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**Company Press Release**

**Nova Reports First Quarter 2016 Financial Results**

*Recent uptick in bookings supports expectations for a stronger second half of 2016*

**Rehovot, Israel, May 4, 2016 - Nova Measuring Instruments (Nasdaq: NVMI)**, a leading innovator and a key provider of metrology solutions for advanced process control used in semiconductor manufacturing, today reported financial results for the first quarter of 2016, the period ended March 31, 2016.

**First Quarter 2016 Highlights:**

- Revenues of \$34.1 million, within guidance (\$33-37 million)
- Non-GAAP net income of \$4.5 million, or \$0.16 per diluted share, at the high end of the guidance (\$0.10-\$0.17 per diluted share)
- Diversified customer mix yielded four customers contributing more than 10% each to the quarterly revenues, including one leading memory customer
- Selected by the world's leading foundry to deliver Optical and X-ray metrology solutions for multiple process steps at 10/7/5nm technology nodes
- Growing revenues from multiple competitive wins in China

GAAP Results (\$K)			
	Q1 2016	Q4 2015	Q1 2015
Revenues	\$34,056	\$40,022	\$27,494
Net Income	\$2,905	\$5,161	\$2,977
Earnings per Diluted Share	\$0.11	\$0.19	\$0.11
NON-GAAP Results (\$K)			
	Q1 2016	Q4 2015	Q1 2015
Net Income	\$4,450	\$5,278	\$4,034
Earnings per Diluted Share	\$0.16	\$0.19	\$0.15

*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 amortization of acquired intangible assets, deferred tax assets adjustments (net), stock-based compensation expenses and acquisition related expenses.*

## **Management Comments**

“The first quarter results were in-line with our expectations, with profitability at the higher end of our guidance, reflecting the market dynamics and our ability to adjust accordingly,” commented Eitan Oppenheim, President and Chief Executive Officer of Nova. “As evident by this quarter results, our focus on customer diversification is becoming critically important, as customers adopt different spending cycles, and is a key to our continuous growth. Our goal to expand our portfolio by converging different metrology techniques (X-ray and Optical) is gathering momentum with several customers as we widen our applications’ reach beyond CDs to include Film Thickness and Material composition as well.”

“A notable recent uptick in bookings supports our expectations that 2016 will be another well-executed year with a stronger second half that will benefit primarily from investment related to next-generation devices,” continued Mr. Oppenheim. “The increase in bookings is already evident, with the recent announcement of more than \$20 million in orders received from several Foundry customers in recent weeks, bolstering our confidence in another solid year for Nova.”

## **2016 Second Quarter Financial Outlook**

Management provided an outlook for the second quarter, the period ending June 30, 2016. Based on current estimates, management expects:

- \$34 million to \$38 million in revenue
- \$0.08 to \$0.15 in diluted non-GAAP EPS
- \$0.04 to \$0.10 in diluted GAAP EPS

## **2016 First Quarter Results**

Total revenues for the first quarter of 2016 were \$34.1 million, a decrease of 15% compared to the fourth quarter of 2015, and an increase of 24% relative to the first quarter of 2015.

Gross margin for the first quarter of 2016 was 54%. This is compared with 52% in the fourth quarter and first quarter of 2015.

Operating expenses in the first quarter of 2016 were \$15.7 million, and included \$0.6 million of amortization of acquired intangible assets. This is compared with \$17.3 million in the fourth quarter of 2015 and compared with \$12.1 million in the first quarter of 2015.

On a GAAP basis, the company reported net income of \$2.9 million, or \$0.11 per diluted share, in the first quarter of 2016. This is compared with net income of \$5.2 million, or \$0.19 per diluted share, in the fourth quarter of 2015. The company reported net income of \$3.0 million, or \$0.11 per diluted share, in the first quarter of 2015.

On a Non-GAAP basis, which excludes amortization of acquired intangible assets, adjustments of deferred tax assets net, stock-based compensation expenses and acquisition related expenses the company reported net income of \$4.5 million, or \$0.16 per diluted share, in the first quarter of 2016. This is compared with net income of \$5.3 million, or \$0.19 per diluted share, in the fourth quarter of 2015 and compared with net income of \$4.0 million, or \$0.15 per diluted share, in the first quarter of 2015.

