

**Company Contact:**

Dror David, Chief Financial Officer  
Nova Measuring Instruments Ltd.  
Tel: +972-73-229-5833  
E-mail: [info@novameasuring.com](mailto:info@novameasuring.com)  
[www.novameasuring.com](http://www.novameasuring.com)

**Investor Relations Contacts:**

Hayden/ MS-IR LLC  
Miri Segal  
Tel: +917-607-8654  
E-mail: [msegal@ms-ir.com](mailto:msegal@ms-ir.com)  
Or  
David Fore  
Tel: +206-395-2711  
E-mail: [dave@haydenir.com](mailto:dave@haydenir.com)

**Company Press Release**

**NOVA ANNOUNCES 2014 SECOND QUARTER RESULTS**

**REHOVOT, Israel, July 30, 2014 - Nova Measuring Instruments (Nasdaq: NVMI)**, a leading innovator and a key provider of optical metrology solutions for advanced process control used in semiconductor manufacturing, today reported 2014 second quarter results.

**Business Highlights:**

- Continued delivery to the most advanced nodes for 20/16/14nm product lines
- Successful V2600 Through-Silicon-Via evaluation yielded first order from a leading Logic and Memory customer in Asia
- Expanding presence with new integrated metrology wins
- Multiple evaluations and orders for 10nm R&D lines
- Multiple evaluations at memory customers for V-NAND applications
- Software products gaining traction with orders for both Hybrid Metrology and Fleet Management solutions

**Financial Highlights:**

- Quarterly revenues of \$32.8 million, up 17% from \$28.1 million a year ago
- Revenue for the six months ended June 30, 2014 of \$67.5 million, up 21% from \$55.5 million in the same period a year ago
- Quarterly gross margin of 54%, compared with 55% a year ago
- Quarterly net income of \$5.7 million, up 103% from \$2.8 million a year ago
- Net income for the six months ended June 30, 2014 of \$12.1 million, up 133% from \$5.2 million in the same period a year ago
- Total cash reserves of \$114.1 million as of June 30, 2014, and no debt
- Initiated previously-announced \$12 million share repurchase program

GAAP Results (\$K)			
	Q2 2014	Q1 2014	Q2 2013
Revenues	\$32,785	\$34,660	\$28,124
Net Income	\$5,694	\$6,398	\$2,803
Earnings per Diluted Share	\$0.20	\$0.23	\$0.10
NON-GAAP Results (\$K)			
	Q2 2014	Q1 2014	Q2 2013
Net Income	\$6,108	\$6,929	\$3,779
Earnings per Diluted Share	\$0.22	\$0.25	\$0.14

*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, stock based compensation expenses, income from insurance claim and loss related to equipment and inventory damage.*

## **Management Comments**

“We posted solid results for the quarter with strong net income at the high end of our guidance, delivering on an efficient operating model that maximizes our ongoing investments and guarantees our future growth. In fact, our net income for the first six months of 2014 exceeded our net income for the entire year of 2013”, commented Eitan Oppenheim, President and CEO of Nova. “During the quarter, we continued to strengthen our position in the market segments we are serving, despite the challenging conditions that our customers are facing. We are well positioned to capitalize on their expansions as they move to the next technology nodes.”

“The use of Optical Metrology is expanding rapidly as the semiconductor industry continues its technology transition to advanced 3D structures such as V-NAND and FinFET, further broadening the opportunity available to us. We are currently being evaluated in multiple projects with our broad portfolio of products, including our next generation Optical CD tools. We expect these initiatives, along with new technology directions that we are pursuing, to have a substantial impact on our future performance.”

## **Second Quarter 2014 Results**

Total revenues for the second quarter of 2014 were \$32.8 million, an increase of 17% relative to the second quarter of 2013, and a decrease of 5% relative to the first quarter of 2014.

Gross margin for the second quarter of 2014 was 54%, compared with 55% in the second quarter of 2013 and 51% in the first quarter of 2014.

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

On a GAAP basis, the company reported net income of \$5.7 million, or \$0.20 per diluted share, in the second quarter of 2014. This compares to a net income of \$2.8 million, or \$0.10 per diluted share, in the second quarter of 2013, and a net income of \$6.4 million, or \$0.23 per diluted share, in the first quarter of 2014.

