code**”), current and proposed Treasury Regulations promulgated under the Code and administrative and judicial interpretations of the Code, all as currently in effect and all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular U.S. holder based on the U.S. holder’s particular circumstances. In particular, this discussion does not address the U.S. federal income tax consequences to U.S. holders who are broker-dealers, insurance companies, tax-exempt organizations, financial institutions, grantor trusts, S corporations, real estate investment trusts, regulated investment companies, certain former citizens or former long-term residents of the United States, or U.S. holders who own, directly, indirectly or constructively, 10% or more of our shares (by vote or value), U.S. holders who have elected mark-to-market accounting, U.S. holders holding the ordinary shares as part of a hedging, straddle or conversion transaction, U.S. holders that received ordinary shares as a result of exercising employee stock options or otherwise as compensation, U.S. holders whose functional currency is not the U.S. dollar, and U.S. holders who are subject to the alternative minimum tax.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to its tax consequences.

**You are advised to consult your tax advisor with respect to the specific U.S. federal, state, local and foreign income tax consequences of purchasing, holding or disposing of our ordinary shares.**

### Taxation of Distributions on the Ordinary Shares

The amount of a distribution with respect to the ordinary shares will equal the amount of cash and the fair market value of any property distributed and will also include the amount of any non-U.S. taxes withheld from such distribution. A distribution paid by us with respect to the ordinary shares to a U.S. holder will be treated as dividend income to the extent that the distribution does not exceed our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. Dividends that are received by U.S. holders that are individuals, estates or trusts will be taxed at the rate applicable to long-term capital gains (currently a maximum rate of 20%), provided that such dividends meet the requirements of “qualified dividend income.” For this purpose, qualified dividend income generally includes dividends paid by a non-U.S. corporation if certain holding period and other requirements are met and either (a) the stock of the non-U.S. corporation with respect to which the dividends are paid is “readily tradable” on an established securities market in the U.S. (e.g., the Nasdaq Global Market) or (b) the non-U.S. corporation is eligible for benefits of a comprehensive income tax treaty with the U.S. which includes an information exchange program and is determined to be satisfactory by the U.S. Secretary of the Treasury. The IRS has determined that the U.S.-Israel income tax treaty is satisfactory for this purpose. Dividends that fail to meet such requirements, and dividends received by corporate U.S. holders, are taxed at ordinary income rates. No dividend received by a U.S. holder will be a qualified dividend (1) if the U.S. holder held the ordinary share with respect to which the dividend was paid for less than 61 days during the 121-day period beginning on the date that is 60 days before the ex-dividend date with respect to such dividend, excluding for this purpose, under the rules of Code Section 246(c), any period during which the U.S. holder has an option to sell, is under a contractual obligation to sell, has made and not closed a short sale of, is the grantor of a deep-in-the-money or otherwise nonqualified option to buy, or has otherwise diminished its risk of loss by holding other positions with respect to, such ordinary share (or substantially identical securities); or (2) to the extent that the U.S. holder is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in property substantially similar or related to the ordinary share with respect to which the dividend is paid. If we were to be a “passive foreign investment company” or PFIC (as such term is defined in the Code) for any taxable year, dividends paid on our ordinary shares in such year or in the following taxable year would not be qualified dividends. See discussion below regarding our PFIC status at “*Tax Consequences if We Are a Passive Foreign Investment Company*”. In addition, a non-corporate U.S. holder will be able to take a qualified dividend into account in determining its deductible investment interest (which is generally limited to its net investment income) only if it elects to do so; in such case the dividend will be taxed at ordinary income rates.

The amount of any distribution which exceeds the amount treated as a dividend will be treated first as a non-taxable return of capital, reducing the U.S. holder's tax basis in its ordinary shares to the extent thereof, and then as capital gain from the deemed disposition of the ordinary shares. Corporate holders will not be allowed a deduction for dividends received in respect of the ordinary shares.

Distributions paid by us in NIS generally will be included in the income of U.S. holders at the dollar amount of the distribution (including any non-U.S. taxes withheld therefrom), based upon the exchange rate in effect on the date the distribution is included in income, regardless of whether the payment is, in fact, converted into U.S. dollars. U.S. holders will have a tax basis in the NIS for U.S. federal income tax purposes equal to that dollar value. Any subsequent gain or loss in respect of the NIS arising from exchange rate fluctuations will generally be taxable as U.S. source ordinary income or loss.

Subject to the limitations set forth in the Code and the Treasury Regulations thereunder, U.S. holders may elect to claim a foreign tax credit against their U.S. federal income tax liability for non-U.S. income taxes withheld from dividends received in respect of the ordinary shares. The conditions and limitations on claiming a foreign tax credit include, among others, computation rules under which foreign tax credits allowable with respect to specific classes of income cannot exceed the U.S. federal income taxes otherwise payable with respect to each such class of income. In this regard, dividends paid by us generally will be foreign source "passive income" for U.S. foreign tax credit purposes. U.S. holders that do not elect to claim a foreign tax credit may instead claim a deduction for the non-U.S. income taxes withheld if such U.S. holders itemize their deductions for U.S. federal income tax purposes. The rules relating to foreign tax credits are complex, and you should consult your tax advisor to determine whether and to what extent you would be entitled to this credit. A U.S. holder will be denied a foreign tax credit for non-U.S. income taxes withheld from a dividend received on the ordinary shares (i) if the U.S. holder has not held the ordinary shares for at least 16 days of the 31-day period beginning on the date which is 15 days before the ex-dividend date with respect to such dividend or (ii) to the extent the U.S. holder is under an obligation to make related payments with respect to positions in substantially similar or related property. Any days during which a U.S. holder has substantially diminished its risk of loss on the ordinary shares are not counted toward meeting the required 16-day holding period.

The discussion above is subject to the discussion below entitled "*Tax Consequences if We Are a Passive Foreign Investment Company*".

#### **Taxation of the Disposition of Ordinary Shares**

Subject to the discussion below under "*Tax Consequences if We Are a Passive Foreign Investment Company*" upon the sale, exchange or other disposition of our ordinary shares (other than in certain non-recognition transactions), a U.S. holder will recognize capital gain or loss in an amount equal to the difference between the amount realized on the disposition and the U.S. holder's tax basis in such ordinary shares. The gain or loss recognized on the disposition of such ordinary shares will be long-term capital gain or loss if the U.S. holder held the ordinary shares for more than one year at the time of the disposition. Long-term capital gains of certain non-corporate shareholders are generally subject to a maximum rate of 20%. Gain or loss recognized by a U.S. holder on a sale, exchange or other disposition of ordinary shares generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes.

A U.S. holder that uses the cash method of accounting calculates the dollar value of the proceeds received on the sale as of the date that the sale settles. However, a U.S. holder that uses the accrual method of accounting is required to calculate the value of the proceeds of the sale as of the trade date and may therefore realize foreign currency gain or loss. A U.S. holder may avoid realizing foreign currency gain or loss by electing to use the settlement date to determine the proceeds of sale for purposes of calculating the foreign currency gain or loss. In addition, a U.S. holder that receives foreign currency upon disposition of ordinary shares and converts the foreign currency into U.S. dollars after the settlement date or trade date (whichever date the U.S. holder is required to use to calculate the value of the proceeds of sale) may have foreign exchange gain or loss based on any appreciation or depreciation in the value of the foreign currency against the dollar, which will generally be U.S. source ordinary income or loss.

#### **Net Investment Income Tax**

Non-corporate U.S. holders may be subject to an additional 3.8% surtax on all or a portion of their “net investment income”, which may include dividends on, or capital gains recognized from the disposition of, our ordinary shares. U.S. holders are urged to consult their own tax advisors regarding the implications of the additional Net Investment Income tax on their investment in our ordinary shares.

#### **Tax Consequences if We Are a Passive Foreign Investment Company**

For U.S. federal income tax purposes, we will be a passive foreign investment company, or PFIC, if either (1) 75% or more of our gross income in a taxable year is passive income, or (2) 50% or more of the value (determined on the basis of a quarterly average) of our assets in a taxable year produce or are held for the production of passive income. If we own (directly or indirectly) at least 25% by value of the stock of another corporation, we will be treated for purposes of the foregoing tests as owning our proportionate share of that other corporation’s assets and as directly earning our proportionate share of that other corporation’s income. If we are a PFIC, a U.S. holder must determine under which of three alternative taxing regimes it wishes to be taxed:

- The “QEF” regime applies if the U.S. holder elects to treat us as a “qualified electing fund” (“QEF”) for the first taxable year in which the U.S. holder owns our ordinary shares or in which we are a PFIC, whichever is later, and if we comply with certain reporting requirements. A U.S. holder may not make a QEF election with respect to warrants. If the QEF regime applies, then, for each taxable year that we are a PFIC, such U.S. holder will include in its gross income a proportionate share of our ordinary earnings (which is taxed as ordinary income) and net capital gain (which is taxed as long-term capital gain), subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. These amounts would be included in income by an electing U.S. holder, whether or not such amounts are actually distributed to the U.S. holder. A U.S. holder’s basis in our ordinary shares for which a QEF election has been made would be increased to reflect the amount of any taxed but undistributed income. Generally, a QEF election allows an electing U.S. holder to treat any gain realized on the disposition of its ordinary shares as capital gain.

Special rules apply if a QEF election is made after the first taxable year in which a U.S. holder holds our ordinary shares and we are a PFIC. In such an event, the U.S. holder would be treated as if it had sold our ordinary shares for their fair market value on the last day of the taxable year immediately preceding the taxable year for which the QEF election is made and will recognize gain (but not loss) on such deemed sale in accordance with the excess distribution regime described below. Under certain circumstances, a U.S. holder may be eligible to make a retroactive QEF election with respect to a taxable year in the U.S. holder’s holding period if such U.S. holder (1)(a) reasonably believed that we were not a PFIC as of the QEF election due date for the prior taxable year, and (b) filed a protective statement in which the U.S. holder described the basis for its reasonable belief and extended the statute of limitation on the assessment of PFIC related taxes for all taxable years to which the protective statement applies; (2) obtains IRS consent; or (3) is a “qualified shareholder” within the meaning of the Treasury Regulations.

Once made, the QEF election applies to all subsequent taxable years of the U.S. holder in which it holds our ordinary shares and for which we are a PFIC and can be revoked only with the consent of the IRS.

- A second regime, the “mark-to-market” regime, may be elected so long as our ordinary shares are “marketable stock” (e.g., “regularly traded” on the Nasdaq Global Market). Under current law, a mark-to-market election cannot be made with respect to warrants. Pursuant to this regime, in any taxable year that we are a PFIC, an electing U.S. holder’s ordinary shares are marked-to-market each taxable year and the U.S. holder recognizes as ordinary income or loss an amount equal to the difference as of the close of the taxable year between the fair market value of our ordinary shares and the U.S. holder’s adjusted tax basis in our ordinary shares. Losses are allowed only to the extent of net mark-to-market gain previously included by the U.S. holder under the election for prior taxable years. An electing U.S. holder’s adjusted basis in our ordinary shares is increased by income recognized under the mark-to-market election and decreased by the deductions allowed under the election.

Under the mark-to-market election, in a taxable year that we are a PFIC, gain on the sale of our ordinary shares is treated as ordinary income, and loss on the sale of our ordinary shares, to the extent the amount of loss does not exceed the net mark-to-market gain previously included, is treated as ordinary loss. The mark-to-market election applies to the taxable year for which the election is made and all later taxable years, unless the ordinary shares cease to be marketable stock or the IRS consents to the revocation of the election.

If the mark-to-market election is made after the first taxable year in which a U.S. holder holds our ordinary shares and we are a PFIC, then special rules would apply.

- A U.S. holder making neither the QEF election nor the mark-to-market election is subject to the “excess distribution” regime. Under this regime, “excess distributions” are subject to special tax rules. An excess distribution includes (1) a distribution with respect to our ordinary shares that is greater than 125% of the average distributions received by the U.S. holder from us over the shorter of either the preceding three taxable years or such U.S. holder’s holding period for our ordinary shares prior to the distribution year and (2) gain from the disposition of our ordinary shares.

Excess distributions must be allocated ratably to each day that a U.S. holder has held our ordinary shares. A U.S. holder must include amounts allocated to the current taxable year and any taxable year prior to the first taxable year in which we were a PFIC, in its gross income as ordinary income for that year. All amounts allocated to other taxable years of the U.S. holder would be taxed at the highest tax rate for each such year applicable to ordinary income and the U.S. holder also would be liable for interest on the deferred tax liability for each such year calculated as if such liability had been due with respect to each such year. The portions of gains and distributions that are not characterized as “excess distributions” are subject to tax in the current taxable year as ordinary income under the normal tax rules of the Code.

A U.S. person who inherits shares in a foreign corporation that was a PFIC in the hands of the decedent is generally denied the otherwise available step-up in the tax basis of such shares to fair market value at the date of death. Instead, such U.S. holder’s basis would generally be equal to the lesser of the decedent’s basis or the fair market value of the ordinary shares on the date of death. Furthermore, if we are a PFIC, each U.S. holder will generally be required to file an annual report with the IRS.

Based on an analysis of our assets and income, we believe that we were not a PFIC for our taxable year ended December 31, 2019. We currently expect that we will not be a PFIC in 2020. However, PFIC status is determined as of the end of the taxable year and is dependent on a number of factors, including the relative value of our passive assets and our non-passive assets, our market capitalization and the amount and type of our gross income. There can be no assurance that we will not become a PFIC for the current taxable year ending December 31, 2020 or in a future taxable year. We will notify U.S. holders in the event we conclude that we will be treated as a PFIC for any taxable year to enable U.S. holders to consider whether or not to elect to treat us as a QEF for U.S. federal income tax purposes, to “mark-to-market” the ordinary shares, or to become subject to the “excess distribution” regime, and we expect that in such event we will provide U.S. holders with the information needed to make a QEF election.

**U.S. holders are urged to consult their tax advisors regarding the application of the PFIC rules, including eligibility for and the manner and advisability of making, the QEF election or the mark-to-market election.**

#### **Non-U.S. Holders of Ordinary Shares**

Except as described below, a non-U.S. holder of ordinary shares will not be subject to U.S. federal income or withholding tax on the receipt of dividends on, and the proceeds from the disposition of, an ordinary share, unless, in the case of U.S. federal income taxes, that item is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States and, in the case of a resident of a country which has an income tax treaty with the United States, that item is attributable to a permanent establishment in the United States or, in the case of an individual, a fixed place of business in the United States. In addition, gain recognized by an individual non-U.S. holder on the disposition of ordinary shares will be subject to income tax in the United States if the non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

#### **Information Reporting and Backup Withholding**

A U.S. holder (except for certain exempt recipients, such as corporations) generally is subject to information reporting and may be subject to backup withholding with respect to dividends paid on, and the receipt of the proceeds from the disposition of, our ordinary shares. A U.S. holder of our ordinary shares who does not provide a correct taxpayer identification number may be subject to penalties imposed by the IRS. Backup withholding will generally not apply if a U.S. holder provides a correct taxpayer identification number, certifies that such holder is not subject to backup withholding or otherwise establishes an exemption from backup withholding applies.

Non-U.S. holders generally will not be subject to information reporting or backup withholding with respect to the payment of dividends on, or proceeds from the disposition of, our ordinary shares provided the non-U.S. holder provides its taxpayer identification number, certifies to its foreign status or otherwise establishes an exemption from backup withholding applies.

Backup withholding is not an additional tax and may be claimed as a credit against the U.S. federal income tax liability of a holder, or alternatively, the holder may be eligible for a refund of any excess amounts withheld under the backup withholding rules, in either case, provided that the required information is timely furnished to the IRS.

Certain U.S. holders (and to the extent provided in IRS guidance, certain non-U.S. holders) who hold interests in "specified foreign financial assets" (as defined in Section 6038D of the Code) are generally required to file an IRS Form 8938 as part of their U.S. federal income tax returns to report their ownership of such specified foreign financial assets, which may include our common shares, if the total value of those assets exceed certain thresholds. Substantial penalties may apply to any failure to timely file IRS Form 8938. In addition, in the event a holder that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. Holders should consult their own tax advisors regarding their tax reporting obligations.

#### **ISRAELI TAXATION**

The following summary describes the current tax structure applicable to companies in Israel, with special reference to its effect on us. It also discusses Israeli tax consequences material to persons purchasing our ordinary shares. We recommend that you consult your tax advisor as to the particular tax consequences of an investment in our ordinary shares.

## General Corporate Tax Structure

The corporate tax rate applicable in 2019 and 2020 is 23%.

However, the effective tax rate payable by a company that derives income from a preferred enterprise, discussed further below, may be considerably less. See below in Item 10.E - *"Taxation - Tax Benefits under the Law for the Encouragement of Capital Investments, 1959"*.

### Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the "Investment Law")

The Company's production facility has been granted "Approved Enterprise" status under the Investment Law. The Company participates in the Alternative Benefits Program and, accordingly, income from its approved enterprises will be tax exempt for a period of 10 years (or up to 14 years commencing in the year in which the company was granted "Approved Enterprise" status), commencing in the first year in which the Approved Enterprise first generates taxable income; this is due to the fact that the Company operates in Zone "A" in Israel.

On April 1, 2005, an amendment to the Investment Law came into effect (the "Amendment") and has significantly changed the provisions of the Investment Law. The Amendment limits the scope of enterprises which may be approved by the Investment Center by setting criteria for the approval of a facility as a "Beneficiary Enterprise", such as provisions generally requiring that at least 25% of the Beneficiary Enterprise's income will be derived from export. Additionally, the Amendment enacted major changes in the manner in which tax benefits are awarded under the Investment Law so that companies no longer require Investment Center approval in order to qualify for tax benefits.

In addition, the Amendment provides that terms and benefits included in any certificate of approval already granted will remain subject to the provisions of the law as they were on the date of such approval. Therefore, the Company's existing Approved Enterprise will generally not be subject to the provisions of the Amendment. As a result of the Amendment, tax-exempt income generated under the provisions of the Amendment, as part of a new Beneficiary Enterprise, will subject the Company to taxes upon distribution or liquidation.

The Company has been granted the status of Approved Enterprises, under the Investment Law, for investment programs for the periods which ended in 2007 and 2010, and the status of Beneficiary Enterprise according to the Amendment, for a period ending in 2014. In addition Camtek has elected 2010 as the year of election for a period ending 2021 (collectively, "Programs").

The Investment Law and the criteria for receiving an "Approved Enterprise" or "Beneficiary Enterprise" status may be amended from time to time and there is no assurance that we will be able to obtain additional benefits under the Investment Law.

On December 29, 2010, the Investment Law was amended to significantly revise the tax incentive regime in Israel commencing on January 1, 2011 (the "December 2010 Amendment"). The December 2010 Amendment introduced a new status of "Preferred Enterprise," replacing the existing status of "Beneficiary Enterprise." Similarly to "Beneficiary Enterprise," a Preferred Enterprise is an industrial company meeting certain conditions, including deriving a minimum of 25% of its income from export activities. However, under the December 2010 Amendment, the requirement for a minimum investment in production assets in order to be eligible for the benefits granted under the Investments Law was cancelled. A Preferred Enterprise is entitled to a reduced flat tax rate with respect to preferred enterprise income at the following rates:

Tax Year	Development "Zone A"	Other Areas within Israel	Regular Corporate Tax Rate
2011-2012	10%	15%	24%-25%
2013	7%	12.5%	25%
2014-2015	9%	16%	26.5%
2016	9%	16%	25%
2017	7.5%	16%	24%
2018	7.5%	16%	23%
2019	7.5%	16%	23%
2020	7.5%	16%	23%

Dividends distributed from income which is attributed to "Preferred Enterprise" will be subject to withholding tax at source at the following rates: (i) Israeli resident corporation at 0%; (ii) Israeli resident individual at 20%; and (iii) non-Israeli resident at 20%, such withholding rate can be reduced subject to a reduced tax rate under the provisions of an applicable double tax treaty.

The December 2010 Amendment was also revised to allow financial assistance to companies located in development Zone A to be granted not only as a cash grant but also as a loan. The rates for grants and loans could be up to 20% of the amount of the approved investment.

In December, 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Investment Law (the "December 2016 Amendment") was published. The investment law was amended to introduce a new tax incentive regime for intellectual property (IP) based companies. Effective January 1, 2017, the December 2016 Amendment enhanced tax incentives for certain industrial companies by reducing the corporate tax rate and tax withholding obligation.

According to the December 2016 Amendment, a Preferred Enterprise located in development Zone A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%). The December 2016 Amendment also prescribes special tax tracks for Technological Enterprises, which are subject to regulation issued by the Minister of Finance on May 28, 2017.

In 2019 the Company filed a notice to the Israeli Tax Authorities regarding the implementation of the Preferred Enterprise for its 2019 preferred income (instead of a Beneficiary Enterprise). As the Company is located in Development Area A, the applied corporate tax rate is 7.5%.

The new tax tracks under the December 2016 Amendment are as follows:

Technological Preferred Enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A Technological Preferred Enterprise, as defined in the Law, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property (in development zone A - a tax rate of 7.5%).

Special Technological Preferred Enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries exceed NIS 10 billion. Such enterprise will be subject to tax at a rate of 6% on profits deriving from intellectual property, regardless of the enterprise's geographical location.

In summary, as of 2019, the applicable tax rates are as follows:

Enterprise type	Development "Zone A"	Other Areas within Israel	Regular Corporate Tax Rate
Preferred Enterprise	7.5%	16%	23%
Special preferred Enterprise	5%	8%	23%
Technological Preferred Enterprise	7.5%	12%	23%
Special Technological Preferred Enterprise	6%	6%	23%

In addition, any dividend distributed from a Preferred Technological Enterprise to foreign companies holding at least 90% of the share capital will be subject to a reduced tax rate of 4%.

Neither the provisions of the December 2010 Amendment nor the December 2016 Amendment apply to companies currently having an "Approved Enterprise" or "Beneficiary Enterprise" status, which will continue to be entitled to the tax benefits according to the provisions of the Investment Law prior to the aforementioned amendments, unless the company having the benefits of such status has elected by filing with the Israeli Tax Authority not later than the date prescribed for the filing of the company's annual tax return for the respective year, to adopt the provisions of the December 2010 Amendment. Such election cannot be later rescinded. A company having the status of "Beneficiary Enterprise" or "Approved Enterprise" making such election by June 30, 2015 will be entitled to distribute income generated by the Beneficiary Enterprise" or "Approved Enterprise," subject to withholding tax at source at the following rates: (i) Israeli resident corporations at 0%; (ii) Israeli resident individuals at 20%; and (iii) non-Israeli residents at 20%, subject to a reduced tax rate under the provisions of an applicable double tax treaty.

During the years 1998-2006 Camtek was subject to tax in accordance with the Approved and Beneficiary Enterprise provisions under the Law for the Encouragement of Capital Investments. As such, Camtek has income that was exempt from tax. If Camtek should distribute dividends from the exempt income it will be required to pay income tax on the amount of the dividend distributed at the tax rate that would have been applicable to it in the year the income was produced if it had not been exempt from tax.

As of December 31, 2019, approximately \$20.7 million of the Company's prior year earnings were tax-exempt earnings attributable to its Approved Enterprise programs and approximately \$3.1 million were tax-exempt earnings attributable to its Beneficiary Enterprise program. The tax-exempt income attributable to the Approved and Beneficiary Enterprise cannot be distributed to shareholders without subjecting the Company to taxes. If these retained tax-exempt profits are distributed, the Company will be taxed at the corporate tax rate applicable to such profits for the year of which they were generated. According to the Investment Law, tax-exempt income generated under the Beneficiary Enterprise status will be taxed upon dividend distribution or complete liquidation, whereas tax exempt income generated under the Approved Enterprise status will be taxed only upon dividend distribution. As of December 31, 2019, if the income attributed to the Approved Enterprise was distributed as dividend, the Company would incur a tax liability of approximately \$5.2 million. If income attributed to the Beneficiary Enterprise was distributed as dividend, including upon liquidation, the Company would incur a tax liability in the amount of approximately \$0.8 million.

These amounts will be recorded as an income tax expense in the period in which the Company declares the dividend.

The Company intends to reinvest the amount of its tax-exempt income and not distribute any amounts of its undistributed tax exempt income as dividend. Accordingly, no deferred income taxes have been provided on income attributable to the Company's Approved and Beneficiary Enterprise programs, as the undistributed tax exempt income is essentially permanent in duration.

The entitlement to the above benefits is conditional upon the Company's fulfilling the conditions stipulated by the Investment Law, regulations published thereunder and the certificates of approval for the specific investments in Approved Enterprises.

Should the Company fail to meet such requirements in the future, income attributable to its Programs could be subject to the statutory Israeli corporate tax rate, and the Company could be required to refund a portion of the tax benefits already received, with respect to such program. The Company's management believes that the Company is meeting the aforementioned conditions.

#### **Law for the Encouragement of Industrial Research and Development, 1984**

For information regarding the R&D Law, see above in Item 4.B - "*Business Overview - The Israel Innovation Authority, formerly - the Israeli Office of Chief Scientist*".

#### **Net Operating Loss Carry forwards**

As of December 31, 2019, the Company had a net operating loss, or NOL, of \$6,962,000 carry forward for Israeli tax purposes.

#### **Law for the Encouragement of Industry (Taxes), 1969**

We believe that we currently qualify as an "Industrial Company" within the meaning of the Law for the Encouragement of Industry (Taxes), 1969 (the "**Industry Encouragement Law**"). According to the Industry Encouragement Law, an "Industrial Company" is a company incorporated in, and resident of Israel, at least 90% of the income of which, in a given tax year, exclusive of income from specified government loans, capital gains, interest and dividends which are not classified for such company as business income, is derived from an industrial enterprise owned by it. In general, an "Industrial enterprise" is defined as an enterprise whose major activity in a given tax year is industrial production.

The following corporate tax benefits are available to Industrial Companies:

- amortization of the cost of purchased know-how and patents over an eight-year period for tax purposes, from the tax year it began to use them;
- amortization of expenses incurred in some cases in connection with a public issuance of publicly traded securities over a three-year period; and
- accelerated depreciation rates on equipment and buildings.

Eligibility for the benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority. No assurance can be given that we qualify or will continue to qualify as an "Industrial Company" or that the benefits described above will be available in the future.

#### **Taxation of Shareholders' Capital Gains**

Israeli law imposes a capital gains tax on the sale of capital assets. The law distinguishes between the "Real Gain" and the "Inflationary Surplus." The Real Gain is the difference between the total capital gain and the Inflationary Surplus. The Inflationary Surplus is computed on the basis of the cost multiplied by the difference between the Israeli consumer monthly price index as known at the date of sale and the date of purchase and, with respect to an individual, when the shares are nominated or linked to a foreign currency the Inflationary Surplus would be calculated according to the difference in changes in the foreign currency. The Inflationary Surplus accumulated after January 1, 1994 is exempt from capital gains tax.

Generally, the tax rate applicable to capital gains derived from the sale of shares listed on a stock market is 25% for Israeli individuals and 30% if the seller is considered a "significant shareholder" (i.e. in general, a shareholder holding directly or indirectly, including jointly with others, at least 10% of any means of control in the company) at any time during the 12 month period preceding such sale. The tax rate will be 25% retroactive from January 1, 2003 through December 31, 2011, and 30% thereafter.

Israeli companies are subject to the corporate tax rate on capital gains derived from the sale of publicly-traded shares. Capital gains accrued on the sale of an asset purchased prior to January 1, 2003 will be subject to tax at a blended rate. The marginal tax rate for individuals (in 2019, a rate of 47%) will be applied to the portion of the gain amount which bears the same ratio to the total gain realized as the ratio which the holding period commencing at the acquisition date and terminating on January 1, 2003 bears to the total holding period. The remainder of the gain realized will be subject to capital gains tax at the rates applicable to an asset purchased after January 1, 2003 (see above).

#### **Application of the U.S.- Israel Tax Treaty to Capital Gains Tax**

Under Israeli law, the capital gain from the sale of shares by non-Israeli residents is tax exempt in Israel as long as our shares are listed on the Nasdaq Global Market or any other stock exchange recognized by the Israeli Ministry of Finance, and provided certain other conditions are met, the most relevant of which are: (A) the capital gain is not attributed to the foreign resident's permanent establishment in Israel, (B) the shares were acquired by the foreign resident after the company's shares had been listed for trading, and (C) if the seller is a non-Israeli corporation, less than 25% of its means of control are held by Israeli residents.

