

CAMTEK LTD  
Form 20-F/A  
November 09, 2009

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UNITED STATES  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 20-F/A**

(Amendment No. 1)

(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, 2007

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

or

Shell Company pursuant to Section 13 or is (d) of the Securities Exchange Act of 1934 \ Date of event requiring this shall Company report \_\_\_\_\_

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

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)

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**Raanan Dekel, Telephone: (972) (4) 6048100, Facsimile: (972) (4) 6440523, E-mail:  
raanand@camtek.co.il,  
Ramat Gavriel Industrial Zone, P.O. BOX 544, Migdal Ha Emek, Israel**  
(Name, Telephone, Facsimile, E-Mail and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:  
Ordinary Shares, nominal value 0.01 New Israeli Shekel per share  
(Title of each Class)

Nasdaq Global Market  
(Name of each Exchange on which registered)

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

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

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:

30,133,715 Ordinary Shares, par value NIS 0.01

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

US GAAP

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

Other

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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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### EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 20-F for the fiscal year ended December 31, 2007 (the Annual Report) is being filed by Camtek Ltd. (the Registrant) with the Securities and Exchange Commission for the sole purpose of filing the audit report of Brightman Almagor & Co. and Goldstein Sabo Tevet in Item 18 of the Annual Report.

This Amendment No. 1 consists of a cover page, this explanatory note, the financial statements, as amended, required by Item 18, the exhibit index, the signature page and the required certifications of the principal executive officer and principal financial officer of the Registrant.

Other than expressly set forth herein, this Amendment No. 1 does not, and does not purport to, amend or restate any other information contained in the Annual Report nor does this Amendment No. 1 reflect any events that have occurred after the Annual Report was filed.

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**Item 18. Consolidated Financial Statements.**

## **CAMTEK LTD. and its subsidiaries**

### **Consolidated Financial Statements As of and for the year ended December 31, 2007**

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CAMTEK LTD. and its subsidiaries

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of  
Camtek Ltd.

We have audited the accompanying consolidated balance sheets of Camtek Ltd. and subsidiaries ( the Company ) as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Camtek Ltd. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2Q to the consolidated financial statements, effective January 1, 2006, the Company adopted the fair value method of accounting for stock-based compensation as required by Statement of Financial Accounting Standard No. 123R "Share Based Payment".

/s/ Somekh Chaikin  
Somekh Chaikin  
Certified Public Accountants (Israel)  
Member firm of KPMG International

Tel Aviv, Israel

June 30, 2008

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS**

To the Shareholders of  
Camtek Ltd.

We have audited the accompanying consolidated balance sheets of Camtek Ltd. (the Company) and its subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss) and cash flows for each of the three years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2005 and 2004 and the consolidated results of their operations, and their cash flows for each of the three years then ended, in conformity with U.S. generally accepted accounting principles.

Brightman Almagor & Co.

Goldstein Sabo Tevet

Certified Public Accountants

Certified Public Accountants

A member firm of Deloitte Touche Tohmatsu

Tel Aviv, Israel  
March 12, 2006.

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CAMTEK LTD. and its subsidiaries

### Consolidated Balance Sheets

(In thousands)

	December 31,	
	2007	2006
	U.S. Dollars (In thousands)	
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	18,601	23,358
Marketable securities (Note 3)	1,395	2,099
Accounts receivable, net (Note 11B,C)	23,500	29,434
Inventories (Note 4)	34,243	41,414
Due from affiliates	251	180
Other current assets (Note 5)	2,616	2,372
Deferred tax asset (Note 17)	124	65
	<b>80,730</b>	98,922
<b>Fixed assets (Note 6)</b>		
Cost	21,632	15,927
Less - Accumulated depreciation	6,307	5,198
	<b>15,325</b>	10,729
Marketable securities (Note 3)	1,075	-
Deferred tax asset (Note 17)	612	584
Other assets, net (Note 7)	723	571
	<b>3,400</b>	6,929

	2,410	1,155
<b>Total assets</b>	<b>98,465</b>	<b>110,806</b>
<b>Liabilities and shareholders equity</b>		
<b>Current liabilities</b>		
Accounts payable - trade	7,960	11,801
Due to affiliates	866	814
Convertible loan - current portion	1,667	-
Other current liabilities (Note 8)	11,465	12,831
Total current liabilities	21,958	25,446
<b>Long term liabilities</b>		
Convertible loan (Note 9), net of current portion	3,333	5,000
Liability for employee severance benefits (Note 10)	268	222
Total liabilities	25,559	30,668
<b>Commitments and contingencies (Note 11)</b>		
<b>Shareholders equity</b>		
Ordinary shares NIS 0.01 par value, authorized 100,000,000 shares, issued 31,145,334 in 2007 and 31,052,474 in 2006, outstanding 30,133,715 in 2007 and 30,040,855 in 2006	132	132
Additional paid-in capital	59,878	59,420
Accumulated other comprehensive loss	-	(1)
Retained earnings	13,889	21,580
	73,899	81,131
Treasury stock, at cost (1,011,619 shares in 2007 and 2006)	(993)	(993)
Total shareholders equity	72,906	80,138
<b>Total liabilities and shareholders equity</b>	<b>98,465</b>	<b>110,806</b>

See accompanying notes to consolidated financial statements

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CAMTEK LTD. and its subsidiaries

### Consolidated Statements of Operations

Year Ended December 31,		
2007	2006	2005
U.S. Dollars (In thousands, except per share data)		

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<b>Revenues:</b>			
Sales of products	<b>59,654</b>	92,470	56,987
Service fees	<b>11,315</b>	7,585	6,045
	<hr/>	<hr/>	<hr/>
Total revenues (Note 15)	<b>70,969</b>	100,055	63,032
	<hr/>	<hr/>	<hr/>
<b>Cost of revenues:</b>			
Cost of products sold	<b>32,769</b>	42,600	28,262
Cost of services	<b>9,171</b>	5,842	4,519
	<hr/>	<hr/>	<hr/>
Total cost of revenues	<b>41,940</b>	48,442	32,781
	<hr/>	<hr/>	<hr/>
<b>Gross profit</b>	<b>29,029</b>	51,613	30,251
	<hr/>	<hr/>	<hr/>
Research and development costs	<b>12,111</b>	11,831	8,469
Selling, general and administrative expenses (Note 16A)	<b>24,119</b>	27,850	18,760
	<hr/>	<hr/>	<hr/>
Total operating expenses	<b>36,230</b>	39,681	27,229
	<hr/>	<hr/>	<hr/>
<b>Operating (loss) income</b>	<b>(7,201)</b>	11,932	3,022
	<hr/>	<hr/>	<hr/>
Financial expenses, net (Note 16B)	<b>(128)</b>	(288)	(320)
	<hr/>	<hr/>	<hr/>
<b>Income (loss) before income taxes</b>	<b>(7,329)</b>	11,644	2,702
Income tax expense (Note 17)	<b>(362)</b>	(41)	-
	<hr/>	<hr/>	<hr/>
<b>Net income (loss)</b>	<b>(7,691)</b>	11,603	2,702
	<hr/>	<hr/>	<hr/>
<b>Earnings (loss) per ordinary share (Note 14):</b>			
Basic	<b>(0.25)</b>	0.40	0.10
	<hr/>	<hr/>	<hr/>
Diluted	<b>(0.25)</b>	0.39	0.10
	<hr/>	<hr/>	<hr/>
<b>Weighted average number of ordinary shares outstanding:</b>			
Basic	<b>30,145</b>	29,176	27,253
	<hr/>	<hr/>	<hr/>
Diluted	<b>30,145</b>	29,553	27,586
	<hr/>	<hr/>	<hr/>

