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**Company Press Release**

**NOVA ANNOUNCES RECORD 2014 FIRST QUARTER**

**Record Quarterly Revenues of \$34.7 million  
Net Quarterly Income of \$6.4 million, exceeding the quarterly guidance**

**Rehovot, Israel, April 30, 2014** - Nova Measuring Instruments Ltd. (NASDAQ: NVMI), a leading innovator and a key provider of optical metrology solutions for advanced process control used in semiconductor manufacturing, today reported record revenues for 2014 first quarter.

**Business Highlights:**

- Continued systems delivery to leading customers for 20nm ramp up and 16/14nm pilot lines
- T600 Standalone tool accepted for high volume manufacturing for Etch process for 20nm & 16nm at major foundry customer
- Ongoing evaluations for 10nm technology
- Ongoing evaluations at memory customers for VNAND and TSV applications
- SW products gaining traction with a first order for Hybrid Metrology software solution

**Financial Highlights:**

- Quarterly revenues of \$34.7 million, up 26% from \$27.4 million a year ago
- Quarterly gross margin of 51%, compared with 54% a year ago
- Net Income of \$6.4 million, up 167% from \$2.4 million a year ago
- Research & Development expense of \$6.9 million, down from \$7.5 million a year ago
- Total cash reserves of \$113.2 million as of March 31, 2014, and no debt

GAAP Results (\$K)			
	Q1 2014	Q4 2013	Q1 2013
Revenues	\$34,660	\$30,189	\$27,425
Net Income	\$6,398	\$3,077	\$2,395
Earnings per Diluted Share	\$0.23	\$0.11	\$0.09
NON-GAAP Results (\$K)			
	Q1 2014	Q4 2013	Q1 2013
Net Income	\$6,929	\$4,055	\$3,589
Earnings per Diluted Share	\$0.25	\$0.15	\$0.13

*A reconciliation between GAAP operating results and non-GAAP operating results is provided following the financial statements that are part of this release. Non-GAAP results exclude adjustments of deferred tax assets and stock based compensation expenses.*

## **Management Comments**

“We posted record sales revenue for the first quarter, meeting the high end of our quarterly revenue guidance, due to market share gains and strong demand for our Optical Metrology solutions. Moreover, our net income significantly increased and exceeded our quarterly guidance,” commented Eitan Oppenheim, President and CEO of Nova. “Our recent R&D investments, which were aimed at enhancing and diversifying our products offering, are clearly paying off and have established us as a leader in Optical Metrology for advanced process control.”

“The use of Optical Metrology is expanding rapidly as the semiconductor industry continues its challenging technical transition to advanced 3D structures, thus broadening the opportunity available to us, as we continue to increase our market share and expand our presence. Following our recent efforts and extensive customer evaluations we started to receive orders for our newly introduced software products. We view these orders as clear evidence that our strategic decision to add software products to our offering is paying off, and is supporting the profitability leverage built into our business model.”

## **First Quarter 2014 Results**

Total revenues for the first quarter of 2014 were \$34.7 million, an increase of 26% relative to the first quarter of 2013, and an increase of 15% relative to the fourth quarter of 2013.

Gross margin for the first quarter of 2014 was 51%, compared with 54% in the first quarter of 2013 and 53% in the fourth quarter of 2013.

Operating expenses in the first quarter of 2014 were \$11.4 million, compared with \$11.8 million in the first quarter of 2013 and \$12.0 million in the fourth quarter of 2013.

On a GAAP basis, the company reported net income of \$6.4 million, or \$0.23 per diluted share, in the first quarter of 2014. This compares to a net income of \$2.4 million, or \$0.09 per diluted share, in the first quarter of 2013, and a net income of \$3.1 million, or \$0.11 per diluted share, in the fourth quarter of 2013.

On a Non-GAAP basis, which excludes deferred income tax expenses and stock based compensation expenses, the company reported net income of \$6.9 million, or \$0.25 per diluted share, in the first quarter of 2014. This compares to a net income of \$3.6 million, or \$0.13 per diluted share, in the first quarter of 2013, and a net income of \$4.1 million, or \$0.15 per diluted share, in the fourth quarter of 2013.

### **Conference Call Information**

Nova will host a conference call on Wednesday, April 30, 2014 at 8:30 a.m. Eastern Time, to discuss the first quarter results and future outlook, along with its guidance for the second quarter of 2014.

To attend the conference call, please dial one of the following teleconferencing numbers. Please begin by placing your calls 5 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

**U.S. Dial-in Number: 1-877-941-1427**  
**ISRAEL Dial-in Number: 1809-21-4368**  
**INTERNATIONAL Dial-in Number: 1-480-629-9664**

**At:**

**8:30 a.m. Eastern Time**  
**5:30 a.m. Pacific Time**  
**3:30 p.m. Israeli Time**

The conference call will also be webcast live from a link on Nova's website at <http://ir.novameasuring.com>. For those unable to participate in the conference call, there will be a replay available from a link on Nova's website at <http://ir.novameasuring.com>.