In addition, under the Convention between the Government of the United States of America and the Government of Israel with Respect to Taxes on Income, as amended, or the U.S.-Israel Tax Treaty, Israeli capital gains tax will not apply to the sale, exchange or disposition of ordinary shares by a person:

- who holds such shares as a capital asset;
- who qualifies as a resident of the United States within the meaning of the U.S.-Israel tax treaty; and
- who is entitled to claim the benefits available to the person by the U.S.-Israel Tax Treaty.

However, this exemption does not apply, among other cases, if the gain is attributable to a permanent establishment of such person in Israel, or if the holder is a resident of the United States within the meaning of the U.S.-Israeli Tax Treaty who holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding the sale, exchange or disposition, subject to certain conditions. Under these circumstances, the sale, exchange or disposition would be subject to Israeli tax, to the extent applicable. However, under the U.S.-Israel Tax Treaty, such U.S. resident generally will be permitted to claim a credit for the Israeli taxes paid against the U.S. federal income tax imposed on the sale, exchange or disposition, subject to the limitations under U.S. law applicable to foreign tax credits. The U.S.-Israel Tax Treaty does not relate to U.S. state or local taxes.

#### **Taxation of Non-Residents on Receipt of Dividends**

In general, non-residents of Israel are subject to Israeli tax and Israeli tax withholding at source on the receipt of dividends paid on the ordinary shares at the rate of 25%, or 30% if the dividend recipient is a significant controlling shareholder, unless the dividends are paid from income derived from an Approved Enterprise during the applicable benefit period, or a different rate is provided in a treaty between Israel and the shareholder's country of residence. The lower withholding tax rate under a tax treaty is applicable if the shareholder provides in advance certification of a reduced withholding tax rate from the Israeli Tax Authority.

Under the U.S.-Israel Tax Treaty, the maximum tax on dividends paid to a holder of the ordinary shares who is a U.S. Resident will be 25%. However, when dividends are paid from income derived during any period for which the Israeli company is not entitled to the reduced tax rate applicable to an Approved Enterprise under Israel's Law for the Encouragement of Capital Investments-1959, the maximum tax will be 12.5% if the holder is a company holding shares representing 10% or more of the voting power during the part of the taxable year preceding the date of payment of dividends and during the whole of its prior taxable year, if any, and, if the company has not derived more than 25% of its revenues from passive income. When dividends are paid from income derived during any period for which the Israeli company is entitled to the reduced tax rate applicable to a Preferred Enterprise then the tax will be 15%.

#### **Surcharge Tax**

Furthermore, an additional tax liability at the rate of 3% was added to the applicable tax rate on the annual taxable income of individuals (whether any such individual is an Israeli resident or non-Israeli resident) exceeding NIS 649,560 in 2019 and NIS 651,600 in 2020.

#### **F. Dividends and Paying Agents.**

Not applicable.

#### **G. Statement by Experts.**

Not applicable.

#### **H. Documents on Display.**

We file annual reports and other information with the SEC. The SEC maintains an Internet web site at <http://www.sec.gov> that contains reports and other material that are filed through the SEC's Electronic Data Gathering, Analysis and Retrieval, or EDGAR, system. Information about us is also available on our site at <http://www.camtek.com>. Such information on our site is not part of this Annual Report.

#### **I. Subsidiary Information.**

Not applicable.

**Item 11. Quantitative and Qualitative Disclosures about Market Risk**

***Interest Rate Risk***

Our exposure to market risk for changes in interest rates is not significant as we have no outstanding loans; see Item 5.B – “*Liquidity and Capital Resources*” above.

***Foreign Currency Rate Fluctuations***

We are a global company that operates in a multi-currency environment. In recent months, foreign currency exchange rates have been subject to considerable fluctuations. As a major portion of the costs of our Israeli operations, such as personnel, subcontractors, materials and facility-related costs, are incurred in NIS, an increase in the NIS value relative to the U.S. Dollar will increase our costs expressed in U.S. Dollars, and a decrease in the NIS value relative to the U.S. Dollar will decrease our costs expressed in U.S. Dollars. During 2019, the value of the U.S. Dollar weakened against the NIS by 8%. We may, from time to time, take various measures designed to reduce our exposure to these effects, but any such steps may be inadequate to protect us from currency rate fluctuations. We had no open hedging transactions as of December 31, 2019.

In our consolidated financial statements, transactions and balances originally denominated in U.S. Dollars are presented at their original amounts. Gains and losses arising from non-dollar transactions and balances are included in net income as part of financial expenses, net.

Our balance sheet exposures to fluctuations in the exchange rate between the U.S. Dollar and other currencies are primarily from NIS denominated balances. As of December 31, 2019, we had net liabilities of approximately \$6.2 million, denominated in NIS. Any fluctuation in the exchange rate between the NIS and the U.S. dollar of 1% will cause us expenses or income of \$62 thousand, in case of increase or decrease in rates, respectively.

In addition, although our products’ prices in most countries are denominated in U.S. Dollars, in certain territories (currently, Europe and Japan) our products’ prices are denominated in local currencies, and much of our service income in additional territories is denominated in local currencies. If there is a significant devaluation in the relevant local currencies in which we operate compared to the U.S. Dollar, those prices of our products or services that are denominated in local currency in the relevant territories will increase relative to that local currency and may be less competitive.

**Item 12. Description of Securities Other than Equity Securities.**

Not applicable.

**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies.**

Not applicable.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.**

Not applicable.

**Item 15. Controls and Procedures.**

**(a) Disclosure Controls and Procedures.**

Our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15(e) of the Exchange Act) as of December 31, 2019, and have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Based on the evaluation of the Company's disclosure controls and procedures as of December 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, the Company's disclosure controls and procedures were effective.

**(b) Management's Annual Report on Internal Control Over Financial Reporting.**

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over our financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decline.

Our management evaluated the effectiveness of our internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management has assessed the effectiveness of our internal control over financial reporting, as at December 31, 2019, and concluded that such internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) is effective.

**(c) Attestation Report of the Registered Public Accounting Firm.**

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by our principal accountant Somekh Chaikin, a member firm of KPMG International, an independent registered public accounting firm. The related report to our shareholders and the Board of Directors appears on page F-2 of this Annual Report.

**(d) Changes in Internal Control over Financial Reporting.**

There were no changes to our internal control over financial reporting that occurred during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert.**

Our Board of Directors has determined that Ms. Andorn qualifies as an "audit committee financial expert" for purposes of the Nasdaq Rules, and that each of Mr. Shacham-Diamand and Ms. Andorn are independent directors in accordance with Nasdaq Rules and meet the independence criteria set forth in the Companies Law.

**Item 16B. Code of Ethics.**

We adopted a Code of Ethics, which is applicable to all of our directors, officers and employees, including our principal executive, financial and accounting officers and persons performing similar functions. A copy of the Code of Ethics, in its current version, is available on our website, [www.camtek.com](http://www.camtek.com). We will also provide a copy of the Code of Ethics to any person, without charge, upon written request addressed to our CFO at our corporate headquarters in Israel: Camtek Ltd., Ramat Gabriel Industrial Zone, P.O. BOX 544, Migdal Ha'Emek, Israel.

**Item 16C. Principal Accountant Fees and Services.**

Our Audit Committee maintains a policy of approving and recommending only those services to be performed by our independent auditors which are permitted under the Sarbanes-Oxley Act of 2002 and the applicable rules of the SEC relating to auditor's independence, and our independent auditors are remunerated at levels that accord with such basic principles of auditor independence.

The following table presents the aggregate amount of fees for professional services rendered to the Company by our principal accountant KPMG International, for the years ended December 31, 2019 and 2018:

<u>Fee Category</u>	<u>For 2019 Services Rendered</u>	<u>For 2018 Services Rendered</u>
Audit Fees (1)	255,700	\$249,437
Tax Fees (2)	16,312	\$14,551

(1) *Audit Fees*: the audit fees for the year ended December 31, 2019 and 2018 were for professional services rendered for the integrated audit of Camtek's annual consolidated financial statements and its internal controls over financial reporting and services that are normally provided by independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

(2) *Tax Fees* rendered during 2019 by our auditor were for tax compliance, tax planning and tax advice.

**Pre-Approval Policies and Procedures**

Our Audit Committee has adopted a policy for pre-approval of audit and permitted non-audit services. Under the policy, the Audit Committee will pre-approve all auditing services and permitted non-audit services (including fees and other terms) to be performed for the Company by its independent auditor. All of the fees listed in the table above were approved by the Audit Committee. In addition, the Audit Committee may adopt policies and procedures to permit delegation of authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services. Decisions of the subcommittee to grant pre-approvals will be presented to the full Audit Committee at its next scheduled meeting.

**Item 16D. Exemptions from the Listing Standards for Audit Committees.**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

Not applicable.

**Item 16F. Change in Registrant's Certifying Accountant.**

Not applicable.

**Item 16G. Corporate Governance.**

Pursuant to Rules 5255(a) and 5615(a)(3) of the Nasdaq Rules, we are relying on our home country practice with respect to the following matters: the eligibility of our securities for a direct registration program; the composition and responsibilities of our Compensation Committee; the approval of stock option plans; certain annual meeting requirements – all as set forth below:

- We have opted out the requirement that all securities listed on Nasdaq be eligible for a direct registration program operated by a registered clearing agency as set forth in Rule 5255 (a). Our procedures regarding the issuance of stock certificates comply with Israeli law and practice. According to the Companies Law, a share certificate is defined as a certificate which states the name of the owner registered in the company's shareholders register, as well as the number of shares he or she owns. In the event that what is registered in the company's shareholders register conflicts with a share certificate, then the evidentiary value of the shareholder register outweighs the evidentiary value of the share certificate. A shareholder registered in the company's shareholders register is entitled to receive from the company a certificate evidencing his ownership of the share.
- As all members of our Audit Committee meet the independence requirements for compensation committee members set forth in Nasdaq Rule 5605(d)(2), as a foreign private issuer, we have elected, pursuant to Nasdaq Rule 5615(a)(3), to follow Israeli practice, in lieu of compliance with the certain provisions of Nasdaq Rule 5605(d), requiring us to have a separate compensation committee. Accordingly, and consistent with Israeli law allowing an audit committee that satisfies the requirements of the Companies Law regarding the composition of a compensation committee, to carry out all duties and responsibilities of the compensation committee, our Audit Committee has been authorized to assume the functions and responsibilities of a compensation committee. In this respect, we have also opted out the requirement to adopt and file a compensation committee charter as set forth in Rule 5605(d)(1). We have opted out the requirement for shareholder approval of stock option plans and other equity based compensation arrangements as set forth in Nasdaq Rule 5635 and Nasdaq Rule 5605(d), respectively. Nevertheless, as required under the Companies Law, special shareholder voting procedures are followed for the approval of equity based compensation of certain Office Holders or employees who are controlling shareholders or any relative thereof, as well as of our Chief Executive Officer and members of our Board of Directors. Equity based compensation arrangements with Office Holders (chief executive officer and directors excluded) or employees who are not controlling shareholders or any relative thereof, are approved by our Compensation Committee and our Board of Directors, provided they are consistent with our Compensation Policy, and in special circumstances in deviation therefrom, taking into account certain considerations as set forth in the Companies Law.
- We have opted out the requirement for conducting annual meetings as set forth in Nasdaq Rule 5620(a), which requires Camtek to hold its annual meetings of shareholders within twelve months of the end of a company's fiscal year end. Instead, Camtek is following home country practice and law in this respect. The Companies Law requires that an annual meeting of shareholders be held every year, and not later than 15 months following the last annual meeting (see in Item 10.B – "*Memorandum and Articles - Voting, Shareholders' Meetings and Resolutions*" above). Our 2019 AGM was held on June 3, 2019, therefore our 2020 annual general meeting of shareholders must be held by September 3, 2020. Further, we have opted out the requirement set under Rule 5620(c) of the Nasdaq Rules which requires the presence of two or more shareholders holding at least 33 1/3%, and in lieu follow our home country practice and Israeli law, according to which the quorum for any shareholders meeting will be the presence of two or more shareholders holding at least 25% of the voting rights in the aggregate - within half an hour from the time set for opening the meeting.
- We have chosen to follow our home country practice in lieu of the requirements of Nasdaq Rule 5250(d)(1), relating to an issuer's furnishing of its annual report to shareholders. Specifically, we file annual reports on Form 20-F, which contain financial statements audited by an independent accounting firm, electronically with the SEC and post a copy on our website.

**Item 16H. Mine Safety Disclosure.**

Not applicable.

**PART III**

**Item 17. Consolidated Financial Statements.**

The Company has furnished financial statements and related information specified in Item 18.

**Item 18. Consolidated Financial Statements.**

Our consolidated financial statements and report of independent registered public accounting firm in connection therewith, as appear below, are hereby incorporated into this Annual Report.

CAMTEK LTD.

Consolidated Financial Statements  
December 31, 2019 and 2018.

**Camtek Ltd.  
and its subsidiaries**

**Consolidated Financial Statements  
As of December 31, 2019**

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**Financial Statements as at December 31, 2019**

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**Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors

Camtek Ltd.

*Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Camtek Ltd. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, shareholders' equity and cash flows, for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of the Treadway Commission.

*Change in Accounting Principle*

As discussed in Note 2U to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Update No. 2016-02, Leases (Topic 842) (ASU 2016-02).

*Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

*Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG Somekh Chaikin

We have served as the Company's auditor since 2006.

Tel Aviv, Israel  
March 30, 2020

## Consolidated Balance Sheets

	Note	December 31,	
		2019	2018
		U.S. Dollars (In thousands)	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	38,047	54,935
Short-term deposits	3	51,500	-
Trade accounts receivable, net	10B	31,443	31,644
Inventories	4	23,803	30,109
Other current assets	5	2,909	2,613
<b>Total current assets</b>		<b>147,702</b>	<b>119,301</b>
<b>Property, plant and equipment, net</b>	6, 2U	<b>18,526</b>	<b>17,117</b>
Long-term inventory	4	2,791	2,056
Deferred tax asset	16	746	2,366
Other assets		113	231
Intangible assets, net	7	491	476
		<b>4,141</b>	<b>5,129</b>
<b>Total assets</b>		<b>170,369</b>	<b>141,547</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Trade accounts payable		11,334	15,541
Other current liabilities	8	20,272	23,179
<b>Total current liabilities</b>		<b>31,606</b>	<b>38,720</b>
<b>Long-term liabilities</b>			
Other long term liabilities	9	2,461	1,420
		<b>2,461</b>	<b>1,420</b>
<b>Total liabilities</b>		<b>34,067</b>	<b>40,140</b>
<b>Commitments and contingencies</b>	10		
<b>Shareholders' equity</b>	12		
Ordinary shares NIS 0.01 par value, 100,000,000 shares authorized at December 31, 2019 and 2018; 40,742,355 and 38,535,445 issued shares at December 31, 2019 and 2018, respectively; 38,649,979 and 36,443,069 shares outstanding at December 31, 2019 and 2018, respectively		157	151
Additional paid-in capital		101,327	81,873
Retained earnings		36,716	21,281
		<b>138,200</b>	<b>103,305</b>
Treasury stock, at cost (2,092,376 as of December 31, 2019 and 2018)		(1,898)	(1,898)
<b>Total shareholders' equity</b>		<b>136,302</b>	<b>101,407</b>
<b>Total liabilities and shareholders' equity</b>		<b>170,369</b>	<b>141,547</b>

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Operations

	Note	Year Ended December 31,		
		2019	2018	2017
		U.S. Dollars (In thousands, except per share data)		
Revenues	15A	<b>134,019</b>	123,174	93,485
Cost of revenues		<b>69,235</b>	62,378	47,966
Gross profit		<b>64,784</b>	60,796	45,519
Operating expenses:				
Research and development		<b>16,331</b>	14,581	13,534
Selling, general and administrative	15B	<b>26,481</b>	26,182	22,022
Litigation settlement	10C	-	-	13,000
Total operating expenses		<b>42,812</b>	40,763	48,556
Operating income (loss)		<b>21,972</b>	20,033	(3,037)
Financial income (expenses), net	15C	<b>801</b>	728	(150)
<b>Income (loss) from continuing operations before incomes taxes</b>		<b>22,773</b>	20,761	(3,187)
Income tax (expense) benefit	16	<b>(1,950)</b>	(2,030)	4,875
<b>Net income from continuing operations</b>		<b>20,823</b>	18,731	1,688
<b>Income from discontinued operations</b>				
Income before income tax expense	19	<b>1,257</b>	-	18,302
Income tax expense		<b>(94)</b>	-	(6,028)
<b>Net income from discontinued operations</b>		<b>1,163</b>	-	12,274
<b>Net income</b>		<b>21,986</b>	18,731	13,962

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Operations

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars		
Basic earnings from continuing operations	0.55	0.52	0.05
Basic earnings from discontinued operations	0.03	-	0.35
Basic net earnings	0.58	0.52	0.40
Diluted earnings from continuing operations	0.54	0.51	0.05
Diluted earnings from discontinued operations	0.03	-	0.34
Diluted net earnings	0.57	0.51	0.39
Weighted average number of ordinary shares outstanding:			
Basic	37,626	36,190	35,441
Diluted	38,432	36,747	35,964

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Shareholders' Equity

	Ordinary Shares NIS 0.01 par value		Treasury Stock NIS 0.01 par value		Additional paid-in capital	Retained	Total
	Number of Shares	U.S. Dollars (In thousands)	Number of Shares	U.S. Dollars (In thousands)		earnings (accumulated losses)	
	U.S. Dollars (In thousands)						
<b>Balances at</b>							
<b>December 31, 2016</b>	37,440,552	148	(2,092,376)	(1,898)	76,463	(1,348)	73,365
Exercise of share options and RSUs	483,955	1	-	-	1,340	-	1,341
Share-based compensation expense	-	-	-	-	634	-	634
Dividend	-	-	-	-	-	(5,001)	(5,001)
Net income	-	-	-	-	-	13,962	13,962
<b>Balances at</b>							
<b>December 31, 2017</b>	37,924,507	149	(2,092,376)	(1,898)	78,437	7,613	84,301
Exercise of share options and RSUs	610,938	2	-	-	1,755	-	1,757
Share-based compensation expense	-	-	-	-	1,681	-	1,681
Dividend	-	-	-	-	-	(5,063)	(5,063)
Net income	-	-	-	-	-	18,731	18,731
<b>Balances at</b>							
<b>December 31, 2018</b>	38,535,445	151	(2,092,376)	(1,898)	81,873	21,281	101,407
Issuance of shares	1,700,000	5	-	-	16,021	-	16,026
Exercise of share options	506,910	1	-	-	541	-	542
Share-based compensation expense	-	-	-	-	2,892	-	2,892
Dividend	-	-	-	-	-	(6,551)	(6,551)
Net income	-	-	-	-	-	21,986	21,986
<b>Balances at</b>							
<b>December 31, 2019</b>	40,742,355	157	(2,092,376)	(1,898)	101,327	36,716	136,302

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (In thousands)		
<b>Cash flows from operating activities:</b>			
Net income	21,986	18,731	13,962
Discontinued operations, net of tax	(1,163)	-	-
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,134	1,966	2,122
Deferred tax expense (benefit)	1,526	1,701	6
Share based compensation expense	2,892	1,681	634
Change in provision for doubtful debts	(29)	-	-
Loss on disposal of fixed assets	64	324	-
<b>Changes in operating assets and liabilities:</b>			
Trade accounts receivable, gross	156	(8,456)	(484)
Inventories	4,798	(10,824)	(5,323)
Due from related parties	58	548	(699)
Other assets	(236)	(24)	(378)
Trade accounts payable	(4,100)	4,778	198
Other current liabilities	(3,577)	6,306	2,673
Liability for employee severance benefits, net	117	60	171
<b>Net cash provided by operating activities from continuing operations</b>	<b>24,626</b>	<b>16,791</b>	<b>12,882</b>
<b>Net cash used in operating activities from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>(11,247)</b>
<b>Net cash provided by operating activities</b>	<b>24,626</b>	<b>16,791</b>	<b>1,635</b>
<b>Cash flows from investing activities:</b>			
Investment in short-term deposits	(51,500)	-	-
Purchase of fixed assets	(1,256)	(2,243)	(3,138)
Purchase of intangible assets	(106)	(92)	(84)
Proceeds from disposal of fixed assets	-	76	-
<b>Net cash used in investing activities from continuing operations</b>	<b>(52,862)</b>	<b>(2,259)</b>	<b>(3,222)</b>
<b>Net cash provided by investing activities from discontinued operations</b>	<b>1,257</b>	<b>-</b>	<b>29,854</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(51,605)</b>	<b>(2,259)</b>	<b>26,632</b>

## Consolidated Statements of Cash Flows (continued)

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (In thousands)		
<b>Cash flows from financing activities:</b>			
Share issuance, net	16,026	-	-
Proceeds from exercise of share options	542	1,757	1,341
Dividend payment	(6,551)	(5,063)	(5,001)
<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>10,017</b>	<b>(3,306)</b>	<b>(3,660)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>10,017</b>	<b>(3,306)</b>	<b>(3,660)</b>
<b>Effect of exchange rate changes on cash</b>	<b>74</b>	<b>(35)</b>	<b>(603)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(16,888)</b>	<b>11,191</b>	<b>24,004</b>
Cash and cash equivalents at beginning of the year	54,935	43,744	19,740
<b>Cash and cash equivalents at end of the year</b>	<b>38,047</b>	<b>54,935</b>	<b>43,744</b>

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (In thousands, except per share data)		
<b>Supplementary cash flows information:</b>			
<b>A. Cash paid during the year for:</b>			
Interest paid	-	-	17
Income taxes	666	534	1,378
Lease payments	1,077	-	-
<b>B. Non-cash transactions:</b>			
Fixed assets purchased with supplier credit	154	261	-

The accompanying notes are an integral part of the consolidated financial statements.

**Notes to the Financial Statements as at December 31, 2019**

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**(Amounts in thousands, except per share data)****Note 1 - Nature of Operations**

- A. Camtek Ltd. ("Camtek" or "Company"), an Israeli corporation, is jointly controlled by (23.39%) Prioritech Ltd., an Israeli corporation listed on the Tel-Aviv Stock Exchange and (20.23%) Chroma Ate Inc. ("Chroma") (See Note 1(B) below). Camtek provides automated and technologically advanced solutions dedicated to enhancing production processes, increasing products yield and reliability, enabling and supporting customers' latest technologies in the semiconductor fabrication industry.
- B. In February 2019, Chroma Ate Inc, a Taiwanese company, acquired approximately 20.5% of Camtek's shares in a cash transaction. 6,117,440 Camtek shares were purchased from Prioritech for \$58,100 whilst a further 1,700,000 new shares were issued by Camtek, for \$16,200. The cash consideration was calculated based on a share-price of \$9.50 per Camtek share, which reflected a 29% premium on Camtek's closing price as of February 8, 2019.

A voting agreement was signed between Prioritech and Chroma according to which the parties will vote together in Camtek's shareholders' meetings. According to the voting agreement, after the closing of the transaction, Chroma is entitled to two seats on Camtek's Board of Directors and Prioritech is entitled to three seats.

In addition to the investment, Chroma and Camtek entered into an agreement in which Camtek will in the future license its triangulation technology, a metrology solution, in a fee-bearing license for non-semiconductor applications to be used by Chroma. In addition, Chroma and Camtek agreed to cooperate in potential projects for the semiconductor market based on synergies between their inspection and metrology technologies.

The transaction was completed in June 2019.

- C. In September 2017, the Company completed the sale of its PCB inspection and metrology business unit. The buyers acquired the entire assets and liabilities related to the PCB business unit, including 100% equity interests in the Company's Chinese and Taiwanese subsidiaries. The Company received a total cash consideration of \$32,000 upon closing and a further \$1,257 in 2019 based upon the PCB business unit's financial performance in 2018.

Due to the sale of the Company's PCB business, the results of this unit ceased to be consolidated in 2017 and are accounted as discontinued operations. (See Note 19)

**Notes to the Financial Statements as at December 31, 2019**

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(Amounts in thousands, except per share data)

**Note 2 - Significant Accounting Policies****A. Basis of preparation of the financial statements**

The consolidated financial statements of Camtek and its subsidiaries (collectively "the Company") have been prepared in accordance with accounting principles generally accepted in United States of America ("US GAAP"). All amounts in the notes to the financial statements are in thousands unless otherwise stated.

**B. Principles of consolidation**

The accompanying consolidated financial statements include the accounts of Camtek and its subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

**C. Use of estimates**

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. As applicable to these financial statements, the most significant estimates and assumptions relate to revenue recognition, valuation of accounts receivable and inventories. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances.

**D. Foreign currency transactions**

The functional currency of the Company and its subsidiaries is the U.S. Dollar. Revenue generated by the Company and its subsidiaries is primarily generated outside of Israel and a majority thereof is received in U.S. Dollars. A significant portion of materials and components purchased and operating expenses incurred are either paid for in U.S. Dollars or in New Israeli Shekels ("NIS").

Transactions not denominated in U.S. Dollars are recorded upon their initial recognition according to the exchange rate in effect on the date of the transaction. Exchange rate differences arising upon the settlement of monetary items or upon reporting the Company's monetary items at exchange rates different from that by which they were initially recorded during the period, or reported in previous financial statements, are charged to financial income (expenses), net.

**E. Cash and cash equivalents**

All highly liquid investments purchased with original maturities of three months or less are considered to be cash equivalents.

**F. Trade accounts receivable and allowance for doubtful accounts**

Accounts receivable are recorded at the outstanding recognized amount and do not bear interest. The allowance for doubtful accounts represents Management's best estimate of the probable loss inherent in existing accounts receivable balances as a result of possible non-collection. In determining the appropriate allowance, Management bases its estimate on information available about specific debtors, including aging of the balance, assessment of the underlying security received, the history of write-offs, relationships with the customers and the overall creditworthiness of the customers.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 2 - Significant Accounting Policies (cont'd)

**G. Inventories**

Inventories consist of completed systems, partially completed systems and components and other raw materials, and are recorded at the lower of cost or net realizable value. Cost is determined by the moving – average cost method basis.

Inventory write-downs are recorded at the end of each fiscal period for damaged, obsolete, excess and slow-moving inventory. These write-downs, to the lower of cost or net realizable value, create a new cost basis that is not subsequently marked up based on changes in underlying facts and circumstances.

Management periodically evaluates its inventory composition, giving consideration to factors such as the probability and timing of anticipated usage and the physical condition of the items, and then estimates a charge (reducing the inventory) to be provided for slow moving, technological obsolete or damaged inventory. These estimates could vary significantly from actual use based upon future economic conditions, customer inventory levels or competitive factors that were not foreseen or did not exist when the inventory write-downs were established.

Spare parts included in inventory that are not expected to be converted or consumed within the next year are classified as non-current, based on Management's estimates taking into account market conditions.

**H. Property, plant and equipment**

These assets are stated at cost less accumulated depreciation, and are depreciated over their estimated useful lives on a straight-line basis.

Annual rates of depreciation are as follows:

Land	1%
Building	2%
Machinery and equipment	10% - 33%
Computer equipment and software	20% - 33%
Office furniture and equipment	6% - 20%
Automobiles	15%

Leasehold improvements are amortized by the straight-line method over the shorter of the lease term or the estimated useful economic life of such improvements.

Right of use assets from operating leases are depreciated over the length of the lease contract. (See Note 2U)

Certain of the Company's finished goods are systems used as demonstration systems, training systems, and for product development in the Company's laboratories ("internal use"). These systems are identical to the systems that Camtek sells in its ordinary course of business. In circumstances where the Company intends to utilize such systems for its internal use, the Company transfers them from inventory to fixed assets. The rationale for the transfer is that the Company does not have the intention to sell these systems in the ordinary course of business but rather expects to use them for its internal use over their expected useful lives. These systems are recorded as fixed assets at cost and depreciated over their useful lives.

**Notes to the Financial Statements as at December 31, 2019**

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(Amounts in thousands, except per share data)

**Note 2 - Significant Accounting Policies (cont'd)****I. Intangible assets**

Patent registration costs are recorded at cost and amortized on a straight line basis, beginning with the first year of utilization, over its expected useful life of ten years.

**J. Impairment of long-lived assets**

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the long lived asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized to the extent that the asset's carrying amount exceeds its fair value. In 2019 and 2018, no impairment was noted.