See accompanying notes to consolidated financial statements

CAMTEK LTD. and its subsidiaries

**Consolidated Statements of Comprehensive Income (loss)**

	Year Ended December 31,		
	2007	2006	2005
	U.S. Dollars (In thousands)		
Net income (loss)	(7,691)	11,603	2,702
Other comprehensive income:			
Realization of loss on available for sale securities, net of taxes (nil)	1	2	-
Unrealized holding loss on available for sale securities arising during the year, net of taxes (nil)	-	(1)	(2)
<b>Comprehensive income (loss)</b>	<b>(7,690)</b>	<b>11,604</b>	<b>2,700</b>

See accompanying notes to consolidated financial statements

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CAMTEK LTD. and its subsidiaries

**Consolidated Statements of Shareholders Equity**

	Ordinary Shares		Number of treasury shares	Additional paid-in capital	Deferred share based compensation	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock	Total shareholders equity
	NIS 0.01 par value								
	Shares	U.S. Dollars (In Thousands)							
U.S. Dollars (In thousands)									
Balances at December 31, 2004	28,085,766	125	(1,011,619)	43,732	(363)	-	7,275	(993)	49,776

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Exercise of share options	9,750	-	-	15	-	-	-	-	15
Cancellation of share options	-	-	-	(15)	15	-	-	-	-
Amortization of deferred share options based compensation	-	-	-	-	127	-	-	-	127
Unrealized loss on marketable securities	-	-	-	-	-	(2)	-	-	(2)
Net income	-	-	-	-	-	-	2,702	-	2,702
<b>Balances at December 31, 2005</b>	<b>28,095,516</b>	<b>125</b>	<b>(1,011,619)</b>	<b>43,732</b>	<b>(221)</b>	<b>(2)</b>	<b>9,977</b>	<b>(993)</b>	<b>52,618</b>
Adoption of SFAS 123-R	-	-	-	(221)	221	-	-	-	-
Share issuance, net of issuance expenses*	2,525,252	6	-	14,442	-	-	-	-	14,448
Exercise of share options	431,706	1	-	701	-	-	-	-	702
Share based compensation expense	-	-	-	766	-	-	-	-	766
Realization of loss on marketable securities	-	-	-	-	-	2	-	-	2
Unrealized loss on marketable securities	-	-	-	-	-	(1)	-	-	(1)
Net income	-	-	-	-	-	-	11,603	-	11,603
<b>Balances at December 31, 2006</b>	<b>31,052,474</b>	<b>132</b>	<b>(1,011,619)</b>	<b>59,420</b>	<b>-</b>	<b>(1)</b>	<b>21,580</b>	<b>(993)</b>	<b>80,138</b>
Exercise of share options	<b>92,860</b>	<b>**</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32</b>
Share based compensation expense	-	-	-	<b>426</b>	-	-	-	-	<b>426</b>
Realization of loss on marketable securities	-	-	-	-	-	<b>1</b>	-	-	<b>1</b>
Net Loss	-	-	-	-	-	-	<b>(7,691)</b>	-	<b>(7,691)</b>
<b>Balances at December 31, 2007</b>	<b>31,145,334</b>	<b>132</b>	<b>(1,011,619)</b>	<b>59,878</b>	<b>-</b>	<b>-</b>	<b>13,889</b>	<b>(993)</b>	<b>72,906</b>

\* Net of issuance expenses of \$560 thousand.

\*\* Less than \$ 1 thousand.

See accompanying notes to consolidated financial statements

CAMTEK LTD. and its subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31,

	2007	2006	2005
U.S. Dollars (In thousands)			
<b>Cash flows from operating activities:</b>			
Net income (loss)	(7,691)	11,603	2,702
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,307	794	658
Loss (gain) on disposal of fixed assets	(40)	24	(6)
Gain from marketable securities, net	(25)	(6)	-
Deferred tax expense (benefit)	(59)	(434)	-
Share based compensation expense	426	766	127
Provision for bad debts	583	778	680
Changes in operating assets and liabilities:			
Accounts receivable	5,148	(4,230)	(4,864)
Inventories	4,522	(16,472)	(50)
Due to / from affiliates	(19)	924	189
Other current assets	(273)	(229)	(724)
Accounts payable trade	(3,841)	3,123	463
Other current liabilities	(1,366)	4,110	626
Liability for employee severance benefits	46	-	-
Net cash (used in) provided by operating activities	(1,282)	751	(199)
<b>Cash flows from investing activities:</b>			
Purchase of marketable securities	(6,770)	(3,891)	(2,103)
Proceeds from sale of marketable securities	6,425	3,900	-
Purchase of fixed assets	(3,236)	(1,582)	(673)
Purchase of intangible assets	(169)	(114)	-
Proceeds from disposal of fixed assets	40	-	18
Net cash used in investing activities	(3,710)	(1,687)	(2,758)
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank credit	-	-	(2,335)
Net proceeds from issuance of ordinary shares	-	14,448	-
Proceeds from exercise of share options	32	702	15
Proceeds from long-term convertible loan	-	-	5,000
Net cash provided by financing activities	32	15,150	2,680
Effect of exchange rate changes on cash	203	430	(150)
Net (decrease) increase in cash and cash equivalents	(4,757)	14,644	(427)
Cash and cash equivalents at beginning of the year	23,358	8,714	9,141
Cash and cash equivalents at end of the year	18,601	23,358	8,714

See accompanying notes to consolidated financial statements

CAMTEK LTD. and its subsidiaries

**Consolidated Statements of Cash Flows**

	Year ended December 31,		
	2007	2006	2005
U.S. Dollars (In thousands)			
<b>Supplementary cash flows information:</b>			
<b>A. Cash paid during the year for:</b>			
Interest	\$ 320	422	405
Income taxes	\$ 308	27	216
<b>B. Non-cash transactions:</b>			
Transfer of inventory to fixed assets	\$ 2,649	-	-

See accompanying notes to consolidated financial statements.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007****NOTE 1 BUSINESS**

Camtek Ltd. ( Camtek ), an Israeli corporation, is a majority owned (61.7%) subsidiary of Priortech Ltd. ( Parent ), an Israeli corporation listed on the Tel-Aviv Stock Exchange. Camtek designs, develops manufactures and markets automatic optical inspection systems ( AOI systems ) and related products. Camtek s AOI systems are used for yield enhancement for various applications in the electronic supply chain industry. The main applications along this supply chain are the production of Microelectronics, Printed Circuit Boards (PCB) and Electronic packaging. Camtek s activities are conducted in one reportable business segment.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES****A. Principles of Consolidation**

The accompanying consolidated financial statements, which include the accounts of Camtek and its subsidiaries (collectively the Company ), are prepared in accordance with U.S. generally accepted accounting principles. All material intercompany balances and transactions have been eliminated in consolidation.

