

June Quarter 2014

July 30th , 2014



Operational efficiency assures resilient long term model

PASSION. INNOVATION. PERFORMANCE

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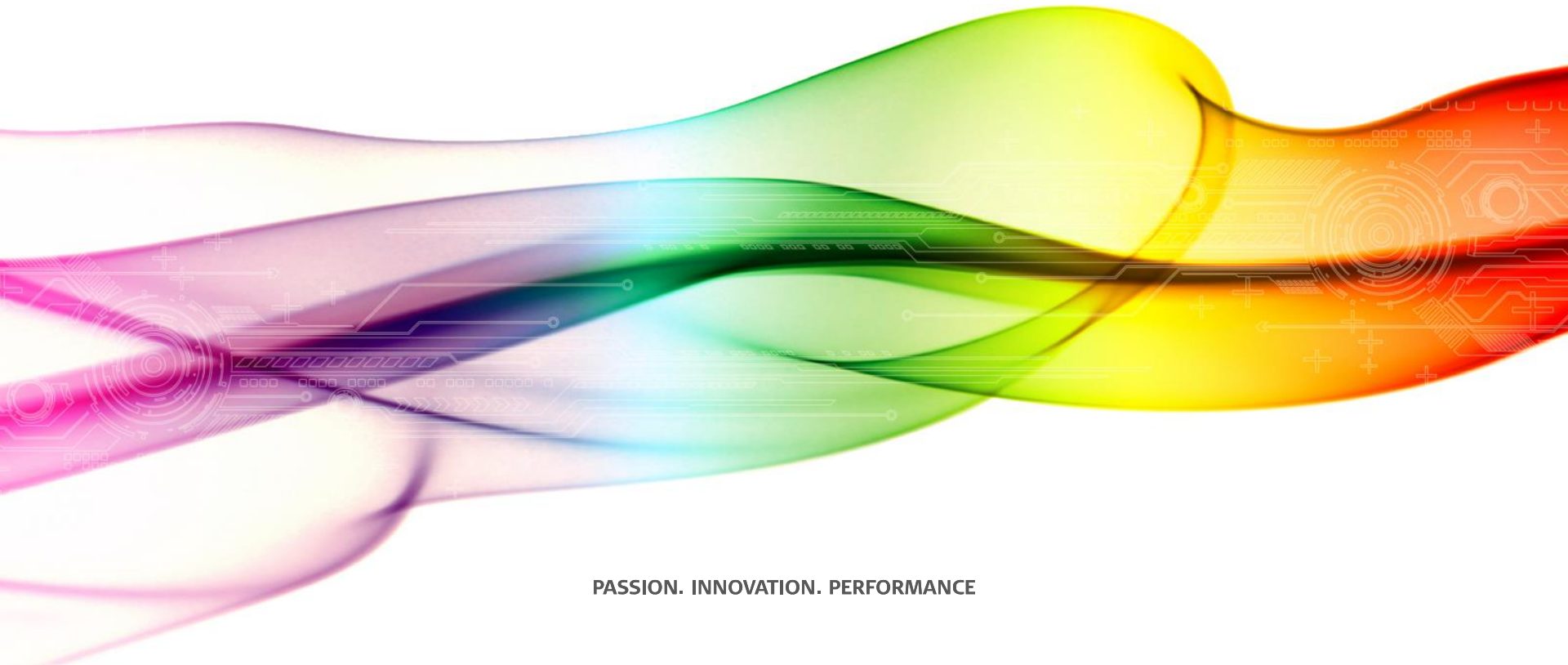
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Business Summary June Quarter 2014

Eitan Oppenheim
President and Chief Executive Officer



Q2 Results – Business Highlights

- Financial highlights
 - Quarterly sales revenues – in line with guidance
 - Revenues - \$32.8M USD
 - Non GAAP net income - \$6.1M USD
 - Non GAAP EPS - \$0.22
 - 21% YOY growth in H1 2014, compared with H1 2013
 - Exposure to the most advanced technology nodes
 - Growth of more than 50% in revenues - 1Xnm nodes
 - Undergoing 10nm evaluations with leading Foundries
 - Solid operation efficiency
 - Operating margins – 17%
 - YTD cash reserves - \$114M
 - Initiated our previously announced \$12M share repurchase program

In line with revenue guidance. Met high end of Q2 profitability guidance

Q2 Results – Portfolio Highlights

- Foundries - deliveries to several technology nodes
 - 28nm, 20nm, 16/14nm
 - Undergo 10nm evaluations – strong cooperation with customers' R&D
 - Best metrology suite for FinFET – proven experience
- Memory – delivery to support DRAM expansions
 - Undergo VNAND Memory evaluations
- I500 (Integrated) – increased TAM
 - More than 100 systems delivered in H1
 - Additional account adopted Integrated Metrology for production
 - Multiple process steps
- TSV (Through Silicon Via) – Solution adopted by 5 customers
 - Leading Memory and Logic customer in Asia placed first order
 - Evaluations continue with major customers
- Recognized SW revenue – will continue throughout 2014

- Near term softness versus long term committed investments
 - Investment cycle – long term healthy growth with near-term fluctuations
- Foundry segment
 - Intensive 20nm ramp up by our leading customer
 - Placing pressure on the other players – 20nm and sub 20nm
 - Continuing efforts to qualify 14/16nm FinFET devices by major Foundries
 - Continuing 28nm expansion in several locations
 - 10nm development starts to pick up
- Memory segment
 - Various Memory capacity expansions and conversions , primarily in DRAM
 - VNAND investment - production lines in 2015
 - 2014 – Planar investment with VNAND continuous development
 - 2015 – gradual transition to VNAND for volume production
 - Tight DRAM supply / demand scheme driving continual investments

Near term volatility in this long term solid investment cycle
Favorable market conditions for Optical Metrology growth

Q3 2014 Guidance

- Revenues - \$26M-\$29M million
- EPS (GAAP basis) - \$0.05-\$0.11
- EPS (NON GAAP basis) - \$0.07-\$0.13

Financial Overview June Quarter 2014

Dror David
Chief Financial Officer



June Quarter Financial Results

- Quarterly revenues of \$32.8 million, up 17% year-over-year
 - All-time record of service revenues
- Products bookings breakdown:
 - Foundry/Memory: 90%/10%
 - Regional distribution: Asia Pacific - 51%, US - 47%, JP - 2%
- Quarterly blended gross margins of 54%
 - Products gross margins of 58% due to favorable product mix
 - Services gross margins of 39% with increase in T&M including software

June Quarter Financial Results

- Operating expenses of \$12.0 million
 - Strong dependency on R&D prototype-related expenses
 - One-time G&A provisions of \$0.2M
- Operating margin of 17%, well within our target model
- Tax expenses of \$0.1M from utilizing tax incentives in Israel
- Net income at the high end of the quarterly guidance
 - GAAP net income of \$5.7M, or \$0.20 per diluted share
 - NON-GAAP net income of \$6.1M, or \$0.22 per diluted share

Key Balance Sheet Metrics

Key Metrics	Three Months Ended	
	Jun 14	Mar 14
Total Cash Reserves	\$114M	\$113M
Accounts Receivables	\$26M	\$22M
DSO	66	65
Inventory	\$19M	\$19M
Inventory Turns	3.2	3.6
Deferred Revenues	\$6.1M	\$4.8M
Capital Investments	\$1.2M	\$0.5M
Depreciation	\$1.0M	\$0.9M

Revenue trends