**K. Fair values of financial instruments**

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, short-term deposits, trade accounts receivable, trade accounts payable and amounts from related parties approximate fair value because of their short-term nature.

**L. Revenue recognition**

On January 1, 2018, the Company adopted Topic 606 retrospectively with the cumulative effect recognized as of the date of adoption.

The Company's contracts with its customers include performance obligations to provide its products or to service the installed products. A product sale contract may include an extended warranty (that is, for longer than the twelve-month standard warranty), which is considered a separate performance obligation.

The Company recognizes revenue from contracts for sales of products when the Company transfers control of the product to the customer, which is generally upon installation at the customer's premises. Revenues from the contract are recognized in an amount that reflects the consideration the Company expects to be entitled to receive once the product is operating in accordance with its specifications and signed documentation of the arrangement, such as a signed contract or purchase order, has been received. Payment terms with customers may vary, but are generally based on milestones within the delivery process such as shipping and installation. Payment terms do not include significant financing components.

In the limited circumstances when the products are installed by a trained distributor acting as an end user, revenue is recognized upon delivery to the distributor assuming all other criteria for revenue recognition are met.

The Company does not incur costs in obtaining a contract except for agents' commissions, which are incurred upon the recognition of revenues. Revenues are recognized over a period of less than a year and as such, there are no underlying sales commissions to be capitalized.

Service revenues consist mainly of contracts charged under time and material arrangements. Service revenues from maintenance contracts are recognized ratably over the contract period.

**Notes to the Financial Statements as at December 31, 2019**

(Amounts in thousands, except per share data)

**Note 2 - Significant Accounting Policies (cont'd)****L. Revenue recognition (cont'd)**

Contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers.

The Company's multiple performance obligations consist of product sales and non-standard warranties. A non-standard warranty is one that is for a period longer than 12 months. Accordingly, income from a non-standard warranty is deferred as unearned revenue and is recognized ratably as revenue commencing with and over the applicable warranty term.

The Company records contract liabilities when the customer has been billed in advance of the Company completing its performance obligations. These amounts are recorded as deferred revenue in the Consolidated Balance Sheets.

	<b>Year Ended December 31, 2019</b>
	<b>U.S. Dollars (in thousands)</b>
Beginning of year	1,824
Deferral of revenue	2,084
Recognition of deferred revenue	(1,302)
Balance at end of year	<u>2,606</u>

**M. Warranty**

The Company records a liability for standard product warranty obligations at the time of sale based upon historical warranty experience. The term of the warranty is generally twelve months.

**N. Income taxes**

The Company accounts for income taxes in accordance with the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The company includes the foreign currency transaction gains or losses that result from re-measuring deferred taxes in income tax expense. The Company reduces deferred tax assets with a valuation allowance to the amount that is more likely than not to be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50 percent likely of being realized. Changes in recognition or measurement are reflected in the period in which the change occurs.

**Notes to the Financial Statements as at December 31, 2019**

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(Amounts in thousands, except per share data)

**Note 2 - Significant Accounting Policies (cont'd)****O. Research and development**

Research and development costs are expensed as incurred.

**P. Earnings / loss per ordinary share**

Basic earnings/loss per ordinary share is calculated using only weighted average ordinary shares outstanding. Diluted earnings per share, if relevant, gives effect to dilutive potential ordinary shares outstanding during the year. Such dilutive shares consist of incremental shares, using the treasury stock method, from the assumed exercise of share options.

**Q. Share-based compensation**

The Company accounts for its employee share-based compensation as an expense in the financial statements. All awards are equity classified and therefore such cost is measured at the grant date fair value of the award. The Company estimates share option grant date fair value using the Black-Scholes-Merton option-pricing model. Forfeitures are recognized when they occur. The Company recognizes compensation cost for an award with only service conditions that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date (For details see Note 12B).

**R. Fair value measurements**

The Company implements the provisions of ASC Topic 820 "*Fair Value Measurements and Disclosures*" ("ASC 820"). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy provides the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

**S. Contingent liabilities**

A contingency (provision) is an existing condition or situation involving uncertainty as to the range of possible loss to the entity.

A provision for claims is recognized if it is probable (likely to occur) that a liability has been incurred and the amount can be estimated reasonably.

**Notes to the Financial Statements as at December 31, 2019**

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(Amounts in thousands, except per share data)

**Note 2 - Significant Accounting Policies (cont'd)****T. Government-sponsored research and development**

The Company records grants received from the Israel Innovation Authority (the "IIA", formerly known as the Office of the Chief Scientist of the Israeli Ministry of Industry and Trade) as a liability, if it is probable that the Company will have to repay the grants received. If it is not probable that the grants will be repaid, the Company records the grants as a reduction to research and development expenses. Royalties paid to the IIA are recognized as a reduction of the above-mentioned liability.

**U. Leases**

On January 1, 2019, the Company adopted Accounting Standards Update No. 2016-02, Leases (Topic 842) (ASU 2016-02) using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application. Results and disclosure requirements for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with historical accounting under Topic 840. See also Note 10A.

Upon adoption, the Company recognized total right-of-use (ROU) assets of \$2,052, with corresponding lease liabilities of \$2,052 on the consolidated balance sheets. The adoption did not impact the Company's beginning retained earnings, or prior year consolidated statements of income and statements of cash flows.

Under *Topic 842*, the Company determine if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's incremental borrowing rate is a hypothetical rate based on its understanding of what its credit rating would be (2.8% in 2019). The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. When determining the probability of exercising such options, the Company considers contract-based, asset-based, entity-based, and market-based factors. For leases agreements, the Company has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. The Company's lease agreements generally do not contain any residual value guarantees or restrictive covenants.

**Notes to the Financial Statements as at December 31, 2019**

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(Amounts in thousands, except per share data)

**Note 2 - Significant Accounting Policies (cont'd)****U. Leases (cont'd)**

Operating lease ROU assets are presented as property, plant and equipment on the consolidated balance sheet. The current portion of operating lease liabilities is included in other current liabilities and the long-term portion is presented within long-term liabilities on the consolidated balance sheet.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

ROU assets for operating leases are periodically reduced by impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. See Note 2(J).

**V. New standards not yet adopted**

1. In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model which will result in earlier recognition of credit losses. The Company will adopt the new standard effective January 1, 2020 and does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.
2. In August 2018, the FASB issued Accounting Standard Update No. 2018-13, Changes to Disclosure Requirements for Fair Value Measurements (Topic 820) (ASU 2018-13), which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. The Company will adopt the new standard effective January 1, 2020 and does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.
3. In December 2019, the FASB issued Accounting Standard Update No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12), which simplifies the accounting for income taxes. This guidance will be effective in the first quarter of 2021 on a prospective basis, and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 3 - Cash and Cash Equivalents

The Company's cash and cash equivalent balance at December 31, 2019 and 2018, is denominated in the following currencies:

	December 31,	
	2019	2018
	U.S. Dollars (in thousands)	
US Dollars	32,675	49,678
New Israeli Shekels	3,318	2,790
Euro	707	1,486
Other currencies	1,347	981
	<u>38,047</u>	<u>54,935</u>

Short-term deposits are bank deposits in US Dollars with terms at the investment date of 3-12 months with average annual interest rates of 2.41%.

## Note 4 - Inventories

	December 31,	
	2019	2018
	U.S. Dollars (in thousands)	
Components	13,822	13,062
Work in process	6,019	7,654
Finished products *	6,753	11,449
	<u>26,594</u>	<u>32,165</u>

\* includes systems at customer locations not yet sold, as of December 31, 2019 and 2018, in the amount of \$3,498 and \$7,546 respectively.

Inventories are presented in:

	December 31,	
	2019	2018
	U.S. Dollars (in thousands)	
Current assets	23,803	30,109
Long-term assets (A)	2,791	2,056
	<u>26,594</u>	<u>32,165</u>

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 4 – Inventories (cont'd)

## (A) Long-term Inventory:

At December 31, 2019, \$2,791 of the Company's inventory is classified in long-term assets based on Management's estimate based on the recent level of sales (at December 31, 2018- \$2,056). These amounts are comprised of spare parts. The Company's policy is to keep components to provide support and service to systems sold by it to its customers over the past years (usually the support is over a period of seven to ten years) until the Company announces it will not continue to support certain systems. Therefore, this inventory is usually consumed over longer periods than inventory classified as current, and as such the respective amount that is not expected to be consumed in the next year is classified as non-current. Management believes that this inventory will be utilized according to its forecasted sales and that no loss will be incurred.

## (B) Inventory provision

In 2019, based on Management's estimates regarding future sales, a provision of \$158 was made against damaged, obsolete, excess and slow-moving inventory (in 2018 - \$143).

The provisions were recorded in the costs of products sold line item in the consolidated statement of operations. The provisions result in a new cost basis that is not subsequently marked up based on changes in underlying facts and circumstances.

## Note 5 - Other Current Assets

	December 31,	
	2019	2018
	U.S. Dollars (in thousands)	
Due from Government institutions	955	1,442
Income tax receivables	846	453
Prepaid expenses	476	301
Interest receivable	348	64
Deposits for operating leases	149	193
Due from related parties (See Note 17)	75	133
Other	60	27
	<u>2,909</u>	<u>2,613</u>

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 6 - Property, Plant and Equipment, Net

	December 31,	
	2019	2018
	U.S. Dollars (in thousands)	
Cost:		
Land	863	863
Building	14,253	14,099
Machinery and equipment	8,416	7,331
Office furniture and equipment	625	624
Computer equipment and software	4,652	4,383
Automobiles	87	87
Leasehold improvements	546	622
Right of use assets	2,471	-
	<u>31,913</u>	<u>28,009</u>
Less accumulated depreciation	<u>13,387</u>	<u>10,892</u>
	<u>18,526</u>	<u>17,117</u>

Depreciation expenses for the years ended December 31, 2019, 2018 and 2017 amounted to \$3,101, \$1,868, and \$2,001, respectively.

In accordance with historic credit line agreements, a lien remains on the Company's facility in Israel. See Note 10(D).

In 2019, the Company implemented ASC 842 "Leases". See Note 2(U).

During the year ended December 31, 2018, the Company completed the construction of a new facility adjacent to its headquarters. Depreciation of the facility began to be recognized in 2018.

## Note 7 - Intangible Assets, Net

	December 31,	
	2019	2018
	U.S. Dollars (in thousands)	
Patent registration costs	1,711	1,605
Accumulated amortization	1,220	1,129
Total intangible asset, net	<u>491</u>	<u>476</u>

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 7 - Intangible Assets, net (cont'd)

Patent registration costs are amortized over their estimated useful life of 10 years.

Amortization expense for the years ended December 31, 2019, 2018 and 2017 amounted to \$91, \$98 and \$121, respectively.

As of December 31, 2019, the estimated amortization expenses of intangible assets for the years 2020 to 2024 is as follows:

Year ended December 31,	U.S. Dollars (in thousands)
2020	82
2021	79
2022	78
2023	66
2024	57

## Note 8 - Other Current Liabilities

	December 31,	
	2019	2018
	U.S. Dollars (in thousands)	
Accrued employee compensation and related benefits	7,713	7,405
Commissions	5,963	6,571
Deferred revenues	1,936	1,302
Accrued warranty costs (1)	1,723	1,714
Accrued expenses	1,343	2,861
Operating lease obligations (See Note 2(U))	826	-
Government institutions and income tax payable	700	597
Advances from customers	68	2,729
	<u>20,272</u>	<u>23,179</u>

(1) Changes in the accrued warranty costs are as follows:

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (in thousands)		
Beginning of year	1,714	1,300	1,102
Accruals	3,170	2,930	2,222
Usage	(3,161)	(2,516)	(2,024)
Balance at end of year	<u>1,723</u>	<u>1,714</u>	<u>1,300</u>

**Notes to the Financial Statements as at December 31, 2019**

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(Amounts in thousands, except per share data)

**Note 9 – Other Long Term Liabilities****A. Liability for Employee Severance Benefits**

Under Israeli law and labor agreements the Company is required to pay severance payments to each employee who was employed by the Company for over one year and has been terminated by the Company or resigned under certain specified circumstances. The liability related to these severance payments is calculated on the basis of the latest salary of the employee multiplied by the number of years of employment as of the balance sheet date. The Company also has defined contribution plans for which it makes contributions to severance pay funds and appropriate insurance policies. Withdrawal of the reserve monies is contingent upon the fulfillment of detailed provision in the Severance Law.

Under local law in various territories in which the Company operates, employees with one year or more of service are entitled to receive a lump-sum payment upon termination of their employment based on their length of service and rate of pay at the time of termination.

1. The liability in respect of most of its employees in Israel is discharged by participating in a defined contribution pension plan and making regular deposits with a pension fund or by individual insurance policies. The liability deposited with the pension fund is based on salary components as prescribed in the existing labor agreement. The custody and management of the amounts so deposited are independent of the companies and accordingly such amounts funded (included in expenses on an accrual basis) and related liabilities are not reflected in the balance sheet.
2. The liability for severance pay which is not covered by the contribution plan amounted to \$1,015 and \$898 as of December 31, 2019 and 2018, respectively.
3. Severance pay expenses were \$1,167, \$1,017, and \$1,078 in 2019, 2018 and 2017, respectively.

**B. Deferred Revenues**

Deferred revenues related to non-standard warranty of \$670 are expected to be recognized in 2021.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 10 - Commitments and Contingencies

## A. Operating leases

The Company's subsidiaries have entered into various non-cancelable operating lease agreements for office space and operating leases for vehicles.

Amounts reported in the consolidated balance sheet as of December 31, 2019 are as follows:

	<b>December 31, 2019</b>
	<b>U.S. Dollars (In thousands)</b>
ROU assets – opening balance	2,052
ROU assets – additions	904
ROU assets – disposals	(485)
ROU assets – accumulated depreciation	(877)
<b>ROU assets, net</b>	<b>1,594</b>
	<b>December 31, 2019</b>
	<b>U.S. Dollars (In thousands)</b>
Other current liabilities	(826)
Other long term liabilities	(776)
<b>Total lease liabilities</b>	<b>(1,602)</b>

In the year ended December 31, 2019, the Company had gross lease costs in respect of its ROU assets in the amount of \$1,077.

Minimum future payments under non-cancellable leases as of December 31, 2019 are as follows:

<b>Year ended December 31,</b>	<b>U.S. Dollars (in thousands)</b>
2020	971
2021	554
2022	227
	<u>1,752</u>
Less imputed interest	<u>(150)</u>
<b>Total lease liabilities</b>	<b><u>1,602</u></b>

The weighted average term of the operating leases as of December 31, 2019 is 24 months.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 10 - Commitments and Contingencies (cont'd)

**B. Allowance for doubtful debts**

The following is a summary of the allowance for doubtful accounts related to accounts receivable for the years ended December 31:

	Balance at beginning of period	Provision	Reversal of provision	Write-off of provision	Balance at end of period
U.S. Dollars (in thousands)					
2017	591	-	-	-	591
2018	591	-	-	(181)	410
2019	<b>410</b>	<b>87</b>	<b>(116)</b>	<b>(252)</b>	<b>129</b>

**C. Litigation**

In July 2017, the Company announced that it had reached a settlement with Rudolph Technologies Inc. (NASDAQ: RTEC) relating to pending patent lawsuits that Rudolph filed against the Company and that the Company filed against Rudolph. According to the settlement, the Company paid Rudolph \$13 million and each side has dismissed their claims against each other with prejudice. The settlement further gives the Company a perpetual right to sell its existing products, the Condor, Gannet and Eagle, as well as future products, without any claim of patent infringement from any of the patent families that the Company had been sued on. The Company granted similar rights to Rudolph on Camtek's patent for Kerf inspection.

In addition, the parties agreed to a quiet period of three years, during which neither party may file any action seeking damages against the other party.

**D. Lines of credit**

As of December 31, 2019, the Company does not have a credit facility with any banks.

**E. Israel Innovation Authority**

Through its acquisition of Printar in 2009, the Company participates in programs sponsored by the Israeli government for the support of research and development activities. The Company is committed to pay amounts to the IIA at rates of 3.5% of the sales of products resulting from this research and development, up to an amount equal to 100% of the grants received by the Company, bearing interest at the rate of LIBOR. The obligation to pay these royalties is contingent on actual sales of the products and in the absence of such sales, no payment is required.

As of December 31, 2019, the amount of non-repaid grants received including interest accrued amounted to \$7,299 (December 31, 2018 - \$7,024). The liabilities to the IIA were initially recorded at fair value as part of the purchase price allocation related to the acquisition of Printar. In August 2016, pursuant to the Company's decision to cease supporting the Gryphon system, the Company does not expect any payments will be made in respect of the foregoing Printar related grants and accordingly all the liabilities to the IIA were written off.

**Notes to the Financial Statements as at December 31, 2019**

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(Amounts in thousands, except per share data)

**Note 10 - Commitments and Contingencies (cont'd)****F. Outstanding Purchase Orders**

As of December 31, 2019, the Company has purchase orders of \$11,812 (2018 - \$9,716) which mainly represent outstanding purchase commitments for inventory components ordered by the Company in the normal course of business.

**Note 11 - Concentration of Risk and Financial Instruments**

Financial instruments that potentially expose the Company to concentrations of credit risk consist of cash equivalents, short-term bank deposits and trade receivables. The carrying amounts of financial instruments approximate fair value.

Cash and cash equivalents and short-term deposits

The Company's cash equivalents and short-term deposits are maintained with multiple high-quality institutions and the composition and maturities of investments are regularly monitored by management.

Trade receivable

The trade receivables of the Company are derived from sales to a large number of customers, primarily large industrial corporations located mainly in Asia, the United States and Europe. The Company generally does not require collateral; however, in certain circumstances, the Company may require a letter of credit, other collateral or additional guarantees. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful of collection. The Company performs ongoing credit evaluations of its customers.

Trade payable

The Company relies on limited source of suppliers and in some cases a sole supplier and/or subcontractors for a number of essential components and subsystems of its products. The Company does not have agreements with all of these suppliers and subcontractors for the continued supply of the components or subsystems they provide. An interruption in supply from these sources would disrupt production and adversely affect the Company's ability to deliver products to its customers, which could have an adverse effect on the Company's business, revenues and results of operations.

Liquidity:

The Company anticipates that its existing resources and cash flows from operations will be adequate to satisfy its liquidity requirements for at least the next twelve months. If available liquidity will not be sufficient to meet the Company's operating obligations as they come due, Management's plans include pursuing alternative financing arrangements or reducing expenditures as necessary to meet the Company's cash requirements.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 12 - Shareholders' Equity

## A. General

The Company shares are traded on the NASDAQ National Market under the symbol of CAMT, and also listed and traded on the Tel-Aviv stock exchange.

## B. Stock Option Plan

As of December 31, 2019, the Company has one effective Share Incentive Plan (and Sub-Plan for Grantees Subject to Israeli Taxation) for the issuance of options, restricted share units and/ or restricted shares to employees, officers, directors, consultants and other services providers of the Company or any affiliated companies thereof (the "2018 Plan"). The 2018 Plan was adopted by the Company in April 2018 and thereby replaced the Company's previous equity plans (the "2014 Share Option Plan" and the "2007 Restricted Share Unit Plan"). The total number of equity awards that may be granted under the 2018 Plan during each calendar year is equal to three and a half percent (3.5%) of the Company's total issued and outstanding Share capital as of December 31, of the preceding calendar year.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model that used the weighted average assumptions in the following table and recognized over the vesting period of four years. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	<u>2017 Grant</u>
<u>Valuation assumptions:</u>	
Dividend yield *	0
Expected volatility	66%
Risk-free interest rate	1.87%
Expected life (years) **	4.8

\*The option grant was made prior to the dividend distribution. As such, the valuation assumptions reflect the Company's previous record of not paying dividends.

\*\*Expected life for the periods presented was determined according to the simplified method since, at the date of grant, the Company did not have enough history to make an estimate.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 12 - Shareholders' Equity (cont'd)

**B. Stock Option Plan (cont'd)**

The total intrinsic value of outstanding options as of December 31, 2019, 2018, and 2017 is \$2,343, \$1,886 and \$3,450, respectively.

The total intrinsic value of vested options as of December 31, 2019, 2018, and 2017 is \$1,746, \$855 and \$1,140 respectively.

The total stock option compensation expense related to continued operations amounted to \$269, \$402, and \$634 in 2019, 2018 and 2017, respectively.

As of December 31, 2019, there was \$79 of total unrecognized compensation cost related to non-vested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 1.72 years.

Share option activity during the past three years is as follows:

	Year Ended December 31,					
	2019		2018		2017	
	Number of options	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$
Outstanding at January 1	519,785	3.16	1,173,433	2.80	1,653,434	2.82
Granted	-	-	-	-	154,600	2.75
Forfeited and cancelled	(10,750)	2.41	(43,159)	2.53	(152,698)	2.77
Exercised	(199,243)	2.69	(610,489)	2.79	(481,903)	2.87
Outstanding at year end	309,792	3.29	519,785	3.16	1,173,433	2.80
Vested at year end	225,110	3.08	217,976	2.85	490,086	3.36

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 12 - Shareholders' Equity (cont'd)

## B. Stock Option Plan (cont'd)

	Number of options outstanding	Weighted average exercise price US\$	Weighted Average Remaining Contractual term (years)	Aggregate intrinsic Value (in US\$ thousands)
Outstanding as of December 31, 2019	309,792	3.29	3.16	2,343
Vested and expected to vest at December 31, 2019	308,041	3.29	3.16	2,330
Exercisable at December 31, 2019	225,110	3.08	2.70	1,746

The following table summarizes information about share options at December 31, 2019:

Exercise price US\$	Number of outstanding options	Number exercisable	Weighted average remaining Contractual term (years) of outstanding options
0-2	97,355	77,272	3.22
2-5	212,437	147,838	3.13
	309,792	225,110	3.16

The following table summarizes information about non-vested options at December 31, 2019:

	Options	Weighted average grant- date fair value
Balance at January 1, 2019	301,809	2.04
Granted	-	-
Vested	(206,377)	1.89
Forfeited	(10,750)	1.53
Balance at December 31, 2019	84,682	2.40

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 12 - Shareholders' Equity (cont'd)

## C. Restricted Share Unit Plan

In April 2018, the Company adopted a Restricted Share Unit ("RSU") Plan (the "Plan") to replace the 2007 Restricted Share Unit Plan, pursuant to which the Company's Board of Directors may grant shares to officers and key employees. The total number of shares, which may be granted to directors, officers, employees and consultants under this Plan, is limited to 3.5% out of the outstanding shares (1,352,749 as of December 31, 2019). Forfeited units are returned to the pool.

The exercise price for each grantee shall be as determined by the Board and specified in the applicable RSU notice of grant; provided, however, that unless otherwise determined by the Board (which determination shall not require shareholder approval unless so required in order to comply with Mandatory Law), the exercise price shall be no more than the underlying share's nominal value. For the removal of any doubt, the Board is authorized (without the need for shareholder approval unless so required in order to comply with Mandatory Law) to determine that the exercise price of an RSU is to be \$0.00.

Unless otherwise determined by the Board with respect to any specific grantee or to any specific grant, (which determination shall not require shareholder approval unless so required in order to comply with Mandatory Law) and provided accordingly in the applicable RSU notice of grant, the RSUs shall vest (become automatically exercised) according to the vesting schedules as determined by the Board.

The following table summarizes information about RSUs at December 31, 2019:

	<u>RSUs</u>
Balance at January 1, 2019	1,134,854
Granted	424,600
Vested	(307,707)
Forfeited	(18,345)
Balance at December 31, 2019	<u>1,233,402</u>

The total compensation cost recognized in the year ending December 31, 2019, amounted to \$2,623. The unrecognized compensations in the amount of \$8,395 will be recognized in the years 2020 to 2023.

## D. Dividend

On September 4, 2019, the Company paid a dividend of \$0.17 per share, totaling \$6.6 million.

On May 30, 2018, the Company paid a dividend of \$0.14 per share, totaling \$5.1 million.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 13 - Earnings Per Share

The following table summarizes information related to the computation of basic and diluted earnings per Share for the years indicated:

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (In thousands, except per share data)		
Net income attributable to Shares	21,986	18,731	13,962
Weighted average number of Shares outstanding used in basic earnings per Share calculation	37,626	36,190	35,441
Add assumed exercise of outstanding dilutive potential Shares	806	557	523
Weighted average number of Shares Outstanding used in diluted earnings per Share calculation	38,432	36,747	35,964
Basic income from continuing operations per Share	0.55	0.52	0.05
Basic income from discontinued operations per Share	0.03	-	0.35
Basic net income per Share	0.58	0.52	0.40
Diluted income from continuing operations per Share	0.54	0.51	0.05
Diluted income from discontinued operations per Share	0.03	-	0.34
Diluted net income per Share	0.57	0.51	0.39
Number of options excluded from the diluted earnings per share calculation due to their anti-dilutive effect	-	-	-

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 14 - Segment Information

Since the sale of the PCB business in 2017 as described in Note 1, the Company has one operating segment.

Substantially all fixed assets are located in Israel and substantially all revenues are derived from shipments to other countries. Revenues are attributable to geographic areas/countries based upon the destination of shipment of products and related services as follows:

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (in thousands)		
Asia Pacific	115,925	98,468	79,105
United States	10,388	13,227	9,484
Europe	7,706	11,479	4,896
	<b>134,019</b>	123,174	93,485

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 15 - Selected Income Statement Data

## A. Revenues

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (in thousands)		
Sales of products	127,396	117,537	88,295
Service fees	6,623	5,637	5,190
	<u>134,019</u>	<u>123,174</u>	<u>93,485</u>

In 2019, one customer accounted for 11% of the Company's revenues. In 2018 and 2017, no customer accounted for more than 10% of revenues.

## B. Selling, general and administrative expenses

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (in thousands)		
Selling (1)	19,294	19,233	14,096
General and administrative	7,187	6,949	7,926
	<u>26,481</u>	<u>26,182</u>	<u>22,022</u>
(1) Including shipping and handling costs	<u>1,063</u>	<u>884</u>	<u>697</u>

## C. Financial income (expenses), net

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (in thousands)		
Interest expense	-	-	(13)
Interest income	1,412	594	77
Other, net (*)	(611)	134	(214)
	<u>801</u>	<u>728</u>	<u>(150)</u>

(\*) Other, net includes foreign currency income (expense) resulting from transactions not denominated in U.S. Dollars amounting to \$(352), \$226, and \$(41) in 2019, 2018 and 2017, respectively.

**Notes to the Financial Statements as at December 31, 2019**

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(Amounts in thousands, except per share data)

**Note 16 - Income Taxes****A. Tax under various laws**

The Company and its subsidiaries are assessed for income tax purposes on a separate basis. Each of the subsidiaries is subject to the tax rules prevailing in the country of incorporation.

**B. Details regarding the tax environment of the Israeli companies****(1) Corporate tax rate**

Presented hereunder are the tax rates relevant to the Company in Israel for the years 2017-2019:

2017 – 24%

2018 – 23%

2019 – 23%

On December 22, 2016 the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate would be reduced from 25% to 23% in two steps. The first step will be to a rate of 24% as from January 2017 and the second step will be to a rate of 23% as from January 2018.

Current taxes for the reported periods are calculated according to the enacted tax rates presented above, subject to the reduced tax rate under the Law for the Encouragement of Capital Investment discussed below.

**(2) Benefits under the Law for the Encouragement of Capital Investments (hereinafter - “the Encouragement Law”)****(a) Amendment to the Law for the Encouragement of Capital Investments – 1959**

On December 29, 2010 the Knesset approved the Economic Policy Law for 2011-2012, which includes an amendment to the Law for the Encouragement of Capital Investments – 1959 (hereinafter – “the Amendment”).

On August 5, 2013 the Knesset passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) – 2013, which determined that as of 2014 tax year the tax rate on preferred income will be 9% for Development Area A in which the Company is situated.

On December 22, 2016, the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, preferred enterprise in development area A will be subject to tax rate of 7.5%.

In 2019 the Company filed a notice to the Israeli Tax Authorities regarding the implementation of the preferred enterprise for its 2019 preferred income (instead of Beneficiary). As the Company is located in Development Area A, the applied corporate tax rate is 7.5%.