**B. Use of Estimates**

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**C. Foreign currency transactions:**

The functional currency of the Company is the U.S. Dollar. Most of the revenue generated by the Company is from outside of Israel and a majority thereof is received in U.S. Dollars. In addition, materials and components purchased and marketing expenses incurred are either paid for in U.S. Dollars or in New Israeli Shekels ( NIS ) linked to changes in the U.S. Dollar/NIS exchange rate. A significant portion of the Company's expenses are incurred in Israel and paid for in NIS. Transactions not denominated in U.S. Dollar 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 or expense.

**D. Cash equivalents**

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

**E. Marketable securities**

The Company accounts for its investments in marketable securities in accordance with Statement of Financial Accounting Standard ( SFAS ) No. 115 Accounting for Certain Investments in Debt and Equity Securities .

As of December 31, 2007 all marketable securities are designated as available-for-sale and accordingly are recorded at fair value.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Cont d)**

**E. Marketable securities (cont d)**

Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income (loss) until realized.

**F. Allowance for doubtful accounts**

The allowance for doubtful accounts represent 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.

**G. Inventories**

Inventories consist of completed AOI systems, AOI systems partially completed and components, and are recorded at the lower of cost, determined by the moving average cost method basis, or market.

Inventory write-downs are recorded for damaged, obsolete, excess and slow-moving inventory.

**H. Fixed assets**

Fixed 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:

Building	2%
Machinery and equipment	10% - 33%
Office furniture and equipment	6% - 20%
Automobiles	15%

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

**I. Intangible assets**

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

**J. Long-lived assets**

The Company applies SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. 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.

**K. Fair values of financial instruments**

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and amounts due to/from affiliates approximate fair value because of the short-term duration of those items. Marketable securities are carried at quoted market prices, which represent fair value. The carrying amounts of convertible loan and amounts due to or from Parent approximate fair value because the interest rates on such amounts approximate the market rate.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Cont d)**

**L. Revenue recognition**

The Company recognizes revenue from sales in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104 SAB 104 and Financial Accounting Standard Board's Emerging Issues Task Force ( EITF ) Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. Accordingly, the Company recognizes revenue from sales of its products when the products are installed at the customer's premises and are operating in accordance with its specifications, signed documentation of the arrangement, such as a signed contract or purchase order, has been received, the price is fixed or determinable, and collectibility is reasonably assured.

Service revenues consist mainly of revenues from maintenance contracts and are recognized ratably over the contract period.

Revenue under multiple element arrangements is recognized in accordance with EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. Under this method, if an element is determined to be a separate unit of accounting, the revenue for the element is based on fair value and determined by vendor objective evidence ( VOE ), accordingly, non-standard warranty, with determined VOE, is deferred as unearned revenue and is recognized ratably as revenue commencing with and over the applicable warranty term.

**M. Warranty**

The Company records a liability for 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 SFAS No. 109, *Accounting for Income Taxes* ( SFAS No. 109 ). This Statement prescribes the use of the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial reporting and 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 provides a valuation allowance to reduce deferred tax assets to the amount that is more likely than not

to be realized.

Beginning with the adoption of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ( FIN 48 ) as of January 1, 2007, 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% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company records interest and penalties related to unrecognized tax benefits as a component of income tax expense.

**O. Research and development**

Research and development costs are expensed as incurred.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Cont d)**

**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.

For the year ended December 31 2007 the effect of the exercise of all outstanding share options is anti-dilutive and has not been included in computing dilutive earnings per ordinary share. For the years ended December 31, 2006 and 2005 the effect of the exercise of all outstanding share options is dilutive, and hence was included in computing diluted earning per ordinary share.

For the years ended December 31, 2007, 2006 and 2005, the effects of warrants and conversion of convertible loan are anti-dilutive, and have not been included in computing dilutive earnings/loss per ordinary share.

**Q. Stock Option Plan**

Prior to January 1, 2006, the Company applied the intrinsic value method as allowed by FASB Statement No. 123, Accounting for Stock-Based Compensation and provided pro forma net income and pro forma earnings per share disclosures for employee stock option grants as if the fair-value based method defined in Statement 123 had been applied.

Effective January 1, 2006, the Company adopted FASB Statement No. 123R, Share-Based Payment (Statement 123R). This statement replaces FASB Statement No. 123, Accounting for Stock-Based Compensation (Statement 123) and supersedes APB No. 25. Statement 123R requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. This statement was adopted using the modified prospective method of application, which requires the Company to recognize compensation cost on a prospective basis. Therefore, prior years financial statements have not been restated. Under this method, the Company recorded stock-based compensation expense for awards granted prior to, but not yet vested as of January 1, 2006, using the fair value amounts determined for pro forma disclosures under Statement 123. For stock-based awards granted after January 1, 2006, the Company recognizes compensation expense based on estimated grant date fair value using the Black-Scholes option-pricing model.

The following table illustrates the effect on net income for the year ended December 31, 2005 as if the Company had applied the fair value recognition provisions of Statement 123. For purposes of this pro forma disclosure, the value of the options is estimated using a Black-Scholes option-pricing model and amortized to expense over the options service periods with forfeitures recognized as they occurred.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007****NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Cont d)****Q. Stock Option Plan (cont d)**

	2005
	U.S. Dollars (In thousands)
Net income, as reported	2,702
Share-based employee compensation expense included in reported net income	127
Share-based employee compensation expense determined under the fair value based method	(560)
Pro forma net income	2,269
<b>Earnings per share:</b>	
Basic as reported	0.10
Basic pro forma	0.08
Diluted as reported	0.10
Diluted pro forma	0.08

**R. Reclassification**

Certain prior years amounts have been reclassified in conformity with the current year's financial statements presentation.

**S. Recently Issued Accounting Standards**

- In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115 (Statement 159). Statement 159 gives the Company the irrevocable option to carry most financial assets and liabilities at fair value that are not currently required to be measured at fair value. If the fair value option is elected, changes in fair value would be recorded in earnings at each subsequent reporting date. SFAS 159 is effective for the Company's 2008 fiscal year. The Company has evaluated the impact of this statement and believes that adoption of SFAS No. 159 prospectively on January 1, 2008 will not have a material effect on its consolidated financial statements.
- In September 2006, the FASB issued FASB Statement No. 157, Fair Value Measurement (Statement 157). Statement 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The Statement does not require any new fair value measures. The Statement is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company is required to adopt Statement 157 beginning on January 1, 2008. Statement 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. In February 2008, the FASB approved FSP FAS 157-2, which grants a one-year deferral of Statement 157's fair-value measurement requirements for nonfinancial assets and liabilities, except for items that are measured or disclosed at fair value in the financial statements on a recurring basis. The Company is currently evaluating the impact of adopting Statement 157 on its results of

operations and financial position.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007****NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Cont d)****S. Recently Issued Accounting Standards (cont d)**

3. In June 2007, the FASB issued EITF Issue No. 07-03 ( EITF 07-03 ), Accounting for Non-Refundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities. EITF 07-03 provides guidance on whether non-refundable advance payments for goods that will be used or services that will be performed in future research and development activities should be accounted for as research and development costs or deferred and capitalized until the goods have been delivered or the related services have been rendered. EITF 07-03 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact of adopting EITF 07-03 on its results of operations and financial position.
4. In December 2007, the FASB issued FASB Statement No. 141R, Business Combinations (Statement 141R) and FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51 (Statement 160). Statements 141R and 160 require most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. Both Statements are effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. Statement 141R will be applied to business combinations occurring after the effective date. Statement 160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007****NOTE 3 MARKETABLE SECURITIES**

