

Financial Results

December Quarter 2013

February 18th , 2014

Continuous growth supports strong start for 2014

Cautionary Statement Regarding Forward-Looking Statements

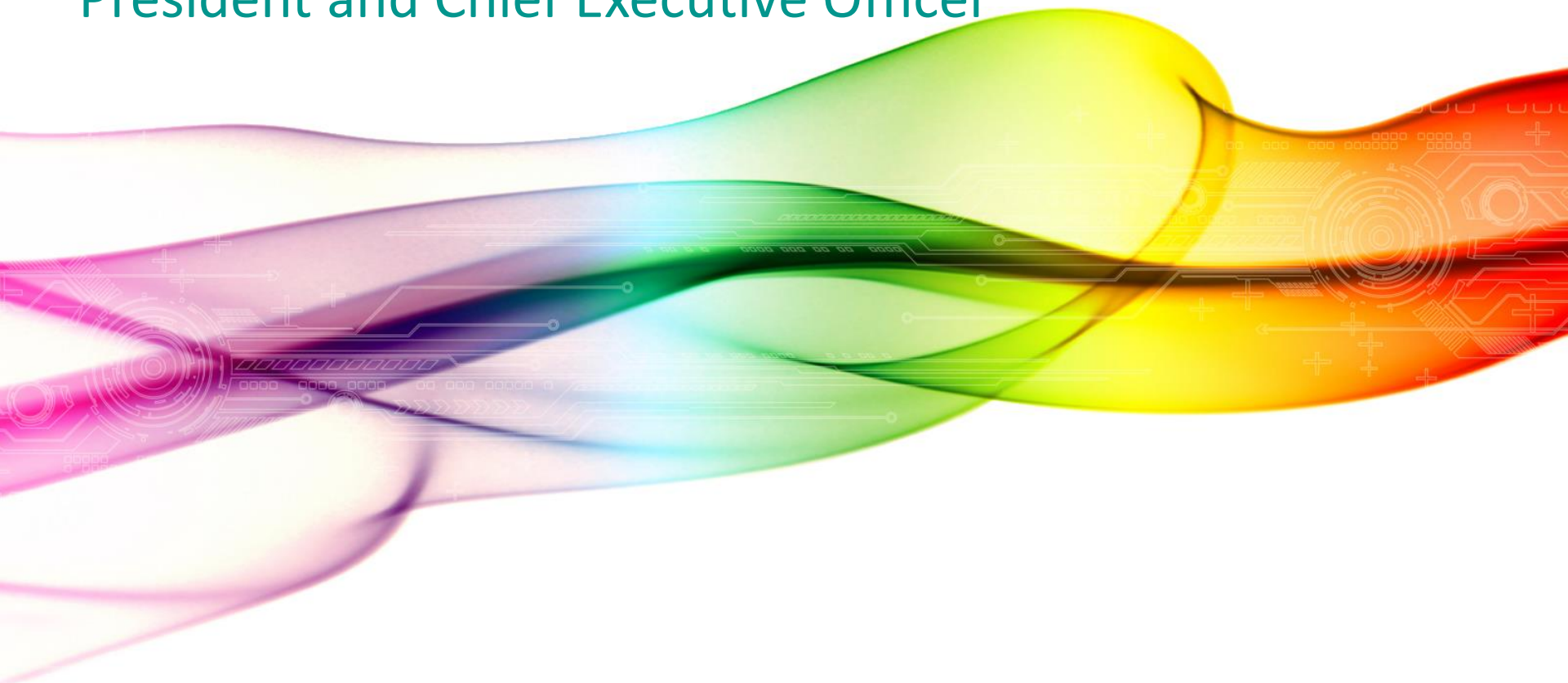
This press release contains forward-looking statements within the meaning of safe harbor provisions of the Private Securities Litigation Reform Act of 1995 relating to future events or our future performance, such as statements regarding trends, demand for our products, expected deliveries, transaction, 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; 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; our dependency on a small number of large customers and small number of suppliers; 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, 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.

