



REVIEW

JANUARY - DECEMBER

2010



ORBOTECH LTD.
CONDENSED CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2010

	December 31 2 0 1 0	December 31 2 0 0 9
	U. S. dollars	in thousands
<u>Assets</u>		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	179,503	164,019
Short-term bank deposits	2,780	
Accounts receivable:		
Trade	153,518	147,894
Other	29,919	27,445
Deferred income taxes	5,913	4,384
Inventories	112,812	94,331
Assets of discontinued operations	12,351	14,325
T o t a l current assets	496,796	452,398
<u>INVESTMENTS AND NON-CURRENT ASSETS:</u>		
Marketable securities	2,549	9,969
Funds in respect of employee rights upon retirement	13,017	11,266
Deferred income taxes	12,679	10,164
Other	29	29
Assets of discontinued operations		2,123
	28,274	33,551
<u>PROPERTY, PLANT AND EQUIPMENT, net</u>	24,842	27,208
<u>GOODWILL</u>	12,034	12,034
<u>OTHER INTANGIBLE ASSETS, net</u>	66,395	80,571
	628,341	605,762
<u>Liabilities and equity</u>		
<u>CURRENT LIABILITIES:</u>		
Current maturities of long-term bank loan	32,000	32,000
Accounts payable and accruals:		
Trade	26,535	25,164
Other	55,290	49,154
Deferred income	24,421	17,336
Liabilities of discontinued operations	2,172	4,556
T o t a l current liabilities	140,418	128,210
<u>LONG-TERM LIABILITIES:</u>		
Long-term bank loan	96,000	128,000
Liability for employee rights upon retirement	27,501	24,950
Deferred income tax	2,188	2,010
Other tax liabilities	12,679	10,079
T o t a l long-term liabilities	138,368	165,039
T o t a l liabilities	278,786	293,249
<u>EQUITY:</u>		
Share capital	1,758	1,746
Additional paid-in capital	174,940	169,748
Retained earnings	226,809	192,664
Accumulated other comprehensive income	1,454	3,817
	404,961	367,975
Less treasury stock, at cost	(57,192)	(57,192)
T o t a l Orbotech Ltd. shareholders' equity	347,769	310,783
Non-controlling interest	1,786	1,730
T o t a l equity	349,555	312,513
	628,341	605,762

ORBOTECH LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE TWELVE MONTH AND THREE MONTH PERIODS ENDED DECEMBER 31, 2010

	12 months ended		3 months ended	
	December 31		December 31	
	2010	2009	2010	2009
	U.S. dollars in thousands		(except per share data)	
<u>REVENUES</u>	529,355	359,330	128,376	96,681
<u>COST OF REVENUES</u>	312,901	220,202	80,646	58,945
<u>GROSS PROFIT</u>	<u>216,454</u>	<u>139,128</u>	<u>47,730</u>	<u>37,736</u>
<u>RESEARCH AND DEVELOPMENT COSTS - net</u>	78,327	64,106	21,081	17,310
<u>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</u>	66,264	63,598	16,339	17,406
<u>AMORTIZATION OF INTANGIBLE ASSETS</u>	14,176	19,848	3,544	4,962
<u>ADJUSTMENT OF IMPAIRMENT OF GOODWILL</u>		(3,300)		
<u>OPERATING INCOME (LOSS)</u>	<u>57,687</u>	<u>(5,124)</u>	<u>6,766</u>	<u>(1,942)</u>
<u>FINANCIAL EXPENSES- net</u>	7,284	11,090	1,295	642
<u>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES ON INCOME</u>	50,403	(16,214)	5,471	(2,584)
<u>INCOME TAX EXPENSE (BENEFIT)</u>	7,397	(372)	(630)	1,933
<u>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</u>	43,006	(15,842)	6,101	(4,517)
<u>LOSS FROM DISCONTINUED OPERATION, NET OF TAX</u>	8,717	3,914	1,989	778
<u>NET INCOME (LOSS)</u>	<u>34,289</u>	<u>(19,756)</u>	<u>4,112</u>	<u>(5,295)</u>
<u>NET INCOME ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST</u>	144	168	126	55
<u>NET INCOME (LOSS) ATTRIBUTABLE TO ORBOTECH LTD.</u>	<u>34,145</u>	<u>(19,924)</u>	<u>3,986</u>	<u>(5,350)</u>
<u>AMOUNTS ATTRIBUTABLE TO ORBOTECH LTD.:</u>				
<u>INCOME (LOSS) FROM CONTINUING OPERATIONS</u>	42,862	(16,010)	5,975	(4,572)
<u>LOSS FROM DISCONTINUED OPERATION, NET OF TAX</u>	(8,717)	(3,914)	(1,989)	(778)
<u>NET INCOME (LOSS) ATTRIBUTABLE TO ORBOTECH LTD.</u>	<u>34,145</u>	<u>(19,924)</u>	<u>3,986</u>	<u>(5,350)</u>
<u>EARNINGS (LOSS) PER SHARE:</u>				
<u>INCOME (LOSS) FROM CONTINUING OPERATIONS</u>				
<u>BASIC</u>	<u>\$1.23</u>	<u>(\$0.46)</u>	<u>\$0.17</u>	<u>(\$0.13)</u>
<u>DILUTED</u>	<u>\$1.20</u>	<u>(\$0.46)</u>	<u>\$0.17</u>	<u>(\$0.13)</u>
<u>NET INCOME (LOSS)</u>				
<u>BASIC</u>	<u>\$0.98</u>	<u>(\$0.58)</u>	<u>\$0.11</u>	<u>(\$0.15)</u>
<u>DILUTED</u>	<u>\$0.95</u>	<u>(\$0.58)</u>	<u>\$0.11</u>	<u>(\$0.15)</u>
<u>WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF EARNINGS (LOSS) PER SHARE - IN THOUSANDS:</u>				
<u>BASIC</u>	<u>34,911</u>	<u>34,501</u>	<u>35,023</u>	<u>34,755</u>
<u>DILUTED</u>	<u>35,778</u>	<u>34,501</u>	<u>35,754</u>	<u>34,755</u>