	Interest Rate %	2007	2006
U.S. Dollars (In thousands)			
Available for sale:			
Corporate debt securities	5	1,195	599
Auction rate securities	6	1,275	1,500
		<b>2,470</b>	2,099

The carrying amount, gross unrealized holding losses, and fair value of available-for-sale debt securities by major security type and class of security at December 31, 2007 and 2006 were as follows:

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	Carrying amount	Gross unrealized Holding (losses)	Fair value
U.S. Dollars (In thousands)			
At December 31, 2007:			
Available for sale:			
Corporate debt securities	1,195	-	1,195
Auction rate securities	1,275	-	1,275
	<b>2,470</b>	<b>-</b>	<b>2,470</b>
At December 31, 2006:			
Available for sale:			
Corporate debt securities	600	(1)	599
Auction rate securities	1,500	-	1,500
	<b>2,100</b>	<b>(1)</b>	<b>2,099</b>

Maturities of debt securities classified as available-for-sale were as follows at December 31, 2007:

	Carrying amount	Fair value
U.S. Dollars (In thousands)		
Available for sale:		
First year	1,195	1,195
Due after five years through ten years	1,275	1,275
	<b>2,470</b>	<b>2,470</b>

Proceeds from the sale of investment securities available for sale were \$6,425, \$3,900 and nil in 2007, 2006 and 2005, respectively; gross realized gains included in other finance income in 2007, 2006 and 2005 were \$25, \$6 and nil, respectively.

The marketable securities are presented in:

	December 31, 2007	December 31, 2006
U.S. Dollars (In thousands)		
Current assets	1,395	2,099
Long term assets	1,075	-
	<b>2,470</b>	<b>2,099</b>

**NOTE 4 INVENTORIES**

	December 31,	
	2007	2006
U.S. Dollars (In thousands)		
Components	14,654	17,702
Systems partially completed	3,739	5,340
Completed systems, including systems not yet purchased, at customer locations	15,850	18,372
	<b>34,243</b>	<b>41,414</b>

**NOTE 5 OTHER CURRENT ASSETS**

	December 31,	
	2007	2006
U.S. Dollars (In thousands)		
Due from Government institution	1,265	689
Income tax receivables	128	54
Due from employees	146	196
Prepaid expenses	485	480
Advances to suppliers	6	519
Deposits for operating leases	202	110
Other	384	324
	<b>2,616</b>	<b>2,372</b>

**NOTE 6 FIXED ASSETS**

	December 31,	
	2007	2006
U.S. Dollars (In thousands)		
Land	863	815
Building	9,695	7,998
Machinery and equipment	5,885	3,102

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Office furniture and equipment	4,272	3,233
Automobiles	169	295
Leasehold improvements	748	484
	<u>21,632</u>	<u>15,927</u>
Less accumulated depreciation	6,307	5,198
	<u>15,325</u>	<u>10,729</u>

Depreciation expenses for the years ended December 31, 2007, 2006 and 2005 aggregated to \$1,289, \$792 and \$658 thousand, respectively.

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CAMTEK LTD. and its subsidiaries

Notes to Consolidated Financial Statements As of December 31, 2007

NOTE 7 OTHER ASSETS

	December 31,	
	2007	2006
	U.S. Dollars (In thousands)	
Deposits for operating leases	460	459
Intangible assets (A)	263	112
	<u>723</u>	<u>571</u>

A. Patents registration costs

	December 31, 2007			
	Gross carrying amount	Accumulated amortization	Intangible Assets, net	Amortization period
	U.S. Dollars (In thousands)			Years
Patents registration costs	283	20	263	10

December 31, 2006

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	Gross carrying amount	Accumulated amortization	Intangible Assets, net	Amortization period
	U.S. Dollars (In thousands)			Years
Patents registration costs	114	2	112	10

Amortization expense for the years ended December 31, 2007, 2006 and 2005 aggregated to \$18, \$2 and nil thousand, respectively.

As of December 31, 2007, the estimated aggregate amortization of intangible assets for the years 2008 to 2012 is \$28 thousands for each of the years.

**NOTE 8 OTHER CURRENT LIABILITIES**

	December 31,	
	2007	2006
	U.S. Dollars (In thousands)	
Accrued compensation and related benefits	4,330	4,825
Government institutions	315	383
Income tax payables	421	460
Accrued warranty costs	934	1,057
Commissions	2,204	2,077
Advances from customers and deferred revenues	2,207	3,125
Other	1,054	904
	<b>11,465</b>	<b>12,831</b>

Changes in the product warranty obligation are as follows:

	December 31,		
	2007	2006	2005
	U.S. Dollars (In thousands)		
Beginning of year	1,057	1,162	1,703
Change in estimates	-	(442)	-
New warranties	1,534	2,020	2,003
Reductions	(1,657)	(1,683)	(2,544)
End of year	<b>934</b>	<b>1,057</b>	<b>1,162</b>

## Notes to Consolidated Financial Statements As of December 31, 2007

## NOTE 9 CONVERTIBLE LOAN

	December 31,	
	2007	2006
	U.S. Dollars (In thousands)	
U.S. Dollar denominated loan	3,333	5,000

Repayment dates of convertible loan subsequent to December 31, 2008:

	U.S. Dollars (In thousands)
2009	1,667
2010	1,666
U.S. Dollar denominated loan, bearing annual interest of Libor+2.1%	3,333

On August 23, 2005 (the closing date) the Company raised \$5 million as a convertible loan from FIMI Opportunity Fund L.P and FIMI Israel Opportunity Fund, Limited Partnership ( FIMI ). The loan is payable in three equal annual payments starting at the third anniversary of the closing date. The lenders have the right to postpone the repayments to the end of the fifth anniversary from the closing date. The loan bears annual interest of Libor + 2.1%. The interest is payable every three months. Conversion of the loan, in a whole or in part, is at the lender's option on any given business day after the closing date.

Conversion price per one ordinary share is \$5.50, however, in the event that the average closing price of the Company's shares as reported on Nasdaq for the sixty consecutive trading days immediately preceding the first and second anniversary of the loan agreement closing date, is lower than the conversion price in effect on such date, the conversion price in effect on such date shall be reduced to equal the higher of the average closing price and \$2.00. As of December 31, 2007 the conversion price per one ordinary share is \$3.19.

The Company is subject to the following main covenants:

1. The shareholders' equity should not decrease to below \$45 million, or, \$40 million as a result of dividend distributions. Shareholders' equity may not decrease by more than 10%, unless such deviation is cured within three consecutive financial quarters immediately following the financial quarter in which such decrease had occurred.
2. The shareholders' equity shall represent at least 55% of the total assets of the Company.
3. The net loss shall not exceed an aggregate of \$10 million in any single financial quarter or any year.
4. No further borrowings which exceed the aggregate amount of \$15 million (other than the loans and credit lines which were in effect at the closing date) and no new transactions with the Company's affiliates.

As of December 31, 2007 the Company was in compliance with the aforementioned covenants.

CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007**

**NOTE 10 SEVERANCE PAY**

Under Israeli law and labor agreements, the Israeli companies are required to make severance and pension payments to their retired or dismissed employees and to employees leaving employment in certain other circumstances.

1. The liability in respect of most of its employees is discharged by participating in a defined contribution pension plan and making regular deposits with a pension fund. 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. In respect of the liability to other employees, individual insurance policies are purchased and deposits are made with recognized severance pay funds. The liability for severance pay is calculated on the basis of the latest salary paid to each employee multiplied by the number of years of employment. The liability is covered by the amounts deposited including accumulated income thereon as well as by the unfunded provision, which amounted to \$268 and \$222 thousand as of December 31, 2007 and 2006, respectively.
3. Severance pay expenses were \$851, \$750 and \$544 thousand in 2007, 2006 and 2005, respectively.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007**

**NOTE 11 COMMITMENTS AND CONTINGENCIES (cont d)**

**A. Operating leases**

The Company's subsidiaries have entered into various noncancelable operating lease agreements, principally for office space. In May 2007, the Company entered into a noncancelable operating lease for vehicles for a period of 36 months.

As of December 31, 2007, minimum future rental payments under such noncancelable operating leases are as follows:

Year Ending December 31,	U.S. Dollars (In thousands)
2008	1,657
2009	1,182
2010	465
2011	168
Thereafter	53
	3,525

Aggregate office rent expenses amounted to \$730, \$572 and \$546 thousand in 2007, 2006 and 2005, respectively.

**B. Valuation and qualifying accounts**

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	Write-off	Balance at end of period
U.S. Dollars (In thousands)				
2005	2,236	680	(710)	2,206
2006	2,206	778	(131)	2,853
2007	2,853	583	(167)	3,269

### C. Factoring of financial assets

The Company entered into accounts receivable factoring agreements with two financial institutions (the banks). Under the terms of the agreements, the Company has the option to factor receivables, with the banks on a non-recourse basis, provided that the banks approve the receivables in advance. In some cases, the Company continues to be obligated in the event of commercial disputes, (such as product defects) which are not covered under the credit insurance policy, unrelated to the credit worthiness of the customer. The Company accounts for the factoring of its financial assets in accordance with the provisions of *SFAS 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities- a replacement of FASB Statement No. 125*. The Company does not expect any reimbursements to take place in the foreseeable future.

The factoring fees of the above mentioned agreements aggregate \$ 52 thousands in 2007. (\$ 51 thousands in 2006)

As of December 31, 2007 trade receivables amounting to approximately \$ 560 thousands, were factored. (December 31, 2006 - \$ 2,500 thousands).

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CAMTEK LTD. and its subsidiaries

### Notes to Consolidated Financial Statements As of December 31, 2007

#### NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES (Cont d)

### D. Litigation

- On May 10, 2004, a lawsuit was filed against the Company in the District Court in Nazareth, Israel, by a competitor, Orbotech Ltd., alleging that the Dragon and Falcon systems infringe upon a patent held by Orbotech Ltd. and requesting an injunctive relief and damages. Currently, the issue dealt with by the court is the validity of the asserted patent, which expired in February 2008. The Company based on the opinion of its legal advisors, believes that any liability arising from the law suit is not probable. Accordingly, no provision has been recorded by the Company.
- On February 23, 2005, a lawsuit was filed against the Company in the District Court in Jerusalem by Orbotech Ltd., alleging infringement of patent held by Orbotech Ltd. regarding a specific illumination block, seeking injunctive relief and damages. The court ruled, based on a court's scientific advisor opinion, that the Company allegedly infringed the patent, and granted Orbotech a provisional remedy. Following the grant of the provisional remedy by the District Court, the Company filed a motion for leave to appeal. The Supreme Court rejected the Company's request since the provisional remedy was granted on the basis of prime facie evidence only. The claim is currently in the preliminary stage of discovery and only after evidence is presented and cross examinations are conducted will a final judgment be rendered by the District Court, subject to the right to appeal. The particular illumination block was at the time of the preliminary ruling still in a development stage. The Company's temporary inability to manufacture and sell the specific illumination block, does not affect its ability to manufacture and sell products incorporating other illumination blocks; the Company manufactures its products with several other illumination blocks. In February 2007 the patent referring to the specific illumination block expired. The Company has filed two requests for the lawsuit to be dismissed. The Company based on the opinion of its legal advisors, believes that any liability arising from the law suit is not probable. The Company further believes that it has claims with respect to the validity of the asserted patent, as well as other defenses such as estoppel and lack of good faith on the part of Orbotech. Accordingly, no provision has been recorded by the Company.

3. On July 14, 2005, a lawsuit was filed against the Company in the United States District Court for the District of Minnesota by one of the Company's competitors in the field of semiconductor manufacturing and packaging, August Technology Corporation (today Rudolph Technologies Inc. together with August Technology Corporation), alleging infringement of a patent and seeking injunctive relief and damages. The Company has filed an answer and counterclaims alleging, inter-alia, non-infringement, invalidity and unenforceability of the patent. The fact and expert discovery have been completed. On February 2008, the Company filed a motion for summary judgment of invalidity of the asserted patent. A Hearing on Camtek's motion for summary judgment was held on April 25, 2008. The court took the motion under advisement and will issue an order in due course. The Company based on the opinion of its legal advisors, believes that any liability arising from the August's allegations is not probable. Accordingly, no provision has been recorded by the Company.
4. See Note 19B.

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CAMTEK LTD. and its subsidiaries

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**Notes to Consolidated Financial Statements As of December 31, 2007**

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**NOTE 12 CONCENTRATION OF RISK**

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents, short-term bank deposits, marketable securities and trade receivables. The Company's cash equivalents and marketable securities are maintained with high-quality institutions and the composition and maturities of investments are regularly monitored by management. Generally, these securities and deposits are traded in a highly liquid market, may be redeemed upon demand and bear minimal risk.

The Company's marketable securities include auction rate securities and highly rated corporate bonds. The trade receivables of the Company are derived from sales to a large number of customers, mainly 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 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. The carrying amounts of financial instruments approximate fair value.

**NOTE 13 SHAREHOLDERS EQUITY**

**A. Initial Public Offering**

The Company shares are traded on the NASDAQ National Market under the symbol of CAMT.

In December 2005 the Company registered its shares to be listed and traded in the Tel-Aviv stock exchange.

**B. Private Placement**

In April 2006, the Company raised \$14.5 million, net of issuance expenses, by issuing 2,525,252 ordinary shares at a price of \$5.94 per share in a private placement to Israeli institutional investors. The private placement also included warrants that are exercisable into 1,262,626 ordinary shares at a price of \$6.83 per share during a period of four years. The warrants issued in April 2006 have been classified in equity.

**C. Stock Option Plan**

As of December 31, 2007, the Company has five stock option plans for employees and directors. Future options will be granted only pursuant to the 2003 Share Option Plan described below.

In October 2003, the Company adopted a stock option plan (the Plan) pursuant to which the Company's board of directors may grant stock options to officers and key employees. The total number of options, which may be granted to directors, officers, employees and consultants under this plan, is limited to 998,800 options. Stock options can be granted with an exercise price equal to or less than the

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stock's fair market value at the date of grant. All stock options have 10-year terms and vest and become fully exercisable after 4 years from the date of grant with 30% to vest at the end of each of the first three years and remaining 10% to vest at the end of the fourth year following the grant date.

