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**Company Press Release****Nova Reports Record Second Quarter 2017 Results**

**Rehovot, Israel, August 2, 2017 - Nova (Nasdaq: NVMI)**, a leading innovator and a key provider of metrology solutions for advanced process control used in semiconductor manufacturing, today reported record financial results for the second quarter 2017, the period ended June 30, 2017.

**Second Quarter 2017 Highlights:**

- Record quarterly revenue of \$56.1 million, up 58% year-over-year, above the high end of guidance of \$52 million to \$56 million
- GAAP net income of \$13.3 million, or \$0.47 per diluted share, up 327% year-over-year on a per-share basis, exceeding guidance of \$0.32 to \$0.39 per share
- Non-GAAP net income of \$15.2 million, or \$0.53 per diluted share, up 212% year-over-year on a per-share basis, exceeding guidance of \$0.38 to \$0.46 per share
- Diversified customer mix, including five 10%-plus customers
- Record quarterly revenue from Integrated Metrology solutions, including record Integrated Metrology revenue from Memory customers

<b>GAAP Results (\$K)</b>			
	<b>Q2 2017</b>	<b>Q1 2017</b>	<b>Q2 2016</b>
Revenues	\$56,126	\$54,430	\$35,575
Net Income	\$13,313	\$13,403	\$3,153
Earnings per Diluted Share	\$0.47	\$0.48	\$0.11
<b>NON-GAAP Results (\$K)</b>			
	<b>Q2 2017</b>	<b>Q1 2017</b>	<b>Q2 2016</b>
Net Income	\$15,167	\$14,115	\$4,703
Earnings per Diluted Share	\$0.53	\$0.50	\$0.17

*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, net adjustments of deferred tax assets and stock-based compensation expenses.*

## **Management Comments**

“We continue to outperform and solidify Nova’s competitive position in the market by offering an innovative and unique portfolio of metrology solutions to a growing addressable market,” commented Eitan Oppenheim, President and Chief Executive Officer of Nova. “The record quarterly results are driven by continuous demand for all our product lines, including Dimensional and Materials solutions, across all segments. Our second quarter revenue and profitability both exceeded our guidance range, supported by an increasingly diverse customer base with five 10%-plus customers from both the Foundry and Memory segments.”

“We delivered significant growth during the first half of 2017, demonstrating the value and efficiency embedded into our business model, which allows us to continue investing in our next-generation products and to pursue our strategic targets,” added Mr. Oppenheim. “The results in the first half of 2017 suggest that we are well on pace for another significant growth year, while our strong cash reserves provide ample resources to further expand our market position.”

## **2017 Third Quarter Financial Outlook**

Management provided an outlook for the third quarter, the period ending September 30, 2017. Based on current estimates, management expects:

- \$51 million to \$56 million in revenue
- \$0.27 to \$0.37 in diluted GAAP EPS
- \$0.33 to \$0.43 in diluted non-GAAP EPS

## **2017 Second Quarter Results**

Total revenues for the second quarter of 2017 were \$56.1 million, a sequential increase of 3% compared to the first quarter of 2017 and a year-over-year increase of 58% relative to the second quarter of 2016.

Gross margin in the second quarter of 2017 was 59%, compared to a gross margin of 60% in the first quarter of 2017 and compared to a gross margin of 53% in the second quarter of 2016.

Operating expenses in the second quarter of 2017 were \$17.7 million, similar to the first quarter of 2017 and compared with \$15.4 million in the second quarter of 2016.

On a GAAP basis, the company reported net income of \$13.3 million, or \$0.47 per diluted share, in the second quarter of 2017. This is compared with net income of \$13.4 million, or \$0.48 per diluted share, in the first quarter of 2017, and compared with net income of \$3.2 million, or \$0.11 per diluted share, in the second quarter of 2016.

On a non-GAAP basis, which excludes amortization of acquired intangible assets, net adjustments of deferred tax assets and stock-based compensation expenses, the company reported net income of \$15.2 million, or \$0.53 per diluted share, in the second quarter of 2017. This is compared with net income of \$14.1 million, or \$0.50 per diluted share, in the first quarter of 2017, and compared with net income of \$4.7 million, or \$0.17 per diluted share, in the second quarter of 2016.

Total cash reserves at June 30, 2017 were \$135.7 million, compared to \$91.7 million at December 31, 2016.