Notes to the Financial Statements as at December 31, 2019

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(Amounts in thousands, except per share data)

## Note 16 - Income Taxes (cont'd)

**B. Details regarding the tax environment of the Israeli companies (cont'd)**

- (b) During the years 1998-2006 the company was subject to tax in according to the Approved and Beneficiary Enterprise under the Law for the Encouragement of Capital Investments. As such, the Company has income that was exempt from tax. If the Company will distribute dividend from the exempt income the Company will be required to pay income tax on the amount of the dividend distributed at the tax rate that would have been applicable to it in the year the income was produced if it had not been exempt from tax.

The Company intends to indefinitely reinvest the amount of its tax-exempt income and not distribute any amounts of its undistributed tax exempt income as a dividend. Accordingly, no deferred tax liabilities have been provided on income attributable to the Company's Approved and Beneficiating Enterprise programs.

Out of Camtek's retained earnings as of December 31, 2019 approximately \$20,700 are tax-exempt earnings attributable to its Approved Enterprise and approximately \$3,148 are tax-exempt earnings attributable to its Beneficiating Enterprise. The tax-exempt income attributable to the Approved and Beneficiating Enterprises cannot be distributed to shareholders without subjecting the Company to taxes. If these retained tax-exempt profits are distributed, the Company would be taxed at the reduced corporate tax rate applicable to such profits (currently – up to 25% pursuant to the implementation of the Investment Law). According to the Amendment, tax-exempt income generated under the Beneficiating Enterprise will be taxed upon dividend distribution or complete liquidation, whereas tax exempt income generated under the Approved Enterprise will be taxed only upon dividend distribution (but not upon complete liquidation, as the tax liability will be incurred by the shareholders).

As of December 31, 2019, if the income attributed to the Approved Enterprise was distributed as a dividend, the Company would incur a tax of approximately \$5,175. If income attributed to the Beneficiary Enterprise was distributed as dividend, or upon liquidation, the Company would incur a tax in the amount of approximately \$787. These amounts will be recorded as an income tax expense in the period in which the Company declares the dividend.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 16 - Income Taxes (cont'd)

## C. Details regarding the tax environment of the Non-Israeli companies

Non-Israeli subsidiaries are taxed according to the tax laws in their countries of residence under local tax laws and regulations.

## D. Composition of income (loss) from continuing operations before income taxes and income tax expense (benefit)

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (in thousands)		
Income (loss) from continuing operations before income taxes:			
Israel	20,783	18,746	(4,761)
Non-Israeli	1,990	2,015	1,574
	<u>22,773</u>	<u>20,761</u>	<u>(3,187)</u>
Income tax expense from continuing operations:			
Current:			
Israel	-	(306)	56
Non-Israeli	424	635	122
	<u>424</u>	<u>329</u>	<u>178</u>
Deferred tax expense (benefit) from continuing operations:			
Israel	1,351	1,867	(5,125)
Non-Israeli	175	(166)	72
	<u>1,526</u>	<u>1,701</u>	<u>(5,053)</u>
	<u>1,950</u>	<u>2,030</u>	<u>(4,875)</u>

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 16 - Income Taxes (cont'd)

## E. Reconciliation of income tax expense at the statutory rate to actual income tax expense

The following is a reconciliation of the theoretical income tax expense, assuming all income is taxed at the statutory tax rate applicable to Israeli companies, and the actual income tax expense:

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (in thousands)		
Income (loss) from continuing operations before income taxes	22,773	20,761	(3,187)
Statutory tax rate	23%	23%	24%
Theoretical income tax expense (benefit)	5,238	4,775	(765)
Increase (decrease) in income tax expense resulting from:			
Change in valuation allowance	-	(346)	(185)
Non-deductible expenses(*)	337	214	186
Differences between foreign currencies and dollar-adjusted financial statements, net	(479)	240	(587)
Tax rate differential	(3,340)	(3,072)	633
Change in tax rate	-	-	182
Recognition of income tax benefit with respect to losses related to investment in subsidiaries	-	-	(4,929)
Other	194	219	590
Actual income tax expense (benefit)	1,950	2,030	(4,875)

(\*) Including non-deductible share based compensation.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 16 - Income Taxes (cont'd)

## F. Deferred tax assets and liabilities

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	December 31,	
	2019	2018
	U.S. Dollars (in thousands)	
<b>Deferred tax assets:</b>		
Allowance for doubtful accounts	3	81
Deferred revenue	56	275
Accrued expenses	374	441
Net operating loss and tax credit carryforwards	1,036	1,904
Lease liability	192	-
Other temporary differences	119	405
<b>Deferred tax asset, net of valuation allowance</b>	<b>1,780</b>	<b>3,106</b>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment	(251)	(231)
Right of use assets	(192)	-
Undistributed earnings	(591)	(509)
<b>Total deferred tax liabilities</b>	<b>(1,034)</b>	<b>(740)</b>
<b>Net deferred tax assets</b>	<b>746</b>	<b>2,366</b>

Deferred tax assets are recognized for the anticipated tax benefits associated with operating loss carryforwards, tax credit carryforwards and deductible temporary differences. If it is more likely than not that some or all of the deferred tax assets will not be realized, the deferred tax credits are reduced by a valuation allowance.

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

At December 31, 2019 and 2018 the Company had a valuation allowance of \$0. The net change in the total valuation allowance was a decrease of \$496 for the year ended December 31, 2018.

As of December 31, 2019, the Company in Israel has a regular net operating loss carryforward aggregating approximately \$6,962 and tax credit carryforwards of \$498 that can both be carried forward indefinitely. The amount of the Israeli deferred tax assets (liabilities) considered realizable, however, could be revised in the near term if estimates of future taxable income are changed.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 16 - Income Taxes (cont'd)

## F. Deferred taxes (cont'd)

As of December 31, 2019, a foreign subsidiary has net operating loss carryforwards aggregating approximately \$1,963 and income tax receivable of \$348 that can be carried forward indefinitely. Included within the deferred tax expenses for the year ended December 31, 2019 is a benefit of \$309 for the recognition of a deferred tax asset for operating loss carryforwards.

## G. Accounting for uncertainty in income taxes

For the years ended December 31, 2019, 2018 and 2017, the Company did not have any significant unrecognized tax benefits. In addition, the Company does not expect that the amount of unrecognized tax benefits will change significantly within the next twelve months.

The Company accounts for interest and penalties related to an underpayment of income taxes as a component of income tax expense. For the years ended December 31, 2019, 2018 and 2017, no interest and penalties related to income taxes have been accrued.

## H. Tax assessments

The Company in Israel files its income tax returns in Israel while its principle foreign subsidiaries file their income tax returns in Belgium, Germany, Hong Kong, and United States of America. The Israeli tax returns of Camtek are open to examination by the Israeli Tax Authorities for the tax years beginning 2017, while the tax returns of its principal foreign subsidiaries remain subject to examination for the tax years beginning 1999 in Belgium, 2018 in Germany, 2012 in Hong Kong and 2016 in the United States of America.

## Note 17 - Balances and Transactions with Related Parties

## A. Balances with related parties:

	December 31, 2019	December 31, 2018
	U.S. Dollars (in thousands)	
Due from related parties	75	133

## B. Transactions with related parties:

	Year Ended December 31,		
	2019	2018	2017
	U.S. Dollars (in thousands)		
Purchases from related parties	-	-	15
Reimbursement of expenses	100	-	-
Interest income (expense) from Priortech	-	10	22

Unpaid balances between the Company and Priortech or its other subsidiaries in Israel bear interest of 5.5%.

**Notes to the Financial Statements as at December 31, 2019**

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(Amounts in thousands, except per share data)

**Note 17 - Balances and Transactions with Related Parties (cont'd)****Registration Rights Agreement with Priortech**

On March 1, 2004, the Company entered into a registration rights agreement providing for the Company to register with the SEC certain of its ordinary shares held by Priortech. This registration rights agreement may be used in connection with future offerings of ordinary shares, and includes, among others, the following terms: (a) Priortech is entitled to make up to three demands that the Company registers its ordinary shares held by Priortech, subject to delay due to market conditions; (b) Priortech will be entitled to participate and sell the Company's ordinary shares in any future registration statements initiated by the Company, subject to delay due to market conditions; (c) the Company will indemnify Priortech in connection with any liabilities incurred in connection with such registration statements due to any misstatements or omissions other than information provided by Priortech, and Priortech will indemnify the Company in connection with any liabilities incurred in connection with such registration statements due to any misstatements or omissions in written statements by Priortech made for the purpose of their inclusion in such registration statements; and (d) the Company will pay all expenses related to registrations which the Company has initiated, except for certain underwriting discounts or commissions or legal fees, and Priortech will pay all expenses related to a registration initiated at its demand in which the Company is not participating.

On December 30, 2004, the Registration Rights Agreement with Priortech was amended. The amendment concerns primarily the grant of unlimited shelf registration rights thereunder to Priortech with respect to its holdings in the Company, and the assignability of those shelf registration rights to its transferees.

On May 13, 2015, following the approval of our Audit Committee and Board of Directors the Registration Rights Agreement with Priortech was renewed for an additional 5 year period effective as of December 31, 2014.

Following the Chroma transaction (See Note 1(B)), the Company entered into a Second Amended and Restated Registration Rights Agreement with Priortech and Chroma, according to which Chroma is entitled to the same rights Priortech has with respect to registration of the Company's shares.

**Technological Cooperation Agreement with Chroma**

In 2019, the Company entered into a Technological Cooperation Agreement with Chroma under which the Company granted Chroma a license for an application under Company's triangulation technology platform.

**Employment Agreements with the Chief Executive Officer**

Pursuant to the employment agreement with the Chief Executive Officer ("CEO"), the CEO dedicates 10% of his time in providing consulting and management services for Priortech through Amitec – Advanced Multilayer Interconnect Technologies Ltd. – a wholly owned subsidiary of Priortech ("Amitec"). The CEO receives from the Company 90% of a full time salary and is compensated directly by Amitec for the remaining 10% of his time.

The CEO serves as the Chairman of Priortech.

**Note 18 - Fair Value Measurements**

The level in the fair value hierarchy within which an asset or liability is classified is based on the lowest level input that is significant to the fair value measurement in its entirety.

As of December 31, 2019 and 2018, the Company did not have any assets or liabilities measured at fair value on a recurring basis.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 19 – Discontinued Operations

Further to that mentioned in Note 1(C), the sale of the Company's PCB business unit was completed in 2017. The Company received a gross amount of \$32 million as a result of the acquisition, from which an amount of \$2 million was deducted in respect of acquisition expenses and working capital adjustments. As a result of the sale the Company recognized a capital gain in the amount of \$12.8 million. In April 2019, after the approval of the Company's financial statements for 2018, the Company was informed regarding PCB's financial performance in 2018 and the gain from the additional contingent consideration in the amount of \$1,257 was recognized as it was determined to be realizable. The Company received this additional consideration on May 2019.

Accordingly, the activities of the PCB business have been segregated and reported as discontinued operations in the consolidated statements of operations for the prior periods presented.

The following table presents a reconciliation of the major classes of line items constituting pretax profit from discontinued operations to after-tax profit reported in discontinued operations for the years ended December 31, 2017:

	Year Ended December 31, 2017 U.S. Dollars (In thousands)
<b>Results of discontinued operation:</b>	
Total revenues	36,447
Cost of revenues	(21,368)
Research and development costs	(3,228)
Selling, general and administrative expenses	(6,260)
Financial expenses, net	(96)
Gain on sale of discontinued operation	12,807
<b>Income from discontinued operations before taxes</b>	<b>18,302</b>
Income tax expense	(6,028)
<b>Net income from discontinued operations</b>	<b>12,274</b>
<b>Cash flows from discontinued operation</b>	
Net cash used in operating activities *	(11,247)
Net cash provided by (used in) investing activities**	29,854
Net cash provided by financing activities	-
<b>Net cash provided by (used in) discontinued operations</b>	<b>18,607</b>

\*Including adjustment for the gain from sale of the discontinued operation in the amount of \$12,807 in 2017.

\*\*Including net proceeds from the sale of the discontinued operation of \$29,967 in 2017.

## Notes to the Financial Statements as at December 31, 2019

(Amounts in thousands, except per share data)

## Note 19 – Discontinued Operations (cont'd)

	<b>December 31,</b>
	<b>2017</b>
	<b>U.S. Dollars</b>
	<b>(In thousands)</b>
<b>Effect of disposal on the financial position of the Company as at the transaction date</b>	
Trade and other receivables	16,526
Inventories	11,219
Fixed and intangible assets	763
Trade payables	(4,426)
Other payables	(6,922)
<b>Net assets and liabilities</b>	<b>17,160</b>
<b>Net cash consideration</b>	<b>29,967</b>
<b>Gain on sale of discontinued operation</b>	<b>12,807</b>

## Note 20 – Subsequent Events

Since January 2020, the Coronavirus outbreak has dramatically expanded into a worldwide pandemic creating macro-economic uncertainty and disruption in the business and financial markets. Many countries around the world, including Israel, have been taking measures designed to limit the continued spread of the Coronavirus, including the closure of workplaces, restricting travel, prohibiting assembling, closing international borders and quarantining populated areas. Such measures present concerns that may dramatically affect the Company's ability to conduct its business effectively, including, but not limited to, adverse effect relating to employees' welfare, slowdown and stoppage of manufacturing, commerce, shipping, delivery, work, travel and other activities which are essential and critical for maintaining on-going business activities. Given the uncertainty around the extent and timing of the future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, the Company cannot reasonably estimate the impact to its future results of operations, cash flows or financial condition; infections may become more widespread and the limitation on the ability to work, travel and timely sell and distribute products, as well as any closures or supply disruptions, may be extended for longer periods of time and to other locations, all of which would have a negative impact on the Company's business, financial condition and operating results. In addition, the unknown scale and duration of these developments have macro and micro negative effects on the financial markets and global economy which could result in an economic downturn that could affect demand for the Company's products and have a material adverse effect on its operations and financial results, earnings, cash flow and financial condition.

**Item 19. Exhibits.**

<u>Exhibit No.</u>	<u>Exhibit</u>
<a href="#">1.1</a>	<a href="#">Memorandum of Association of Registrant (incorporated herein by reference to Exhibit 3.1 to Amendment No. 1 to the Registrant's Registration Statement on Form F-1, File No. 333-12292, filed with the Securities and Exchange Commission the Securities and Exchange Commission on July 21, 2000);</a>
<a href="#">1.2</a>	<a href="#">Articles of Registrant, as amended October 24, 2011 (incorporated herein by reference to Exhibit A to the Registrant's Registration Statement on Form 6-K, File No. 000-30664, filed with the Securities and Exchange Commission on September 27, 2011) and November 3, 2016 (incorporated herein by reference to Exhibit B to the Registrant's Registration Statement on Form 6-K, File No. 000-30664, filed with the Securities and Exchange Commission on September 29, 2016) and October 3, 2018 (incorporated herein by reference to Exhibit A to the Registrant's Registration Statement on Form 6-K, File No. 000-30664, filed with the Securities and Exchange Commission on August 16, 2018).</a>
<a href="#">2.1</a>	<a href="#">Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934*</a>
<a href="#">4.1</a>	<a href="#">2018 Share Incentive Plan (incorporated herein by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8, File No. 333-227931, filed with the Securities and Exchange Commission on October 22, 2018).</a>
<a href="#">4.2</a>	<a href="#">Form of Indemnification Agreement (incorporated herein by reference to Exhibit A to the Registrant's Registration Statement on Form 6-K, File No. 000-30664, filed with the Securities and Exchange Commission on June 04, 2018).</a>
<a href="#">4.3</a>	<a href="#">Registration Rights Amended and Restated Agreement by and between the Registrant and Priortech Ltd., dated December 30, 2004 (incorporated herein by reference to Exhibit 4.10 to the Registrant's Registration Statement on Form 20-F File No.000-30664 filed with the Securities and Exchange Commission on June 30, 2005).</a>
<a href="#">4.4</a>	<a href="#">Share Purchase Agreement by and between Chroma ATE Inc. and the Registrant dated February 11, 2019.*</a>
<a href="#">8.1</a>	<a href="#">Subsidiaries of the Registrant (incorporated herein by reference to Exhibit 8.1 to the Registrant's Registration Statement on Form 20-F File No.000-30664 filed with the Securities and Exchange Commission on June 7, 2010).</a>
<a href="#">12.1</a>	<a href="#">Certification of Chief Executive Officer required by Rules 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.*</a>
<a href="#">12.2</a>	<a href="#">Certification of Chief Financial Officer required by Rules 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.*</a>
<a href="#">13.1</a>	<a href="#">Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</a>
<a href="#">15.1</a>	<a href="#">Consent of Somekh Chaikin, Independent Registered Public Accounting Firm, a member firm of KPMG International.*</a>
101	The following financial information from Camtek Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017; (ii) Consolidated Balance Sheets at December 31, 2018 and 2017; (iii) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2019, 2018 and 2017; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017; and (v) Notes to Consolidated Financial Statements, tagged as blocks of text. Users of this data are advised, in accordance with Rule 406T of Regulation S-T promulgated by the SEC, that this Interactive Data File is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.*

† English translations from Hebrew original.

\* Filed herewith.

**SIGNATURES**

The Company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

**CAMTEK LTD.**

By: /s/ Rafi Amit  
Name: Rafi Amit  
Title: Chief Executive Officer

Date: March 30, 2020

**DESCRIPTION OF CAMTEK LTD.**  
**SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

The descriptions of the securities contained herein summarize the material terms and provisions of the ordinary shares of Camtek Ltd. (the “Company”), registered under Section 12 of the Securities Exchange Act of 1934.

**ORDINARY SHARES**

Our authorized share capital is NIS 1,000,000 divided into 100,000,000 ordinary shares, nominal (par) value NIS 0.01 per share. Subject to our articles of association, or our Articles, fully paid ordinary shares of the Company confer on the holders thereof rights to attend and to vote at general meetings of the shareholders. Subject to the rights of holders of shares with limited or preferred rights which may be issued in the future, the ordinary shares of the Company confer upon the holders thereof equal rights to vote, to receive dividends and to participate in the distribution of the assets of the Company upon its winding-up, in proportion to the amount paid up or credited as paid up on account of the nominal value of the shares held by them respectively and in respect of which such dividends are being paid or such distribution is being made, without regard to any premium paid in excess of the nominal value, if any. All outstanding ordinary shares are validly issued and fully paid.

**The Nasdaq Global Market and the Tel Aviv Stock Exchange**

Our ordinary shares are listed on The Nasdaq Global Market under the symbol “CAMT” and on the Tel Aviv Stock Exchange under the symbol “CAMT”.

**Rights Attached to Our Shares**

Subject to our Articles, fully paid ordinary shares confer on the holders thereof rights to attend and to vote at general meetings of the shareholders. Subject to the rights of holders of shares with limited or preferred rights which may be issued in the future, our ordinary shares confer upon the holders thereof equal rights to receive dividends and to participate in the distribution of our assets upon our winding-up, in proportion to the amount paid up or credited as paid up on account of the nominal value of the shares held by them respectively and in respect of which such dividends are being paid or such distribution is being made, without regard to any premium paid in excess of the nominal value, if any. No preferred shares are currently authorized. All outstanding ordinary shares are validly issued and fully paid.

***Voting Rights***

Subject to the provisions of our Articles, holders of ordinary shares have one vote for each ordinary share held by such shareholder of record, on all matters submitted to a vote of shareholders. Shareholders may vote in person, by proxy or by proxy card. Alternatively, shareholders who hold shares through members of the Tel Aviv Stock Exchange may vote electronically via the electronic voting system of the Israel Securities Authority, or Electronic Vote. These voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. As our ordinary shares do not have cumulative voting rights in the election of directors, the holders of the majority of the shares present and voting at a shareholders meeting generally have the power to elect all of our directors.

***Transfer of Shares***

Our ordinary shares which have been fully paid-up are transferable by submission of a proper instrument of transfer together with the certificate of the shares to be transferred and such other evidence of title, as our Board of Directors may require, unless such transfer is prohibited by another instrument or by applicable securities laws.

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### ***Dividends***

Under the Companies Law, dividends may be distributed only out of profits available for dividends as determined by the Companies Law, provided that there is no reasonable concern that the distribution will prevent the Company from being able to meet its existing and anticipated obligations when they become due. If the company does not meet the profit requirement, a court may nevertheless allow the company to distribute a dividend, as long as the court is convinced that there is no reasonable concern that such distribution will prevent the company from being able to meet its existing and anticipated obligations when they become due. Pursuant to our Articles, no dividend shall be paid other than out of the profits of the Company. Generally, under the Companies Law, the decision to distribute dividends and the amount to be distributed is made by a company's board of directors.

Our Articles provide that our Board of Directors, may, subject to the Companies Law, from time to time, declare and cause the Company to pay such dividends as may appear to the Board of Directors to be justified by the profits of our Company. Subject to the rights of the holders of shares with preferential, special or deferred rights that may be authorized in the future, our profits which shall be declared as dividends shall be distributed according to the proportion of the nominal (par) value paid up or credited as paid up on account of the shares held at the date so appointed by the Company and in respect of which such dividend is being paid, without regard to the premium paid in excess of the nominal (par) value, if any. The declaration of dividends does not require shareholders' approval.

### ***Liquidation Rights***

In the event of our winding up on liquidation or dissolution, subject to applicable law, our assets available for distribution among the shareholders shall be distributed to the holders of ordinary shares in proportion to the amount paid up or credited as paid up on account of the nominal value of the shares held by them respectively and in respect of which such distribution is being made, without regard to any premium paid in excess of the nominal value, if any. This liquidation right may be affected by the grant of limited or preferential rights as to liquidation to the holders of a class of shares that may be authorized in the future.

### ***Redemption Provisions***

We may, subject to applicable law and to our Articles, issue redeemable shares and redeem the same upon such terms and conditions as determined by our Board of Directors.

### ***Capital Calls***

Under our Articles, the liability of each shareholder for the Company's obligations is limited to the unpaid sum, if any, owing to the Company in consideration for the issuance of the shares held by such shareholder.

### ***Modification of Class Rights***

Pursuant to our Articles, and subject to the provisions of the Companies Law, the we may, by a resolution adopted by a simple majority of the shareholders voting at a general meeting, amend the rights attached to all or any of its authorized share capital, whether issued or not, create new classes of shares, attach different rights to each class of shares, consolidate, divide and/or redistribute the share capital of the Company to shares without any par value and/or to shares with a higher or lower par value and/or to different classes of shares.

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### **Limitations on the Rights to Own Securities**

Our Articles and Israeli law do not restrict the ownership or voting of ordinary shares by non-residents or persons who are not citizens of Israel, except with respect to subjects of nations which are in a state of war with Israel.

### **Changes in Capital**

Our Articles enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Companies Law and our Articles and must be approved by a resolution duly passed by a simple majority of our shareholders at a general meeting by voting on such change in the capital.

### **Shareholders' Meetings and Resolutions**

Our Articles and the Companies Law provide that our annual general meeting shall be held once in every calendar year at such time (within a period of not more than fifteen months after the last preceding annual general meeting), and place determined by our Board of Directors. Our Board of Directors may, in its discretion, convene additional special shareholders meetings and, pursuant to the Companies Law, must convene a meeting upon the demand of: (a) two directors or one quarter of the directors in office; or (b) the holder or holders of (i) 5% or more of our issued share capital and one percent or more of our voting rights; or (ii) 5% or more of our voting rights. All demands for shareholders meetings must set forth the items to be considered at that meeting. If the board of directors does not convene a meeting upon a valid demand of any of the above, then the persons who made the demand, and in the case of shareholders, part of such demanding shareholders holding at least half of the voting rights of such demanding shareholders, may convene a meeting of the shareholders to be held within three months of the demand. Alternatively, upon petition by the individuals making the demand, a court may order that a meeting be convened.

The chairman of the Board of Directors, or any other director or office holder of the Company which may be designated for this purpose by the Board of Directors, shall preside as chairman at each of our general meetings. The office of chairman shall not entitle a casting vote.

According to regulations promulgated pursuant to the Companies Law and governing the terms of notice and publication of shareholder meetings of public companies, or the General Meeting Regulations, holder(s) of one percent or more of the Company's voting rights may propose any matter appropriate for deliberation at a shareholder meeting to be included on the agenda of a shareholder meeting, generally by submitting a proposal within seven days of publicizing the convening of a shareholder meeting, or within fourteen days, if the Company publishes at least 21 days prior to publicizing the proxy materials for a shareholder meeting, a preliminary notice stating its intention to convene such meeting, the agenda thereof, shareholder's right to propose a matter to be included on the agenda of such meeting and company's right not to examine such proposals received upon termination of such 14-day period. Any such proposal must further comply with the information requirements under applicable law and our Articles and in the event that such shareholders propose to appoint directors for service on the Company's board of directors, the proposal must include information regarding the director candidates as well as certain declarations of the director candidates, as required pursuant to regulations promulgated under the Companies Law. The agenda for a shareholder meeting is determined by the Board of Directors and must include matters in respect of which the convening of a shareholder meeting was demanded and any matter requested to be included by holder(s) of one percent of the Company's voting rights, as detailed above.

Pursuant to the Companies Law and the General Meeting Regulations shareholder meetings generally require prior notice of not less than 21 days, and not less than 35 days in certain cases. Pursuant to our Articles, we are not required to deliver or serve notice of a general meeting or of any adjournments thereof to any shareholder. However, subject to applicable law and stock exchange rules and regulations, we will publicize the convening of a general meeting in any manner reasonably determined by us, and any such publication shall be deemed duly made, given and delivered to all shareholders on the date on which it is first made, posted, filed or published in the manner so determined by us in our sole discretion.

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The function of the general meeting is to elect directors, receive and consider the profit and loss account, the balance sheet and the ordinary reports and accounts of the directors and auditors, appoint external auditor, approve certain interested party transactions requiring general meeting approval as provided in the Companies Law, approve the Company's merger, exercise of the powers of the board of directors if the board of directors is unable to exercise its powers and the exercise of any of its powers is vital for our proper management, approve amendments of our Articles and transact any other business which under our Articles or applicable law may be transacted by the shareholders of the Company in a general meeting.

Pursuant to our Articles, the quorum required for a meeting of shareholders consists of at least two shareholders, present in person, by proxy, by proxy card or by Electronic Vote and holding shares conferring in the aggregate twenty-five percent (25%) or more of the voting power of the Company. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the following week at the same time and place or to such other later day, time and place. At the adjourned meeting, any number of participants will constitute a quorum present, in person, by proxy, by proxy card or by electronic Vote; provided, however, that special general meeting which was convened by the Board upon the demand of shareholders or directors then in office, as detailed above, or directly by such shareholders or directors, in accordance the terms of the Companies Law, shall not take place unless the minimum shareholders required to demand the convening of such special meeting are present.

Generally, under the Companies Law and our Articles, shareholder resolutions are deemed adopted if approved by the holders of a simple majority of the voting rights represented at the meeting, in person, by proxy, by proxy card or by Electronic Vote, and voting on the matter, unless a different majority is required by law or pursuant to our Articles, or resolutions concerning certain related party transactions as set forth in Sections 267 and 270-275 of the Companies Law.

#### **Change of Control**

##### ***Merger***

Under the Companies Law, a merger is generally required to be approved by the shareholders and board of directors of each of the merging companies. If the share capital of the company that will not be the surviving company is divided into different classes of shares, the approval of each class is also required, unless determined otherwise by the court. Similarly, unless an Israeli court determines otherwise, a merger will not be approved if it is objected to by shareholders holding a majority of the voting rights participating and voting at the meeting (abstentions are disregarded), after excluding the shares held by the other party to the merger, by any person who holds 25% or more of the other party to the merger or by anyone on their behalf, including by the relatives of, or corporations controlled by, these persons. In approving a merger, the board of directors of both merging companies must determine that there is no reasonable concern that, as a result of the merger, the surviving company will not be able to satisfy its obligations to its creditors. Similarly, upon the request of a creditor of either party to the proposed merger, an Israeli court may prevent or delay the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will not be able to satisfy the obligations of the merging parties. A court may also issue other instructions for the protection of the creditors' rights in connection with a merger. Further, a merger may not be completed unless at least (i) 50 days have passed from the time that the requisite proposals for the approval of the merger were filed with the Israeli registrar of companies; and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

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### ***Special Tender Offer***

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This rule does not apply if there is already another holder of 25% or more of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval, (ii) was from a shareholder holding 25% or more of the voting rights in the company and resulted in the acquirer becoming a holder of 25% or more of the voting rights in the company, or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding controlling shareholders, holders of 25% or more of the voting rights in the company and any person having a personal interest in the acceptance of the tender offer).

