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**Company Press Release**

**NOVA ANNOUNCES 2013 THIRD QUARTER RESULTS**

**Rehovot, Israel, October 30, 2013** - Nova Measuring Instruments Ltd. (Nasdaq: NVMI), provider of leading edge stand alone metrology and the market leader of integrated metrology solutions to the semiconductor process control market, today reported its 2013 third quarter results.

**Highlights for the Third Quarter of 2013**

- Quarterly revenues of \$25.8 million
- Blended gross margin of 51%
- GAAP Net income of \$2.2 million, or \$0.08 per diluted share
- Non-GAAP Net income of \$2.7 million, or \$0.10 per diluted share
- Positive cash flow from operations of \$3.3 million

**Management Comments**

“Our Q3 results were consistent with our guidance and continue to reflect our strong position in the foundry segment,” said Eitan Oppenheim, President and CEO. “The value of our broad base of foundry customers is quite apparent as they ramp up their 2X nm technology nodes, putting us on track for another year in which we outperform the industry and report record revenues.”

“We are also achieving our objective of expanding into additional process steps, in addition to multiple technology nodes, as evidenced by the recent selections of our systems as process tool of record for multiple process steps including CMP and Etch”.

“Our strong bookings in Q3 reflect the intensive ramp up that our customers are experiencing, as well as our success in achieving early engagement with our customers as they accelerate the transition to advanced technology nodes. In Q3, we also announced a new memory

customer, indicating progress toward our goal of improving our presence in this segment. We are very pleased with the progress we had this quarter with our key business initiatives, which positions us very well towards 2014.”

### **2013 Third Quarter Results**

Total revenues for the third quarter of 2013 were \$25.8 million, an increase of 6% relative to the third quarter of 2012, and a decrease of 8% relative to the second quarter of 2013.

Gross margin for the third quarter of 2013 was 51%, compared with 53% in the third quarter of 2012 and 55% in the second quarter of 2013.

Operating expenses in the third quarter of 2013 were \$10.9 million, compared with \$9.9 million in the third quarter of 2012 and \$12.0 million in the second quarter of 2013.

On a GAAP basis, the company reported net income of \$2.2 million, or \$0.08 per diluted share, in the third quarter of 2013. This compares to a net income of \$2.9 million, or \$0.11 per diluted share, in the third quarter of 2012, and a net income of \$2.8 million, or \$0.10 per diluted share, in the second quarter of 2013.

On a Non-GAAP basis, which excludes deferred income tax adjustments, stock based compensation expenses and loss or income related to equipment and inventory damage, the company reported net income of \$2.7 million, or \$0.10 per diluted share, in the third quarter of 2013. This compares to a net income of \$3.7 million, or \$0.14 per diluted share, in the third quarter of 2012, and a net income of \$3.8 million, or \$0.14 per diluted share, in the second quarter of 2013.

Total cash reserves at the end of the third quarter of 2013 were \$100.0 million.

Nova will discuss the results, along with its outlook and guidance for the fourth quarter of 2013, on a conference call today, October 30, 2013, beginning at 8:30am ET. To participate, please dial in the US: 1 877 280 1254; or internationally: +972 3 763 0147 or 1 646 254 3360. The conference call will be webcast live from a link on Nova’s website at <http://ir.novameasuring.com>, together with a presentation to accompany the call. A replay of the call will be available from the same link.

**About Nova:** Nova Measuring Instruments Ltd. develops, produces and markets advanced integrated and stand alone 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, 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.*

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*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, transactions, 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; 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; cyber security risks; risks related to open source technologies; 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 our lease agreements; our ability to expand our manufacturing capacity or marketing efforts to support our future growth; risks related to quarterly fluctuations in our operating results; risks related to the extremely competitive market we are operation in; our dependency on a small number of large customers and small number of suppliers; our dependency on our key employees; 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; changes in customer demands for our products; new product offerings from our competitors; changes in or an inability to execute our business strategy; 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, 2012 filed with the Securities and Exchange Commission on March 11, 2013. 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.*

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(Tables to Follow)