ORBOTECH LTD.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS FROM CONTINUING OPERATIONS
FOR THE TWELVE MONTH AND THREE MONTH PERIODS ENDED DECEMBER 31, 2010

	12 months ended	
	December 31	
	2010	2009
	U.S. dollars in thousands (€)	
<u>Reported net income (loss) attributable to Orbotech Ltd. on GAAP basis</u>	34,145	(19,924)
Non-operating income (expenses):		
Financial expenses - net	(7,284)	(11,090)
Income tax benefit (expense)	(7,397)	372
Net income attributable to the non-controlling interest	(144)	(168)
Loss from discontinued operations (1)	(8,717)	(3,914)
	<u>(23,542)</u>	<u>(14,800)</u>
Reported operating income (loss) on GAAP basis	57,687	(5,124)
Equity based compensation expenses	4,725	6,445
Amortization of intangible assets	14,176	19,848
Adjustment of impairment of goodwill (2)		(3,300)
Non-GAAP operating income	<u>76,588</u>	<u>17,869</u>
Non-operating expenses	(23,542)	(14,800)
Loss from discontinued operations (1)	8,717	3,914
<u>Non-GAAP net income from continuing operations</u>	<u>61,763</u>	<u>6,983</u>
Non-GAAP net income from continuing operations per diluted share	<u>\$1.73</u>	<u>\$0.20</u>
Shares used in net income from continuing operations per diluted share calculation-in thousands	<u>35,778</u>	<u>35,076</u>

- (1) The loss from discontinued operations, net of tax, was attributable to the re-classification during 2010 of Orbotech Medical Solutions Ltd. and Orbotech Medical Denmark A/S as discontinued operations.
- (2) The adjustment of impairment of goodwill of \$3.3 million recorded in June 2009 represents additional consideration from the sale of Salvador Imaging which was owned by PDI at the time of the PDI acquisition in 2008.

ORBOTECH LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTH PERIODS ENDED DECEMBER 31, 2010

12 months ended
December 31

2010 2009

U.S. dollars in thousands

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income (loss)	34,289	(19,756)
Adjustment to reconcile net income (loss) to net cash provided from (used in) operating activities:		
Loss from discontinued operations	8,717	3,914
Depreciation and amortization	23,665	29,977
Compensation relating to equity awards granted to employees and others - net	4,725	6,445
Increase (decrease) in liability for employee rights upon retirement	2,589	(2,633)
Deferred income taxes	(3,865)	(531)
Provision for restructuring expenses and non-cash expenses in respect of restructuring		(3,169)
Loss from sales and write down of marketable securities	1,252	2,866
Adjustment of impairment of goodwill		(3,300)
Other, including capital loss (gain)	(1,147)	38
Decrease (increase) in accounts receivable:		
Trade	(5,755)	30,882
Other	(4,674)	7,850
Increase (decrease) in accounts payable:		
Trade	1,434	(9,852)
Deferred income and other	15,870	(11,965)
Decrease (increase) in inventories	(19,018)	23,377
Net cash provided from operating activities - continuing operations	58,082	54,143
Net cash used in operating activities - discontinued operations	(8,972)	(1,134)
Net cash provided from operating activities	49,110	53,009