Business Summary

December Quarter 2013

Eitan Oppenheim

President and Chief Executive Officer



- **Financial highlights**

- **Quarterly sales revenues – Exceeding our guidance**

- Revenues - \$30.2M USD, 37% YOY growth
- Non GAAP net income - \$4.1M USD
- 17% quarterly growth

- **Yearly sales revenues – Record year**

- Revenues – \$111.5M USD, 16% YOY growth
- Non GAAP net income \$14.1M USD

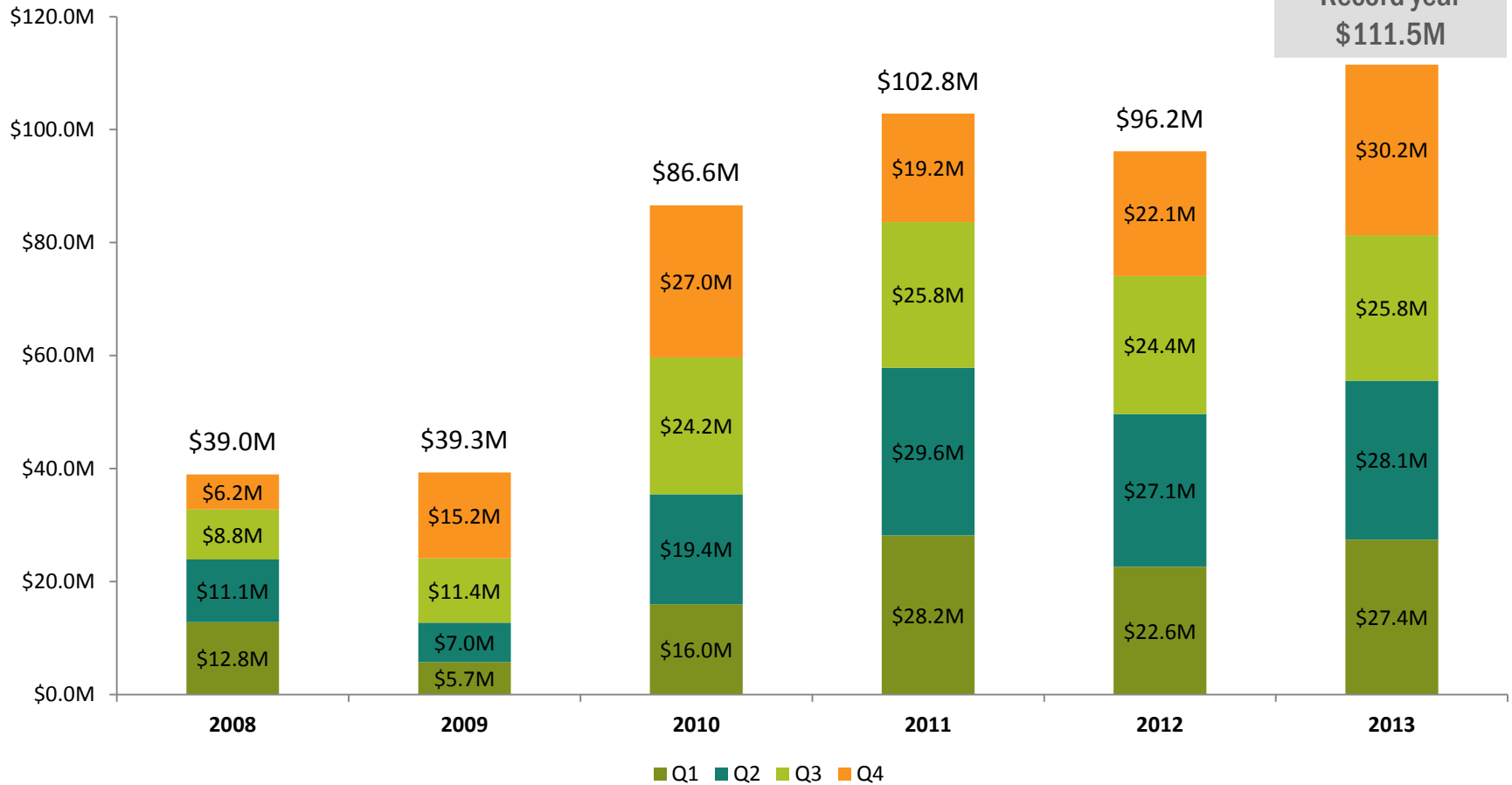
- **Strong booking levels - strong backlog to support good start for 2014**