On a Non-GAAP basis, which excludes deferred income tax expenses, stock based compensation expenses, income from insurance claim and loss related to equipment and inventory damage, the company reported net income of \$6.1 million, or \$0.22 per diluted share, in the second quarter of 2014. This compares to a net income of \$3.8 million, or \$0.14 per diluted share, in the second quarter of 2013, and a net income of \$6.9 million, or \$0.25 per diluted share, in the first quarter of 2014.

### **Conference Call Information**

Nova will host a conference call on Wednesday, July 30, 2014 at 8:30 a.m. Eastern Time, to discuss the second quarter results and future outlook, along with its guidance for the third 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: 1-866-290-0920**  
**ISRAEL Dial-in Number: 1809-24-6064**  
**INTERNATIONAL Dial-in Number: 1-913-312-0422**

**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 Instrument Ltd.** delivers continuous innovation by providing advanced optical metrology solutions for the semiconductor manufacturing industry. Deployed with the world's largest integrated-circuit manufacturers, Nova's products deliver state-of-the-art, high-performance metrology solutions for effective process control throughout the semiconductor fabrication lifecycle. Nova's product portfolio, which combines high-precision hardware and cutting-edge software, supports the development and production of the most advanced devices in today's high-end semiconductor market. Nova's technical innovation and market leadership enable customers to improve process performance, enhance products' yields and accelerate time to market. Nova acts as a partner to semiconductor manufacturers from its offices around the world. Additional information may be found at [www.novameasuring.com](http://www.novameasuring.com).

Nova is traded on the NASDAQ & TASE under the symbol NVMI.

*This press release provides financial measures that exclude non-cash charges for stock-based compensation expenses, deferred income taxes expenses, income from insurance claim and loss related to equipment and inventory damage 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.*

---

*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 June 30, 2014</b>	<b>As of December 31, 2013</b>
	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	19,899	17,542
Short-term interest-bearing bank deposits	91,536	79,552
Available for sale securities	1,873	1,845
Trade accounts receivable	26,104	27,947
Inventories	18,790	18,118
Deferred income tax assets	186	137
Other current assets	3,996	3,922
	<u>162,384</u>	<u>149,063</u>
<b>LONG-TERM ASSETS</b>		
Long-term interest-bearing bank deposits	750	750
Other long-term assets	208	230
Severance pay funds	1,773	1,852
	<u>2,731</u>	<u>2,832</u>
<b>FIXED ASSETS, NET</b>	<u>10,261</u>	<u>10,382</u>
<b>TOTAL ASSETS</b>	<u>175,376</u>	<u>162,277</u>
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	12,095	15,599
Deferred income	5,670	3,420
Other current liabilities	11,839	11,448
	<u>29,604</u>	<u>30,467</u>
<b>LONG-TERM LIABILITIES</b>		
Liability for employee severance pay	2,776	2,798
Deferred income	421	341
Other long-term liability	6	7
	<u>3,203</u>	<u>3,146</u>
<b>SHAREHOLDERS' EQUITY</b>	<u>142,569</u>	<u>128,664</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>175,376</u>	<u>162,277</u>

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

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

	<u>June 30,</u> <u>2014</u>	<u>Three months ended</u> <u>March 31,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
<b>REVENUES</b>			
Products	26,015	28,776	22,419
Services	6,770	5,884	5,705
	<u>32,785</u>	<u>34,660</u>	<u>28,124</u>
<b>COST OF REVENUES</b>			
Products	11,050	12,797	9,342
Services	4,139	4,140	3,449
	<u>15,189</u>	<u>16,937</u>	<u>12,791</u>
<b>GROSS PROFIT</b>	<u>17,596</u>	<u>17,723</u>	<u>15,333</u>
<b>OPERATING EXPENSES</b>			
Research and Development expenses, net	7,152	6,901	7,567
Sales and Marketing expenses	3,505	3,406	2,968
General and Administration expenses	1,316	1,064	1,472
	<u>11,973</u>	<u>11,371</u>	<u>12,007</u>
<b>OPERATING PROFIT</b>	5,623	6,352	3,326
<b>INTEREST INCOME, NET</b>	<u>202</u>	<u>175</u>	<u>246</u>
<b>INCOME BEFORE INCOME TAXES</b>	5,825	6,527	3,572
<b>INCOME TAX EXPENSES</b>	<u>131</u>	<u>129</u>	<u>769</u>
<b>NET INCOME FOR THE PERIOD</b>	<u>5,694</u>	<u>6,398</u>	<u>2,803</u>
Earnings per share:			
Basic	<u>0.21</u>	<u>0.23</u>	<u>0.10</u>
Diluted	<u>0.20</u>	<u>0.23</u>	<u>0.10</u>
Shares used for calculation of earnings per share:			
Basic	<u>27,592</u>	<u>27,432</u>	<u>27,121</u>
Diluted	<u>28,138</u>	<u>27,890</u>	<u>27,419</u>

