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**Company Press Release**

**NOVA ANNOUNCES 2014 THIRD QUARTER RESULTS**

***Year-to-Date GAAP Net Income More Than Doubles***

REHOVOT, Israel, October 29, 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 third quarter results.

**Quarterly Highlights:**

- Quarterly revenues of \$27.4 million, up 6% from \$25.8 million a year ago
- Quarterly gross margin of 54%, compared with 51% a year ago
- Quarterly net income of \$3.3 million, up 46% from \$2.2 million a year ago
- Increased deliveries to support growing DRAM demand
- Selected by a leading logic manufacturer to support its 10nm and 7nm nodes
- Increased revenue stream from new SW solutions

| <b>GAAP Results (\$K)</b>     |                |                |                |
|-------------------------------|----------------|----------------|----------------|
|                               | <b>Q3 2014</b> | <b>Q2 2014</b> | <b>Q3 2013</b> |
| Revenues                      | \$27,350       | \$32,785       | \$25,771       |
| Net Income                    | \$3,269        | \$5,694        | \$2,240        |
| Earnings per Diluted Share    | \$0.12         | \$0.20         | \$0.08         |
| <b>NON-GAAP Results (\$K)</b> |                |                |                |
|                               | <b>Q3 2014</b> | <b>Q2 2014</b> | <b>Q3 2013</b> |
| Net Income                    | \$3,854        | \$6,108        | \$2,724        |
| Earnings per Diluted Share    | \$0.14         | \$0.22         | \$0.10         |

*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 solid quarterly results with revenue performance in line with our guidance and profits better than market expectations,” commented Eitan Oppenheim, President and CEO of Nova. “Our profitability this quarter demonstrates that we are effectively executing our growth plan while maintaining the operational efficiency and flexibility needed to match industry cycles. Our business model enables us to continue investing extensively in our development programs in order to maintain long term innovation leadership and continuous growth.”

“Nova continues to navigate through the industry’s near-term challenges while increasing focus on profitability and technology leadership. We were successful this quarter in diversifying our customer base, winning a competitive selection for 10/7 nm and accelerating our software revenue stream,” added Mr. Oppenheim. “The anticipated transitions to advanced nodes during next year, along with our growing customers’ presence, reinforce our confidence that we are well positioned to capture the growing opportunities during 2015.”

## **Third Quarter 2014 Results**

Total revenues for the third quarter of 2014 were \$27.4 million, an increase of 6% relative to the third quarter of 2013, and a decrease of 17% relative to the second quarter of 2014.

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

Operating expenses in the third quarter of 2014 were \$11.5 million, an increase of 5% relative to the third quarter of 2013, and a decrease of 4% relative to the second quarter of 2014.

On a GAAP basis, the company reported net income of \$3.3 million, or \$0.12 per diluted share, in the third quarter of 2014. This compares to a net income of \$2.2 million, or \$0.08 per diluted share, in the third quarter of 2013, and a net income of \$5.7 million, or \$0.20 per diluted share, in the second quarter of 2014.

On a Non-GAAP basis, which excludes adjustments of deferred tax assets and stock based compensation expenses, the company reported net income of \$3.9 million, or \$0.14 per diluted share, in the third quarter of 2014. This compares to a net income of \$2.7 million, or \$0.10 per diluted share, in the third quarter of 2013, and a net income of \$6.1 million, or \$0.22 per diluted share, in the second quarter of 2014.

## **Conference Call Information**

Nova will host a conference call on Wednesday, October 29, 2014 at 8:30 a.m. Eastern Time, to discuss the third quarter results and future outlook, along with its guidance for the fourth quarter of 2014.

To attend the conference call, please dial one of the following teleconferencing numbers. Please begin by placing your calls five 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: 1-888-801-6507**  
**ISRAEL Dial-in Number: 1809-24-6037**  
**INTERNATIONAL Dial-in Number: 1-913-312-1381**

**At:**

**8:30 a.m. Eastern Time**  
**5:30 a.m. Pacific Time**  
**2:30 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 tax 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.*