- Q4 2013 – more than 70% of the orders - 2Xnm nodes
- Q4 2013 – more than 20% of the orders - 1Xnm nodes (10% in Q3 2014)

Exceeding our quarterly revenue guidance. Record sales revenues

- **Growth fueled by a growing position in the Foundry segment**
 - Extensive tools delivery to support 20nm major ramp up
 - Continuous delivery to support 28nm ramp up
 - Growing delivery to support 16/14nm Risk Production and Pilot lines
 - Incremental growth in tools delivery for 10nm development lines – solid partnership with customers' R&D teams
 - Selected as PTOR for FE and BE applications with both SA and IM tools
 - Advanced tech nodes
 - Increased market share
- **Increased share of Standalone solutions in the sales mix**
- **Increased ETCH share in the applications portfolio**
- **TSV evaluations continue with major customers**
- **Undergo VNAND evaluations**
- **Several orders for our SW solutions**

Y2013 – Record sales revenues



CAGR of 23% from 2008

- **Outperforming the industry with 16% annual growth (YoY)**
- **Strong financial performance**
 - Gross margins, Net profit, Cash generation
- **Strengthening our market position**
 - Increased market share in our strategic customers
 - Joint development programs with leading customers
 - Inroads into memory
- **Proliferating our newest and advanced portfolio**
 - I500, T600, FM, MARS 6.0, TSV 2600
- **Continue investing in products innovation**
- **Launched our 3 pillars strategic plan**
 - Organic growth with stronger market position & leading innovation
 - Advanced product portfolio through continuous R&D investment
 - M&A initiatives for strengthening technical and market position

Multi products company for multi process steps and for the most advanced tech nodes

- **Foundry segment**

- Intensive 20nm ramp up by our leading customer
 - Will continue during H1 2014
- Acceleration of 14/16nm technology development
 - Faster time to market to attract customers
- Continues 28nm expansion in several locations
- 10nm development starts to pick up
- The overall foundry sector continues to be positive with steady growth

- **Memory segment**

- Various Memory capacity expansions
- VNAND investment – catch up to improve time to market
- Tight mobile DRAM supply / demand scheme leads to capacity investment