**NOVA MEASURING INSTRUMENTS LTD.**  
**YEAR TO DATE CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	<b><u>Six months ended</u></b>	
	<b><u>June 30, 2014</u></b>	<b><u>June 30, 2013</u></b>
<b>REVENUES</b>		
Product	54,791	44,760
Services	12,654	10,789
	<u>67,445</u>	<u>55,549</u>
 <b>COST OF REVENUES</b>		
Product sales	23,847	18,421
Services	8,279	7,029
	<u>32,126</u>	<u>25,450</u>
 <b>GROSS PROFIT</b>	<u>35,319</u>	<u>30,099</u>
 <b>OPERATING EXPENSES</b>		
Research and Development expenses, net	14,053	15,066
Sales and Marketing expenses	6,911	6,192
General and Administration expenses	2,380	2,591
	<u>23,344</u>	<u>23,849</u>
 <b>OPERATING PROFIT</b>	11,975	6,250
 <b>INTEREST INCOME, NET</b>	<u>377</u>	<u>376</u>
 <b>INCOME BEFORE INCOME TAXES</b>	12,352	6,626
 <b>INCOME TAX EXPENSES</b>	<u>260</u>	<u>1,428</u>
 <b>NET INCOME FOR THE PERIOD</b>	<u>12,092</u>	<u>5,198</u>
 Net income per share:		
Basic	<u>0.44</u>	<u>0.19</u>
Diluted	<u>0.43</u>	<u>0.19</u>
 Shares used for calculation of net income per share:		
Basic	<u>27,512</u>	<u>26,988</u>
Diluted	<u>27,983</u>	<u>27,278</u>

**NOVA MEASURING INSTRUMENTS LTD.**  
**QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS**

(U.S. dollars in thousands)

	<u>June 30,</u> <u>2014</u>	<u>Three months ended</u> <u>March 31,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
<b>CASH FLOW – OPERATING ACTIVITIES</b>			
Net income for the period	5,694	6,398	2,803
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	972	902	846
Loss related to inventory damage	-	-	148
Amortization of deferred stock-based compensation	472	522	624
Increase (decrease) in liability for employee termination benefits, net	74	(26)	66
Deferred income taxes	(58)	9	713
Decrease (increase) in trade accounts receivables	(3,898)	5,741	(712)
Decrease(increase) in inventories	688	(1,360)	583
Decrease (increase) in other current and long term assets	257	(717)	841
Decrease in trade accounts payables and other long-term liabilities	(2,456)	(1,049)	(147)
Increase (decrease) in other current liabilities	(787)	1,233	(504)
Increase (decrease) in short and long term deferred income	1,247	1,083	(1,793)
<b>Net cash provided by operating activities</b>	<b><u>2,205</u></b>	<b><u>12,736</u></b>	<b><u>3,468</u></b>
<b>CASH FLOW – INVESTMENT ACTIVITIES</b>			
Increase in short-term interest-bearing bank deposits	(1,943)	(10,041)	(6,317)
Investment in short-term available for sale securities	(19)	1	-
Proceeds from insurance claim	-	-	219
Additions to fixed assets	(1,228)	(525)	(1,042)
<b>Net cash used in investment activities</b>	<b><u>(3,190)</u></b>	<b><u>(10,565)</u></b>	<b><u>(7,140)</u></b>
<b>CASH FLOW – FINANCING ACTIVITIES</b>			
Purchases of treasury shares	(1,103)	-	-
Shares issued under employee share-based plans	961	1,313	599
<b>Net cash provided by (used in) financing activities</b>	<b><u>(142)</u></b>	<b><u>1,313</u></b>	<b><u>599</u></b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b><u>(1,127)</u></b>	<b><u>3,484</u></b>	<b><u>(3,073)</u></b>
<b>Cash and cash equivalents – beginning of period</b>	<b><u>21,026</u></b>	<b><u>17,542</u></b>	<b><u>20,872</u></b>
<b>Cash and cash equivalents – end of period</b>	<b><u>19,899</u></b>	<b><u>21,026</u></b>	<b><u>17,799</u></b>