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property, plant and equipment	(6,752)	(3,670)
Earn out income		3,300
Placement of bank deposits	(2,780)	
Sales of marketable securities	6,742	9,894
Proceeds from disposal of property, plant and equipment	20	
Decrease (increase) in funds in respect of employee rights upon retirement	(617)	1,236
Net cash provided by (used in) investing activities - continuing operations	(3,387)	10,760
Net cash used in investing activities - discontinued operations	(268)	(229)
Net cash provided by (used in) investing activities	(3,655)	10,531

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of long-term bank loan	(32,000)	
Repayment of long-term liability		(2,667)
Employee stock options exercised	902	1,408

FINANCIAL DATA

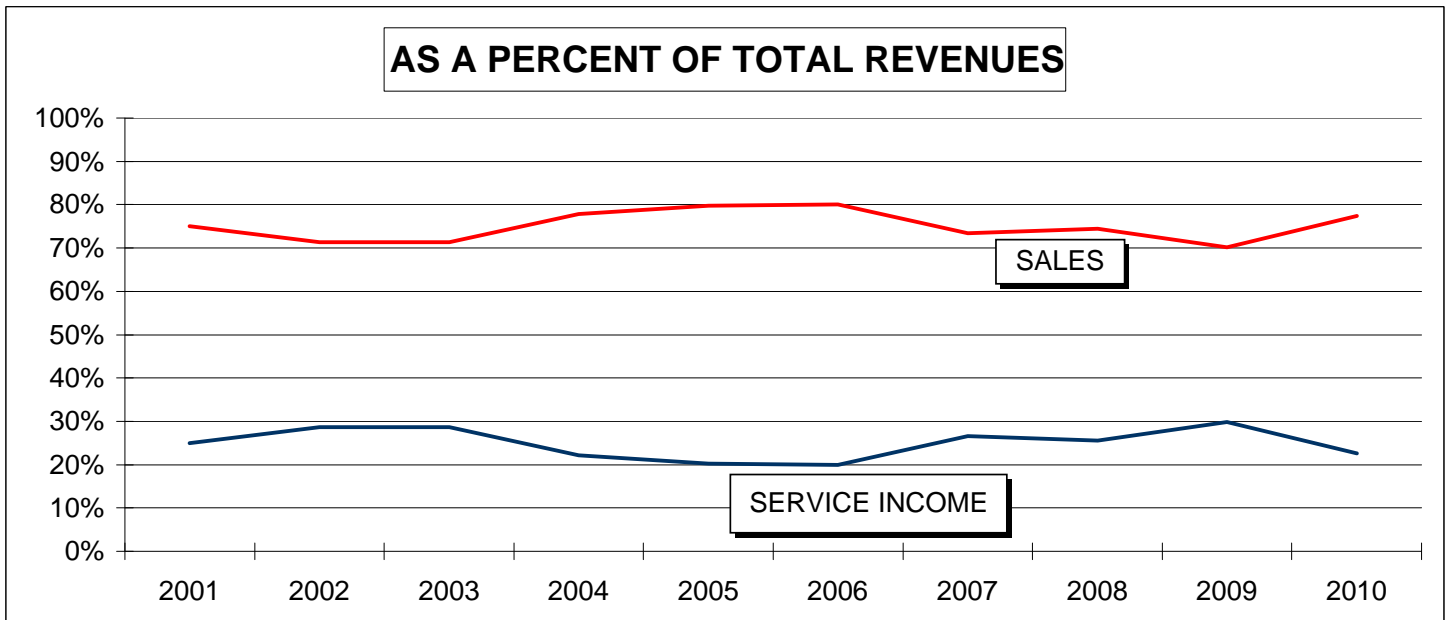
\$ M

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>				
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
<u>BALANCE SHEET</u>								
Assets	573.2	634.9	605.8	602.9	616.2	650.0	628.3	
Debt		160.0	160.0	152.0	144.0	136.0	128.0	
Equity	439.6	313.0	312.5	314.2	324.8	343.7	349.6	
Net working capital	342.6	165.4	322.6	326.1	333.0	358.2	356.4	
Capital expenditures	10.4	11.2	3.895	0.7	1.5	1.2	3.3	6.7
Depreciation	7.9	10.0	11.256	2.4	2.3	2.4	2.3	9.5
Current ratio	4.94	1.60	3.52	3.47	3.33	3.23	3.54	
Equity / Assets	76.7%	49.3%	51.6%	52.1%	52.7%	52.9%	55.6%	
Book value / share (US\$)	13.24	9.18	8.99	9.01	9.31	9.83	9.96	
Days sales outstanding	133	126	145	148	150	133	106	
<u>INCOME STATEMENT</u>								
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Revenues	349.5	408.0	359.3	100.0	144.9	156.1	128.4	529.4
GAAP Operating income (Loss)	13.5	(95.4)	(5.1)	6.9	19.6	24.4	6.8	57.7
GAAP Net income (Loss)	1.5	(135.3)	(19.9)	1.6	12.4	16.1	4.0	34.1