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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<br/>September 30,<br/>2014</b> | <b>As of<br/>December 31,<br/>2013</b> |
|---|---|--|
|   | <u>          </u>                       | <u>          </u>                      |
| <b>CURRENT ASSETS</b>                             |   |  |
| Cash and cash equivalents                         | 13,149                                  | 17,542                                 |
| Short-term interest-bearing bank deposits         | 99,744                                  | 79,552                                 |
| Available for sale securities                     | 1,747                                   | 1,845                                  |
| Trade accounts receivable                         | 22,900                                  | 27,947                                 |
| Inventories                                       | 17,042                                  | 18,118                                 |
| Deferred income tax assets                        | 221                                     | 137                                    |
| Other current assets                              | 2,774                                   | 3,922                                  |
|   | <u>157,577</u>                          | <u>149,063</u>                         |
| <b>LONG-TERM ASSETS</b>                           |   |  |
| Long-term interest-bearing bank deposits          | 1,000                                   | 750                                    |
| Other long-term assets                            | 186                                     | 230                                    |
| Severance pay funds                               | 1,660                                   | 1,852                                  |
|   | <u>2,846</u>                            | <u>2,832</u>                           |
| <b>FIXED ASSETS, NET</b>                          | <u>10,637</u>                           | <u>10,382</u>                          |
| <b>TOTAL ASSETS</b>                               | <u>171,060</u>                          | <u>162,277</u>                         |
| <b>CURRENT LIABILITIES</b>                        |   |  |
| Trade accounts payable                            | 8,889                                   | 15,599                                 |
| Deferred income                                   | 4,010                                   | 3,420                                  |
| Other current liabilities                         | 12,561                                  | 11,448                                 |
|   | <u>25,460</u>                           | <u>30,467</u>                          |
| <b>LONG-TERM LIABILITIES</b>                      |   |  |
| Liability for employee severance pay              | 2,587                                   | 2,798                                  |
| Deferred income                                   | 175                                     | 341                                    |
| Other long-term liability                         | 5                                       | 7                                      |
|   | <u>2,767</u>                            | <u>3,146</u>                           |
| <b>SHAREHOLDERS' EQUITY</b>                       | <u>142,833</u>                          | <u>128,664</u>                         |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <u>171,060</u>                          | <u>162,277</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>2014</u></b>               | <b><u>2014</u></b>     | <b><u>2013</u></b>          |
| <b>REVENUES</b>                                    |                                  |                        |                             |
| Products   | 20,157                           | 26,015                 | 19,911                      |
| Services   | 7,193                            | 6,770                  | 5,860                       |
|  | <u>27,350</u>                    | <u>32,785</u>          | <u>25,771</u>               |
| <b>COST OF REVENUES</b>                            |                                  |                        |                             |
| Products   | 8,543                            | 11,050                 | 9,045                       |
| Services   | 3,975                            | 4,139                  | 3,626                       |
|  | <u>12,518</u>                    | <u>15,189</u>          | <u>12,671</u>               |
| <b>GROSS PROFIT</b>                                | <u>14,832</u>                    | <u>17,596</u>          | <u>13,100</u>               |
| <b>OPERATING EXPENSES</b>                          |                                  |                        |                             |
| Research and Development expenses, net             | 7,510                            | 7,152                  | 7,021                       |
| Sales and Marketing expenses                       | 2,888                            | 3,505                  | 2,643                       |
| General and Administration expenses                | 1,096                            | 1,316                  | 1,256                       |
|  | <u>11,494</u>                    | <u>11,973</u>          | <u>10,920</u>               |
| <b>OPERATING PROFIT</b>                            | 3,338                            | 5,623                  | 2,180                       |
| <b>INTEREST INCOME, NET</b>                        | <u>20</u>                        | <u>202</u>             | <u>257</u>                  |
| <b>INCOME BEFORE INCOME TAXES</b>                  | 3,358                            | 5,825                  | 2,437                       |
| <b>INCOME TAX EXPENSES</b>                         | <u>89</u>                        | <u>131</u>             | <u>197</u>                  |
| <b>NET INCOME FOR THE PERIOD</b>                   | <u>3,269</u>                     | <u>5,694</u>           | <u>2,240</u>                |
| <br>   |                                  |                        |                             |
| Earnings per share:                                |                                  |                        |                             |
| Basic  | <u>0.12</u>                      | <u>0.21</u>            | <u>0.08</u>                 |
| Diluted  | <u>0.12</u>                      | <u>0.20</u>            | <u>0.08</u>                 |
| <br>   |                                  |                        |                             |
| Shares used for calculation of earnings per share: |                                  |                        |                             |
| Basic  | <u>27,496</u>                    | <u>27,592</u>          | <u>27,237</u>               |
| Diluted  | <u>27,780</u>                    | <u>28,138</u>          | <u>27,503</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, 2014</u></b> | <b><u>September 30, 2013</u></b> |
| <b>REVENUES</b>  |                                  |                                  |
| Product  | 74,948                           | 64,671                           |
| Services   | 19,847                           | 16,649                           |
|  | <u>94,795</u>                    | <u>81,320</u>                    |
| <br><b>COST OF REVENUES</b>                              |                                  |                                  |
| Product sales  | 32,390                           | 27,466                           |
| Services   | 12,254                           | 10,655                           |
|  | <u>44,644</u>                    | <u>38,121</u>                    |
| <br><b>GROSS PROFIT</b>                                  | <u>50,151</u>                    | <u>43,199</u>                    |
| <br><b>OPERATING EXPENSES</b>                            |                                  |                                  |
| Research and Development expenses, net                   | 21,563                           | 22,087                           |
| Sales and Marketing expenses                             | 9,799                            | 8,835                            |
| General and Administration expenses                      | 3,476                            | 3,847                            |
|  | <u>34,838</u>                    | <u>34,769</u>                    |
| <br><b>OPERATING PROFIT</b>                              | 15,313                           | 8,430                            |
| <br><b>INTEREST INCOME, NET</b>                          | <u>397</u>                       | <u>633</u>                       |
| <br><b>INCOME BEFORE INCOME TAXES</b>                    | 15,710                           | 9,063                            |
| <br><b>INCOME TAX EXPENSES</b>                           | <u>349</u>                       | <u>1,625</u>                     |
| <br><b>NET INCOME FOR THE PERIOD</b>                     | <u>15,361</u>                    | <u>7,438</u>                     |
| <br>Net income per share:                                |                                  |                                  |
| Basic  | <u>0.56</u>                      | <u>0.27</u>                      |
| Diluted  | <u>0.55</u>                      | <u>0.27</u>                      |
| <br>Shares used for calculation of net income per share: |                                  |                                  |
| Basic  | <u>27,506</u>                    | <u>27,071</u>                    |
| Diluted  | <u>27,920</u>                    | <u>27,343</u>                    |