## Conference Call Information

Nova will host a conference call today, August 2, 2017, at 9 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: 1-800-310-1961  
ISRAEL Dial-in Number: 1-809-245-905  
INTERNATIONAL Dial-in Number: 1-719-325-2291

At:

9 a.m. Eastern Time  
6 a.m. Pacific Time  
4 p.m. Israeli Time

Please reference conference ID 1221502

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

A replay of the conference call will be available from August 2, 2017 at 12 p.m. Eastern Time to August 9, 2017 at 11:59 p.m. Eastern Time. To access the replay, please dial one of the following numbers:

Replay Dial-in TOLL-FREE 1-844-512-2921  
Replay Dial-in TOLL/INTERNATIONAL 1-412-317-6671

Replay Pin Number: 1221502

A replay will also be available for 90 days on Nova's website at <http://ir.novameasuring.com>.

**About Nova:** Nova 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 charges for amortization of acquired intangible assets, net adjustment of deferred tax assets and stock-based compensation 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 efforts to complete and integrate current and/or future acquisitions; 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, 2016 filed with the Securities and Exchange Commission on March 3, 2017. 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)

ASSETS	As of	
	June 30, 2017	December 31, 2016
Current assets		
Cash and cash equivalents	41,732	20,406
Short-term interest-bearing bank deposits	93,205	70,546
Trade accounts receivable	36,352	42,626
Inventories	33,671	29,260
Other current assets	6,023	5,068
	210,983	167,906
<b>Total current assets</b>		
Long-term assets		
Long-term interest-bearing bank deposits	750	750
Deferred tax assets	2,367	3,020
Severance pay funds	1,471	1,425
Property and equipment, net	9,596	10,017
Identifiable intangible assets, net	14,081	15,361
Goodwill	20,114	20,114
	48,379	50,687
<b>Total long-term assets</b>		
	259,362	218,593
<b>Total assets</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Trade accounts payable	19,209	16,501
Deferred revenues	10,236	4,072
Other current liabilities	19,996	18,461
	49,441	39,034
<b>Total current liabilities</b>		
Long-term liabilities		
Deferred tax liabilities	516	1,094
Liability for employee severance pay	2,537	2,418
Other long-term liabilities	1,616	1,330
	4,669	4,842
<b>Total long-term liabilities</b>		
<b>Shareholders' equity</b>	205,252	174,717
<b>Total liabilities and shareholders' equity</b>	259,362	218,593

**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>Six months ended</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Revenues:				
Products	44,954	25,427	88,470	49,689
Services	11,172	10,148	22,086	19,942
Total revenues	<u>56,126</u>	<u>35,575</u>	<u>110,556</u>	<u>69,631</u>
Cost of revenues:				
Products	15,809	10,092	30,929	19,953
Services	6,923	6,584	13,373	12,249
Total cost of revenues	<u>22,732</u>	<u>16,676</u>	<u>44,302</u>	<u>32,202</u>
<b>Gross profit</b>	33,394	18,899	66,254	37,429
Operating expenses:				
Research and development expenses, net	9,238	8,684	18,513	16,592
Sales and marketing expenses	5,892	4,535	11,980	9,902
General and administration expenses	1,938	1,521	3,595	3,331
Amortization of acquired intangible assets	640	636	1,280	1,272
Total operating expenses	<u>17,708</u>	<u>15,376</u>	<u>35,368</u>	<u>31,097</u>
<b>Operating income</b>	15,686	3,523	30,886	6,332
Financing income, net	525	256	940	725
<b>Income before tax on income</b>	16,211	3,779	31,826	7,057
Income tax expenses	2,898	626	5,110	999
<b>Net income for the period</b>	<u>13,313</u>	<u>3,153</u>	<u>26,716</u>	<u>6,058</u>
<b>Earnings per share:</b>				
Basic	<u>0.48</u>	<u>0.12</u>	<u>0.97</u>	<u>0.22</u>
Diluted	<u>0.47</u>	<u>0.11</u>	<u>0.96</u>	<u>0.22</u>
<b>Shares used for calculation of earnings per share:</b>				
Basic	<u>27,655</u>	<u>27,123</u>	<u>27,561</u>	<u>27,120</u>
Diluted	<u>28,562</u>	<u>27,422</u>	<u>27,958</u>	<u>27,253</u>