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer, or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

If a special tender offer is accepted, then shareholders who did not respond to or that had objected the offer may accept the offer within four days of the last day set for the acceptance of the offer. In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

### ***Full Tender Offer***

Under the Companies Law, a person may not acquire shares in a public company if, after the acquisition, the acquirer will hold more than 90% of the shares or more than 90% of any class of shares of that company, unless a tender offer is made to purchase all of the shares or all of the shares of the particular class. The Companies Law also generally provides that as long as a shareholder in a public company holds more than 90% of the company's shares or of a class of shares, that shareholder shall be precluded from purchasing any additional shares. In order for all of the shares that the purchaser offered to purchase be transferred to him by operation of law, one of the following needs to have occurred: (i) the shareholders who declined or do not respond to the tender offer hold less than 5% of the company's outstanding share capital or of the relevant class of shares and the majority of offerees who do not have a personal interest in accepting the tender offer accepted the offer, or (ii) the shareholders who declined or do not respond to the tender offer hold less than 2% of the company's outstanding share capital or of the relevant class of shares.

A shareholder that had his or her shares so transferred, whether he or she accepted the tender offer or not, has the right, within six months from the date of acceptance of the tender offer, to petition the court to determine that the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, the purchaser may provide in its offer that shareholders who accept the tender offer will not be entitled to such rights.

If the conditions set forth above are not met, the purchaser may not acquire additional shares of the company from shareholders who accepted the tender offer to the extent that following such acquisition, the purchaser would own more than 90% of the company's issued and outstanding share capital. The above restrictions apply, in addition to the acquisition of shares, to the acquisition of voting power.

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**SHARE PURCHASE AGREEMENT**

by and between

**Chroma ATE Inc., as Purchaser**

and

**Camtek Ltd., as Company**

Dated as of February 11, 2019

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## SHARE PURCHASE AGREEMENT

This Share Purchase Agreement (this "Agreement"), dated as of February 11, 2019, is by and between Chroma ATE Inc., a corporation organized under the Laws of the Republic of China (the "Purchaser"), and Camtek Ltd., a company organized under the Laws of Israel (the "Company"). The Purchaser and the Company are sometimes herein referred to each as a "Party," and collectively as the "Parties."

### BACKGROUND

**WHEREAS**, the Company and the Purchaser desire to provide for the issuance, sale and purchase of a number of ordinary shares, par value NIS 0.01 per share ("Shares" or "Ordinary Shares"), of the Company as set forth on Schedule 1, on the terms and conditions set forth in this Agreement;

**WHEREAS**, the Purchaser concurrently desires to purchase a number of Shares from Priortech Ltd., the controlling shareholder of the Company and a public company incorporated under the Laws of State of Israel ("Priortech"), and the Purchaser and Priortech will enter into a share transfer agreement, dated the even date hereof (the "STA"), to that effect;

**WHEREAS**, the Parties desire to make certain representations, warranties, covenants and agreements in connection with the issuance, sales and purchases and related transactions contemplated by this Agreement;

**NOW, THEREFORE**, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements herein contained, for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

### ARTICLE I ISSUANCE, SALE AND PURCHASE

**Section 1.1 Issuance, Sale and Purchase of Shares from the Company.** Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, the Company agrees to issue, sell and deliver to the Purchaser, free and clear of any pledge, mortgage, security interest, encumbrance, lien, charge, assessment, claim or restriction of any kind or nature, other than any specific restriction or limitation set forth under this Agreement, the Shareholders Agreement, the Amended and Restated Registration Rights Agreement, or under the Company's Articles or under any applicable Law, and the Purchaser agrees to purchase from the Company, on the Closing Date (as defined below), the number of Shares set forth on Schedule 1 (the "Purchase Shares"). For the purpose of this Agreement "Law" or "Laws" means all applicable laws, statutes, rules, codes, regulations, orders, judgments, decrees, injunctions, awards, rulings and/or ordinances of any Governmental Authority, including under common law.

**Section 1.2 Purchase Price.** The consideration payable by the Purchaser to the Company shall be US\$9.5 per Share. The total consideration payable by Purchaser is referred to herein as the "Purchase Price" as indicated in Schedule 1.

**Section 1.3 Closing; Deliveries.** Upon the terms and subject to the conditions of this Agreement, the closing (the “Closing”) of the purchase and sale of the Purchase Shares shall take place remotely via the electronic exchange of documents and signatures within ten (10) Business Days after the conditions set forth in Section 1.4 are satisfied, or any other date and time that is agreed upon in writing by the Company and the Purchaser (the date on which the closing occurs, the “Closing Date”). Notwithstanding the foregoing, in no event shall the Closing Date be later than June 30, 2019 (the “Long Stop Date”).

- (a) At the Closing, the Purchaser shall deliver or cause to be delivered to the Company:
  - (i) an amount in cash equal to the sum of the Purchase Price as set forth on Schedule 1 by wire transfer in immediately available funds to an account designated in writing by the Company;
  - (ii) the Amended and Restated Registration Rights Agreement among the Company, the Purchaser and Priortech, dated as of the date hereof, substantially in the form attached as Exhibit A hereto (the “Amended and Restated Registration Rights Agreement”), duly executed by the Purchaser;
  - (iii) the Strategic Cooperation Agreement between the Company and the Purchaser as of the date hereof, substantially in the form attached as Exhibit B hereto (the “Strategic Cooperation Agreement”), duly executed by the Purchaser;
  - (iv) a confirmation confirming that Taiwan Approvals have been obtained;
  - (v) an undertaking to comply with the R&D Law in the form attached hereto as Exhibit D; and
  - (vi) all other documents as may be reasonably requested by the Company.
  
- (b) At the Closing, the Company shall deliver or cause to be delivered to the Purchaser:
  - (i) the Amended and Restated Registration Rights Agreement, duly executed by the Company;
  - (ii) the Strategic Cooperation Agreement, duly executed by the Company;
  - (iii) irrevocable written instructions to the transfer agent for the Ordinary Shares with respect to the issuance of certificate(s) representing the Purchase Shares, registered in the name of the Purchaser;
  - (iv) a certificate, executed by a duly authorized officer of the Company and dated as of the Closing Date, certifying that the conditions specified in Section 1.4(a)(ii) and Section 1.4(a)(iii) have been satisfied;
  - (v) duly adopted forms of (x) the Articles of Association of the Company (the “Articles”) substantially in the form attached as Exhibit E hereto, (y) resolutions of the board of directors of the Company (the “Board of Directors”) and shareholders authorizing the execution and delivery of this Agreement, the Amended and Restated Registration Rights Agreement, the Strategic Cooperation Agreement and the consummation of the transactions contemplated thereby (collectively, the “Proposed Transactions”), including the issuance of the Purchase Shares, and (z) a certificate, executed by a duly authorized officer of the Company, certifying as to the incumbency of the officers authorized to execute the aforementioned agreements, setting forth the name and title and bearing the signatures of such officers;

- (vi) an opinion addressed to the Purchaser from Shibolet & Co., legal counsel to the Company, dated as of the Closing Date, in the form to be agreed between the Purchaser and such law firm regarding matters customarily addressed in legal opinions in transactions similar to the purchase and sale of the Purchase Shares; and
- (vii) all other documents as may be reasonably requested by Purchaser or required by the Laws of the United States and Israel to effect the issuance and sale of the Purchase Shares.

**Section 1.4** Closing Conditions.

At the Closing, the Parties shall execute and deliver, or cause to be executed and delivered, the following documents and other items, and such transactions shall be deemed to take place simultaneously and no transaction shall be deemed to have been completed or any document or other item delivered until all such transactions have been completed and all required documents and other items delivered.

- (a) Conditions of the Purchaser. The obligation of the Purchaser to purchase and pay for the Purchase Shares as contemplated by this Agreement is subject to the satisfaction, on or before the Closing Date, of the following conditions, any of which may be waived by the Purchaser in its sole discretion:
  - (i) The Strategic Cooperation Agreement, the Shareholders' Agreement and the Amended and Restated Registration Rights Agreement shall have been executed and delivered by the Parties thereto.
  - (ii) All of the third party consents and approvals as set forth on Schedule 2.4 and other actions that are required to be taken by the Company in connection with the issuance and sale of the Purchase Shares shall have been completed.
  - (iii) The representations and warranties of the Company contained in ARTICLE II of this Agreement shall have been true and correct on the date of this Agreement and shall be true and correct in all material respects (except for those representations and warranties qualified by material, materiality or similar expressions, which shall be true and correct in all respects) on and as of the Closing Date, except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date; and the Company shall have performed and complied in all material respects with all, and not be in breach or default in any material respect under any, agreements, covenants, conditions and obligations contained in this Agreement that are required to be performed or complied with on or before the Closing Date.

- (iv) The closing of the transfer of 6,117,440 Shares from Priortech to Purchaser based on terms and conditions as agreed under the STA.
- (v) Immediately following the Closing, the Board of Directors shall be comprised of seven (7) members, two (2) of whom shall be designated by the Purchaser.
- (vi) The Parties hereto shall have received all applicable and required governmental and regulatory approvals, authorizations or permits from any Governmental Authority or regulatory body of the United States, Israel or Taiwan, Republic of China, including but not limited to the CFIUS Approval (as defined below) and the Taiwan Approvals set forth in Section 4.11 below.
- (vii) No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits, imposes any damages or penalties that are substantial in relation to the Company, or otherwise makes illegal the consummation of the Proposed Transactions; and no action, suit or proceeding shall have been instituted by a Governmental Authority of competent jurisdiction or to the Knowledge (as defined below) of the Company, is threatened, in each case that makes illegal the consummation of the Proposed Transactions.

For the purpose of this Agreement, "Knowledge of Company", "Company's Knowledge," and phrases of similar import, with respect to any matter in question relating to the Company, means the actual (but not constructive or implied) knowledge of such matter by Rafi Amit, Moshe Eisenberg, or Ramy Langer.

- (viii) The Company shall have delivered, or caused to be delivered, to the Purchaser at the Closing, the Company's closing deliveries described in Section 1.3(b).
- (ix) Since the date hereof, no change or event shall have occurred and no circumstances shall exist which have had a Material Adverse Effect (as defined below).

(b) Conditions of the Company. The obligation of the Company to issue and sell the Purchase Shares to be sold to and purchased by the Purchaser as contemplated by this Agreement are subject to the satisfaction, on or before the Closing Date, of each of the following conditions, any of which may be waived in writing by the Company in its sole discretion:

- (i) The Strategic Cooperation Agreement, the Shareholders' Agreement and the Amended and Restated Registration Rights Agreement shall have been executed and delivered by the Purchaser.

- (ii) All corporate actions that are required to be taken by the Purchaser in connection with the purchase of the Purchase Shares shall have been completed.
- (iii) The representations and warranties of the Purchaser contained in ARTICLE III of this Agreement shall have been true and correct on the date of this Agreement and shall be true and correct in all material respects (except for those representations and warranties qualified by material, materiality or similar expressions, which shall be true and correct in all respects) on and as of the Closing Date, except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date; and the Purchaser shall have performed and complied in all material respects with all, and not be in breach or default in any material respect under any, agreements, covenants, conditions and obligations contained in this Agreement that are required to be performed or complied with on or before the Closing Date.
- (iv) The closing of the transfer of 6,117,440 Shares from Priortech to Purchaser based on terms and conditions as agreed under the STA.
- (v) The Parties hereto shall have received all applicable and required governmental and regulatory approvals, authorization or permits from any Governmental Authority or regulatory body of the United States, Israel or Taiwan, Republic of China, including but not limited to the CFIUS Approval (as defined below) and the Taiwan Approvals set forth in Section 4.12 below.
- (vi) All of the third party consents and approvals as set forth on Schedule 2.4 shall have been obtained.
- (vii) No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits, imposes any damages or penalties that are substantial in relation to the Purchaser, or otherwise makes illegal the consummation of the Proposed Transactions; and no action, suit, proceeding or investigation shall have been instituted by a Governmental Authority of competent jurisdiction or, to the Knowledge of the Purchaser, is threatened that seeks to restrain, enjoin, prevent, prohibit, impose any damages or penalties that are substantial in relation to the Purchaser, or otherwise makes illegal the consummation of the Proposed Transactions.
- (viii) The Purchaser shall have delivered, or caused to be delivered, to the Company at the Closing, the Purchaser's closing deliveries described in 1.3(a).

**ARTICLE II**  
**REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

Except as set forth in the Disclosure Schedule delivered in connection herewith and attached hereto as Schedule 2 hereto (the "Disclosure Schedule"), which exceptions shall be deemed to be representations and warranties as if made hereunder when read in conjunction with the applicable section, the Company hereby represents and warrants to the Purchaser, as of the date hereof (without derogating from Purchaser's closing condition set forth in Section 1.4(a)(iii)), as further provided under this Section 2.

The Disclosure Schedule shall be arranged according to the specific sections in this Section 2 and shall provide exceptions to, or otherwise qualify, the corresponding section in this Section 2, including by way of cross reference, and any other section hereof where it is clear, that the disclosure is intended to apply to such other section. In addition, the Purchaser shall be deemed to have relied upon any information published by the Company in its disclosures in the EDGAR website.

**Section 2.1 Organization and Authority.**

(a) The Company is a company duly organized and validly existing and in good standing under the Laws of the state of Israel. The Company has all requisite power and authority to own its properties and to carry on its business as it is currently being conducted. Each of the Company's Subsidiaries ("Subsidiaries") is an entity duly organized and validly existing and in good standing under the Laws of the jurisdiction in which it was formed, and has the requisite power and authorization to own its properties and to carry on its business as now being conducted. Each of the Company and each of its Subsidiaries is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect.

(b) Except for the required approvals of the Company's shareholders, the Company has all necessary corporate power and authority to enter into this Agreement and the other Transaction Documents and to perform its obligations hereunder and thereunder. Other than obtaining the required approvals of the Company's shareholders, the execution and delivery by the Company of this Agreement and the other Transaction Documents and the performance of its obligations hereunder have been duly authorized by all requisite action on the part of the Company. This Agreement and the other Transaction Documents, when duly executed by the Company and subject to their approval by the Company's shareholders, will constitute the valid and legally binding obligations of the Company, enforceable in accordance with their respective terms and conditions, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies. As used in this Agreement, "Transaction Documents" means, collectively, this Agreement, the Amended and Restated Registration Rights Agreement, the Strategic Cooperation Agreement.

**Section 2.2 Due Issuance of the Purchase Shares.** Subject to the approval by the Company's shareholders, the Purchase Shares have been duly authorized and, when issued and delivered to and paid for by the Purchaser pursuant to this Agreement, will be validly issued, fully paid and non-assessable and free and clear of any Encumbrances of any kind or nature, except for restrictions arising under (i) the Securities Laws or applicable "blue sky" laws; (ii) the Israeli Securities Law and regulations promulgated thereunder, this Agreement, the Shareholders Agreement, the Amended and Restated Registration Rights Agreement, or under the Company's Articles. "Securities Laws" means the United States Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act, the listing rules of, or any listing agreement with the Principal Markets (as defined below), state securities laws and regulations, and any other applicable law regulating securities or takeover matters.¶

**Section 2.3 Noncontravention.** Neither the execution and the delivery of the Transaction Documents, nor the consummation of the Proposed Transactions hereby, will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental entity or court to which the Company is subject, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an encumbrance under, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under, any material agreement, contract, lease, license, instrument, or other material arrangement to which the Company is a party or by which the Company is bound, other than the consents and approvals set forth on Schedule 2.4. There is no action, suit or proceeding, pending or, to the Knowledge of the Company, threatened against the Company that questions the validity of the Transaction Documents or the right of the Company to enter into the Transaction Documents (to which it is a party) or to consummate the Proposed Transactions.

**Section 2.4 Consents and Approvals.** Neither the execution and delivery by the Company of the Transaction Documents, nor the consummation by the Company of any of the Proposed Transactions, nor the performance by the Company of the Transaction Documents (to which it is a party) in accordance with their terms, will require any material consent, approval, order or authorization of, or registration with, or the giving notice to, any governmental or public body or authority or any third party, except that the material consents and approvals as set forth under Schedule 2.4 will be obtained, made or given prior to the Closing.

**Section 2.5 Principal Markets.** The Company has not received any written notification from the Nasdaq Global Market and the Tel Aviv Stock Exchange (the "Principal Markets") that the Company is currently in violation of the material requirements of the Principal Markets, and the Company has not taken any action designed to, or which would reasonably be expected to lead to, the termination or suspension of the listing of the Purchase Shares on the Principal Markets.

**Section 2.6 No General Solicitation.** Neither the Company or any of its Subsidiaries, or any Person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Purchase Shares. Neither the Company nor any of its Subsidiaries has engaged any placement agent, financial advisor or other agent in connection with the sale of the Purchase Shares as contemplated hereby.

**Section 2.7 No Integrated Offering.** Except as otherwise permitted in this Agreement, none of the Company, its Subsidiaries or any of their Affiliates (as defined below) or, to the Knowledge of the Company, any Person acting on their behalf, has, directly or indirectly, made any offer or sale of any security or solicited any offers to buy any security, under circumstances that would require registration of the issuance of any of the Purchase Shares under the Securities Act, whether through integration with prior offerings or otherwise.

For purposes of this Agreement, "Affiliate" shall mean, of any person, any other person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first person. "Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of a person through the ownership of securities or otherwise, including, without limitation, having the power to elect a majority of the board of directors or other governing body of such person, and "Controlling" and "Controlled" have correlative meanings.

**Section 2.8 Compliance with Laws.** The Proposed Transactions will not at the closing violate any Law applicable to the Company except for violations which do not and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. As used in this Agreement, "Material Adverse Effect" shall mean any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on any of (i) the financial condition, results of operations of the Company taken as a whole, except to the extent that any such Material Adverse Effect results from (a) the consummation and/or public disclosure, of the Proposed Transactions, (b) changes in generally accepted accounting principles that are applicable to the Company or generally applicable to comparable companies, as well as changes in any applicable Law (or the interpretation thereof), or (c) changes in general economic and market conditions including from industry wide developments in the industry in which Company operates or generally affecting geographical areas in which the Company's business is conducted; (d) political conditions (or changes in such conditions) or acts of war, sabotage or terrorism (including any escalation or general worsening of any such acts of war, sabotage or terrorism); or (e) any action taken or failed to be taken pursuant to or in accordance with this Agreement, or at the request of, or consented to by, the Purchaser, or (ii) the ability of the Company to consummate the Proposed Transactions and to perform its material obligations under the Transaction Documents.

**Section 2.9 SEC Filings; Financial Statements.**

(a) The Company has filed all forms, reports and documents required to be filed by it with the Securities and Exchange Commission (the "SEC") since November 1, 2015, including (i) its Annual Reports on Form 20-F (the "Annual Reports") for the fiscal years ended December 31, 2015, 2016 and 2017, respectively, and (ii) Form 6-Ks, all other forms, and reports filed by the Company with the SEC since November 1, 2016 (the forms, reports and other documents referred to in clauses (i) and (ii) above being, collectively, the "SEC Reports"). The SEC Reports (i) complied in all material respects as to form with the requirements of the Securities Act, or the Securities and Exchange Act of 1934, as amended ("Exchange Act"), as the case may be, and the rules and regulations promulgated thereunder, and (ii) did not, at the time they were filed, or, if amended, as of the date of such amendment, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of the audited consolidated financial statements (including, in each case, any notes thereto) contained in the Annual Reports were prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presents, in all material respects, the consolidated financial position, results of operations and cash flows of the Company and its Subsidiaries as at the respective dates thereof and for the respective periods indicated therein (subject, in the case of unaudited statements, to normal year-end adjustments which would not have had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect).

(c) Except as and to the extent set forth on the audited consolidated balance sheet of the Company and its Subsidiaries as at September 30, 2018, including the notes thereto (the "Balance Sheet"), neither the Company nor any of its Subsidiaries has any liability or obligation of any nature (whether accrued, absolute, contingent or otherwise) that would be required to be disclosed in accordance with GAAP, except for liabilities and obligations, incurred in the ordinary course of business consistent with past practice since September 30, 2018, which would not prevent or materially delay consummation of any of the Proposed Transactions or otherwise prevent or materially delay the Company from performing its obligations under this Agreement and would not reasonably be expected to have a Material Adverse Effect.

**Section 2.10 Events Subsequent to Most Recent Fiscal Period.** Since September 30, 2018, there has not occurred any Material Adverse Effect.

**Section 2.11 Foreign Corrupt Practices.**

(a) Except to the extent the following have not had individually or in the aggregate, a Material Adverse Effect, neither the Company nor any of its Subsidiaries nor, to the Knowledge of the Company, any of their respective directors, officers, or employees, in their capacity as such and in the course of his, her or its actions for or on behalf of the Company or its Subsidiaries (1) made, offered, promised, or authorized any illegal contributions, gifts, entertainment or payments of other expenses, in each case from corporate funds, related to political activity, (2) unlawfully made, offered, promised, or authorized the giving of anything of value, or any direct or indirect unlawful payments to any foreign or domestic Government Official (as defined below) for the purpose of (A) influencing any act or decision of such person in their capacity as a Government Official, (B) inducing a Government Official to do or omit to do any act in violation of his or her lawful duties, (C) securing any improper advantage or (D) inducing a Government Official to influence or affect any act or decision of any Governmental Authority (as defined below) in a manner that would constitute or have the purpose or effect of public or commercial bribery, acceptance of, or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business or any improper advantage, (3) made, offered, promised, or authorized any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment of any nature to any Government Official or (4) violated any provision of the Foreign Corrupt Practices Act (the "FCPA"), the U.K. Bribery Act 2010 (the "Bribery Act") (to the extent applicable) or any other applicable Laws, regulations or conventions to which the Company or any of its Subsidiaries is subject relating to corruption (governmental or commercial), bribery, money laundering, political contributions or gifts, entertainment, and gratuities, involving or to any Governmental Authority or any Government Official or commercial entity, including all applicable national and international Laws enacted to implement the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions (collectively, "Other Anticorruption Laws"). Since January 1, 2015, none of the Company nor any of its Subsidiaries has conducted or initiated any internal investigation or made a voluntary, directed, or involuntary disclosure to any Governmental Authority or similar agency with respect to any alleged act or omission arising under or relating to any noncompliance with the FCPA, the Bribery Act or any Other Anticorruption Law. Neither the Company nor its Subsidiaries have received any written notice, request, or citation for any actual or potential noncompliance with any of the foregoing in this Section 2.11. As used in this Agreement, "Governmental Authority" means any transnational, domestic or foreign federal, state or local governmental, regulatory or administrative authority, department, court, agency or official, including any political subdivision thereof. "Government Official" means (w) any official, officer, employee, or representative of, or any person acting in an official capacity for or on behalf of, any Governmental Authority, (x) any political party or party official or candidate for political office, (y) a Politically Exposed Person as defined by the Financial Action Task Force or any (z) company, business, enterprise or other entity of which more than 50% is controlled by any person described in the foregoing clause (w), (x), or (y) of this definition.

(b) The Company believes that its accounting controls and procedures are sufficient to cause the Company to comply in all material respects with the FCPA. The operations of the Company and its Subsidiaries have been conducted at all times in compliance in all material respects with the applicable financial recordkeeping and reporting requirements of the U.S. Currency and Foreign Transaction Reporting Act of 1970, as amended, the U.S. Money Laundering Control Act of 1986, as amended, and all applicable money laundering-related Law of other jurisdictions where the Company and its Subsidiaries conduct business or own assets, and any related or similar Law issued, administered or enforced by any Governmental Authority (collectively, the “Money Laundering Laws”). No proceeding by or before any Governmental Authority involving the Company or its Subsidiaries with respect to the Money Laundering Laws is pending or, to the Knowledge of the Company, is threatened.

**Section 2.12 Investment Company Status.** The Company is not, and upon consummation of the sale of Purchase Shares will not be, an “investment company” and affiliate of an “investment company,” a company controlled by an “investment company” or an “affiliated person” of, or “promoter” or “principal underwriter” for, and “investment company” within the meaning of such term under the Investment Company Act of 1940, as amended, and the rules and regulations of the SEC thereunder.

**Section 2.13 Privacy.** The Company and its Subsidiaries have in place privacy policies regarding the collection, use and disclosure of Personal Information (as defined below) in their possession, custody or control, or otherwise held or processed on their behalf. The Company and its Subsidiaries are and have been (and following the consummation of the Proposed Transactions will be) in compliance in all material respects with all Information Privacy and Security Laws (as defined below), agreements to which they are parties that contain, involve or deal with Personal Information, and their own rules, policies and procedures relating to privacy, data protection, and the collection and use of, Personal Information. None of the Company or any of its Subsidiaries has been notified of or is the subject of any action, suit, inquiry, investigation or proceeding related to data security or privacy or alleging a violation of any of its privacy policies or any Information Privacy and Security Law, nor, to the Knowledge of the Company, is any such claim, inquiry, investigation or proceeding threatened. The Company and its Subsidiaries have taken all measures reasonably necessary or appropriate to protect and maintain the confidentiality of all Personal Information collected by or on behalf of the Company or any of its Subsidiaries and to maintain the security of their data storage practices for Personal Information, in each case, in accordance with all applicable Information Privacy and Security Laws and consistent with commercially reasonable industry practices applicable to such types of data gathered and maintained in the industry in which the Company and its Subsidiaries conduct their business. To the Knowledge of the Company, there has been no unauthorized access, use, or disclosure of Personal Information in the possession or control of the Company or any of its Subsidiaries. For purposes of this Agreement: (i) “Personal Information” means, collectively, any information or data that can be used, directly or indirectly, alone or in combination with other information possessed or controlled by the Company or its Subsidiaries, to identify an individual and any other information or data that, in the manner such information is possessed or controlled by the Company or its Subsidiaries, is associated with any individual (including name, address, telephone number, email address, photograph, credit or payment card information, bank account number, financial data or account information, password combinations, customer account number, date of birth, government-issued identifier, social security number, race, ethnic origin/nationality, and mental or physical health or medical information) or that is otherwise governed, regulated or protected by one or more Information Privacy and Security Laws; and (ii) “Information Privacy and Security Laws” means all applicable Laws relating to privacy, data privacy, data protection, data security and anti-spam, and all applicable regulations promulgated by any applicable Governmental Authority thereunder.

**Section 2.14 No Disqualification Events.** With respect to Shares to be offered and sold hereunder in reliance on Rule 506(b) under the Securities Act, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering contemplated hereby, any beneficial owner of twenty percent (20%) or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any disqualification event, except for a disqualification event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to such a disqualification event.

**Section 2.15 Disclosure.** The Company understands and confirms that the Purchaser will rely on the foregoing representations in the purchase of the Purchase Shares. To the Company's Knowledge, no material event or circumstance has occurred or material information exists with respect to the Company or any of its Subsidiaries or its or their business, properties, operations or financial conditions, which, under applicable Law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed, except to the extent such non-disclosure is permitted, under the circumstances, pursuant to applicable Law or a contractual obligation under confidentiality.

**Section 2.16 No Critical Technology.** The Company does not produce, design, test, manufacture, fabricate, or develop any "critical technologies," as defined in 31 C.F.R. § 801.204, as defined as of the date hereof. Without limiting the foregoing, the Company does not produce, design, test, manufacture, fabricate, or develop any: (i) defense articles or defense services included on the United States Munitions List set forth in the International Traffic in Arms Regulations (22 C.F.R. Parts 120-130); or (ii) items included on the Commerce Control List set forth in Supplement No. 1 to Part 774 of the Export Administration Regulations (15 C.F.R. Parts 730-774), and controlled (A) pursuant to multilateral regimes, including for reasons relating to national security, chemical and biological weapons proliferation, nuclear nonproliferation, or missile technology; or (B) for reasons relating to regional stability or surreptitious listening.

**Section 2.17 Current Investigations and Disputes.** To the Company's Knowledge, there is no material outstanding investigation conducted with respect to, and/or material dispute and/or potential of material infringement involving, the Company or any of its Subsidiaries, relating to intellectual properties, tax matters, regulatory approvals, compliance with applicable labor Laws and/or material agreements of the Company.

**ARTICLE III  
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

The Purchaser hereby represents and warrants to the Company, as of the date hereof (without derogating from Company's closing condition set forth in Section 1.4(b)(iii)), as follows:

**Section 3.1 Due Formation.** The Purchaser is a company duly incorporated as a company with limited liability, validly existing and in good standing under the Laws of the Republic of China, with full power and authority to own and operate and to carry on its business in the places and in the manner as currently conducted.