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

(U.S. dollars in thousands)

|   | <u>September 30,</u><br><u>2014</u> | <u>Three months ended</u><br><u>June 30,</u><br><u>2014</u> | <u>September 30,</u><br><u>2013</u> |
|---|-------------------------------------|---|-------------------------------------|
| <b>CASH FLOW – OPERATING ACTIVITIES</b>   |                                     |   |                                     |
| Net income for the period   | 3,269                               | 5,694   | 2,240                               |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                     |   |                                     |
| Depreciation and amortization   | 1,072                               | 972   | 907                                 |
| Amortization of deferred stock-based compensation                                 | 620                                 | 472   | 368                                 |
| Increase (decrease) in liability for employee termination benefits, net           | (77)                                | 74  | (1)                                 |
| Deferred income taxes   | (35)                                | (58)  | 116                                 |
| Decrease (increase) in trade accounts receivables                                 | 3,330                               | (3,898)   | (1,112)                             |
| Decrease in inventories   | 1,963                               | 688   | 144                                 |
| Decrease (increase) in other current and long term assets                         | 1,254                               | 257   | (1,064)                             |
| Increase (decrease) in trade accounts payables and other long-term liabilities    | (3,207)                             | (2,456)   | 250                                 |
| Increase (decrease) in other current liabilities                                  | 56                                  | (787)   | 614                                 |
| Increase (decrease) in short and long term deferred income                        | (1,906)                             | 1,247   | 793                                 |
| <b>Net cash provided by operating activities</b>                                  | <u><b>6,339</b></u>                 | <u><b>2,205</b></u>   | <u><b>3,255</b></u>                 |
| <b>CASH FLOW – INVESTMENT ACTIVITIES</b>  |                                     |   |                                     |
| Increase in short-term interest-bearing bank deposits                             | (8,458)                             | (1,943)   | (4,548)                             |
| Decrease (increase) in short-term available for sale securities                   | 18                                  | (19)  | -                                   |
| Additions to fixed assets   | (1,788)                             | (1,228)   | (761)                               |
| <b>Net cash used in investment activities</b>                                     | <u><b>(10,228)</b></u>              | <u><b>(3,190)</b></u>                                       | <u><b>(5,309)</b></u>               |
| <b>CASH FLOW – FINANCING ACTIVITIES</b>   |                                     |   |                                     |
| Purchases of treasury shares  | (3,173)                             | (1,103)   | -                                   |
| Shares issued under employee share-based plans                                    | 312                                 | 961   | 12                                  |
| <b>Net cash provided by (used in) financing activities</b>                        | <u><b>(2,861)</b></u>               | <u><b>(142)</b></u>   | <u><b>12</b></u>                    |
| <b>Decrease in cash and cash equivalents</b>                                      | <u><b>(6,750)</b></u>               | <u><b>(1,127)</b></u>                                       | <u><b>(2,042)</b></u>               |
| <b>Cash and cash equivalents – beginning of period</b>                            | <u><b>19,899</b></u>                | <u><b>21,026</b></u>  | <u><b>17,799</b></u>                |
| <b>Cash and cash equivalents – end of period</b>                                  | <u><b>13,149</b></u>                | <u><b>19,899</b></u>  | <u><b>15,757</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>2014</u></b>              | <b><u>2013</u></b>          |
| <b>CASH FLOW – OPERATING ACTIVITIES</b>   |                                 |                             |
| Net income for the period   | 15,361                          | 7,438                       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |                             |
| Depreciation and amortization   | 2,946                           | 2,577                       |
| Loss related to equipment and inventory damage                                    | -                               | 148                         |
| Amortization of deferred stock-based compensation                                 | 1,614                           | 1,577                       |
| Increase (decrease) in liability for employee termination benefits, net           | (29)                            | 54                          |
| Deferred income taxes   | (84)                            | 1,438                       |
| Decrease (increase) in trade accounts receivables                                 | 5,173                           | (3,467)                     |
| Decrease in inventories   | 1,291                           | 167                         |
| Decrease (increase) in other current and long term assets                         | 794                             | (943)                       |
| Increase (decrease) in trade accounts payables and other long term liabilities    | (6,712)                         | 28                          |
| Increase in other current liabilities   | 502                             | 1,454                       |
| Increase (decrease) in short and long term deferred income                        | 424                             | (939)                       |
| <b>Net cash provided by operating activities</b>                                  | <b><u>21,280</u></b>            | <b><u>9,532</u></b>         |
| <b>CASH FLOW – INVESTMENT ACTIVITIES</b>  |                                 |                             |
| Increase in short-term and long-term interest-bearing bank deposits               | (20,442)                        | (8,880)                     |
| Proceeds from insurance claim   | -                               | 219                         |
| Additions to fixed assets   | (3,541)                         | (2,145)                     |
| <b>Net cash used in investment activities</b>                                     | <b><u>(23,983)</u></b>          | <b><u>(10,806)</u></b>      |
| <b>CASH FLOW – FINANCING ACTIVITIES</b>   |                                 |                             |
| Purchases of treasury shares  | (4,276)                         | -                           |
| Shares issued under employee share-based plans                                    | 2,586                           | 1,068                       |
| <b>Net cash provided by (used in) financing activities</b>                        | <b><u>(1,690)</u></b>           | <b><u>1,068</u></b>         |
| <b>Decrease in cash and cash equivalents</b>                                      | <b><u>(4,393)</u></b>           | <b><u>(206)</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>13,149</u></b>            | <b><u>15,757</u></b>        |