Non GAAP Operating income (Loss)	19.6	(69.2)	17.9	11.8	24.3	29.0	11.5	76.6
Non GAAP Net income (Loss)	26.4	27.8	7.0	8.5	18.8	23.8	10.7	61.8
EBITDA \$	27.5	37.5	29.1	14.3	26.6	31.3	13.7	85.9
EBITDA/Revenues	7.9%	9.2%	8.1%	14.3%	18.4%	20.1%	10.6%	16.2%
GAAP Earnings (Losses) per share diluted	0.04	(4.04)	(0.58)	0.05	0.35	0.45	0.11	0.95
Non GAAP Earnings (Losses) per share diluted	0.79	0.83	0.20	0.24	0.52	0.67	0.30	1.73
Average shares outstanding GAAP (K)	33,190	33,512	34,501	35,641	35,904	35,810	35,754	35,778
Average shares outstanding Non GAAP (K)	33,190	34,743	35,076	35,641	35,904	35,810	35,754	35,778
<u>MARGIN ANALYSIS</u>								
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Gross margin (excluding X-items)	41.5%	39.9%	38.7%	42.1%	41.8%	42.3%	37.2%	40.9%
Operating margin (excluding X-items)	3.9%	-23.4%	-1.4%	6.9%	13.5%	15.7%	5.3%	10.9%
Net margin (excluding X-items)	0.4%	-33.2%	-5.5%	1.6%	8.6%	10.3%	3.1%	6.5%
Net margin (reported)	0.4%	-33.2%	-5.5%	1.6%	8.6%	10.3%	3.1%	6.5%
R & D / revenues (excluding X-items)	19.4%	18.8%	18.9%	17.1%	13.7%	13.0%	16.4%	14.8%
S,G&A/revenues (includ. goodwill amort.)	19.2%	21.7%	23.8%	14.5%	12.1%	11.4%	12.7%	12.5%
Effective tax rate (excluding X-items)	51.3%	-0.2%	2.0%	22.0%	19.4%	15.9%	-	14.7%
No. of employees	1,525	1,616	1,525	1,546	1,601	1,655	1,689	

SALES AND SERVICE INCOME - 2001-2010

\$M

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
SALES	226.3 75.0%	154.3 71.3%	163.0 71.4%	245.6 77.9%	303.1 79.8%	332.7 80.0%	256.7 73.4%	303.5 74.4%	251.9 70.1%	409.6 77.4%
SERVICE INCOME	75.6 25.0%	62.1 28.7%	65.4 28.6%	69.6 22.1%	76.6 20.2%	83.1 20.0%	92.9 26.6%	104.5 25.6%	107.5 29.9%	119.8 22.6%
TOTAL REVENUES	301.9 100%	216.4 100%	228.4 100%	315.2 100%	379.7 100%	415.8 100%	349.6 100%	408.0 100%	359.4 100%	529.4 100%