**Section 3.2 Authority.** The Purchaser has all necessary corporate power and authority to enter into this Agreement and other Transaction Documents and to perform its obligations hereunder and thereunder. The execution and delivery by the Purchaser of this Agreement and the other Transaction Documents and the performance of its obligations hereunder have been duly authorized by all requisite actions on its part.

**Section 3.3 Valid Agreement.** This Agreement has been duly executed and delivered by the Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

**Section 3.4 Consents and Approvals.** Neither the execution and delivery by the Purchaser of the Transaction Documents nor the consummation by it of any of the Proposed Transactions, nor the performance by the Purchaser of the Transaction Documents in accordance with their terms, will require the consent, approval, order or authorization of, or registration with, or the giving of notice to, any Governmental Authority or any third party, except as have been obtained, made or given prior to the Closing.

**Section 3.5 No Conflict.** Neither the execution and delivery by the Purchaser of the Transaction Documents, nor the consummation by it of any of the transactions contemplated hereby, nor compliance by Purchaser with any of the terms and conditions hereof will violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental entity or court to which the Purchaser is subject. There is no action, suit or proceeding, pending or, to the Knowledge of the Purchaser, threatened against the Purchaser that questions the validity of the Transaction Documents or the right of the Purchaser to enter into the Transaction Documents or to consummate the Proposed Transactions.

For the purpose of this Agreement, "Knowledge of Purchaser", "Purchaser's Knowledge" and phrases of similar import, with respect to any matter in question relating to the Purchaser, means the actual (but not constructive or implied) knowledge of such matter by Leo Huang, Jennifer Chien, Paul Ying, Ishi Tseng and Lawrence Wu.

**Section 3.6 No Broker.** No broker, investment banker or other person is entitled to any broker's, finder's or other similar fee or commission in connection with the execution and delivery of this Agreement or the Amended and Restated Registration Rights Agreement or the consummation of any of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser.

**Section 3.7 Due Diligence and Access to Information.** The Purchaser hereby acknowledges and confirms that it (a) has had an opportunity to review and inspect all of the data and information requested by the Purchaser in connection with this Agreement and conduct an independent due diligence investigation in relation to the Company and its Subsidiaries based on the information and the data provided by the Company, and (b) has had the opportunity to ask questions in relation the Company and its Subsidiaries and the investment contemplated hereunder, and obtained the answers from the Company and its personnel. All questions asked by such Purchaser concerning the Company's (and its Subsidiaries') business, management, financial affairs and the terms and conditions of the offering of the Purchase Shares have been answered to such Purchaser's satisfaction. Other than as set forth in this Agreement, none of the Company, its Subsidiaries nor any of their Affiliates, agents or representatives makes or has made any representation or warranty, either express or implied. Purchaser's obligations to consummate the Proposed Transactions under this Agreement is subject to the prior satisfaction with the results of such due diligence investigation.

**Section 3.8 Purchaser Status: No Disqualification Events.** At the time Purchaser was offered the Purchase Shares, it was, and as of the date hereof it is an "accredited investor" as defined in Regulation D under the Securities Act. With respect to Purchase Shares to be offered and sold hereunder in reliance on Rule 506(b) under the Securities Act, none of the Purchaser, any of its director, executive officer, other officer of the Purchaser that may serve as a director or officer of any company in which it invests, any beneficial owner of the Company's outstanding voting equity securities held by the Purchaser, calculated on the basis of voting power (each, a "Purchaser Covered Person" and, together, "Purchaser Covered Persons") is subject to any disqualification event as listed in Rule 506(d)(1)(i)-(viii) of the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3).

**Section 3.9 Investment Representations and Warranties.** Purchaser understands and agrees that the offering and sale of the Purchase Shares have not been registered under the Securities Act or the Israeli Securities Laws or any applicable state securities Laws and is being made in reliance upon federal and state exemptions for transactions not involving a public offering which depend upon, among other things, the bona fide nature of the investment intent and the accuracy of Purchaser's representations as expressed herein.

**Section 3.10 Israeli Resale Restrictions.** Purchaser is aware of the fact that the resale of the Purchase Shares may be subject to certain restrictions under the Israeli Securities Laws and the regulations promulgated thereunder, and therefore the resale of such Shares on the Tel Aviv Stock Exchange may be subject to such restrictions. Purchaser undertakes to comply with such restrictions with respect to the resale of the Purchase Shares on the Tel Aviv Stock Exchange.

**Section 3.11 Restricted Securities.** Purchaser understands that the Purchase Shares will be characterized as “restricted securities” under the federal securities Laws inasmuch as they are being acquired from the Company in a private placement under Section 4(a)(2) of the Securities Act and that under such Laws and applicable regulations such Purchase Shares may be resold without registration under the Securities Act only in certain limited circumstances. Purchaser acknowledges that the Purchase Shares must be held indefinitely unless subsequently registered under the Securities Act and under applicable state securities Laws or an exemption from such registration is available; provided, however, that by making the representations herein, Purchaser does not agree to hold any of the Purchase Shares for any minimum or other specific term and reserves the right to dispose of the Purchase Shares at any time in compliance with applicable Israeli or United States securities Laws. Purchaser is aware of the provisions of Rule 144 under the Securities Act, which permit limited resale of securities purchased in a private placement.

**Section 3.12 Certain Transactions and Confidentiality.** The Purchaser hereby confirms that, as of the date hereof, it does not hold any securities of the Company and that until the Closing, it shall not purchase any securities of the Company. Furthermore, other than consummating the transactions contemplated hereunder, Purchaser has not, directly or indirectly, executed any purchases or sales, including short sales, of the securities of the Company during the period commencing as of the time that Purchaser first received a term sheet/letter of intent (written or oral) from the Company or any other Person representing the Company setting forth the material pricing terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Other than to Purchaser’s representatives, including, without limitation, its officers, directors, partners, legal and other advisors, employees, agents and Affiliates, Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction).

**Section 3.13 Israeli R&D Law.** Purchaser is aware that the Israeli law for the Encouragement of Industrial Research and Development of 1984 and regulations promulgated thereunder (“R&D Law”) imposes reporting requirements on the Company with respect to changes in its ownership. The Company, its controlling shareholders, and foreign Interested Parties must notify the Israel Innovation Authority (“IIA”) of any change in control of the Company or the holdings of the means of control of the Company that result in an Israeli or a non-Israeli becoming an Interested Party directly in the Company. The R&D Law also requires the new Interested Party to undertake to comply with the R&D Law. An “Interested Party” of a company includes, *inter alia*, a holder of 5% or more of its outstanding share capital or voting rights. In addition, the rules of the IIA may require additional information or representations with respect to such events.

#### ARTICLE IV COVENANTS

**Section 4.1 Form D and Blue Sky.** The Company agrees to file with the SEC a Form D with respect to the sale of the Purchase Shares as required under Regulation D and to make any filings and reports relating to the offer and sale of the Purchase Shares required under applicable securities or “Blue Sky” laws of the states of the United States, if applicable, and to provide copies thereof to the Purchaser promptly after any such filing.

**Section 4.2 Use of Proceeds.** The Company shall use the proceeds from the sale of the Purchase Shares for general corporate and working capital purposes and as determined the Board of Directors from time to time.

**Section 4.3 Listing.** The Company shall use its reasonable best efforts to maintain the Ordinary Share's listing or authorization for quotation (as the case may be) on the Nasdaq Global Market. Neither the Company nor any of its Subsidiaries shall take any action which would be reasonably expected to result in the delisting or suspension of the Ordinary Shares on the Nasdaq Global Market, except as may be required in connection with an M&A Transaction (as defined below).

**Section 4.4 Publicity.** Subject to applicable Law and regulations, on or before 5:30 p.m., New York City time, during the business hours of, or one Business Day after the date of this Agreement, as applicable, the Company will: (i) issue a press release disclosing all the material terms of the Proposed Transactions; and (ii) file a Current Report on Form 6-K describing all the material terms of the Proposed Transactions, in the form required by the Exchange Act (the "6-K Filing"). Subject to the foregoing, none of the Company, any of its Subsidiaries, the Purchaser, or any of the Purchaser's Affiliates shall issue any press releases or any other public statements with respect to the Proposed Transactions; provided, however, that the Company shall be entitled, without the prior approval of the Purchaser, to make any press release or other public disclosure with respect to such transactions (1) in substantial conformity with the 6-K Filing and (2) as is required by applicable Law and regulations. For the purpose of this Agreement, "Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banking institutions in Israel, the US or Republic of China are authorized or obligated by Law or executive order to be closed. Any reference to "days" (unless Business Days are specified) shall mean calendar days. The Company and Purchaser shall consult with each other in issuing any press releases with respect to the Proposed Transactions, and neither the Company nor Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of Purchaser, or without the prior consent of Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, provided that either Party shall be permitted to publicly disclose information that such Party determines in good faith is necessary to be disclosed to comply with Law or the rules or regulations of any securities exchange on which such Party's stock may be listed, or pursuant to an order of a court or governmental entity, in which case the disclosing Party shall promptly provide the other Party with prior notice of such public statement or communication. Furthermore, notwithstanding the foregoing, information contained in press releases previously approved by the Parties may be included in subsequent press releases and external communications, by either Party without review by, or the necessity to obtain prior approval from, the other Party.

**Section 4.5 Integration.** Unless otherwise consented to by the Purchaser, none of the Company, any of its Affiliates, or any person acting on behalf of the Company or any of its Affiliate will sell, offer for sale, or solicit offers to buy or otherwise negotiate in respect of any security (as defined under the Securities Act) which will be integrated with the sale of the Purchase Shares in a manner which would require the registration of the Purchase Shares under the Securities Act.

**Section 4.6 Notice of Disqualification Event.** Each Party shall notify the other Party in writing if prior to the Closing Date there occurs (i) any Disqualification Event relating to any Issuer Covered Person or Purchaser Covered Person, or (ii) any event that would, most likely be expected, within a reasonable period, to become a Disqualification Event relating to any Issuer Covered Person or Purchaser Covered Person.

**Section 4.7 Shareholder Consent: Special Meeting.** The Company shall hold a special meeting for the shareholders to approve the Proposed Transaction before the Closing.

**Section 4.8 Conduct of Business.**

Except with the prior written consent of the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed) (“Purchaser’s Consent”), the Company shall not between the date hereof and the Closing Date, perform any action that would reasonably be expected to result in the dilution of the Purchaser’s holding of the shares of the Company on a fully-diluted basis by more than 10%; provided however, that the grant of employee options in an amount that does not exceed 2.5% of the Company’s total issued and outstanding share capital on a fully-diluted basis shall not require the prior and written consent of the Purchaser.

From the date hereof and until the Closing Date, the Company shall, notify the Purchaser of any action by the Company that is not in the ordinary course or consistent with past practice and that would reasonably be expected to have a material effect upon the Company or upon the Proposed Transactions.

The above notwithstanding, the Parties agree that the undertakings provided in this Section 4.8 above shall not limit or restrict the Company in connection with any dilutive transaction or M&A Transaction, provided however, that in the event that due to such a transaction the Company exercises its right hereby granted to terminate this Agreement without having received Purchaser’s Consent, then under such circumstances, (a) the Company shall pay the Purchaser the Termination Fee as set forth in Section 7.1(b) below, and (a) such Termination Fee shall be the sole and exclusive remedy available to the Purchaser in connection therewith. For the purpose of this Section 4.8, “M&A Transaction” means a transaction in which one of the following events occurs: (i) an acquisition of the Company by means of merger (with or into another entity), reclassification of the Company’s securities, or any other form of corporate reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring company or its subsidiary; or (ii) consolidations or other transactions, or series of related transactions, in which more than fifty percent (50%) of the voting power of the Company would be disposed or transferred (other than by way of an IPO).

**Section 4.9 CFIUS**

(a) As soon as reasonably practicable after the date of this Agreement, the Parties hereto shall prepare and file with the Committee on Foreign Investment in the United States (“CFIUS”) a draft joint voluntary notice under Section 721 of the Defense Production Act of 1950, 50 U.S.C. app. § 2170, as amended (together with the implementing regulations pursuant thereto, “Exon-Florio”) with respect to the transactions contemplated by this Agreement. After the Parties receive comments on the draft joint voluntary notice from CFIUS, the Parties shall, as soon as reasonably practicable, address such comments and file with CFIUS a final joint voluntary notice under Exon-Florio. The Parties hereto shall provide CFIUS with any additional or supplemental information requested by CFIUS or its member agencies during the Exon-Florio review (and, if applicable, investigation) process as promptly as reasonably practicable, and in any event within the time period required under applicable Law or any extension thereto. The Parties hereto also shall use their respective commercially reasonable efforts to: (i) coordinate and cooperate fully with each other in connection with the drafting and filing of any submission, draft notice, and final notice filed with CFIUS and in any consideration, review, or investigation by CFIUS of the transactions contemplated by this Agreement; (ii) promptly inform the other Party of any communication received from CFIUS or any Governmental Entity involved in CFIUS’s consideration, review, or investigation of the transactions contemplated by this Agreement; and (iii) permit each other Party, or each other Party’s legal counsel, to review any communication by a Party to CFIUS (or any Governmental Entity involved in CFIUS’s consideration, review, or investigation of the transactions contemplated by this Agreement) or from CFIUS (or any Governmental Entity involved in CFIUS’s consideration, review, or investigation of the transactions contemplated by this Agreement) to a Party, and consult and cooperate with each other, and consider in good faith the views of one another, in advance of any planned meeting or conference with CFIUS or any Governmental Entity involved in CFIUS’s consideration, review, or investigation of the transactions contemplated by this Agreement, and, to the extent permitted by CFIUS or such other Governmental Entity involved in CFIUS’s consideration, review, or investigation of the transactions contemplated by this Agreement, grant the other parties the opportunity to attend and participate in any such planned meeting or conference; provided, that, notwithstanding anything to the contrary in this Section 4.9, no Party shall be obligated to disclose to the other Party any communication or material that the Party considers to be proprietary or confidential.

(b) The Parties, in cooperation with each other, shall take all commercially reasonable steps that are advisable, necessary, or desirable to finally and successfully complete the Exon-Florio review (and, if applicable, investigation) process and obtain CFIUS Approval as promptly as practicable. Without limiting the foregoing, the Parties agree to accept mitigation measures imposed as a condition of obtaining CFIUS Approval as long as such measures do not, in the reasonable discretion of the relevant Party, have a material negative impact on the business or the benefit that relevant Party hopes to obtain by virtue of the transactions contemplated by this Agreement.

(c) As used in this Agreement, "CFIUS Approval" means (i) a written notification issued by CFIUS that it has determined that the transactions contemplated by this Agreement are not a "covered transaction" pursuant to Exon-Florio, (ii) a written notification issued by CFIUS that it has determined that there are no unresolved national security concerns with respect to the transactions contemplated by this Agreement and CFIUS has concluded all action with respect to its review (or, if applicable, investigation) of the transactions contemplated by this Agreement, and such determination is not conditioned upon the commitment of Purchaser or Company to take any action described in this Section 4.9, or (iii) if CFIUS has sent a report to the President of the United States requesting the President's decision with respect to the transactions contemplated by this Agreement, and either (A) the period under Exon-Florio during which the President may announce his decision to take action to suspend or prohibit the transactions contemplated by this Agreement has expired without any such action being announced or taken, or (B) the President has announced a decision not to take any action to suspend or prohibit the transactions contemplated by this Agreement and has not required Purchaser or Company to take any action described in this Section 4.9.

**Section 4.10 Board of Directors.** The nominees of the Purchaser to the Board of Directors (the "Chroma Designees") will be appointed by the special meeting of the shareholders of the Company, in which the Proposed Transaction shall be submitted for approval, and such appointment shall be subject to the Closing and become effective upon the date of the Closing. The Company shall provide each Chroma Designee with the same indemnification rights as all other directors, including entering into a standard form of indemnification agreement.

**Section 4.11 Taiwan Approvals.** Promptly following the execution and delivery of this Agreement by the Parties and in any event within fifteen (15) Business Days following the date hereof, Purchaser will prepare drafts of such documents and filings as shall be required to obtain (i) approval by the Investment Commission of the Ministry of Economic Affairs of Taiwan for the Proposed Transactions and (ii) consent from the Central Bank of the Republic of China for the foreign exchange transactions necessary to convert New Taiwan Dollars into United States Dollars for payment of the Purchase Price (together, the "Taiwan Approvals"). Purchaser shall use its reasonable best efforts to obtain the Taiwan Approvals.

#### ARTICLE V INDEMNIFICATION

**Section 5.1 Indemnification.** Subject to Section 6.1 and 6.4 hereof, each of the Company and the Purchaser (an "Indemnifying Party") shall indemnify and hold the other and its respective directors, officers and agents (collectively, the "Indemnified Party") harmless from and against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including but not limited to any reasonable legal expenses incurred in connection with, and any amounts paid in settlement of any pending or threatened legal action or proceeding, but excluding consequential, special, incidental, indirect, or punitive damages, lost profits, and diminution in value (collectively, "Losses") resulting from or arising out of any breach of any representation or warranty of such Indemnifying Party contained in this Agreement or in any schedule or exhibit hereto. Notwithstanding the foregoing, the Indemnifying Party shall have no liability (for indemnification or otherwise) with respect to: (i) any Losses in excess of the aggregate total of the Purchase Price and (ii) any Losses resulting from or related to a breach of representations and/or warranties under this Agreement, if the Indemnified Party has knowledge of such breach prior to the Closing. In calculating the amount of any Losses of an Indemnified Party hereunder, there shall be subtracted the amount of any insurance proceeds and third-party payments received by the Indemnified Party with respect to such Losses, if any. Each Indemnified Party agrees to use commercially reasonable efforts to mitigate any Losses that it has incurred by pursuing any rights to such third party payments, including claims for insurance, contribution arrangements or other amounts with respect to the claims or Losses for which it is seeking indemnification hereunder.

**Section 5.2 Notice of Claims: Procedures.** If an Indemnified Party makes any claim against an Indemnifying Party for indemnification under Section 5.1, the claim shall be in writing and shall state in reasonable detail the facts upon which such Indemnified Party makes the claim. In the event of any claim or demand asserted against an Indemnified Party by a third party upon which the Indemnified Party may claim indemnification, (a) the Indemnified Party shall give written notice of such claim promptly, and in any event within ten (10) Business Days after the Indemnified Party becomes aware of the facts on which the indemnification claim is made and (b) the Indemnifying Party shall give written notice to the Indemnified Party within thirty (30) days after receipt from the Indemnified Party of the claim referred to above, indicating whether such Indemnifying Party intends to assume the defense of the claim or demand. If an Indemnifying Party assumes such defense, (x) the Indemnifying Party shall fully cooperate with such defense, (y) the Indemnifying Party shall not be obligated to indemnify or reimburse the Indemnified Party for any costs or expenses of defense (unless otherwise agreed in writing by the Indemnifying Party or a conflict of interest exists that would make it inappropriate for the Indemnified Party and Indemnifying Party to be represented by the same counsel) and (z) the Indemnifying Party shall have the right to fully control and settle or compromise the proceeding, provided, that, any such settlement or compromise shall be permitted hereunder only with the written consent of the Indemnified Party, which consent shall not be unreasonably withheld, conditioned or delayed, provided that no such consent shall be required if such settlement or compromise does not (i) require the Indemnified Party to make any payment, (ii) contain any equitable relief against the Indemnified Party and (iii) provide for any admission of guilt, liability or wrongdoing on the part of the Indemnified Party. If the Indemnifying Party elects not to assume the defense or fails to make such an election with the 30-day period, the Indemnified Party may, at its option, defend, settle, compromise or pay such action or claim; provided, that, any such settlement or compromise shall be permitted hereunder only with the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed.

**Section 5.3 Limitations.** Notwithstanding the foregoing, no claims by the Purchaser against the Company shall be asserted unless and until the aggregate amount of Losses that would otherwise be payable exceeds on a cumulative basis an amount equal to US\$1,000,000, at which point the full amount of all Losses shall be recoverable from the first dollar.

**Section 5.4 Exclusive Remedy.** Following the Closing, (i) claims made under this ARTICLE V shall be the sole and exclusive monetary remedy available to the Parties with respect to any and all claims relating directly or indirectly to the representations and warranties by the Parties under this Agreement in Section 2 or Section 3 or in any schedule or exhibit hereto and (ii) the Parties waive, to the fullest extent permitted by Law, any and all other rights, claims and causes of action with respect to the matters set forth in clause (i) under any Law. Notwithstanding the foregoing, nothing contained in this Agreement shall limit the liability of any Party in the event of fraud or willful misconduct by such Party with respect to any of the representations and warranties of such Party.

#### ARTICLE VI TERMINATION

**Section 6.1 Survival of the Representations and Warranties.** All representations and warranties made by any Party shall survive for eighteen (18) months after the date hereof and shall terminate and be without further force or effect upon the expiry of eighteen (18) months after the date hereof, except as to (i) the Company's representations contained in Section 2.17 hereof, which shall survive until thirty (30) days after the expiration of the statute of limitations period, and (ii) the Company's representations contained in Section 2.1 (Organization and Authority), , Section 2.2 (Due Issuance of the Purchase Shares), Section 2.4 (Consents and Approvals), Section 2.8 (Compliance with the Laws), Section 2.11 (Foreign Corrupt Practices) and Section 2.17 (Ongoing Investigations and Disputes) hereof and the Purchaser's representations contained in Section 3.1 (Due Formation), Section 3.2 (Authority) and Section 3.3 (Valid Agreement) hereof, which shall survive for four (4) years and shall terminate and be without further force or effect on the fourth anniversary of the date hereof.

**Section 6.2 Termination.** This Agreement may be terminated, and the transactions contemplated hereby may be abandoned at any time prior to Closing,

- (a) by mutual written agreement of the Parties,
- (b) by either the Purchaser or the Company:
  - (i) if any Governmental Authority of competent jurisdiction shall have enacted, issued or entered any restraining order, injunction or similar order or legal restraint or prohibition which remains in effect that enjoins or otherwise prohibits the consummation of the Proposed Transactions, including, without limitation, the sale and issuance of the Purchase Shares, and such order, injunction, legal restraint or prohibition shall have become final and non-appealable; or

- (ii) if the Closing shall not have occurred by the Long Stop Date, provided that the party seeking to terminate this Agreement pursuant to this Section 6.2(b)(ii) shall not have breached in any material respect its obligations under this Agreement in any manner that shall have been the primary cause of the failure of the Closing to occur on or before the Long Stop Date; provided, further, that if (i) the condition regarding receipt of CFIUS Approval set forth in Section 1.4(a)(vi) shall be the only condition of Section 1.4 (other than conditions that by their nature are to be satisfied at the Closing or on the Closing Date) that has not been satisfied or waived by the Long Stop Date, and (ii) CFIUS has not by the Long Stop Date informed the Parties that there is a substantial possibility that the CFIUS Approval will not be granted, then the Long Stop Date shall automatically be extended by thirty (30) days;
- (c) by the Purchaser:
- (i) if a material breach of any representation or warranty or failure to perform in any material respect any covenant or agreement of the Company set forth in this Agreement shall have occurred and such breach or failure to perform would cause any of the conditions set forth in Section 1.4(a)(ii) or Section 1.4(a)(iii) not to be satisfied, and such breach or failure to perform either cannot be cured or, if curable, has not been cured prior to the earlier of (A) the thirtieth (30th) calendar day following receipt by the Company of written notice of such breach or failure to perform from the Purchaser and (B) the calendar day immediately prior to the Long Stop Date; or
  - (ii) if terminated in accordance with the terms set forth in Section 4.8;
- (d) by the Company:
- (i) if a material breach of any representation or warranty or failure to perform in any material respect any covenant or agreement of the Purchaser set forth in this Agreement shall have occurred and such breach or failure to perform would cause any of the conditions set forth in Section 1.4(b)(ii) and Section 1.4(b)(iii) not to be satisfied, and such breach or failure to perform either cannot be cured or has not been cured prior to the earlier of (A) the thirtieth (30th) calendar day following receipt by the Purchaser of written notice of such breach or failure to perform from the Company and (B) the calendar day immediately prior to the Long Stop Date; or

- (ii) if (A) all of the conditions set forth in Section 1.4(b) have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing), (B) the Purchaser fails to consummate the Closing within three (3) Business Days following the date the Closing should have occurred pursuant to Section 1.3, (C) the Company provided written notice to the Purchaser that it was ready and willing to consummate the Closing during such period and (D) the Purchaser fails to consummate the Closing within three (3) Business Days after delivery of the notice described in the immediately preceding clause (C); provided however that during such three (3) Business Day period referenced in clause (B), neither Party shall be entitled to terminate this Agreement pursuant to Section 6.2(b)(ii).
- (iii) if terminated in accordance with the terms set forth in Section 4.8.

**Section 6.3 Notice of Termination.** Any Party terminating this Agreement pursuant to Section 6.2 shall give written notice of such termination to the other Party in accordance with this Agreement, specifying the provision or provisions hereof pursuant to which such termination is being effected.

**Section 6.4 Effect of Termination.** In the event of the termination and abandonment of this Agreement pursuant to Section 6.2, this Agreement shall be void and have no effect, with no liability on the part of either Party hereto or its Affiliates, directors, officers or shareholders to the other Party, except that no such termination and abandonment shall relieve any Party hereto from (i) any damages resulting from any fraud or willful breach of this Agreement prior to or in connection with such termination and abandonment. Section 5.1, Section 6.4, and Section 7.1 shall survive any termination and abandonment of this Agreement pursuant to Section 6.2.

## ARTICLE VII MISCELLANEOUS

### **Section 7.1 Fees and Expenses.**

(a) Each Party will bear its own expenses incurred in connection with the negotiation, preparation, execution and performance of this Agreement, including any costs incurred by either Party in connection with any notice or filing submitted to CFIUS, provided however, that should the Parties appoint a joint counsel to handle the CFIUS Approval then the Parties agree to equally share the costs of such counsel's fees and filing fees (if any).

(b) In the event that the Company is required to pay the Purchaser a Termination Fee pursuant to Sections 4.8, then the Termination Fee shall be paid to the Purchaser by wire transfer to an account designated in writing by the Purchaser, within thirty (30) Business Days after the date of such termination. In no event shall the Company be required to pay the Termination Fee on more than one occasion. As used in this Agreement the "Termination Fee" refer to an amount equal to two percent (2%) of the Purchase Price. If this Agreement is terminated under circumstances in which the Company is obligated to pay the Termination Fee pursuant this Section 7.1(b) then Purchaser's right to receive the Termination Fee pursuant thereto, shall be the sole and exclusive remedy (whether at law, in equity, in contract, in tort or otherwise) of Purchaser against the Company for any loss or damage suffered as a result of any breach of any representation, warranty, covenant or agreement or failure to perform hereunder or other failure of the Proposed Transactions to be consummated (whether willfully, intentionally, unintentionally or otherwise).

**Section 7.2 Governing Law; Jurisdiction.** This Agreement and all disputes and claims arising out of or in connection thereto shall be governed by and construed in accordance with the Laws of Singapore (without regards to its conflict of law's provisions). Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination shall be referred to and finally resolved by arbitration in Singapore administered by the auspices of Singapore International Arbitration Centre ("**SIAC**") in accordance with the Arbitration Rules of the ("**SIAC Rules**") in force at the time of the request for arbitration, which rules are deemed to be incorporated by reference to this clause. The arbitration shall take place in Singapore at the SIAC. The seat of the arbitration shall be Singapore. The arbitration proceeding shall be conducted in English. The arbitration award shall be final and binding on the Parties and shall not be subject to any appeal, and the Parties shall be bound thereby and shall act accordingly. Judgment on the award of the arbitrators may be enforced by any court of competent jurisdiction. The losing Party, as determined by the arbitrators, shall pay all out-of-pocket expenses incurred by the prevailing Party (including, without limitation, legal fees), as determined by the arbitrators in connection with any such dispute. Notwithstanding the foregoing, each Party shall retain the right to seek for provisional remedies, including interlocutory and/or injunctive reliefs, in any jurisdiction in which there is a breach by the other Party of any undertakings under this Agreement.

**Section 7.3 Amendment.** This Agreement shall not be waived, amended, changed or modified in any respect, except by another agreement in writing executed by the Parties hereto.