As of December 31, 2007, there were no additional shares available for the Company grant under the Plan. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that used the weighted average assumptions in the following table. 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.

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CAMTEK LTD. and its subsidiaries

Notes to Consolidated Financial Statements As of December 31, 2007

NOTE 13 SHAREHOLDERS EQUITY (Cont d)

C. Stock Option Plan (Cont d)

	2007 Grant	2006 Grant	2005 Grant
Dividend yield	0	0	0
Expected volatility *	83%-84%	86%-87%	90%
Risk-free interest rate	5%	5%	4.2%
Expected life (years) **	6	6	6

\* Historical volatility

\*\* The company used the simplified method to estimate the expected life as permissible under SAB 107.

The weighted average grant date fair value of options granted during the years ended 2007, 2006 and 2005 was \$3.19, \$5.38 and \$2.30 respectively. The total intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005 was \$101,128, \$246,756 and \$5,859 respectively. The total intrinsic value of options vested at December 31, 2007 is \$63,151.

As of December 31, 2007, there was \$378,143 of total unrecognized compensation cost related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 1.5 years.

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

	Year Ended December 31,					
	2007		2006		2005	
	Number of shares	Weighted average exercise price US\$	Number of shares	Weighted average exercise price US\$	Number of shares	Weighted average exercise price US\$
Outstanding at January 1	929,964	2.46	1,315,650	2.06	1,250,000	1.98
Granted	45,000	4.32	60,000	5.19	144,000	3.00

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Forfeited	(74,263)	2.78	(13,980)	2.37	(68,600)	2.59
Exercised	(92,860)	0.34	(431,706)	1.63	(9,750)	1.56
Outstanding at year end	<b>807,841</b>	<b>2.78</b>	929,964	2.46	1,315,650	2.06
Vested at year end	<b>670,841</b>	<b>2.56</b>	665,729	2.22	702,990	1.95

	Number of shares outstanding	Weighted average exercise price US\$	Weighted average remaining contractual term (years)	Aggregate intrinsic Value (in US\$ thousands)
Outstanding as of December 31, 2007	807,841	2.78	6.55	244,340
Vested and expected to vest at December 31, 2007	759,371	2.78	6.55	229,680
Exercisable at December 31, 2007	670,841	2.52	6.17	176,090

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CAMTEK LTD. and its subsidiaries

Notes to Consolidated Financial Statements As of December 31, 2007

NOTE 13 SHAREHOLDERS EQUITY (Cont d)

The following table summarizes information about share options at December 31, 2007:

Range of exercise price US\$	Number outstanding	Weighted average remaining contractual life in years	Weighted average exercise price US\$	Number exercisable	Weighted average exercise price US\$
0.00	116,540	5.56	0.00	116,540	0.00
2.98-3.29	461,301	5.98	2.98	461,301	2.98
3.00	125,000	7.74	3.00	75,000	3.00
5.00	50,000	8.38	5.00	15,000	5.00
6.15	10,000	8.58	6.15	3,000	6.15
4.50	30,000	9.07	4.50	-	4.50
3.95	15,000	9.24	3.95	-	3.95
	<b>807,841</b>	<b>6.55</b>	<b>2.78</b>	<b>670,841</b>	<b>2.56</b>

The following table summarizes information about nonvested options at December 31, 2007:

	Options	Weighted average grant- date fair value
Balance at January 1, 2007	264,235	2.87
Granted	45,000	3.19
Vested	(157,820)	2.06
Forfeited	(14,415)	3.60
Balance at December 31, 2007	137,000	3.84

#### D. Restricted Share Unit Plan

In August 2007, the Company adopted a Restricted Share Unit ( RSU ) Plan (the 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 180,000 authorized but unissued Shares.

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 following 4-year vesting schedule:

- a. Upon the completion of a full 12 (twelve) months of continuous Service 25%.
- b. Upon the lapse of each full additional 3 (three) month(s) of the Grantee s continuous Service thereafter, until all the RSU are vested, i.e. 100% of the grant will be vested after 4 years. 6.25%.

On December 27, 2007, 25,200 RSU were granted. The share price at the grant date was \$1.88. The total compensation amounted to \$47 thousands, which is being amortized over vesting period. All of the RSU s are not yet vested. (see also note 19)

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CAMTEK LTD. and its subsidiaries

#### Notes to Consolidated Financial Statements As of December 31, 2007

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#### NOTE 13 SHAREHOLDERS EQUITY (Cont d)

##### D. Restricted Share Unit Plan (cont d)

As of the balance sheet date the number of RSU s available for grant is 154,800.

Activity under the Restricted Share Unit Plan is as follows:

	Awards Available For grant	Number of awards outstanding	Weighted- average fair value
Balance as of January 1, 2007	-	-	\$ -
RSU Plan	180,000	-	-
Awards granted	(25,200)	25,200	1.88
Balance as of December 31, 2007	154,800	25,200	1.88

**NOTE 14 EARNINGS (LOSS) PER ORDINARY SHARE**

The following table summarizes information related to the computation of basic and diluted earnings (loss) per Ordinary Share for the years indicated:

	Year ended December 31,		
	2007	2006	2005
	(In thousands)		
Net income (loss) attributable to Ordinary Shares	\$ (7,473)	\$ 11,603	\$ 2,702
Weighted average number of Ordinary Shares outstanding used in basic earnings per Ordinary Share calculation	30,145	29,176	27,253
Add assumed exercise of outstanding dilutive potential Ordinary Shares	-	377	333
Weighted average number of Ordinary Shares outstanding used in diluted earnings per Ordinary Share calculation	30,145	29,553	27,586
Basic earnings (losses) per Ordinary Share	(0.25)	\$ 0.40	\$ 0.10
Diluted earnings (losses) per Ordinary Share	(0.25)	\$ 0.39	\$ 0.10

The number of options which were not considered in computing dilutive earnings (losses) per share because their impact is anti-dilutive aggregated 176,314 in 2007.

Convertible loan which is convertible to 1,567,398 and 909,091 shares in 2007 and 2006, respectively, was not considered in computing diluted earnings (losses) because of anti-dilutive impact.

CAMTEK LTD. and its subsidiaries

Notes to Consolidated Financial Statements As of December 31, 2007

**NOTE 15 GEOGRAPHIC INFORMATION**

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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,		
	2007	2006	2005
	U.S. Dollars (In thousands)		
China and Hong Kong	30,187	33,713	24,665
Asia- Other	12,676	20,413	5,036
United States	3,983	15,622	11,484
Taiwan	12,935	12,895	12,258
Western Europe	8,081	9,170	6,597
Japan	2,134	6,716	2,065
Rest of the world	973	1,526	927
	70,969	100,055	63,032

**NOTE 16 SELECTED INCOME STATEMENT DATA**

**A. Selling, general and administrative expenses**

	Year Ended December 31,		
	2007	2006	2005
	U.S. Dollars (In thousands)		
Selling (a1)	17,309	21,000	14,559
General and administrative	6,810	6,850	4,201
	24,119	27,850	18,760
(a1) Including shipping and handling costs	2,173	2,626	1,890

**B. Financial expenses, net**

	Year Ended December 31,		
	2007	2006	2005
	U.S. Dollars (In thousands)		
Interest expense	320	422	405
Interest income	(311)	(795)	(336)
Other, net	119	661	251
	128	288	320

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Other, net includes foreign currency income (expense) resulting from transactions not denominated in U.S. Dollars amounting to \$ 66, \$ (435) and \$(238) thousand in 2007, 2006 and 2005, respectively.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007**

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**NOTE 17 INCOME TAXES****A. Tax under various laws**

The Company and its subsidiaries are assessed for tax purposes on an unconsolidated basis. The Company is assessed under the provisions of the Income Tax Law (Inflationary Adjustments), 1985 (the inflationary Adjustments Law ), pursuant to which the results for tax purposes are measured in Israeli currency in real terms in accordance with changes in the Israeli Consumer Price Index ( CPI ). Each of the subsidiaries is subject to the tax rules prevailing in the country of incorporation.