## Conference Call Information

Nova will host a conference call that same day, May 4, 2016, at 9:30 a.m. Eastern Time, to discuss the financial results and future outlook. 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: 1-888-417-8516  
ISRAEL Dial-in Number: 1 80 924 5906  
INTERNATIONAL Dial-in Number: 1-719-457-2645

At:

9:30 a.m. Eastern Time

6:30 a.m. Pacific Time

4:30 p.m. Israeli Time

Please reference conference ID 1539748

The conference call will also be webcast live from a link on Nova's website at <http://ir.novameasuring.com>.

**About Nova: Nova Measuring Instruments** delivers continuous innovation by providing advanced 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 amortization of acquired intangible assets, deferred tax assets adjustments (net), stock-based compensation expenses and acquisition related expenses 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, but are not limited to, anticipated growth opportunities and projections about our business and its future revenues, expenses 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. Factors that may affect our results, performance, circumstances or achievements include, but are not limited to, the following: our dependency on three product lines; our dependency on a small number of large customers and small number of suppliers; the highly cyclical and competitive nature of the markets we target and we operate in; 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 ability to*

*recognize the benefits of ReVera acquisition and risks that the acquisition may disrupt current plans and operations and impact relationships with customers, distributors and suppliers; our dependency on PEMs; 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 our manufacturing facilities; risks related to changes in our order backlog; risks related to the worldwide financial instabilities; risks related to our intellectual property; new product offerings from our competitors; unanticipated manufacturing or supply problems; risks related to government programs we participate in; risks related to taxation; changes in customer demand for our products; risks related to currency fluctuations, risks related to acquisitions we may pursue 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, 2015 filed with the Securities and Exchange Commission on February 29, 2016. 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.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in thousands) - (Unaudited)

	As of	
	March 31, 2016	December 31, 2015 (Audited)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	16,198	27,733
Short-term interest-bearing bank deposits	76,328	69,298
Trade accounts receivable	22,086	19,046
Inventories	27,974	27,683
Deferred tax assets	4,439	3,540
Other current assets	3,752	2,888
	<b>Total current assets</b>	<b>150,188</b>
Long-term assets		
Long-term interest-bearing bank deposits	750	750
Deferred tax assets	4,792	5,735
Severance pay funds	1,541	1,514
Property and equipment, net	10,433	11,062
Identifiable intangible assets, net	17,270	17,906
Goodwill	20,114	20,114
	<b>Total long-term assets</b>	<b>57,081</b>
	<b>Total assets</b>	<b>207,269</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Trade accounts payable	11,188	14,378
Deferred revenues	2,871	5,828
Deferred tax liabilities	1,297	956
Other current liabilities	15,895	15,996
	<b>Total current liabilities</b>	<b>37,158</b>
Long-term liabilities		
Deferred tax liabilities	5,528	5,760
Liability for employee severance pay	2,562	2,469
Other long-term liabilities	848	822
	<b>Total long-term liabilities</b>	<b>9,051</b>
	<b>Shareholders' equity</b>	<b>161,060</b>
	<b>Total liabilities and shareholders' equity</b>	<b>207,269</b>

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

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

	<b>Three months ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Revenues:		
Products	24,262	19,324
Services	9,794	8,170
Total revenues	<u>34,056</u>	<u>27,494</u>
Cost of revenues:		
Products	9,861	8,639
Services	5,665	4,432
Total cost of revenues	<u>15,526</u>	<u>13,071</u>
<b>Gross profit</b>	<u>18,530</u>	<u>14,423</u>
Operating expenses:		
Research and development expenses, net	7,908	6,999
Sales and marketing expenses	5,367	2,806
General and administration expenses	1,810	1,224
Acquisition related expenses	-	1,106
Amortization of acquired intangible assets	636	-
Total operating expenses	<u>15,721</u>	<u>12,135</u>
<b>Operating income</b>	2,809	2,288
Financing income, net	469	211
<b>Income before tax on income</b>	3,278	2,499
Income tax expenses (benefit)	373	(478)
<b>Net income for the period</b>	<u>2,905</u>	<u>2,977</u>
<b>Earnings per share:</b>		
Basic	<u>0.11</u>	<u>0.11</u>
Diluted	<u>0.11</u>	<u>0.11</u>
<b>Shares used for calculation of earnings per share:</b>		
Basic	<u>27,116</u>	<u>27,210</u>
Diluted	<u>27,351</u>	<u>27,552</u>