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

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

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash flows from operating activities:				
<b>Net income for the period</b>	13,313	3,153	26,716	6,058
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	938	1,064	1,893	2,349
Amortization of acquired intangible assets	640	636	1,280	1,272
Amortization of deferred stock-based compensation	548	649	1,211	1,405
Increase in liability for employee termination benefits, net	41	30	73	96
Deferred tax assets, net	666	265	75	418
Decrease (increase) in trade accounts receivable	1,887	(689)	6,274	(3,729)
Increase in inventories	(3,041)	(2,687)	(4,616)	(3,057)
Decrease (increase) in other current assets	(1,376)	739	(955)	392
Increase (decrease) in trade accounts payable	2,618	1,946	2,708	(1,244)
Increase (decrease) in other current liabilities and other long-term liabilities	409	(2,490)	2,288	(2,607)
Increase (decrease) in short term deferred revenues	3,770	851	6,164	(2,106)
<b>Net cash provided by (used in) operating activities</b>	<u>20,413</u>	<u>3,467</u>	<u>43,111</u>	<u>(753)</u>
Cash flow from investment activities:				
Decrease (increase) in short-term interest-bearing bank deposits	(2,581)	1,098	(22,659)	(5,932)
Additions to property and equipment	(847)	(503)	(1,267)	(1,080)
<b>Net cash provided by (used in) investment activities</b>	<u>(3,428)</u>	<u>595</u>	<u>(23,926)</u>	<u>(7,012)</u>
Cash flows from financing activities:				
Purchases of treasury shares	-	(937)	-	(937)
Shares issued under employee stock-based plans	324	132	2,141	424
<b>Net cash provided by (used in) financing activities</b>	<u>324</u>	<u>(805)</u>	<u>2,141</u>	<u>(513)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	17,309	3,257	21,326	(8,278)
<b>Cash and cash equivalents – beginning of period</b>	<u>24,423</u>	<u>16,198</u>	<u>20,406</u>	<u>27,733</u>
<b>Cash and cash equivalents – end of period</b>	<u><u>41,732</u></u>	<u><u>19,455</u></u>	<u><u>41,732</u></u>	<u><u>19,455</u></u>

**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>June 30, 2017</b>	<b>March 31, 2017</b>	<b>June 30, 2016</b>
GAAP cost of revenues	22,732	21,570	16,676
Stock-based compensation in cost of products	(74)	(76)	(79)
Stock-based compensation in cost of services	(56)	(66)	(48)
Non-GAAP cost of revenues	<u>22,602</u>	<u>21,428</u>	<u>16,549</u>
GAAP gross profit	33,394	32,860	18,899
Gross profit adjustments	130	142	127
Non-GAAP gross profit	<u>33,524</u>	<u>33,002</u>	<u>19,026</u>
<i>GAAP gross margin as a percentage of revenues</i>	59%	60%	53%
<i>Non-GAAP gross margin as a percentage of revenues</i>	60%	61%	53%
GAAP operating expenses	17,708	17,660	15,376
Stock-based compensation in research and development	(188)	(262)	(230)
Stock-based compensation in sales and marketing	(146)	(165)	(237)
Stock-based compensation in general and administrative	(84)	(94)	(55)
Amortization of acquired intangible assets	(640)	(640)	(636)
Non-GAAP operating expenses	<u>16,650</u>	<u>16,499</u>	<u>14,218</u>
Non-GAAP operating income	<u>16,874</u>	<u>16,503</u>	<u>4,808</u>
<i>GAAP operating margin as a percentage of revenues</i>	28%	28%	10%
<i>Non-GAAP operating margin as a percentage of revenues</i>	30%	30%	14%
GAAP tax on income	2,898	2,212	626
Deferred tax assets adjustments, net	(666)	591	(265)
Non-GAAP tax on income	<u>2,232</u>	<u>2,803</u>	<u>361</u>
GAAP net income	13,313	13,403	3,153
Amortization of acquired intangible assets	640	640	636
Stock-based compensation expenses	548	663	649
Deferred tax assets adjustments, net	666	(591)	265
Non-GAAP net income	<u>15,167</u>	<u>14,115</u>	<u>4,703</u>
GAAP basic earnings per share	0.48	0.49	0.12
Non-GAAP basic earnings per share	<u>0.55</u>	<u>0.51</u>	<u>0.17</u>
GAAP diluted earnings per share	0.47	0.48	0.11
Non-GAAP diluted earnings per share	<u>0.53</u>	<u>0.50</u>	<u>0.17</u>
Shares used for calculation of earnings per share:			
Basic	27,655	27,467	27,123
Diluted	<u>28,562</u>	<u>28,148</u>	<u>27,422</u>