**About Nova:** Nova Measuring Instruments Ltd. develops, produces and markets advanced Optical CD metrology solutions for the semiconductor manufacturing industry. Nova is traded on the NASDAQ & TASE under the symbol NVMI. The Company's website is [www.novameasuring.com](http://www.novameasuring.com).

*This press release provides financial measures that exclude non-cash charges for stock-based compensation and deferred income tax expenses adjustments and are therefore not calculated in accordance with generally accepted accounting principles (GAAP). Management believes that these non-GAAP financial measures provide meaningful supplemental information regarding Nova's performance because they reflect our operational results and enhances management's and investors' ability to evaluate Nova's performance before charges or benefits considered by management to be outside Nova's ongoing operating results.*

*The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management believes that it is in the best interest of its investors to provide financial information that will facilitate comparison of both historical and future results and allows greater transparency to supplemental information used by management in its financial and operational decision making. A reconciliation of each GAAP to non-GAAP financial measure discussed in this press release is contained in the accompanying financial tables.*

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*This press release contains forward-looking statements within the meaning of safe harbor provisions of the Private Securities Litigation Reform Act of 1995 relating to future events or our future performance, such as statements regarding trends, demand for our products, expected deliveries, transaction, expected revenues, operating results, earnings and profitability. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in those forward looking statements. These risks and other factors include but are not limited to: our dependency on two product lines; our dependency on a small number of large customers and small number of suppliers; the highly cyclical nature of the markets we target; our inability to reduce spending during a slowdown in the semiconductor industry; our ability to respond effectively on a timely basis to rapid technological changes; our dependency on PEM; risks related to exclusivity obligations and non-limited liability that may be included in our commercial agreements and arrangements; our ability to retain our competitive position despite the ongoing consolidation in our industry; risks related to our dependence on a single manufacturing facility; risks related to the extremely competitive market we are operation in; risks related to changes in our order backlog; risks related to the financial, political and environmental instabilities in Asia; risks related to our intellectual property; new product offerings from our competitors; unanticipated manufacturing or supply problems; changes in tax requirements; changes in customer demand for our products; risks related to currency fluctuations and risks related to our operations in Israel. We cannot guarantee future results, levels of activity, performance or achievements. The matters discussed in this press release also involve risks and uncertainties summarized under the heading "Risk Factors" in Nova's Annual Report on Form 20-F for the year ended December 31, 2013 filed with the Securities and Exchange Commission on February 28, 2014. These factors are updated from time to time through the filing of reports and registration statements with the Securities and Exchange Commission. Nova Measuring Instruments Ltd. does not assume any obligation to update the forward-looking information contained in this press release.*

(Tables to Follow)

**NOVA MEASURING INSTRUMENTS LTD.**  
**CONSOLIDATED BALANCE SHEET**  
(U.S. dollars in thousands)

	<b>As of March 31, 2014</b>	<b>As of December 31, 2013</b>
	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	21,026	17,542
Short-term interest-bearing bank deposits	89,593	79,552
Available for sale securities	1,844	1,845
Trade accounts receivable	22,206	27,947
Inventories	19,418	18,118
Deferred income tax assets	128	137
Other current assets	4,360	3,922
	<u>158,575</u>	<u>149,063</u>
<b>LONG-TERM ASSETS</b>		
Long-term interest-bearing bank deposits	750	750
Other long-term assets	206	230
Severance pay funds	1,802	1,852
	<u>2,758</u>	<u>2,832</u>
<b>FIXED ASSETS, NET</b>	<u>10,065</u>	<u>10,382</u>
<b>TOTAL ASSETS</b>	<u>171,398</u>	<u>162,277</u>
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	14,551	15,599
Deferred income	4,355	3,420
Other current liabilities	12,665	11,448
	<u>31,571</u>	<u>30,467</u>
<b>LONG-TERM LIABILITIES</b>		
Liability for employee severance pay	2,723	2,798
Deferred income	489	341
Other long-term liability	6	7
	<u>3,218</u>	<u>3,146</u>
<b>SHAREHOLDERS' EQUITY</b>	<u>136,609</u>	<u>128,664</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>171,398</u>	<u>162,277</u>

**NOVA MEASURING INSTRUMENTS LTD.**  
**QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS**

(U.S. dollars in thousands, except per share data)