**Section 7.4 Binding Effect.** Subject to Section 7.5, this Agreement shall inure to the benefit of, and be binding upon, the Company and the Purchaser and their respective successors and permitted assigns.

**Section 7.5 Assignment.** Neither this Agreement nor any of the rights, duties or obligations hereunder may be assigned by the Company or the Purchaser without the express written consent of the other Party, except that each Party may assign all of its rights, duties and obligations hereunder in connection with a sale of all of its shares in an M&A Transaction (as defined in Section 4.8).

**Section 7.6 Notices.** All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt, or (a) personal delivery to the Party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) ten (10) days after having been sent by registered or certified mail, return receipt requested, postage prepaid from one country to another country or three (3) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, within the same country, or (d) five (5) business days after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt, from one country to another country, or one (1) business day after deposit with an internationally recognized express courier, freight prepaid, with written verification of receipt, within the same country. All communications shall be sent to the respective Parties at their address as set forth below, or to such e-mail address, facsimile number or address as subsequently modified by written notice given in accordance with this section. For purposes of this section, a "business day" means a weekday on which banks are open for general banking business in Republic of China and Israel.

If to Purchaser, at:

Chroma ATE Inc.  
No. 66, Hwa Ya 1 Rd.  
Guishan District  
Taoyuan City 333, Taiwan  
Attn: Lawrence Wu  
Email: lawrence.wu@chroma.com.tw

With copy to:

Jones Day  
4/F, 27 Zhongshan Dong Yi Rd.  
Shanghai 200002, China  
Attn: Angel Huang  
Email: [ahuang@jonesday.com](mailto:ahuang@jonesday.com)

and

Jones Day  
8/F, 2 Dunhua South Rd. Sec. 2  
Taipei 106, Taiwan  
Attn: Raymond Wang  
Email: rhwang@jonesday.com

If to the Company, at:

Camtek Ltd.  
9 Ha' Arig St.,  
Migdal Ha'Emek, Israel

Attn: Rafi Amit  
Email: rafia@camtek.com  
and Moshe Eisenberg  
Email: moshee@camtek.com

With copy to:

Shibolet & Co., Law Offices  
4 Berkowitz St.,  
Tel-Aviv, Israel  
Attn: Lior Aviram  
Email: L.aviram@shibolet.com

**Section 7.7 Legends.** The Purchaser understands that the Purchase Shares will be issued pursuant to an exemption from registration or qualification under the Securities Act and applicable state securities Laws, are "restricted securities" as that term is defined in Rule 144 and except as set forth below, the Purchase Shares shall bear any legend as required by the Securities Act, the "blue sky" laws of any state, any legends required under the Amended and Restated Registration Rights Agreement or any other agreement between the Purchaser and the Company, and a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of all the Purchase Shares):

**THE SECURITIES REPRESENTED HEREBY NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY APPLICABLE STATE SECURITIES LAW. THESE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR PLEDGED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT (1) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, (2) TO CAMTEK LTD. OR ANY OF ITS SUBSIDIARIES, OR (3) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE ACT, AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS.**

**Section 7.8 Removal of Legends.** Subject to applicable Law and the terms of the Amended and Restated Registration Rights Agreement, certificates evidencing the Purchase Shares shall not be required to contain the legend set forth in Section 7.7 above (i) following any sale of such Purchase Shares pursuant to an effective registration statement under, and in compliance with the prospectus delivery requirements under, the Securities Act, (ii) following any sale of such Purchase Shares pursuant to Rule 144, (iii) if such Purchase Shares are eligible to be sold, assigned or transferred under Rule 144 without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Purchase Shares and without volume or manner-of-sale restrictions (provided that the Purchaser provides the Company with reasonable assurances that such Purchase Shares are eligible for sale, assignment or transfer under Rule 144), or (iv) if such legend is not required under applicable requirements of the Securities Act (including, without limitation, controlling judicial interpretations and pronouncements issued by the SEC).

**Section 7.9 Entire Agreement.** This Agreement constitutes the entire understanding and agreement between the Parties hereto with respect to the matters covered hereby, and all prior agreements and understandings, oral or in writing, if any, between the Parties with respect to the matters covered hereby are merged and superseded by this Agreement.

**Section 7.10 Severability.** If any provisions of this Agreement shall be adjudicated to be illegal, invalid or unenforceable in any action or proceeding whether in its entirety or in any portion, then such provision shall be deemed amended, if possible, or deleted, as the case may be, from the Agreement in order to render the remainder of the Agreement and any provision thereof both valid and enforceable, and all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

**Section 7.11 Headings.** The headings of the various articles and sections of this Agreement are inserted merely for the purpose of convenience and do not expressly or by implication limit, define or extend the specific terms of the section so designated.

**Section 7.12 Execution in Counterparts.** For the convenience of the Parties and to facilitate execution, this Agreement may be executed in one or more counterparts, each of which may be transmitted electronically and shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

**Section 7.13 Rights of Third Parties.** A person who is not a Party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act (Cap. 53B) of Singapore to enforce any of its terms

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

**COMPANY**

**CAMTEK LTD.**

By: \_\_\_\_\_  
Name:  
Title:

**PURCHASER**

**CHROMA ATE INC.**

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to Share Purchase Agreement]*

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**SCHEDULE 1 PURCHASE SHARES**

NUMBER OF PURCHASE SHARES: 1,700,000

THE TOTAL AMOUNT OF THE PURCHASE PRICE: USD 16,150,000

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EXHIBIT A FORM OF AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

Amended and Restated Registration Rights Agreement

This Second Amended And Restated Registration Rights Agreement (the "**Agreement**"), dated February 11, 2019, is entered into by and among Camtek Ltd. (the "**Company**"), Prioritech Ltd. ("**Prioritech**") and Chroma ATE Inc. ("**Chroma**") (each a "**Party**" and collectively the "**Parties**").

WITNESSETH:

**WHEREAS** The Company and Prioritech previously entered into a Registration Rights Agreement, dated March 1, 2004, which was approved by the Company's shareholders at a general meeting held on March 29, 2004 (the "**Registration Rights Agreement**"), regarding the registration rights of Prioritech with respect to the Ordinary Shares (as defined below) held by it; and

**WHEREAS** The Company and Prioritech have since entered into that certain Amended and Restated Registration Rights Agreement (the "**First Amended and Restated RRA**") on December 30, 2004; and

**WHEREAS** On May 13, 2015, the Company and Prioritech signed on an Extension to the First Amended and Restated RRA (the "**Extension**"), which extended the term of the First Amended and Restated RRA for an additional period of five years, ending on December 31, 2019; and

**WHEREAS** On the date hereof, the Company and Chroma entered into that certain share purchase agreement (the "**SPA**"), and Prioritech and Chroma entered into that certain share transfer agreement (the "**STA**"), pursuant to which, as of the date hereof, Prioritech and Chroma are considered jointly as the "controlling shareholders" in the Company, within the meaning prescribed under the Israeli Companies Law, 5759-1999 (the "**Companies Law**"); and

**WHEREAS** The Company and Prioritech wish to enter into this Agreement, together with Chroma as Party hereto, such that this Agreement shall replace the First Amended and Restated RRA and Extension, as further detailed below, subject to approval of the Company's shareholders and to the closing of the SPA and STA;

**NOW, THEREFORE**, in consideration of the mutual promises and covenants hereinafter set forth, the Parties hereby agree as follows:

1. **Definitions.** As used herein, the following terms have the following meanings:

"**Demanding Holder**" means a holder of Ordinary Shares (other than a Holder) whose exercise of a demand registration right is the cause of the relevant registration.

"**Effective Date**" means the date on which this Agreement shall be approved by the Company's shareholders as required by the Companies Law.

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“**Form F-3**” means Form F-3 under the Securities Act, as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

“**Holder**” means Priortech or Chroma and any subsequent holder of outstanding Registrable Shares acquired directly or indirectly from Priortech or Chroma and to whom registration rights have been assigned by Priortech or Chroma hereunder, and any holder of rights to acquire such Registrable Shares directly or indirectly from Priortech or Chroma to whom registration rights have been assigned by Priortech or Chroma hereunder.

“**Initiating Holders**” means Holders holding in the aggregate at least (a) for the purposes of Section 3 below, fifteen percent (15%), or (b) for the purposes of Section 4 below, three percent (3%) of the Registrable Shares then outstanding and not previously registered pursuant to this Agreement.

“**Ordinary Shares**” means ordinary shares, nominal value NIS 0.01 per share, of the Company.

“**Register**”, “**registered**” and “**registration**” refer to a registration effected by filing a registration statement in compliance with the Securities Act, or the equivalent actions under the laws of another jurisdiction.

“**Registrable Shares**” means (i) all Ordinary Shares held by Priortech or Chroma on the date hereof, and (ii) any Ordinary Shares issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the Ordinary Shares described in clause (i) above; excluding, in all cases, however, any Registrable Shares transferred in a transaction in which registration rights under this Agreement are not assigned in accordance with this Agreement; provided, however, that Ordinary Shares or other securities shall only be treated as Registrable Securities if and so long as they have not been sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction.

“**SEC**” means the U.S. Securities and Exchange Commission.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended.

## 2. Incidental Registration.

- 2.1. If (but without any obligation to do so) the Company at any time proposes to register any of its securities (other than: (i) in a demand registration under Section 3 of this Agreement, (ii) a registration relating solely to the sale of securities to participants in a Company benefit plan, (iii) a registration relating to a corporate reorganization or other transaction described under Rule 145 of the Act, or (iv) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Shares), it shall give notice to the Holders of such intention. Upon the written request of any Holder given within fourteen (14) days after receipt of any such notice, the Company shall include in such registration all of the Registrable Shares indicated in such request, so as to permit the disposition of the shares so registered.
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- 2.2. In connection with any offering involving an underwriting of shares of the Company's share capital, the Company shall not be required under this Section 2 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters) and enter into an underwriting agreement in customary form with an underwriter or underwriters selected by the Company and such other agreements as the underwriter(s) may reasonably request. Notwithstanding any other provision of this Section 2, if the managing underwriter advises the Company in writing that marketing factors require a limitation of the number of shares to be underwritten, then there shall be excluded from such registration and underwriting to the extent necessary to satisfy such limitation, first, shares held by shareholders other than the Demanding Holders; second, to the extent necessary, shares held by shareholders with incidental registration rights (on a pro rata basis to their respective holdings); third, shares registered by the Demanding Holders (on a pro rata basis); and lastly, shares offered by the Company.
- 2.3. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 6 below.
3. **Demand Registration.**
- 3.1. At any time following the Effective Date, the Initiating Holders may request in writing that all or part of the Registrable Shares shall be registered under the Securities Act. Any such demand must request the registration of shares with an anticipated aggregate offering price of at least five million United States dollars (\$5,000,000). Within thirty (30) days after receipt of any such request, the Company shall give written notice of such request to any other Holders, if any, and shall include in such registration all Registrable Shares held by all such Holders who wish to participate in such demand registration and provide the Company with written requests for inclusion therein within fourteen (14) days after the receipt of the Company's notice. As promptly as practicable thereafter, subject to Section 8.1 hereof, the Company shall effect the registration of all Registrable Shares as to which it has received requests for registration under the Securities Act in the request for registration; provided, however, that the Company shall not be required to effect any registration under this Section 3 within a period of ninety (90) days following the effective date of a previous registration.
- 3.2. If the Initiating Holders intend to distribute the Registrable Shares covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 3.1 above and the Company shall include such information in the written notice referred to in Section 3.1. In such event the right of any Holder to include its Registrable Shares in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Shares in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) and such other agreements as such underwriter(s) shall reasonably request. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter. Notwithstanding any other provision of this Section 3, if the managing underwriter advises the Company that marketing factors require a limitation of the number of shares to be underwritten, then the Company shall so advise all Holders of Registrable Shares that would otherwise be underwritten pursuant hereto, and there shall be excluded from such registration and underwriting, to the extent necessary to satisfy such limitation, first, shares held by shareholders other than the Holders; second, to the extent necessary, shares which the Company may wish to register for its own account, and thereafter, to the extent necessary, Registrable Shares held by the Holders (pro rata to the respective number of Registrable Shares held by the Holders participating in the registration). Any Registrable Shares excluded or withdrawn from such underwriting shall be withdrawn from the registration.
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4. **Shelf Registration.**

- 4.1. The Company shall, at the request of the Initiating Holders, file a registration statement on Form F-3 pursuant to Rule 415 under the Securities Act with the SEC for the sale of all the Registrable Shares requested to be included in the registration statement (a "**Shelf Registration**"), and the Company will maintain the effectiveness of each such registration statement, and shall use its reasonable commercial efforts to keep such registration statement continuously effective under the Securities Act until all Registrable Shares covered by such registration statement have been sold or may be sold without volume restrictions pursuant to Rule 144(k) as determined by the counsel to the Company pursuant to a written opinion letter to such effect, addressed and acceptable to the Company's transfer agent and the affected Holders.

Notwithstanding the aforesaid or any other provision to the contrary in this Agreement, with respect to underlying Registrable Shares held by Priortech or Chroma but which other Holders have rights to acquire, the following provisions shall apply: for so long as there exists an effective registration statement on Form F-3 covering Registrable Securities, all requests by Initiating Holders hereunder shall be deemed requests that the Company amend such registration statement to cover the Registrable Shares of such Initiating Holder, and will be treated as such by the Company; provided, however, that in no event shall the Company be required to amend an effective registration statement on Form F-3 more than once per quarter, solely in order to reflect the transfer of any instrument affording its holder the right to acquire Registrable Shares.

- 4.2. Within fifteen (15) days after receipt of a request for a Shelf Registration, the Company shall give written notice of such request, as the case may be, to the other Holders. Subject to the provisions of Section 4.3 below, the Company shall use its reasonable commercial efforts to effect the registration as soon as practicable of all Registrable Shares included in the requests for Shelf Registration and all Registrable Shares held by all such Holders who provide the Company with written requests for inclusion therein within fifteen (15) days after the receipt of the Company's notice.

Notwithstanding the above, the Company shall not be required to effect a registration pursuant to this Section 4 if it has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form F-3 for the Holders pursuant to this Section 4.

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5. **Designation of Underwriter.** In the case of any registration of the Company's shares, the Company shall have the right to designate the managing underwriter(s) in any underwritten offering, which underwriter or underwriters shall be reasonably acceptable to the Holders participating in an offering initiated under Section 3 above.
  6. **Expenses.** All expenses incurred in connection with any registration under Section 2, 3 or 4 above, excluding underwriter's discounts or commissions and excluding fees and expenses of counsel(s) for the selling Holders (unless the Holders shall use the same counsel as the Company), shall be borne by the Company, including without limitation expenses incurred in connection with federal and "Blue Sky" registration, filing and qualification fees, printer's and accounting fees, and fees and disbursement of counsel for the Company.
  7. **Indemnities.** In the event of any registered offering of Registrable Shares pursuant to this Agreement:
    - 7.1. The Company will indemnify and hold harmless, to the fullest extent permitted by law, any Holder and any underwriter for such Holder, and each person, if any, who controls the Holder or such underwriter, from and against any and all losses, damages, claims, liabilities, joint or several, costs and expenses (including any amounts paid in any settlement effected with the Company's consent) to which the Holder or any such underwriter or controlling person may become subject under applicable law or otherwise, insofar as such losses, damages, claims, liabilities (or actions or proceedings in respect thereof), costs or expenses arise out of or are based upon either: (i) any untrue statement or alleged untrue statement of any material fact contained in the registration statement or included in the prospectus, as amended or supplemented, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they are made, not misleading; and the Company will reimburse the Holder, such underwriter and each such controlling person of the Holder or the underwriter, promptly upon demand, for any reasonable legal or any other expenses incurred by them in connection with investigating, preparing to defend or defending against or appearing as a third-party witness in connection with such loss, claim, damage, liability, action or proceeding; provided, however, that the Company will not be liable in any such case to the extent that any such loss, damage, liability, cost or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished in writing by a Holder, such underwriter or such controlling persons in writing specifically for inclusion therein; and further provided, that the indemnity agreement contained in this Section 7.1 shall not apply to amounts paid in settlement of any such claim, loss, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Holder, the underwriter or any controlling person of the Holder or the underwriter, and regardless of any sale in connection with such offering by the Holder. Such indemnity shall survive the transfer of securities by a Holder.
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- 7.2. Each Holder participating in a registration hereunder will indemnify and hold harmless the Company, its officers and directors, any underwriter for the Company, and each person, if any, who controls the Company or such underwriter, from and against any and all losses, damages, claims, liabilities, costs or expenses (including any amounts paid in any settlement effected with the selling shareholder's consent) to which the Company or any such controlling person and/or any such underwriter may become subject under applicable law or otherwise, insofar as such losses, damages, claims, liabilities (or actions or proceedings in respect thereof), costs or expenses arise out of or are based on either: (i) any untrue or alleged untrue statement of any material fact contained in the registration statement or included in the prospectus, as amended or supplemented, or (ii) the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; and each such Holder will reimburse the Company, any underwriter and each such controlling person of the Company or any underwriter, promptly upon demand, for any reasonable legal or other expenses incurred by them in connection with investigating, preparing to defend or defending against or appearing as a third-party witness in connection with such loss, claim, damage, liability, action or proceeding; in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was so made in strict conformity with written information furnished by such Holder specifically for inclusion therein. The foregoing indemnity agreement is subject to the condition that, insofar as it relates to any such untrue statement (or alleged untrue statement) or omission (or alleged omission) made in the preliminary prospectus but eliminated or remedied in the amended prospectus at the time the registration statement becomes effective or in the final prospectus, such indemnity agreement shall not inure to the benefit of (i) the Company, or (ii) any underwriter, if a copy of the final prospectus was not furnished to the person or entity asserting the loss, liability, claim or damage at or prior to the time such furnishing is required by the Securities Act; provided, however, that the indemnity agreement contained in this Section 7.2 shall not apply to amounts paid in settlement of any such claim, loss, damage, liability or action if such settlement is effected without the consent of the Holders, as the case may be, which consent shall not be unreasonably withheld. In no event shall the liability of a Holder exceed the gross proceeds from the offering received by such Holder.
- 7.3. Promptly after receipt by an indemnified Party pursuant to the provisions of Section 7.1 or 7.2 above of notice of the commencement of any action involving the subject matter of the foregoing indemnity provisions, such indemnified Party will, if a claim thereof is to be made against the indemnifying Party pursuant to the provisions of said Section 7.1 or 7.2, promptly notify the indemnifying Party of the commencement thereof. The failure to deliver written notice to the indemnifying Party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying Party of any liability to the indemnified Party under this Section 7. In case such action is brought against any indemnified Party and it notifies the indemnifying Party of the commencement thereof, the indemnifying Party shall have the right to participate in, and, to the extent that it may wish, jointly with any other indemnifying Party similarly notified, to assume the defense thereof with counsel reasonably satisfactory to such indemnified Party; provided, however, that if the defendants in any action include both the indemnified Party and the indemnifying Party and there is a conflict of interests which would prevent counsel for the indemnifying Party from also representing the indemnified Party, the indemnified Party or Parties shall have the right to select one separate counsel to participate in the defense of such action on behalf of such indemnified Party or Parties. After notice from the indemnifying Party to such indemnified Party of its election so to assume the defense thereof, the indemnifying Party will not be liable to such indemnified Party pursuant to the provisions of said Section 7.1 or 7.2 for any legal or other expense subsequently incurred by such indemnified Party in connection with the defense thereof, unless: (i) the indemnified Party shall have employed counsel in accordance with the provision of the preceding sentence; (ii) the indemnifying Party shall not have employed counsel reasonably satisfactory to the indemnified Party to represent the indemnified Party within a reasonable time after the notice of the commencement of the action and within 15 days after written notice of the indemnified Party's intention to employ separate counsel pursuant to the previous sentence; or (iii) the indemnifying Party has authorized the employment of counsel for the indemnified Party at the expense of the indemnifying Party. No indemnifying Party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified Party of a release from all liability in respect to such claim or litigation.
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- 7.4. If recovery is not available under the foregoing indemnification provisions, for any reason other than as specified therein, the Parties entitled to indemnification by the terms thereof shall be entitled to contribution to liabilities and expenses as more fully set forth in an underwriting agreement to be executed in connection with such registration. In determining the amount of contribution to which the respective Parties are entitled, there shall be considered the Parties' relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and any other equitable considerations appropriate under the circumstances.
  - 7.5. Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.
  8. **Obligations of the Company.** Whenever required under this Agreement to effect the registration of any Registrable Shares, the Company shall, as promptly as reasonably possible:
    - 8.1. prepare and file with the SEC a registration statement with respect to such Registrable Shares and use its reasonable commercial efforts to cause such registration statement to become effective, and, except as otherwise provided in Section 4 with regard to Shelf Registrations, upon the request of the holders of a majority of the Registrable Shares registered thereunder, keep such registration statement effective for a period of up to six (6) months or, if sooner, until the distribution contemplated in the registration statement has been completed;
    - 8.2. prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Shares covered by such registration statement.
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- 8.3. furnish to the Holders, where such registration has been initiated pursuant to Section 2 or 3 above, such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Shares owned by them;
  - 8.4. in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement with the managing underwriter(s) of such offering, in usual and customary form as approved by the Company's Audit Committee and Board of Directors, and actively participate in the marketing efforts in cooperation with the managing underwriter (s). Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement;
  - 8.5. notify each holder of Registrable Shares covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, upon which notice and until the prospectus is amended or supplemented, the Holder shall not be entitled to offer or sell any shares pursuant to such prospectus;
  - 8.6. cause all Registrable Shares registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed; and
  - 8.7. provide a transfer agent and registrar for all Registrable Shares registered pursuant hereunder and a CUSIP number for all such Registrable Shares, in each case not later than the effective date of such registration.
  9. **Information from Holder.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with respect to the Registrable Shares of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Shares held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Shares.
  10. **Delay of Registration.** No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Agreement.
  11. **Assignment of Registration Rights.** Seller may assign its rights to cause the Company to register Shares pursuant to this Agreement only to (a) a transferee that, after such assignment or transfer, is to hold at least 500,000 (five hundred thousand) Registrable Shares (subject to appropriate adjustment for stock splits, stock dividends, combinations and other recapitalizations); (b) with respect solely to the assignment of rights and obligations in connection with Shelf Registrations pursuant to Section 4 above or associated therewith, to an assignee who, immediately following such assignment, also holds either at least 20,000 (twenty thousand) Registrable Shares, or other securities convertible into at least 20,000 such Registrable Shares; or (c) any affiliate of either Prioritech or Chroma, or any party who acquires ownership or control of Prioritech or Chroma through a merger, consolidation, sale of all or substantial assets or similar business combination; all provided, however, that: (i) no such rights may be assigned until the Company is given written notice by the transferor at the time of such assignment stating the name and address of such transferee, and the securities with respect to which such registration rights are being assigned, and that any such transferee shall receive such assigned rights subject to all the terms and conditions of this Agreement (excepting, with respect only to assignments pursuant to clause (b) above, those terms and conditions contained in Sections 2 and 3 above and Section 12 below), including without limitation the provisions of this Section 11; (ii) transferee shall, as promptly as practicable and within at least 14 (fourteen) days after such transfer, furnish the Company with the transferee's written agreement to be bound by this Agreement; and (iii) no such assignment or assignments shall increase the obligations of the Company hereunder. At the request of Prioritech or Chroma, the Company shall enter into a separate registration rights agreement with a permitted transferee of Registrable Shares on substantially the terms of this Agreement, mutatis mutandis, provided that such separate agreement does not increase the obligations of the Company (in the discretion of the Company's Audit Committee) and is approved by the Company's Audit Committee and Board of Directors.
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12. **Lock-Up.**

12.1. In the event of an underwritten public offering by the Company of any securities of the Company, and upon the request of the managing underwriter of such offering from security holders of the Company who hold securities of the Company in the amount that is equal or exceeds the threshold set by such managing underwriter, and who include a Holder (or group of affiliated Holders), such Holder hereby agrees that it will not sell any of the Registrable Shares for a period commencing on the date requested by such managing underwriter and ending 90 days after the effective date of the offering and undertakes to (and cause any transferee to) execute a "lock-up" agreement in the form provided by such underwriter.

12.2. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Shares of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of the applicable period. For the avoidance of doubt, the underwriters, if any, in connection with a registration hereunder, are intended third party beneficiaries of this Section 12 and shall have the right, power and authority to enforce the provisions hereof as though they were a Party hereto.

13. **Public Information.** The Company undertakes to make publicly available and available to the Holders pursuant to Rule 144, such information as is necessary to enable the Holders to make sales of Registrable Shares pursuant to that Rule. The Company undertakes to comply with the current public information requirements of Rule 144 and shall furnish thereafter to any Holder, upon request, a written statement executed by the Company as to the steps it has taken to so comply.

13A. **Information Rights.**

13A.1 **Information for Public Filings.** The Company shall provide Holder, for as long as it holds at least 5% of the Company's issued and outstanding share capital, in a timely manner, all information and relevant documentation required by such Holder in order for such Holder to comply with its disclosure obligations under applicable laws, regulations, public filings and stock exchange rules or as required by any **governmental** entity; provided that Holder shall not disclose to any third party (except for disclosure to Holder's directors, officers, advisers and employees on a need to know basis) any of such information (including in its public filings) before the Company makes such information publicly available.

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13A.2 **Due Diligence for Investment.** In the event that a potential investor in Priortech or Chroma (the "**Potential Investor**") has expressed an interest in purchasing from Priortech or Chroma not less than twenty percent (20%) of the share capital of Priortech or Chroma, as applicable, and for the purposes of **evaluating** such transaction seeks to gain access to the Company's documents and records for due diligence purposes, and provided that: (i) Priortech or Chroma, as applicable, is a controlling shareholder in the Company at such time; and (ii) the Potential Investor is not a Competitor of the Company, the Company shall grant the Potential Investor access to its documents and records, subject to the Potential Investor signing a non-disclosure agreement in a form satisfactory to the Company.

13A.3 **Due Diligence for Sale of Shares.** In the event that a potential purchaser (the "**Potential Purchaser**") has expressed an interest in purchasing from Priortech or Chroma, as applicable, not less than ten (10%) of the Company's issued and outstanding share capital, and for the purposes of evaluating such **transaction** seeks to gain access to the Company's documents and records for due diligence purposes, and provided that (i) Priortech or Chroma, as applicable, is a controlling shareholder in the Company at such time; and (ii) the Potential Purchaser is not a Competitor of the Company, the Company shall grant the Potential Purchaser access to its documents and records, subject to the Potential Purchaser signing a non-disclosure agreement in a form satisfactory to the Company.

For the purpose of this Agreement, "**Competitor**" shall mean an entity which competes in a substantial **manner** with the Company's core business.

13B. **Confidentiality.**

13B.1 Each of the Holders hereby undertakes to use reasonable endeavors to ensure that all Confidential Information received by them or by any affiliated parties thereof, or by any director appointed by such Party to the Company's Board, relating to the Company and/or the Company's business shall not be disclosed to any third party, other than (i) by each Party to its affiliates, employees, directors and consultants who are subject to confidentiality undertakings on a need-to-know basis; and (ii) as may be otherwise permitted or required pursuant to the provisions of any agreements between the Company and such Holder.

13B.2 For the purpose of this Agreement "**Confidential Information**" shall mean, any business, financial or technical information, including but not limited to inventions, patents, know-how, trade-secretes, methods, techniques, processes, designs, drawings, diagrams, formulae and **analysis**, and any business and financial information, including but not limited to financial statements, price lists, customers lists, costs analyses, reports, budgets, business plans, surveys and market information and data, whether communicated in tangible or intangible form.