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

|   | <b>As of<br/>September 30,<br/>2013</b> | <b>As of<br/>December 31,<br/>2012</b> |
|---|---|--|
|   | <u>2013</u>                             | <u>2012</u>                            |
| <b>CURRENT ASSETS</b>                             |   |  |
| Cash and cash equivalents                         | 15,757                                  | 15,963                                 |
| Short-term interest-bearing bank deposits         | 83,919                                  | 75,039                                 |
| Trade accounts receivable                         | 20,829                                  | 17,362                                 |
| Inventories                                       | 16,168                                  | 17,827                                 |
| Deferred income tax assets                        | 412                                     | 1,850                                  |
| Other current assets                              | 3,695                                   | 2,549                                  |
|   | <u>140,780</u>                          | <u>130,590</u>                         |
| <b>LONG-TERM ASSETS</b>                           |   |  |
| Long-term interest-bearing bank deposits          | 405                                     | 405                                    |
| Other long-term assets                            | 424                                     | 516                                    |
| Severance pay funds                               | 1,868                                   | 1,873                                  |
|   | <u>2,697</u>                            | <u>2,794</u>                           |
| <b>FIXED ASSETS, NET</b>                          | <u>9,353</u>                            | <u>8,660</u>                           |
| <b>TOTAL ASSETS</b>                               | <u>152,830</u>                          | <u>142,044</u>                         |
| <b>CURRENT LIABILITIES</b>                        |   |  |
| Trade accounts payable                            | 10,854                                  | 10,819                                 |
| Deferred income                                   | 3,447                                   | 4,775                                  |
| Other current liabilities                         | 9,839                                   | 8,444                                  |
|   | <u>24,140</u>                           | <u>24,038</u>                          |
| <b>LONG-TERM LIABILITIES</b>                      |   |  |
| Liability for employee severance pay              | 2,850                                   | 2,806                                  |
| Deferred income                                   | 548                                     | 159                                    |
| Other long-term liability                         | 263                                     | 270                                    |
|   | <u>3,661</u>                            | <u>3,235</u>                           |
| <b>SHAREHOLDERS' EQUITY</b>                       | <u>125,029</u>                          | <u>114,771</u>                         |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <u>152,830</u>                          | <u>142,044</u>                         |

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

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

|  | <b><u>Three months ended</u></b> |                        |                             |
|--|----------------------------------|------------------------|-----------------------------|
|  | <b><u>September 30,</u></b>      | <b><u>June 30,</u></b> | <b><u>September 30,</u></b> |
|  | <b><u>2013</u></b>               | <b><u>2013</u></b>     | <b><u>2012</u></b>          |
| <b>REVENUES</b>                                    |                                  |                        |                             |
| Products   | 19,911                           | 22,419                 | 19,359                      |
| Services   | 5,860                            | 5,705                  | 5,059                       |
|  | <u>25,771</u>                    | <u>28,124</u>          | <u>24,418</u>               |
| <b>COST OF REVENUES</b>                            |                                  |                        |                             |
| Products   | 9,045                            | 9,342                  | 7,999                       |
| Services   | 3,626                            | 3,449                  | 3,483                       |
|  | <u>12,671</u>                    | <u>12,791</u>          | <u>11,482</u>               |
| <b>GROSS PROFIT</b>                                | <u>13,100</u>                    | <u>15,333</u>          | <u>12,936</u>               |
| <b>OPERATING EXPENSES</b>                          |                                  |                        |                             |
| Research and Development expenses, net             | 7,021                            | 7,567                  | 6,003                       |
| Sales and Marketing expenses                       | 2,643                            | 2,968                  | 2,967                       |
| General and Administration expenses                | 1,256                            | 1,472                  | 973                         |
|  | <u>10,920</u>                    | <u>12,007</u>          | <u>9,943</u>                |
| <b>OPERATING PROFIT</b>                            | 2,180                            | 3,326                  | 2,993                       |
| <b>INTEREST INCOME, NET</b>                        | <u>257</u>                       | <u>246</u>             | <u>283</u>                  |
| <b>INCOME BEFORE INCOME TAXES</b>                  | 2,437                            | 3,572                  | 3,276                       |
| <b>INCOME TAX EXPENSES</b>                         | <u>197</u>                       | <u>769</u>             | <u>381</u>                  |
| <b>NET INCOME FOR THE PERIOD</b>                   | <u>2,240</u>                     | <u>2,803</u>           | <u>2,895</u>                |
| <br>   |                                  |                        |                             |
| Earnings per share:                                |                                  |                        |                             |
| Basic  | <u>0.08</u>                      | <u>0.10</u>            | <u>0.11</u>                 |
| Diluted  | <u>0.08</u>                      | <u>0.10</u>            | <u>0.11</u>                 |
| <br>   |                                  |                        |                             |
| Shares used for calculation of earnings per share: |                                  |                        |                             |
| Basic  | <u>27,237</u>                    | <u>27,121</u>          | <u>26,646</u>               |
| Diluted  | <u>27,503</u>                    | <u>27,419</u>          | <u>27,485</u>               |