REVENUES BY REGION

\$ M

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>					<u>2010</u>				
SALES																
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
N.AMERICA	21.9 14%	26.2 11%	33.0 11%	39.7 12%	38.5 15%	30.8 10%	1.6 3%	5.0 8%	3.4 6%	3.9 6%	13.9 6%	5.5 7%	5.3 5%	4.1 3%	7.7 8%	22.6 6%
EUROPE	11.8 7%	23.4 9%	23.1 8%	29.7 9%	31.8 12%	26.7 9%	2.5 4%	1.5 2%	1.1 2%	4.7 7%	9.8 4%	5.4 7%	4.0 3%	1.9 2%	4.8 5%	16.1 4%
PACIFIC RIM	91.7 56%	170.8 70%	203.4 67%	202.3 61%	156.2 61%	219.3 72%	56.9 91%	31.9 54%	35.5 59%	45.5 66%	169.8 67%	58.6 80%	96.1 83%	105.7 84%	69.1 73%	329.5 80%
JAPAN	37.2 23%	24.4 10%	41.0 13%	60.2 18%	28.6 11%	25.1 8%	1.5 2%	21.9 36%	20.0 33%	14.3 21%	57.7 23%	3.8 5%	10.1 9%	13.3 11%	13.7 14%	40.9 10%
OTHERS	0.4 0%	0.8 0%	2.6 1%	0.8 0%	1.6 1%	1.6 1%	0.1 0%	0.2 0%	0.3 0%	0.1 0%	0.7 0%	0.4 1%	0.1 0%	- 0%	- 0%	0.5 0%
TOTAL	163.0 100%	245.6 100%	303.1 100%	332.7 100%	256.7 100%	303.5 100%	62.6 100%	60.5 100%	60.3 100%	68.5 100%	251.9 100%	73.7 100%	115.6 100%	125.0 100%	95.3 100%	409.6 100%
SERVICE																
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
N.AMERICA	13.2 20%	14.5 21%	15.4 20%	16.4 20%	16.9 18%	18.2 18%	4.7 19%	4.2 16%	4.3 16%	4.5 16%	17.7 16%	4.1 16%	4.2 14%	4.4 14%	4.5 14%	17.2 14%
EUROPE	10.3 16%	11.2 16%	11.4 15%	10.8 13%	10.4 11%	12.3 12%	2.3 9%	2.5 9%	2.6 9%	2.6 9%	10.0 9%	2.5 9%	2.4 8%	2.5 8%	2.5 8%	9.9 8%
PACIFIC RIM	32.4 49%	33.9 49%	39.8 52%	44.9 54%	53.4 58%	61.0 58%	14.0 56%	16.4 62%	16.7 61%	16.9 60%	64.0 60%	14.3 55%	18.4 63%	19.1 62%	21.0 63%	72.8 61%
JAPAN	9.2 14%	9.7 14%	9.7 13%	10.7 13%	11.5 12%	12.6 12%	4.0 16%	3.6 13%	3.9 14%	4.1 15%	15.6 15%	5.2 20%	4.3 15%	5.0 16%	5.0 15%	19.5 17%
OTHERS	0.3 1%	0.3 0%	0.3 0%	0.3 0%	0.7 1%	0.4 0%	- 0%	0.1 0%	- 0%	0.1 0%	0.2 0%	0.1 0%	0.1 0%	0.1 0%	0.1 0%	0.4 0%
TOTAL	65.4 100%	69.6 100%	76.6 100%	83.1 100%	92.9 100%	104.5 100%	25.0 100%	26.8 100%	27.5 100%	28.2 100%	107.5 100%	26.2 100%	29.4 100%	31.1 100%	33.1 100%	119.8 100%
TOTAL REVENUES																
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
N.AMERICA	35.1 16%	40.7 13%	48.4 13%	56.1 14%	55.4 16%	49.0 12%	6.3 7%	9.2 11%	7.7 9%	8.4 9%	31.6 9%	9.6 10%	9.5 7%	8.5 5%	12.2 9%	39.8 8%
EUROPE	22.1 10%	34.6 11%	34.5 9%	40.5 10%	42.2 12%	39.0 10%	4.8 6%	4.0 5%	3.7 4%	7.3 7%	19.8 6%	7.9 8%	6.4 4%	4.4 3%	7.3 6%	26.0 5%
PACIFIC RIM	124.1 54%	204.7 65%	243.2 64%	247.2 59%	209.6 60%	280.3 69%	70.9 81%	48.3 55%	52.2 60%	62.4 65%	233.8 65%	72.9 73%	114.5 79%	124.8 80%	90.1 70%	402.3 76%
JAPAN	46.4 20%	34.1 11%	50.7 13%	70.9 17%	40.1 11%	37.7 9%	5.5 6%	25.5 29%	23.9 27%	18.4 19%	73.3 20%	9.0 9%	14.4 10%	18.3 12%	18.7 15%	60.4 11%
OTHERS	0.7 0%	1.1 0%	2.9 1%	1.1 0%	2.3 1%	2.0 0%	0.1 0%	0.3 0%	0.3 0%	0.2 0%	0.9 0%	0.5 0%	0.2 0%	0.1 0%	0.1 0%	0.9 0%
TOTAL	228.4 100%	315.2 100%	379.7 100%	415.8 100%	349.6 100%	408.0 100%	87.6 100%	87.3 100%	87.8 100%	96.7 100%	359.4 100%	99.9 100%	145.0 100%	156.1 100%	128.4 100%	529.4 100%