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- 13B.3 For the purpose of this Agreement and notwithstanding the provisions of Section 13B.2 above, "Confidential Information" shall not include information that can be proven as (i) was rightfully in possession of or known to the receiving Party without any obligation of confidentiality prior to receiving it from the disclosing Party; (ii) is, or subsequently becomes, legally and publicly available without breach of this Agreement; (iii) is rightfully obtained by the receiving Party from a source other than the disclosing Party without any obligation of confidentiality; (iv) is developed by or for the receiving Party without use of the Confidential Information; (v) becomes subject to required disclosure, either to the public or to a public or private entity, because of judicial action or other governmental agency action or applicable laws or regulation or stock exchange regulations applicable to a Holder or its affiliates, or when a Holder is legally required (by formal questioning or, in the written opinion of its legal counsel, by applicable securities laws) to disclosed Confidential Information; or (vi) is disclosed in accordance with the terms of Section 13A above.
14. **Effectiveness and Termination of Registration Rights.** Notwithstanding anything to the contrary in this Agreement, no Holder shall be entitled to exercise any right provided for in this Agreement (i) before the Effective Date and (ii) after seven (7) years following the date hereof, or, as to any Holder, such earlier time at which all Registrable Shares held by such Holder (and any affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) can be sold in any three (3)-month period without registration in compliance with Rule 144 of the Act.
15. **Miscellaneous.**
- 15.1. **Effectiveness.** This Agreement is subject to the approval the Company's shareholders and shall be effective only upon receipt of such approval in accordance with Israeli law and subject to the closing of the SPA and STA.
- 15.2. **Further Assurances.** Each of the Parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the Parties as reflected thereby.
- 15.3. **Governing Law; Jurisdiction.** This Agreement shall be governed by and construed according to the laws of the State of New York, without regard to the conflict of laws provisions thereof. Any dispute arising under or in relation to this Agreement shall be resolved in the competent courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York, and each of the Parties hereby submits irrevocably to the jurisdiction of such courts.
- 15.4. **Successors and Assigns; Assignment.** Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the Parties hereto. None of the rights, privileges, or obligations set forth in, arising under, or created by this Agreement may be assigned or transferred without the prior consent in writing of each Party to this Agreement, except as set forth in Section 11 above.
- 15.5. **Entire Agreement; Amendment and Waiver.** This Agreement and the Schedules hereto constitute the full and entire understanding and agreement between the Parties with regard to the subject matters hereof and thereof and supersedes in full the Registration Rights Agreement. Any term of this Agreement may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of all of the Parties to this Agreement.
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15.6. **Notices, etc.** Any notice or other communication required or permitted to be delivered to any Party under this Agreement shall be in writing and shall be deemed properly delivered, given and received when delivered (by hand, by registered mail, by courier or express delivery service or by facsimile) to the address or facsimile telephone number set forth beneath the name of such Party below (or to such other address or facsimile telephone number as such Party shall have specified in a written notice given to the other Parties hereto):

if to the Company:

**CAMTEK LTD.**  
Ramat Gavriel Industrial Zone  
P.O. Box 544  
Migdal Ha'Emek 23150 Israel  
Fax: 972-4-644-0523  
Attention: Rafi Amit

if to Priortech:

**PRIORTECH LTD.**  
P.O. Box 631  
Migdal Ha'Emek 23105 Israel  
Fax: 972-4-654-4322  
Attention: Yotam Stern

If to Chroma:

**CHROMA ATE INC.**  
No. 66, Hwa Ya 1 Rd. Guishan District  
Taoyuan City 333, Taiwan  
Attention: Lawrence Wu  
Email: lawrence.wu@chroma.com.tw

or such other address with respect to a Party as such Party shall notify each other Party in writing as above provided. Any notice sent in accordance with this Section 15.6 shall be effective (i) if mailed, five (5) business days after mailing, (ii) if sent by messenger, upon delivery, and (iii) if sent via telecopier, upon transmission and electronic confirmation of receipt or (if transmitted and received on a non-business day) on the first business day following transmission and electronic confirmation of receipt.

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- 15.7. **Delays or Omissions.** No delay or omission to exercise any right, power, or remedy accruing to any Party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any Party of any breach or default under this Agreement, or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.
- 15.8. **Severability.** If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.
- 15.9. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and enforceable against the Parties actually executing such counterpart, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set forth above.

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**Camtek Ltd.**

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**Prioritech Ltd.**

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**Chroma ATE Inc.**

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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## EXHIBIT C FORM OF SHAREHOLDERS RIGHTS AGREEMENT

### SHAREHOLDERS RIGHTS AGREEMENT

This Shareholders Rights Agreement (this "**Agreement**") is made and entered into as of February 11, 2019 (the "**Effective Date**") by and amongst (a) Priortech Ltd. ("**Priortech**"), and (b) Chroma ATE Inc. ("**Chroma**"). Each of Priortech and Chroma may be referred to as a "**Party**" and collectively the "**Parties**".

**WHEREAS** Priortech is a controlling shareholder of Camtek Ltd., a public company organized under the laws of the State of Israel (the "**Company**"), the shares of which are traded on the Tel-Aviv Stock Exchange and on NASDAQ;

**WHEREAS** Priortech and Chroma have entered into a share transfer agreement of even date hereof (the "**Share Transfer Agreement**"), pursuant to which, subject to the terms and conditions set forth in the Share Transfer Agreement, at the Closing (as such term is defined in the Share Transfer Agreement), Chroma shall purchase from Priortech 6,117,440 ordinary shares of the Company, nominal value NIS 0.01 each ("**Ordinary Shares**");

**WHEREAS** Camtek and Chroma have entered into a share purchase agreement of even date hereof (the "**Share Purchase Agreement**"), pursuant to which, subject to the terms and conditions set forth in the Share Purchase Agreement, at the Closing, the Company shall issue to Chroma 1,700,000 of the Company's Ordinary Shares;

**WHEREAS** Camtek and Chroma have entered into a strategic cooperation agreement of even date hereof (the "**Strategic Cooperation Agreement**") pursuant to which Camtek and Chroma shall cooperate on the development of certain products and the license of certain technologies;

**WHEREAS** as of the Closing, Priortech and Chroma shall together hold approximately 16,977,695 Ordinary shares, which assuming the issued and outstanding share capital on the Effective Date together with the further issuance of the 1,700,000 Shares to be issued by Camtek at and subject to the closing of the Share Purchase Agreement would, constitute 44.52% of the Company's issued and outstanding share capital on an as-issued basis, and 42.67% of the Company's issued and outstanding share capital on a fully-diluted basis and wish to set forth hereunder the general terms and conditions with respect to their relationship as jointly being the controlling shareholders in the Company; and

**WHEREAS** Priortech and Chroma agree that this Agreement shall become effective as of and subject to the Closing of the Share Transfer Agreement.

#### **1. VOTING IN SHAREHOLDERS MEETINGS**

- 1.1. The Parties hereby agree that, as of the Closing, they shall vote their shares at shareholders' meetings of the Company ("**Shareholders Meeting(s)**") in accordance with the majority vote between them.
-

- 1.2. Notwithstanding Section 1.1 above, the following material issues shall require the approval of both Parties (“**Material Issue(s)**”):
- 1.2.1. Amendments to the Company’s Articles of Association;
  - 1.2.2. Appointment of the Company’s auditor;
  - 1.2.3. Liquidation of the Company; and
  - 1.2.4. An interested party transaction in which a shareholder of the Company, holding at least 5% of the Company’s issued and outstanding share capital, has a “personal interest” as such term is defined under the Israeli Companies Law, 1999 (the “**Companies Law**”) (other than with respect to matters relating to compensation as set forth in Section 1.4 below).
- 1.3. In the event that any Material Issues are on the agenda, the Parties shall mutually agree upon the manner in which they will vote at such Shareholders Meeting. In the event of a disagreement between the Parties on a Material Issue, the Parties shall attempt to resolve such disagreement in good faith. Should the Parties fail to resolve their disagreement on such Material Issue within the period beginning on the date the notice of the shareholders meeting is provided and ending on the date of the Shareholders meeting, the Parties agree to unanimously vote against such Material Issue.
- 1.4. Notwithstanding anything to the contrary herein, with respect to any matter relating to the compensation of executives and directors of the Company, the Parties hereby agree to vote on such matter in accordance with the approvals and/or recommendations provided by the Company’s independent compensation committee as required under Nasdaq listing rules.

## 2. THE PRELIMINARY MEETING

- 2.1. Prior to each Shareholders Meeting, a preliminary meeting will be held, either in- person or via teleconference (a “**Preliminary Meeting**”), in order to discuss the matters on the agenda of the Shareholders Meeting, with the intent of reaching a mutual agreement on the manner in which the Parties shall vote at such Shareholders Meeting. Notwithstanding the aforesaid, it is hereby clarified that non-compliance with the provisions of this Section 2 shall not derogate from the Parties’ obligation to vote their shares in accordance with Sections 1 and 3 of this Agreement.
- 2.2. The Preliminary Meeting shall take place on the third Business Day prior to the date scheduled for the Shareholders Meeting, at 10:00 Israel standard time / 16:00 Taiwan standard time, unless one Party requests that the Preliminary Meeting be held on a different Business Day or hour (which is at least 48 hours prior to the Shareholders Meeting), and the other Party has agreed in writing to such request. “**Business Day**” shall mean any day other than a Saturday, a Sunday or a day on which banks in Tel Aviv, Israel or Taipei, Taiwan are authorized by law to be closed.
- 2.3. If a quorum is not present at a Preliminary Meeting within thirty (30) minutes of the time set for such meeting, the Preliminary Meeting shall be adjourned and an adjourned Preliminary Meeting shall, automatically and without the need for any further action, be held on the next Business Day following the date set for the initial Preliminary Meeting and at the same hour scheduled for such initial Preliminary Meeting.
-

- 2.4. The legal quorum for a Preliminary Meeting (including an adjourned Preliminary Meeting) shall be the presence and participation of representatives of both Parties, either in-person or via a teleconference.
- 2.5. A written resolution signed by the representatives of both Parties shall have the same effect, for any purpose, as if it had been received at a Preliminary Meeting duly held according to the terms of this Agreement, provided that such resolution is signed prior to the date of the Shareholders Meeting. To the extent that for any reason no Preliminary Meeting was held, each Party may provide a notice with respect to its voting position and the terms of Section 1 above shall apply accordingly.

### **3. DESIGNATION OF BOARD MEMBERS**

- 3.1. The Parties agree that, as of the Closing, they shall vote at Shareholders Meetings at which the agenda includes the composition of the Company's Board of Directors (the "Board") in accordance with the terms of Section 1 above. Notwithstanding the above, the Parties agree to use their voting and controlling power in order to have the members of the Board be designated in accordance with the terms of Sections 3.2 – 3.4 below;
  - 3.2. (a) as long as Priortech holds at least 20% of the Company's issued and outstanding share capital on an as-issued basis, it shall be entitled to designate three (3) directors; (b) as long as Priortech holds less than 20% but at least 15% of the Company's issued and outstanding share capital on an as-issued basis, it shall be entitled to designate two (2) directors; (c) as long as Priortech holds less than 15% but at least 10% of the Company's issued and outstanding share capital on an as-issued basis, it shall be entitled to designate one (1) director; and (d) in the event that Priortech holds less than 10% of the Company's issued and outstanding share capital on an as-issued basis, it shall not be entitled to designate any directors;
  - 3.3. (a) as long as Chroma holds more than 15% of the Company's issued and outstanding share capital on an as-issued basis, it shall be entitled to designate two (2) directors; (b) as long as Chroma holds at least 10% but up to 15% of the Company's issued and outstanding share capital on an as-issued basis, it shall be entitled to designate one (1) director; and (c) in the event that Chroma holds less than 10% of the Company's issued and outstanding share capital on an as-issued basis, it shall not be entitled to designate any directors; and
  - 3.4. In addition to the above, the Board shall be comprised of at least two (2) external directors, which shall serve in accordance with the provisions of the Companies Law, 1999.
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#### **4. HOLDINGS THRESHOLD UNDERTAKINGS**

The Parties hereby agree that, as of the Closing and as long as this Agreement is effective, unless Priortech's holding of the total issued and outstanding shares of the Company on an as-issued basis falls below 20% for a period of over sixty (60) consecutive calendar days: (a) Chroma shall at all time be subject to a maximum holding of twenty point five percent (20.5%) of the total issued and outstanding shares of the Company on an as-issued basis (the "**Maximum Holding**"); and (b) the Parties shall not jointly hold more than forty five percent (45%) of the total issued and outstanding shares of the Company on an as-issued basis. For the purpose of this Section 4 it is clarified, that reference to either Party shall also include any related parties and/or affiliates of the Parties (which would be considered under applicable Israeli law to be part of the controlling group). It is also clarified that Chroma is entitled, at any time, to purchase additional shares of the Company in the course of ordinary trade in the market as long as its holdings shall not exceed the Maximum Holding.

#### **5. RIGHT OF FIRST OFFER**

- 5.1. The Parties agree that, as of the Closing, the sale by either Party of its shares in the Company which constitute at such time 5% or more of the total issued and outstanding shares of the Company on an as-issued basis (in one single transaction or in aggregate from a series of related transactions, occurring within a rolling six (6) month period) to any third party (a "**Potential Buyer**"), other than in the course of ordinary trade in the market, shall be subject to a right of first offer, as set forth below (such sale, a "**Qualified Sale**").
  - 5.2. A Party wishing to perform a Qualified Sale (the "**Selling Party**") shall provide the other Party (the "**Non-Selling Party**") with a notice (the "**Notice**") detailing the number of shares it wishes to offer (the "**Selling Shares**") and the consideration.
  - 5.3. The Non-Selling Party shall have the first right and option, but not obligation, to present the Selling Party with an offer to purchase all of the Selling Shares pursuant to the Notice (the "**Offer**") within thirty (30) calendar days from the receipt of the Notice (the "**Acceptance Period**").
  - 5.4. If the Non-Selling Party agrees to purchase all the Selling Shares under the terms set forth in the Offer, then subject to the execution of the payment to the Selling Party pursuant to the payment terms and performance of other conditions as set out in the Offer, the Selling Party shall transfer to the Non-Selling Party the Selling Shares under the terms specified in the Offer, within twenty one (21) calendar days from Non-Selling Party' notice of agreement or at another time to be agreed between the Parties.
  - 5.5. If the Non-Selling Party does not purchase all the Selling Shares in accordance with the Offer, or does not respond to the Offer within the Acceptance Period, then the Selling Party shall be entitled, within one hundred and fifty (150) calendar days (the "**Third Party Offer Period**"), to enter into a binding agreement regarding the sale of the Selling Shares (all or part thereof) to any third party, provided that the sale of the Selling Shares shall be made under the terms of the Offer, or at a higher price.
  - 5.6. If the Acceptance Period has passed with respect to a third party and the Selling Party has not yet sold or transferred to any third party the Selling Shares in the Third Party Offer Period in accordance with the conditions set out in Section 5.5 above, then the Selling Party will not be entitled to transfer or sell to third parties the Selling Shares, unless all the terms and conditions set out in this Section 5 are re-applied.
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- 5.7. Notwithstanding the above, if the Potential Buyer is deemed a "Competitor" (as defined below), then the Selling Party shall be required to disclose the name of such Potential Buyer and seek prior written consent from the Non-Selling Party to proceed with the Qualified Sale, even if the Non-Selling Party does not respond within the Acceptance Period or the Acceptance Period lapses.
- 5.8. For the purpose of this Agreement, "**Competitor**" shall mean either: (i) an entity which competes in a substantial manner with the Company's core business or (ii) an entity which is in the industry of test & measurements, is headquartered in PRC (including Hong Kong and Macao) or Taiwan and the majority of its business competes in a substantial manner with Chroma's core business.

**6. LOCK UP**

The Parties hereby agree that, as of the Closing and for a period of two years thereafter, excluding liens permitted pursuant to Section 7 below, neither Party shall sell, exchange, transfer or dispose of, whether directly or indirectly, and shall not make any agreement or commitment to do any of the same, any or all of its rights, title or interest in or to any of their shares in the Company to a third party without the prior written consent of the other Party. Nevertheless, this Section 6 shall not apply to a sale by either Party in the course of ordinary trade in the market of shares of the Company which do not exceed, during any consecutive period of 12 months, 2% of the Company's shares on an as-issued basis.

**7. LIENS**

No lien and/or pledge on the Company's shares by any of the Parties, including assignment of rights by means of a lien, shall be allowed, except to a banking corporation or an established financial institution, subject to such banking corporation's or established financial institution's commitment to comply with the provisions of this Agreement. This Section 7 shall not derogate from the validity of any liens and/or pledges which: (i) exists as of the Effective Date; or (ii) is created in the framework of a refinancing of an existing loan under which an existing lien and/or pledge was already provided.

**8. ASSIGNMENT**

- 8.1. A Party shall not sell its shares without assignment by seller, and acceptance by buyer, of the terms of this agreement with respect to the shares so sold, all subject to the provisions of Sections 5 and 6. An assignment of rights and/or obligations by either Party to any third party shall only be allowed under the following scenarios: (i) an assignment to a wholly-owned subsidiary (a "**Permitted Transferee**"); (ii) a sale of shares and an assignment of rights by either party, without the prior written consent of the other party, to a third party who is not a Competitor (as defined below); or (iii) a sale of shares to a third party with the prior written consent of the other Party; all in accordance with the terms of this Section 8 below. This Section 8 shall not apply to a sale of shares by either Party in the course of ordinary trade in the market.
- 8.2. A condition precedent to an assignment under this Section 8, or to by either party (other than in the course of ordinary trade in the market), as applicable, shall be the signing by the assignee or purchaser, as applicable, prior to such assignment, of an undertaking pursuant to which it shall explicitly join this Agreement as a party hereof and assume all the rights and obligations of the assigning Party under this Agreement in proportion to the shares held by the assignee following the assignment or sale, as applicable.
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- 8.3. In the event that a Permitted Transferee shall cease to qualify as a "Permitted Transferee", then it shall, prior to the date in which it ceases to qualify as a Permitted Transferee, return the shares it has received to the assigning Party.
- 8.4. The assignee and assigning Party shall each be a Party to this Agreement and their holdings shall be summed together with the holdings of any other Party – such that the Parties together shall continue to be the controlling group in the Company.
- 8.5. Without derogating from any remedy under this Agreement or under any law, any transaction pursuant to which the Company's securities are transferred not in accordance with the provisions of this Section 8 shall be null and void.

#### **9. DISTRIBUTION**

Subject to applicable law and to the Company's cash flow requirements as determined by the Board in accordance with the Company's budget and business plan, the Parties shall use their voting and controlling power in order for the Company to distribute at least 50% of its profits (as defined in Section 302 of the Companies Law, 1999) which are permitted for distribution, annually, as a dividend to its shareholders, in accordance with their proportionate share in the issued and outstanding share capital of the Company at that time. The foregoing shall not derogate from the authority of the Board at any time to declare a larger dividend distribution.

#### **10. TERMINATION**

This Agreement shall be terminated in its entirety at such time as either Prioritech or Chroma holds less than 5% of the Company's issued and outstanding share capital on an as-issued basis for a period of sixty (60) consecutive calendar days.

#### **11. CONFIDENTIALITY AND DISCLOSURE OF INFORMATION**

- 11.1. The Parties undertake to keep any Confidential Information provided to them in strict confidence, and not to disclose, publish or transfer Confidential Information to any third party, whether directly or indirectly, in exchange for or without consideration.
  - 11.2. For the purpose of this Section 11 - "**Confidential Information**" means any information disclosed by one Party ("**Disclosing Party**") to the other Party ("**Receiving Party**") which relates, directly or indirectly, to (a) the Company or (b) corporations held by the Company, or (c) the Disclosing Party, including their property, assets, business, clients, plans, financial or marketing data, their professional, commercial, business and/or technological secrets or their engagements with third parties, any other material or information received or which Receiving Party may receive from the Company, corporations held by the Company or any of their affiliates, their employees, consultants, representatives and/or anyone acting on their behalf, and including any information disclosed and/or exchanged between the Parties in connection with their relationship as controlling shareholders of the Company including the voting in Shareholders Meeting and/or Preliminary Meetings, whether any of the above is disclosed orally or in writing, by electronic means or otherwise, all except for information which: (a) is in the public domain or which has become public other than as a result of breach by Receiving Party of its obligations hereunder; (b) is required to be disclosed by a competent authority and/or under applicable law, regulations or stock market rules, or which is required to be disclosed for the performance of this Agreement (subject to Section 11.2 below); (c) is provided to Receiving Party by a third party not in breach of a duty of confidentiality towards the Disclosing Party and/or the Company; or (d) is disclosed to Receiving Party's office holders, employees, consultants, or authorized representatives ("**Representatives**") on a need-to-know basis, and provided that such Representatives shall be subject to confidentiality obligations not less stringent than the confidentiality obligations set forth in this Agreement.
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11.3. In the event that any Party is required to disclose Confidential Information pursuant to any applicable laws, regulations or stock market rules, each Party undertakes to reasonably provide the other Party with a prior written notice (to the extent permitted under law), in order to enable the other Party to act in order to prevent or to provide their reasonable comments to the disclosure of Confidential Information. In any event, the Confidential Information shall not be disclosed except to the extent specifically required for this purpose, and if there is no specific requirement, then it shall be disclosed only after consultation between both Parties (provided that such consultation is permitted under law). Each Party undertakes to use its best efforts to ensure that any Confidential Information disclosed pursuant to this Section 11.2 is handled confidentially, subject to the provisions of any law. For the avoidance of doubt, it is hereby clarified that the provisions of this Section 11 shall not restrict either Party from disclosing information required, pursuant to the Parties' obligations as public companies / reporting corporations, or for the purpose of publishing prospectuses and public offerings.

11.4. The Parties' confidentiality undertaking in accordance with Section 11 above shall remain in force for a period of three (3) years following the termination of this Agreement.

## **12. NON-COMPETITION**

12.1. During the term of this Agreement and for a period of two (2) years after its termination, each Party shall not, either directly or indirectly, manufacture, distribute or assist or support the manufacturing or distribution of any products, which directly compete with the products manufactured or distributed currently or in the future in the semiconductor space by the Company.

## **13. MISCELLANEOUS**

13.1. Headings. The headings contained in this Agreement are solely for convenience of reference and shall not affect the interpretation of this Agreement.

13.2. Defined Terms. Unless otherwise specifically stated herein, all capitalized terms used herein shall have the meaning ascribed to them in the Purchase Agreement.

13.3. Entire Agreement. This Agreement, the Purchase Agreement and all exhibits attached hereto and thereto constitute the entire agreement among the Parties regarding the transactions contemplated herein and therein.

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- 13.4. Limitations on Rights of Third Parties. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or give any person, other than the Parties, any rights or remedies under this Agreement. A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act (Cap. 53B) of Singapore to enforce any of its terms.
- 13.5. M&A Transaction. It is hereby agreed that the provisions of Sections 5, 6 and 8 shall not apply to a transaction in which one of the following events occurs: (i) an acquisition of the Company by means of merger (with or into another entity), reclassification of the Company's securities, or any other form of corporate reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring company or its subsidiary; or (ii) consolidations or other transactions, or series of related transactions, in which more than fifty percent (50%) of the voting power of the Company would be disposed or transferred (other than by way of an IPO).
- 13.6. Fees and Expenses. Each Party shall bear its own legal fees and all related expenses in connection with this Agreement.
- 13.7. Further Actions. At any time and from time to time, each Party agrees, without further consideration, to take such actions and to execute and deliver such documents as may be reasonably necessary to effect the purposes of this Agreement.
- 13.8. Notices. All notices required or permitted hereunder to be given to a Party pursuant to this Agreement shall be in writing and shall be deemed to have been duly given to the addressee thereof (i) if hand delivered, on the day of delivery, (ii) if given by facsimile or e-mail transmission, on the Business Day on which such transmission is sent and confirmed, (iii) if mailed by registered mail, return receipt requested, two (2) Business Days following the date it was mailed, to such Party's address as set forth below or at such other address as such Party shall have furnished to each other Party in writing in accordance with this provision:

**If to Priortech (or any member thereof):**

Priortech Ltd. Attn.: Yotam Stern  
10 Haoman St,  
Industrial Area South, P.O. Box 631,  
Migdal Haemek, 2310502. Israel  
Tel: +972-4-6544300  
Email: [ystern@pcb.co.il](mailto:ystern@pcb.co.il)

With a copy to (which shall not constitute a notice) to:  
Shibolet & Co., Law Offices  
4 Berkowitz St., Tel-Aviv, Israel  
Tel: +972-37778333  
Fax: +972-37778444  
Email: [L.aviram@shibolet.com](mailto:L.aviram@shibolet.com)  
Attn: Lior Aviram

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**If to Chroma (or any member thereof):**

Chroma ATE Inc. Attn.: Lawrence Wu  
1F., No.66, Huaya 1st Rd.,  
Guishan Dist., Taoyuan City 333,  
Taiwan (R.O.C.)  
Tel: +886-3-327-9999

Email: lawrence.wu@chroma.com.tw

With a copy to (which shall not constitute a notice):

Jones Day

Tel: +86-21-22018000

Email: ahuang@jonesday.com

Attn: Angel Huang

Each Party may from time to time change the address, fax number or email address to which notices to it are to be delivered or mailed hereunder by notice delivered or sent to the other Party in accordance herewith; provided, however, that any notice of change of address shall be deemed effective only upon its receipt, as shall be confirmed in writing by the Party receiving such notice of change.

- 13.9. Amendments. This Agreement may be amended or modified in whole or in part only by a duly authorized written agreement that refers to this Agreement and is signed by the Parties.
- 13.10. Delays or Omissions: Waiver. No delay or omission to exercise any right, power, or remedy accruing to either Party upon any breach or default by the other Party under this Agreement shall impair any such right or remedy nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein or in any similar breach or default thereafter occurring.
- 13.11. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected, impaired or invalidated thereby.
- 13.12. Governing Law: Jurisdiction. This Agreement and all disputes and claims arising out of or in connection thereto shall be governed by and construed in accordance with the laws of Singapore (without regards to its conflict of law's provisions). Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination shall be referred to and finally resolved by arbitration administered by the Singapore International Arbitration Centre ("SIAC") in accordance with the Arbitration Rules of the SIAC ("SIAC Rules") in force at the time of the request for arbitration, which rules are deemed to be incorporated by reference in this clause. The arbitration shall take place in Singapore at the SIAC. The seat of the arbitration shall be Singapore. The arbitration proceeding shall be conducted in English. The arbitration award shall be final and binding on the Parties and shall not be subject to any appeal, and the Parties shall be bound thereby and shall act accordingly. Judgment on the award of the arbitrators may be enforced by any court of competent jurisdiction. The losing Party, as determined by the arbitrators, shall pay all out-of-pocket expenses incurred by the prevailing Party (including, without limitation, legal fees), as determined by the arbitrators in connection with any such dispute. Notwithstanding the foregoing, each Party shall retain the right to seek for provisional remedies, including interlocutory and/or injunctive reliefs, in any jurisdiction in which there is a breach by the other Party of any undertakings under this Agreement.
- 13.13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

*[Signature Page Follows]*

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

**Chroma ATE Inc.**

**Priortech Ltd.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_



**Chief Executive Officer Certification**

**Required by Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended**

I, Rafi Amit, certify that:

1. I have reviewed this Annual Report on Form 20-F of Camtek Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls over financial reporting.

Date: March 30, 2020

By: /s/ Rafi Amit  
Name: Rafi Amit  
Title: Chief Executive Officer

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**Chief Financial Officer Certification**

**Required by Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended**

I, Moshe Eisenberg, certify that:

1. I have reviewed this Annual Report on Form 20-F of Camtek Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f) for the company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls over financial reporting.

Date: March 30, 2020

By: /s/ Moshe Eisenberg  
Name: Moshe Eisenberg  
Title: Chief Financial Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

We, Rafi Amit, Chief Executive Officer of Camtek Ltd., and Moshe Eisenberg, Chief Financial Officer of Camtek Ltd., each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report for Camtek Ltd. on Form 20-F for the year ended December 31, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Annual Report on Form 20-F fairly presents, in all material respects, the financial condition and results of operations of Camtek Ltd.

Date: March 30, 2020

By: /s/ Rafi Amit  
Name: Rafi Amit  
Title: Chief Executive Officer

By: /s/ Moshe Eisenberg  
Name: Moshe Eisenberg  
Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Camtek Ltd. and will be retained by Camtek Ltd. and furnished to the United States Securities And Exchange Commission or its staff upon request.

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors

Camtek Ltd:

We consent to the incorporation by reference in the Registration Statement (No. No. 333-216948) on Form F-3 of Camtek Ltd. of our report dated March 30, 2020, with respect to the consolidated balance sheets of Camtek Ltd. as of December 31, 2019 and 2018, the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes, and the effectiveness of internal control over financial reporting as of December 31, 2019, which report appears in the December 31, 2019 annual report on Form 20-F of Camtek Ltd.

Our report refers to a change to the method of accounting for leases.

Somekh Chaikin  
A member firm of KPMG International  
Certified Public Accountants (Isr)

Tel Aviv, Israel

March 30, 2020

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