**B. Tax benefits under the Law for Encouragement of Capital Investments, 1959 ( the Investment Law )**

The Company's production facilities have 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, commencing in the first year in which the Approved Enterprise first generates taxable income 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 an enterprise, which may be approved by the Investment Center by setting criteria for the approval of a facility as a Beneficiating Enterprise , such provisions generally require that at least 25% of the Beneficiating 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 the tax benefits.

In addition, the Amendment provides that terms and benefits included in any approval certificate 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, 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 new law, as part of a new Beneficiating 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 ending in 2007 and 2010, and the status of Beneficiating Enterprise according to the Amendment, for the period ending in 2014 ( Programs ).

Out of the Company's retained earnings as of December 31, 2007 approximately \$19.4 million are tax-exempt earnings attributable to its Approved Enterprise and approximately \$ 2.8 million 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 - 25% pursuant to the implementation of the Investment Law; effectively 33%). 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, 2007, if the income attributed to the Approved Enterprise were distributed as dividend, the Company would incur a tax liability of approximately \$4.9 million. If income attributed to the Beneficiating Enterprise were distributed as dividend, or upon liquidation, the Company would incur a tax liability in the amount of approximately \$ 0.7 million. These amounts will be recorded as an income tax expense in the period in which the Company declares the dividend.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007****NOTE 17 INCOME TAXES (Cont d)****B. Tax benefits under the Law for Encouragement of Capital Investments, 1959 ( the Investments Law ) (cont d)**

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 dividend. Accordingly, no deferred tax liabilities have been provided on income attributable to the Company's Approved and Beneficiating 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 law and the regulations published thereunder as well as the criteria set forth in the approval for the specific investments in the Approved Enterprises. In the event of failure to meet such requirements in the future, income attributable to its Programs could be subject to the statutory Israeli corporate tax rates and the Company could be required to refund a portion of the tax benefits already received, with respect to such Programs. The Company's management believes that the Company has met the aforementioned conditions.

**C. Tax benefits under the Law for the Encouragement of Industry (Taxes), 1969**

The Company is an industrial company as defined by this law and as such is entitled to certain tax benefits, mainly accelerated depreciation as prescribed by regulations published under the Inflationary Adjustments Law and the right to deduct issuance costs as an expense for tax purposes.

**D. Composition of income (loss) before income taxes and income tax expense (benefit)**

	Year Ended December 31,		
	2007	2006	2005
U.S. Dollars (In thousands)			
Income (loss) before income taxes:			
Israel	(9,515)	10,256	2,399
Non-Israeli	2,186	1,388	303
	<u>(7,329)</u>	<u>11,644</u>	<u>2,702</u>
Income tax expense (benefit):			
Current:			
Israel	-	-	-
Non-Israeli	394	475	-
	<u>394</u>	<u>475</u>	<u>-</u>
Deferred:			
Israel	16	(160)	-
Non-Israeli	(48)	(274)	-
	<u>(32)</u>	<u>(434)</u>	<u>-</u>
	<u>362</u>	<u>41</u>	<u>-</u>

CAMTEK LTD. and its subsidiaries

## Notes to Consolidated Financial Statements As of December 31, 2007

## NOTE 17 INCOME TAXES (Cont d)

## E. Income taxes included in the income statements:

The following is a reconciliation of the theoretical income tax expense (benefit), assuming all income is taxed at the statutory tax rate applicable to Israeli companies, and the actual income tax expense (benefit):

	Year Ended December 31,		
	2007	2006	2005
U.S. Dollars (In thousands)			
Income (loss) before income taxes	(7,329)	11,644	2,702
Statutory tax rate	29%	31%	34%
Theoretical income tax expense (benefit)	(2,125)	3,610	918
Increase (decrease) in income tax expense resulting from:			
Tax benefits arising from Approved and Beneficiating Enterprises	-	(1,641)	(281)
Decrease in taxes resulting from utilization of carryforward tax losses and deductible temporary differences for which deferred tax benefits were not provided in previous years	(1,205)	(1,337)	(2,066)
Tax losses and deductible temporary differences for which no tax benefit has been recorded	6,931	351	371
Permanent differences and nondeductible expenses, including difference between Israeli CPI-adjusted tax returns and dollar-adjusted financial statements-net	(2,560)	(1,318)	970
Nondeductible stock-based compensation	124	237	43
Prior period adjustments	138	61	-
Other *	(941)	78	45
Actual income tax expense	362	41	-
Per share effect of the tax benefits arising from Approved and Beneficiating Enterprises :			

Basic	\$ <b>0.00</b>	\$ 0.06	\$ 0.01
Diluted	\$ <b>0.00</b>	\$ 0.06	\$ 0.01

\* Mainly due to different tax rates.

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CAMTEK LTD. and its subsidiaries

**Notes to Consolidated Financial Statements As of December 31, 2007**

**NOTE 17 INCOME TAXES (Cont d)**

**F. Income taxes included in the balance sheet**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	December 31	
	2007	2006
U.S. Dollars (In thousands)		
<b>Current:</b>		
Provision for doubtful accounts	294	194
Accrued warranty	15	97
Unearned revenue	230	185
Net operating losses carryforwards	-	91
Accrued expenses	215	134
Other temporary differences *	538	-
	<u>1,292</u>	<u>701</u>
Total gross current deferred tax assets	1,292	701
Valuation allowance	(1,168)	(636)
	<u>124</u>	<u>65</u>
Current deferred tax asset, net of allowance	124	65
<b>Long-term:</b>		
Net operating losses carryforwards	3,552	1,759
Severance pay	5	14
Fixed assets	(19)	(53)
Other temporary differences *	536	413
	<u>4,074</u>	<u>2,133</u>
Total gross long-term deferred tax assets	4,074	2,133
Valuation allowance	(3,462)	(1,549)
	<u>612</u>	<u>584</u>
Long-term deferred tax asset, net of allowance	612	584

Net deferred tax assets	736	649
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\* Other temporary differences mainly relate to research and development expenses.

Under SFAS No. 109, deferred tax assets are to be recognized for the anticipated tax benefits associated with net operating loss carryforwards and deductible temporary differences, unless it is more likely than not that some or all of the deferred tax assets will not be realized. The adjustment is made by a valuation allowance.