**DISCLOSURE OF NON-GAAP NET INCOME**

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

|   | <u>September 30,</u><br><u>2014</u> | <u>Three months ended</u><br><u>June 30,</u><br><u>2014</u> | <u>September 30,</u><br><u>2013</u> |
|---|-------------------------------------|---|-------------------------------------|
| <b>GAAP Net income for the period</b>                         | 3,269                               | 5,694   | 2,240                               |
| <u>Non-GAAP Adjustments:</u>                                  |                                     |   |                                     |
| Stock based compensation expenses                             | 620                                 | 472   | 368                                 |
| Deferred income taxes   | <u>(35)</u>                         | <u>(58)</u>   | <u>116</u>                          |
| <b>Non-GAAP Net income for the period</b>                     | <u>3,854</u>                        | <u>6,108</u>  | <u>2,724</u>                        |
| Non-GAAP Net income per share:                                |                                     |   |                                     |
| Basic   | <u>0.14</u>                         | <u>0.22</u>   | <u>0.10</u>                         |
| Diluted   | <u>0.14</u>                         | <u>0.22</u>   | <u>0.10</u>                         |
| Shares used for calculation of Non-GAAP net income per share: |                                     |   |                                     |
| Basic   | <u>27,496</u>                       | <u>27,592</u>   | <u>27,237</u>                       |
| Diluted   | <u>27,780</u>                       | <u>28,138</u>   | <u>27,503</u>                       |

|   | <u>September 30,</u><br><u>2014</u> | <u>Nine months ended</u><br><u>September 30,</u><br><u>2013</u> |
|---|-------------------------------------|---|
| <b>GAAP Net income for the period</b>                         | 15,361                              | 7,438   |
| <u>Non-GAAP Adjustments:</u>                                  |                                     |   |
| Stock based compensation expenses                             | 1,614                               | 1,577   |
| Deferred income taxes   | (84)                                | 1,438   |
| Income from insurance claim                                   | -                                   | (509)   |
| Loss related to equipment and inventory damage                | <u>-</u>                            | <u>148</u>  |
| <b>Non-GAAP Net income for the period</b>                     | <u>16,891</u>                       | <u>10,092</u>   |
| Non-GAAP Net income per share:                                |                                     |   |
| Basic   | <u>0.61</u>                         | <u>0.37</u>   |
| Diluted   | <u>0.60</u>                         | <u>0.37</u>   |
| Shares used for calculation of Non-GAAP net income per share: |                                     |   |
| Basic   | <u>27,506</u>                       | <u>27,071</u>   |
| Diluted   | <u>27,920</u>                       | <u>27,343</u>   |