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

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

|  | <b><u>Nine-months ended</u></b>  |                                  |
|--|----------------------------------|----------------------------------|
|  | <b><u>September 30, 2013</u></b> | <b><u>September 30, 2012</u></b> |
| <b>REVENUES</b>                                      |                                  |                                  |
| Product sales  | 64,671                           | 60,196                           |
| Services   | <u>16,649</u>                    | <u>13,874</u>                    |
|  | <u>81,320</u>                    | <u>74,070</u>                    |
|  | -----                            | -----                            |
| <b>COST OF REVENUES</b>                              |                                  |                                  |
| Product sales  | 27,466                           | 24,344                           |
| Services   | <u>10,655</u>                    | <u>9,636</u>                     |
|  | <u>38,121</u>                    | <u>33,980</u>                    |
|  | -----                            | -----                            |
| <b>GROSS PROFIT</b>                                  | <u>43,199</u>                    | <u>40,090</u>                    |
|  | -----                            | -----                            |
| <b>OPERATING EXPENSES</b>                            |                                  |                                  |
| Research & Development expenses, net                 | 22,087                           | 17,477                           |
| Sales & Marketing expenses                           | 8,835                            | 8,896                            |
| General & Administration expenses                    | <u>3,847</u>                     | <u>2,787</u>                     |
|  | <u>34,769</u>                    | <u>29,160</u>                    |
|  | -----                            | -----                            |
| <b>OPERATING PROFIT</b>                              | 8,430                            | 10,930                           |
|  | -----                            | -----                            |
| <b>INTEREST INCOME, NET</b>                          | <u>633</u>                       | <u>1,031</u>                     |
|  | -----                            | -----                            |
| <b>INCOME BEFORE INCOME TAXES</b>                    | 9,063                            | 11,961                           |
|  | -----                            | -----                            |
| <b>INCOME TAX EXPENSES</b>                           | <u>1,625</u>                     | <u>2,605</u>                     |
|  | -----                            | -----                            |
| <b>NET INCOME FOR THE PERIOD</b>                     | <u>7,438</u>                     | <u>9,356</u>                     |
|  | -----                            | -----                            |
| Net income per share:                                |                                  |                                  |
| Basic  | <u>0.27</u>                      | <u>0.35</u>                      |
| Diluted  | <u>0.27</u>                      | <u>0.34</u>                      |
|  | -----                            | -----                            |
| Shares used for calculation of net income per share: |                                  |                                  |
| Basic  | <u>27,071</u>                    | <u>26,598</u>                    |
| Diluted  | <u>27,343</u>                    | <u>27,260</u>                    |
|  | -----                            | -----                            |