Forecast for more than 10% growth in Semi WFE – upsides toward H2 2014

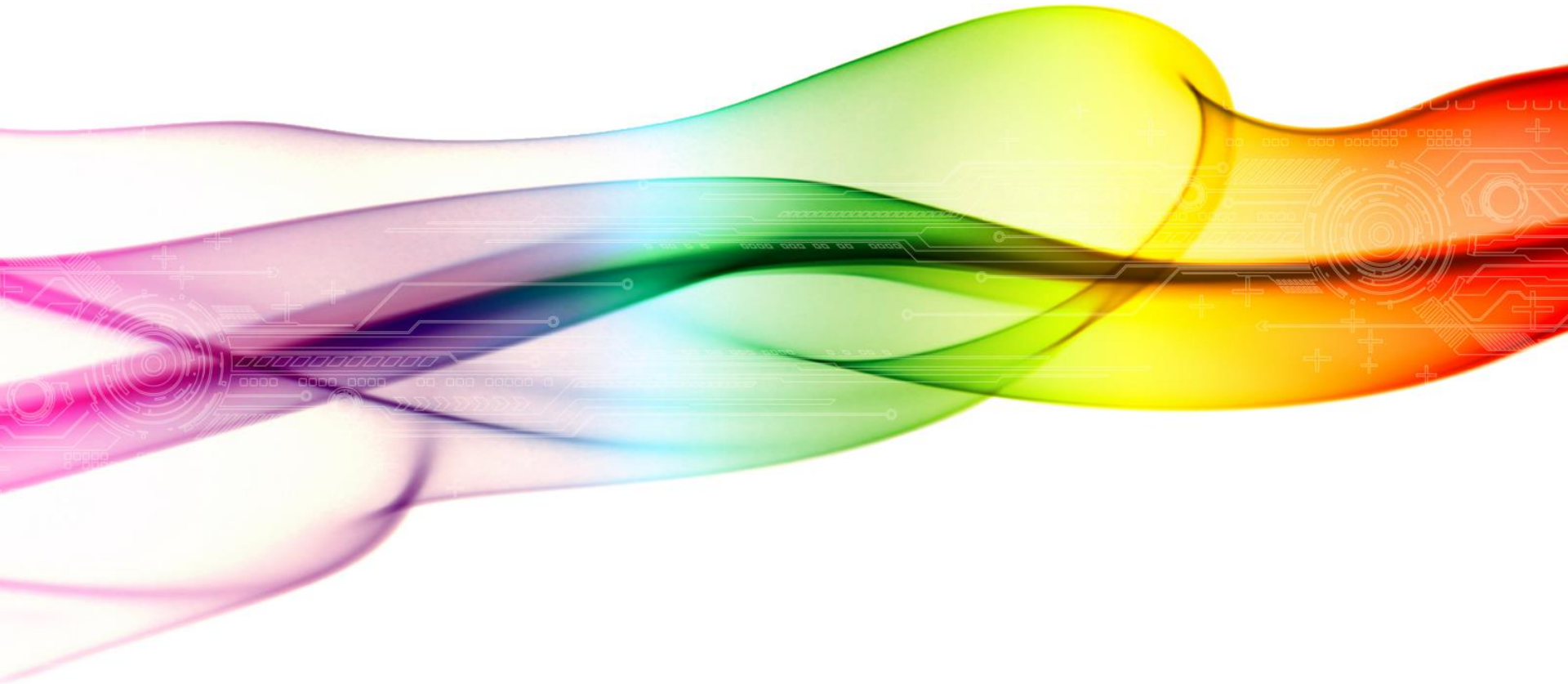
Favorable market conditions for Optical metrology Intensity growth

- **Guidance for the 1st quarter of 2014:**

- Revenues of \$33-\$35 million
- Diluted earnings per share of \$0.18-\$0.22 on a GAAP basis
- Diluted earnings per share of \$0.19-\$0.23 on a NON-GAAP basis

Financial Overview December Quarter 2013

Dror David
Chief Financial Officer



- **Record quarterly revenues of \$30.2 million**
- **Products bookings breakdown:**
 - Foundry/Memory: 90%/10%
 - Regional distribution: Asia Pacific - 75%, US and Europe - 25%
 - Record bookings from the stand alone product line
- **Quarterly blended gross margins of 53%**
 - Products gross margins of 58%
 - Strong dependency on product mix
 - Services gross margins of 26%
 - Combination of lower revenue levels and higher costs related to new products support

- **Operating expenses of \$12 million**
 - Strong dependency on R&D prototype related expenses
- **Tax expenses of \$0.9M**
 - 2014 effective tax rate expected to be ~5%
- **GAAP net income of \$3.1M, or \$0.11 per diluted share**
- **NON-GAAP net income of \$4.1M, or \$0.15 per diluted share**
- **Positive cash flow from operating activities of \$1.3M**

Key Balance Sheet Metrics

Key Metrics	Three Months Ended	
	Dec 13	Sep 13
Total Cash Reserves	\$99.7M	\$100.1M
Accounts Receivables	\$28.0M	\$20.8M
DSO	73	71
Inventory	\$18.1M	\$16.2M
Inventory Turns	3.3	3.1
Deferred Revenues	\$3.8M	\$4.0M
Capital Investments (gross)	\$1.8M	\$0.8M
Depreciation	\$0.8M	\$0.9M

- **Record revenues of \$112M, +16% YoY**
- **Blended gross margins of 53%, stable YoY**
 - Within the company's long term target model of 52%-55%
- **Operating expenses of \$47M, +15% YoY**
 - Increased R&D expenditures fueling growth and generating innovative product portfolio towards 2014
 - SG&A at 15% of rev. - within the company's long term target model of 14%-16%
- **NON-GAAP EPS of \$0.52, stable YoY**
- **Positive operating cash flow of \$11M**
- **\$100M in cash reserves**

Thank you