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

	<u>Six months ended</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>CASH FLOW – OPERATING ACTIVITIES</b>		
Net income for the period	12,092	5,198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,874	1,670
Loss related to equipment and inventory damage	-	148
Amortization of deferred stock-based compensation	994	1,209
Increase in liability for employee termination benefits, net	48	55
Deferred income taxes	(49)	1,322
Decrease (increase) in trade accounts receivables	1,843	(2,355)
Decrease (increase) in inventories	(672)	23
Decrease (increase) in other current and long term assets	(460)	121
Decrease in trade accounts payables and other long term liabilities	(3,505)	(222)
Increase in other current liabilities	446	840
Increase (decrease) in short and long term deferred income	2,330	(1,732)
<b>Net cash provided by operating activities</b>	<b><u>14,941</u></b>	<b><u>6,277</u></b>
<b>CASH FLOW – INVESTMENT ACTIVITIES</b>		
Increase in short-term interest-bearing bank deposits	(11,984)	(4,332)
Investment in short-term available for sale securities	(18)	-
Proceeds from insurance claim	-	219
Additions to fixed assets	(1,753)	(1,384)
<b>Net cash used in investment activities</b>	<b><u>(13,755)</u></b>	<b><u>(5,497)</u></b>
<b>CASH FLOW – FINANCING ACTIVITIES</b>		
Purchases of treasury shares	(1,103)	-
Shares issued under employee share-based plans	2,274	1,056
<b>Net cash provided by financing activities</b>	<b><u>1,171</u></b>	<b><u>1,056</u></b>
<b>Increase in cash and cash equivalents</b>	<b><u>2,357</u></b>	<b><u>1,836</u></b>
<b>Cash and cash equivalents – beginning of period</b>	<b><u>17,542</u></b>	<b><u>15,963</u></b>
<b>Cash and cash equivalents – end of period</b>	<b><u>19,899</u></b>	<b><u>17,799</u></b>

**DISCLOSURE OF NON-GAAP NET INCOME**

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

	<b><u>June 30,</u></b> <b><u>2014</u></b>	<b><u>Three months ended</u></b> <b><u>March 31,</u></b> <b><u>2014</u></b>	<b><u>June 30,</u></b> <b><u>2013</u></b>
<b>GAAP Net income for the period</b>	5,694	6,398	2,803
<b>Non-GAAP Adjustments:</b>			
Stock based compensation expenses	472	522	624
Deferred Income taxes expenses (income)	(58)	9	713
Income from insurance claim	-	-	(509)
Loss related to equipment and inventory damage	-	-	148
<b>Non-GAAP Net income for the period</b>	<u>6,108</u>	<u>6,929</u>	<u>3,779</u>
Non-GAAP Net income per share:			
Basic	<u>0.22</u>	<u>0.25</u>	<u>0.14</u>
Diluted	<u>0.22</u>	<u>0.25</u>	<u>0.14</u>
Shares used for calculation of Non-GAAP net income per share:			
Basic	<u>27,592</u>	<u>27,432</u>	<u>27,121</u>
Diluted	<u>28,138</u>	<u>27,890</u>	<u>27,419</u>

	<b><u>June 30,</u></b> <b><u>2014</u></b>	<b><u>Six months ended</u></b> <b><u>June 30,</u></b> <b><u>2013</u></b>
<b>GAAP Net income for the period</b>	12,092	5,198
<b>Non-GAAP Adjustments:</b>		
Stock based compensation expenses	994	1,209
Deferred income taxes expenses (income)	(49)	1,322
Income from insurance claim	-	(509)
Loss related to equipment and inventory damage	-	148
<b>Non-GAAP Net income for the period</b>	<u>13,037</u>	<u>7,368</u>
Non-GAAP Net income per share:		
Basic	<u>0.47</u>	<u>0.27</u>
Diluted	<u>0.47</u>	<u>0.27</u>
Shares used for calculation of Non-GAAP net income per share:		
Basic	<u>27,512</u>	<u>26,988</u>
Diluted	<u>27,983</u>	<u>27,278</u>