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

(U.S. dollars in thousands)

|   | <u>September 30,</u><br><u>2013</u> | <u>Three months ended</u><br><u>June 30,</u><br><u>2013</u> | <u>September 30,</u><br><u>2012</u> |
|---|-------------------------------------|---|-------------------------------------|
| <b>CASH FLOW – OPERATING ACTIVITIES</b>   |                                     |   |                                     |
| Net income for the period   | 2,240                               | 2,803   | 2,895                               |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                     |   |                                     |
| Depreciation and amortization   | 907                                 | 846   | 771                                 |
| Loss related to inventory damage  | -                                   | 148   | -                                   |
| Amortization of deferred stock-based compensation                                 | 368                                 | 624   | 489                                 |
| Increase (decrease) in liability for employee termination benefits, net           | (1)                                 | 66  | (80)                                |
| Deferred income taxes   | 116                                 | 713   | 349                                 |
| Decrease (increase) in trade accounts receivables                                 | (1,112)                             | (712)   | 2,619                               |
| Decrease (increase) in inventories  | 144                                 | 583   | (3,770)                             |
| Decrease (increase) in other current and long term assets                         | (1,064)                             | 841   | (64)                                |
| Increase (decrease) in trade accounts payables and other long-term liabilities    | 250                                 | (147)   | (5)                                 |
| Increase (decrease) in other current liabilities                                  | 614                                 | (504)   | 485                                 |
| Increase (decrease) in short and long term deferred income                        | 793                                 | (1,793)   | 572                                 |
| <b>Net cash provided by operating activities</b>                                  | <u><b>3,255</b></u>                 | <u><b>3,468</b></u>   | <u><b>4,261</b></u>                 |
| <b>CASH FLOW – INVESTMENT ACTIVITIES</b>  |                                     |   |                                     |
| Decrease (increase) in short-term interest-bearing bank deposits                  | (4,548)                             | (6,317)   | 11,100                              |
| Investments in short-term held to maturity securities                             | -                                   | -   | (5)                                 |
| Proceeds from insurance claim   | -                                   | 219   | -                                   |
| Additions to fixed assets   | (761)                               | (1,042)   | (896)                               |
| <b>Net cash provided by (used in) investment activities</b>                       | <u><b>(5,309)</b></u>               | <u><b>(7,140)</b></u>                                       | <u><b>10,199</b></u>                |
| <b>CASH FLOW – FINANCING ACTIVITIES</b>   |                                     |   |                                     |
| Shares issued under employee share-based plans                                    | 12                                  | 599   | 104                                 |
| <b>Net cash provided by financing activities</b>                                  | <u><b>12</b></u>                    | <u><b>599</b></u>   | <u><b>104</b></u>                   |
| <b>Increase (decrease) in cash and cash equivalents</b>                           | <u><b>(2,042)</b></u>               | <u><b>(3,073)</b></u>                                       | <u><b>14,564</b></u>                |
| <b>Cash and cash equivalents – beginning of period</b>                            | <u><b>17,799</b></u>                | <u><b>20,872</b></u>  | <u><b>20,408</b></u>                |
| <b>Cash and cash equivalents – end of period</b>                                  | <u><b>15,757</b></u>                | <u><b>17,799</b></u>  | <u><b>34,972</b></u>                |