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

	<b>Three months ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Cash flows from operating activities:		
Net income for the period	2,905	2,977
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,285	1,060
Amortization of acquired intangible assets	636	-
Amortization of deferred stock-based compensation	756	517
Increase (decrease) in liability for employee termination benefits, net	66	(16)
Deferred tax assets, net	153	(566)
Loss on securities	-	42
Increase in trade accounts receivable	(3,040)	(2,496)
Decrease (increase) in inventories	(370)	117
Decrease (increase) in other current and long term assets	(347)	330
Increase (decrease) in trade accounts payable	(3,190)	135
Increase (decrease) in other current liabilities and other long-term liabilities	(117)	475
Decrease in short and long term deferred revenues	(2,957)	(1,102)
<b>Net cash provided by (used in) operating activities</b>	<b>(4,220)</b>	<b>1,473</b>
Cash flow from investment activities:		
Decrease (increase) in short-term interest-bearing bank deposits	(7,030)	48,497
Payment on account of acquisition	-	(46,500)
Additions to property and equipment	(577)	(757)
<b>Net cash provided by (used in) investment activities</b>	<b>(7,607)</b>	<b>1,240</b>
Cash flows from financing activities:		
Shares issued under employee stock-based plans	292	1,092
<b>Net cash provided by financing activities</b>	<b>292</b>	<b>1,092</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(11,535)</b>	<b>3,805</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>27,733</b>	<b>13,649</b>
<b>Cash and cash equivalents – end of period</b>	<b>16,198</b>	<b>17,454</b>

**NOVA MEASURING INSTRUMENTS LTD.**  
**RECONCILIATION OF GAAP TO NON-GAAP RESULTS**

(U.S. dollars in thousands, except percentage and per share data) - (Unaudited)

	<b>Three months ended</b>		
	<b>March 31, 2016</b>	<b>December 31, 2015</b>	<b>March 31, 2015</b>
GAAP cost of revenues	15,526	19,168	13,071
Amortization of acquired intangible assets in cost of products	-	(1,051)	-
Stock-based compensation in cost of products	(96)	(94)	(81)
Stock-based compensation in cost of services	(64)	(63)	(32)
Non-GAAP cost of revenues	<u>15,366</u>	<u>17,960</u>	<u>12,958</u>
GAAP gross profit	18,530	20,854	14,423
Gross profit adjustments	160	1,208	113
Non-GAAP gross profit	<u>18,690</u>	<u>22,062</u>	<u>14,536</u>
<i>GAAP gross margin as a percentage of revenues</i>	54%	52%	52%
<i>Non-GAAP gross margin as a percentage of revenues</i>	55%	55%	53%
GAAP operating expenses	15,721	17,284	12,135
Stock-based compensation in research and development	(306)	(322)	(190)
Stock-based compensation in sales and marketing	(210)	(213)	(160)
Stock-based compensation in general and administrative	(80)	(73)	(54)
Acquisition related expenses	-	-	(1,106)
Amortization of acquired intangible assets	(636)	(378)	-
Non-GAAP operating expenses	<u>14,489</u>	<u>16,298</u>	<u>10,625</u>
Non-GAAP operating income	<u>4,201</u>	<u>5,764</u>	<u>3,911</u>
<i>GAAP operating margin as a percentage of revenues</i>	8%	9%	8%
<i>Non-GAAP operating margin as a percentage of revenues</i>	12%	14%	14%
GAAP tax on income	373	(1,407)	(478)
Deferred tax assets adjustments, net	(153)	2,077	566
Non-GAAP tax on income	<u>220</u>	<u>670</u>	<u>88</u>
GAAP net income	2,905	5,161	2,977
Amortization of acquired intangible assets	636	1,429	-
Stock-based compensation expenses	756	765	517
Deferred tax assets adjustments, net	153	(2,077)	(566)
Acquisition related expenses	-	-	1,106
Non-GAAP net income	<u>4,450</u>	<u>5,278</u>	<u>4,034</u>
GAAP basic earnings per share	<u>0.11</u>	<u>0.19</u>	<u>0.11</u>
Non-GAAP basic earnings per share	<u>0.16</u>	<u>0.19</u>	<u>0.15</u>
GAAP diluted earnings per share	<u>0.11</u>	<u>0.19</u>	<u>0.11</u>
Non-GAAP diluted earnings per share	<u>0.16</u>	<u>0.19</u>	<u>0.15</u>
Shares used for calculation of earnings per share:			
Basic	<u>27,116</u>	<u>27,073</u>	<u>27,210</u>
Diluted	<u>27,351</u>	<u>27,334</u>	<u>27,552</u>