Since the realization of the net operating loss carryforwards and deductible temporary differences is uncertain and not considered more likely than not, a valuation allowance has been established to reduce deferred tax assets to their estimated realizable value. The net change in the total valuation allowance was an increase of \$ 2,445 thousand for the year ended December 31, 2007 and a decrease of \$ 501 thousand, and \$ 1,548 thousand for the years ended December 31, 2006 and 2005, respectively.

As of December 31, 2007, Camtek has not provided for income taxes on the undistributed earnings of approximately US\$ 1,500 thousand of one of its foreign subsidiaries since these earnings are intended to be indefinitely reinvested. A deferred tax liability will be recognized when the Company no longer demonstrates that it plans to indefinitely reinvest these undistributed earnings. It is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

As of December 31, 2007, the Company and its subsidiary in Israel have NOL carryforwards aggregating approximately \$7,810 thousand, and NOL available for offset from Approved and Beneficiating Enterprises aggregating approximately \$14,942 thousands.

As of December 31, 2007, the major foreign subsidiaries have NOL carryforwards aggregating approximately \$4,842 thousand, of which approximately \$2,764 thousand will expire from 2009 to 2023 and approximately \$2,078 thousand can be carried forward indefinitely.

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CAMTEK LTD. and its subsidiaries

#### Notes to Consolidated Financial Statements As of December 31, 2007

##### NOTE 17 INCOME TAXES (Cont d)

###### G. Reduction in corporate income tax rate in Israel

On July 25, 2005, an amendment to the Israeli tax law was approved by the Israeli parliament, which reduces the tax rates imposed on Israeli companies to 31% for 2006. This amendment states that the corporate tax rate will be further reduced in subsequent tax years as follows: in 2007 29%, in 2008 27%, in 2009 26% and thereafter 25%. This change does not have a material effect on the Company's financial statements.

H. On February 26, 2008, the Israeli Income Tax Law (Inflationary Adjustments) (Amendment No. 20) (Restriction of Period of Application) 2008 (the 2008 Amendment) was passed by the Knesset. According to the 2008 Amendment, the Inflationary Adjustments Law will no longer be applicable subsequent to the 2007 tax year, except for certain transitional provisions. Further, according to the 2008 Amendment, commencing with the 2008 tax year, the adjustment of income for the effects of inflation for tax purposes will no longer be calculated. Additionally, depreciation on fixed assets and tax loss carryforwards will no longer be linked to future changes in the CPI subsequent to the 2007 tax year, and the balances that have been linked to the CPI through the end of the 2007 tax year will be used going forward.

###### I. Accounting for uncertainty in income taxes

FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS 109. This interpretation prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition of tax positions, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 requires significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position.



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The CEO works on a full time basis for the Company and therefore receives a full time salary, while the EVP receives from the Company 60% of a full time salary. The EVP is compensated directly by each of the Parent entities for which he works. The CEO also serves as the Chairman of Parent, and the EVP also serves as the Chief Executive Officer and as a director of Parent.

The CEO and EVP do not receive any additional compensation for their service as the Company's directors.

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CAMTEK LTD. and its subsidiaries

### Notes to Consolidated Financial Statements As of December 31, 2007

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#### NOTE 19 SUBSEQUENT EVENTS

- A. On January 1, 2008 132,800 RSU were granted to employees.
- B. On March 7, 2008, a purported class action complaint (the Class Action Complaint), Yuval Lapiner v. Camtek, Ltd. et al., Case No. 08-01327-MMC, was filed in the United States District Court for the Northern District of California on behalf of purchasers of our common stock between November 22, 2005 and December 20, 2006. The Class Action Complaint names the Company and certain of our directors and officers as defendants. It alleges that the defendants violated Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder, and breached fiduciary duties by making false and misleading statements in the Company's SEC filings and press releases. The plaintiffs seek unspecified compensatory damages against the defendants, as well as attorneys' fees and costs. At this preliminary stage, before the Company has submitted its response, management does not believe that the Class Action Complaint has merit and intends to defend itself vigorously. Accordingly, no provision has been made in the financial statements in respect of this claim.

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#### Item 19. Exhibits.

##### Exhibit

##### No.

##### Exhibit

- 1.1 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 on July 21, 2000).
- 1.2 Articles of Registrant (incorporated herein by reference to Exhibit 3.2 to Amendment No. 1 to the Registrant's Registration Statement on Form F-1, File No. 333-113208, filed with the Securities and Exchange Commission on April 5, 2004).
- 4.1 Amended and Restated Employee Share Option Plan (incorporated herein by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-8, File No. 333-84476, filed with the Securities and Exchange Commission on March 18, 2002).
- 4.2 Amended and Restated Subsidiary Employee Option Plan (incorporated herein by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-8, File No. 333-84476, filed with the Securities and Exchange Commission on March 18, 2002).
- 4.3 Employee Share Option Plan - Europe (incorporated herein by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-8, File No. 333-49982, filed with the Securities and Exchange Commission on November 15, 2000).
- 4.4 Executive Share Option Plan (incorporated herein by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-8, File No. 333-60704, filed with the Securities and Exchange Commission on May 11, 2001).

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- 4.5 2003 Share Option Plan (incorporated herein by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-8, File No. 333-113139, filed with the Securities and Exchange Commission on February 27, 2004).
- 4.6 Sub-Plan for Grantees Subject to United States Taxation (incorporated herein by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-8, File No. 333-113139, filed with the Securities and Exchange Commission on February 27, 2004).
- 4.7 Sub-Plan for Grantees Subject to Israeli Taxation (incorporated herein by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-8, File No. 333-113139, filed with the Securities and Exchange Commission on February 27, 2004).
- 4.8 2007 Restricted Share Unit Plan (attached to the original filing).
- 4.9 Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.10 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 on July 21, 2000).
- 4.10 Registration Rights Agreement, by and between the Registrant and Priortech Ltd., dated March 1, 2004 (incorporated herein by reference to Exhibit 10.9 to Amendment No. 1 to the Registrant's Registration Statement on Form F-1, File No. 333-113208, filed with the Securities and Exchange Commission on April 5, 2004).
- 4.11 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).
- 4.12 Convertible Loan Agreement, by and between the Registrant and FIMI Opportunity Fund, L.P., and FIMI Israel Opportunity Fund, dated August 8, 2005 (incorporated herein by reference to Exhibit 4.11 to the Registrant's Registration Statement on Form 20-F File No.000-30664 filed with the Securities and Exchange Commission on June 29, 2006).
- 4.13 Press Release announcing the Company's completion of \$15,000,000 Private Placement dated April 28, 2006; Press Release announcing Priortech Ltd. Sale of Camtek shares to Israeli Institutional Investors dated June 21, 2006 (incorporated herein by reference to Exhibit 4.12 to the Registrant's Registration Statement on Form 20-F File No.000-30664 filed with the Securities and Exchange Commission on June 29, 2006).
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- 8.1 Subsidiaries of the Registrant (attached to the original filing).
- 12.1 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.\*
- 12.2 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.\*
- 13.1 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.\*
- 15.1 Consent of Somekh Chaikin, a member firm of KPMG International (attached to the original filing).
- 15.2 Consent of Brightman Almagor & Co., a member firm of Deloitte, Touche Tohmatsu, and Goldstein Sabo Tevet (attached to the original filing).

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/A and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

**CAMTEK LTD.**

By: /s/ Rafi Amit

Rafi Amit  
Chief Executive Officer

Date: November 9, 2009

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