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

|   | <b><u>Nine-months ended</u></b> |                             |
|---|---------------------------------|-----------------------------|
|   | <b><u>September 30,</u></b>     | <b><u>September 30,</u></b> |
|   | <b><u>2013</u></b>              | <b><u>2012</u></b>          |
| <b>CASH FLOW – OPERATING ACTIVITIES</b>   |                                 |                             |
| Net income for the period   | 7,438                           | 9,356                       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |                             |
| Depreciation and amortization   | 2,577                           | 1,925                       |
| Loss related to inventory damage  | 148                             | -                           |
| Amortization of deferred stock-based compensation                                 | 1,577                           | 1,318                       |
| Increase (decrease) in liability for employee termination benefits, net           | 54                              | (131)                       |
| Deferred income taxes   | 1,438                           | 2,500                       |
| Increase in trade accounts receivables  | (3,467)                         | (1,499)                     |
| Decrease (increase) in inventories  | 167                             | (10,656)                    |
| Increase in other current and long term assets                                    | (943)                           | (717)                       |
| Increase in trade accounts payables and other long term liabilities               | 28                              | 4,902                       |
| Increase (decrease) increase in other current liabilities                         | 1,454                           | (131)                       |
| Increase (decrease) in short and long term deferred income                        | (939)                           | 1,944                       |
| <b>Net cash provided by operating activities</b>                                  | <b><u>9,532</u></b>             | <b><u>8,811</u></b>         |
| <b>CASH FLOW – INVESTMENT ACTIVITIES</b>  |                                 |                             |
| Decrease (increase) in short-term interest-bearing bank deposits                  | (8,880)                         | 9,318                       |
| Proceeds from short-term held to maturity securities                              | -                               | 28                          |
| Proceeds from insurance claim   | 219                             | -                           |
| Additions to fixed assets   | (2,145)                         | (2,148)                     |
| <b>Net cash provided by (used in) investment activities</b>                       | <b><u>(10,806)</u></b>          | <b><u>7,198</u></b>         |
| <b>CASH FLOW – FINANCING ACTIVITIES</b>   |                                 |                             |
| Shares issued under employee share-based plans                                    | 1,068                           | 247                         |
| <b>Net cash provided by financing activities</b>                                  | <b><u>1,068</u></b>             | <b><u>247</u></b>           |
| <b>Increase (decrease) in cash and cash equivalents</b>                           | <b>(206)</b>                    | <b>16,256</b>               |
| <b>Cash and cash equivalents – beginning of period</b>                            | <b><u>15,963</u></b>            | <b><u>18,716</u></b>        |
| <b>Cash and cash equivalents – end of period</b>                                  | <b><u>15,757</u></b>            | <b><u>34,972</u></b>        |



## DISCLOSURE OF NON-GAAP NET INCOME

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

|   | <u>September 30,</u><br><u>2013</u> | <u>Three months ended</u><br><u>June 30,</u><br><u>2013</u> | <u>September 30,</u><br><u>2012</u> |
|---|-------------------------------------|---|-------------------------------------|
| <b>GAAP Net income for the period</b>                         | 2,240                               | 2,803   | 2,895                               |
| <u>Non-GAAP Adjustments:</u>                                  |                                     |   |                                     |
| Stock based compensation expenses                             | 368                                 | 624   | 489                                 |
| Deferred income taxes expenses                                | 116                                 | 713   | 349                                 |
| Income from insurance claim                                   | -                                   | (509)   | -                                   |
| Loss related to equipment and inventory damage                | -                                   | 148   | -                                   |
| <b>Non-GAAP Net income for the period</b>                     | <u>2,724</u>                        | <u>3,779</u>  | <u>3,733</u>                        |
| Non-GAAP Net income per share:                                |                                     |   |                                     |
| Basic   | <u>0.10</u>                         | <u>0.14</u>   | <u>0.14</u>                         |
| Diluted   | <u>0.10</u>                         | <u>0.14</u>   | <u>0.14</u>                         |
| Shares used for calculation of Non-GAAP net income per share: |                                     |   |                                     |
| Basic   | <u>27,237</u>                       | <u>27,121</u>   | <u>26,646</u>                       |
| Diluted   | <u>27,503</u>                       | <u>27,419</u>   | <u>27,485</u>                       |

|   | <u>September 30,</u><br><u>2013</u> | <u>Nine-months ended</u><br><u>September 30,</u><br><u>2012</u> |
|---|-------------------------------------|---|
| <b>GAAP Net income for the period</b>                         | 7,438                               | 9,356   |
| <u>Non-GAAP Adjustments:</u>                                  |                                     |   |
| Stock based compensation expenses                             | 1,577                               | 1,318   |
| Deferred income taxes expenses                                | 1,438                               | 2,500   |
| Income from insurance claim                                   | (509)                               | -   |
| Loss related to equipment and inventory damage                | 148                                 | -   |
| <b>Non-GAAP Net income for the period</b>                     | <u>10,092</u>                       | <u>13,174</u>   |
| Non-GAAP Net income per share:                                |                                     |   |
| Basic   | <u>0.37</u>                         | <u>0.50</u>   |
| Diluted   | <u>0.37</u>                         | <u>0.49</u>   |
| Shares used for calculation of Non-GAAP net income per share: |                                     |   |
| Basic   | <u>27,071</u>                       | <u>26,598</u>   |
| Diluted   | <u>27,343</u>                       | <u>27,260</u>   |