	<u>March 31,</u> <u>2014</u>	<u>Three months ended</u> <u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2013</u>
<b>REVENUES</b>			
Products	28,776	24,739	22,341
Services	5,884	5,450	5,084
	<u>34,660</u>	<u>30,189</u>	<u>27,425</u>
<b>COST OF REVENUES</b>			
Products	12,797	10,299	9,079
Services	4,140	4,018	3,580
	<u>16,937</u>	<u>14,317</u>	<u>12,659</u>
<b>GROSS PROFIT</b>	<u>17,723</u>	<u>15,872</u>	<u>14,766</u>
<b>OPERATING EXPENSES</b>			
Research and Development expenses, net	6,901	7,491	7,499
Sales and Marketing expenses	3,406	3,128	3,224
General and Administration expenses	1,064	1,350	1,119
	<u>11,371</u>	<u>11,969</u>	<u>11,842</u>
<b>OPERATING PROFIT</b>	6,352	3,903	2,924
<b>INTEREST INCOME, NET</b>	<u>175</u>	<u>60</u>	<u>130</u>
<b>INCOME BEFORE INCOME TAXES</b>	6,527	3,963	3,054
<b>INCOME TAX EXPENSES</b>	<u>129</u>	<u>886</u>	<u>659</u>
<b>NET INCOME FOR THE PERIOD</b>	<u>6,398</u>	<u>3,077</u>	<u>2,395</u>
Earnings per share:			
Basic	<u>0.23</u>	<u>0.11</u>	<u>0.09</u>
Diluted	<u>0.23</u>	<u>0.11</u>	<u>0.09</u>
Shares used for calculation of earnings per share:			
Basic	<u>27,432</u>	<u>27,268</u>	<u>26,854</u>
Diluted	<u>27,890</u>	<u>27,548</u>	<u>27,261</u>

**NOVA MEASURING INSTRUMENTS LTD.**  
**QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(U.S. dollars in thousands)

	<u>March 31,</u> <u>2014</u>	<u>Three months ended</u> <u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2013</u>
<b>CASH FLOW – OPERATING ACTIVITIES</b>			
Net income for the period	6,398	3,077	2,395
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	902	945	824
Amortization of deferred stock-based compensation	522	518	585
Decrease in liability for employee termination benefits, net	(26)	(37)	(11)
Deferred income taxes	9	460	609
Decrease (increase) in trade accounts receivables	5,741	(7,118)	(1,643)
Increase in inventories	(1,360)	(1,950)	(560)
Increase in other current and long term Assets	(717)	(291)	(720)
Increase (decrease) in trade accounts payables and other long-term liabilities	(1,049)	4,489	(75)
Increase in other current liabilities	1,233	1,600	1,344
Increase (decrease) in short and long term deferred income	1,083	(234)	61
<b>Net cash provided by operating activities</b>	<u><b>12,736</b></u>	<u><b>1,459</b></u>	<u><b>2,809</b></u>
<b>CASH FLOW – INVESTMENT ACTIVITIES</b>			
Decrease (increase) in short-term interest-bearing bank deposits	(10,041)	4,367	1,985
Increase in long-term interest-bearing bank deposits	-	(345)	-
Investment in short-term available for sale securities	1	(1,845)	-
Additions to fixed assets	(525)	(1,974)	(342)
<b>Net cash provided by (used in) investment activities</b>	<u><b>(10,565)</b></u>	<u><b>203</b></u>	<u><b>1,643</b></u>
<b>CASH FLOW – FINANCING ACTIVITIES</b>			
Shares issued under employee share-based plans	1,313	123	457
<b>Net cash provided by financing activities</b>	<u><b>1,313</b></u>	<u><b>123</b></u>	<u><b>457</b></u>
<b>Increase in cash and cash equivalents</b>	<b>3,484</b>	<b>1,785</b>	<b>4,909</b>
<b>Cash and cash equivalents – beginning of period</b>	<u><b>17,542</b></u>	<u><b>15,757</b></u>	<u><b>15,963</b></u>
<b>Cash and cash equivalents – end of period</b>	<u><b>21,026</b></u>	<u><b>17,542</b></u>	<u><b>20,872</b></u>

**DISCLOSURE OF NON-GAAP NET INCOME**

(U.S. dollars in thousands, except per share data)

	<u>March 31,</u> <u>2014</u>	<u>Three months ended</u> <u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2013</u>
<b>GAAP Net income for the period</b>	6,398	3,077	2,395
<u>NON-GAAP Adjustments:</u>			
Stock based compensation expenses	522	518	585
Deferred income tax expenses	<u>9</u>	<u>460</u>	<u>609</u>
<b>NON-GAAP Net income for the period</b>	<u>6,929</u>	<u>4,055</u>	<u>3,589</u>
NON-GAAP Net income per share:			
Basic	<u>0.25</u>	<u>0.15</u>	<u>0.13</u>
Diluted	<u>0.25</u>	<u>0.15</u>	<u>0.13</u>
Shares used for calculation of NON-GAAP net income per share:			
Basic	<u>27,432</u>	<u>27,268</u>	<u>26,854</u>
Diluted	<u>27,890</u>	<u>27,548</u>	<u>27,261</u>