Company Press Release

Nova Reports First Quarter 2020 Results, Exceeds Guidance


First Quarter 2020 Highlights:

- Quarterly revenue of $61.0 million, exceeding guidance of $50 million to $60 million.
- GAAP net income of $11.7 million, or $0.41 per diluted share, exceeding guidance of $0.18 to $0.34 per share.
- Non-GAAP net income of $13.5 million, or $0.47 per diluted share, exceeding guidance of $0.26 to $0.42 per share.
- Balanced product revenue mix across Logic/Foundry and Memory.
- Nova’s optical metrology solutions selected by leading global logic manufacturer for its global logic fabrication sites. Initial revenues were recognized in the first quarter of 2020.

<table>
<thead>
<tr>
<th>GAAP Results ($K)</th>
<th>Q1 2020</th>
<th>Q4 2019</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$61,022</td>
<td>$64,625</td>
<td>$56,657</td>
</tr>
<tr>
<td>Net Income</td>
<td>$11,682</td>
<td>$12,385</td>
<td>$7,756</td>
</tr>
<tr>
<td>Earnings per Diluted Share</td>
<td>$0.41</td>
<td>$0.43</td>
<td>$0.27</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NON-GAAP Results ($K)</th>
<th>Q1 2020</th>
<th>Q4 2019</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$13,481</td>
<td>$14,561</td>
<td>$10,449</td>
</tr>
<tr>
<td>Earnings per Diluted Share</td>
<td>$0.47</td>
<td>$0.51</td>
<td>$0.37</td>
</tr>
</tbody>
</table>

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, stock-based compensation expenses, facilities transition costs, revaluation of long-term liabilities and tax effect of non-GAAP adjustments.

Management Comments

“Nova performed well this quarter with revenue and profitability exceeding the guidance. These financial results demonstrate our solid execution capabilities as well as our resilient and agile operational model, which allows us to adapt quickly to uncertainties in the market,” commented Eitan Oppenhaim, President and Chief Executive Officer. “Amid the global spread of the pandemic, our focus continues to be on the safety and well-being of our employees and partners. Although the market is still vulnerable, we have already taken the required measures to protect our production lines and supply chain to ensure business continuity throughout the year.”
2020 Second Quarter Financial Outlook

Management provided an outlook for the second quarter, the period ending June 30, 2020. Based on current estimates, management expects:

- $58 million to $66 million in revenue
- $0.29 to $0.43 in diluted GAAP EPS
- $0.37 to $0.51 in diluted non-GAAP EPS

2020 First Quarter Results

Total revenues for the first quarter of 2020 were $61.0 million, a decrease of 6% compared to the fourth quarter of 2019 and an increase of 8% compared to the first quarter of 2019.

Gross margin for the first quarter of 2020 was 56%, compared to a gross margin of 54% in the fourth quarter of 2019, and compared to gross margin of 56% in the first quarter of 2019.

Operating expenses in the first quarter of 2020 were $21.5 million, compared with $20.1 million in the fourth quarter of 2019 and compared with $22.9 million in the first quarter of 2019.

On a GAAP basis, the company reported net income of $11.7 million, or $0.41 per diluted share, in the first quarter of 2020, compared with net income of $12.4 million, or $0.43 per diluted share, in the fourth quarter of 2019, and compared with net income of $7.8 million, or $0.27 per diluted share, in the first quarter of 2019.

On a non-GAAP basis, which excludes amortization of acquired intangible assets, stock-based compensation expenses, facilities transition costs, revaluation of long-term liabilities and tax effect of non-GAAP adjustments, the company reported net income of $13.5 million, or $0.47 per diluted share, in the first quarter of 2020. This is compared with net income of $14.6 million, or $0.51 per diluted share, in the fourth quarter of 2019, and compared with net income of $10.4 million, or $0.37 per diluted share, in the first quarter of 2019.

Conference Call Information

Nova will host a conference call today, May 14, 2020, at 9 a.m. Eastern Time, to discuss the financial results and 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. TOLL-FREE Dial-in Number: 1-866-548-4713
ISRAEL TOLL-FREE Dial-in Number: 1-809-212-883
INTERNATIONAL Dial-in Number: 1-323-794-2093

At:
9 a.m. Eastern Time
6 a.m. Pacific Time
4 p.m. Israel Time

Please reference conference ID: 6871888

The conference call will also be webcast live from a link on Nova's website at https://www.novami.com/investors/events/.

A replay of the conference call will be available from May 14, 2020 at 12 p.m. Eastern Time to May 21, 2020 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: 6871888
A replay will also be available for 90 days on Nova’s website at https://www.novami.com/investors/events/.

**About Nova:** Nova is a leading innovator and key provider of metrology solutions for advanced process control used in semiconductor manufacturing. Nova delivers continuous innovation by providing 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, provides its customers with deep insight into the development and production of the most advanced semiconductor devices. Nova’s unique capability to deliver innovative X-ray and Optical solutions enable its customers to improve performance, enhance product 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.novami.com.

Nova is traded on the NASDAQ & TASE under the symbol NVMI.

This press release provides financial measures that exclude amortization of acquired intangible assets, stock-based compensation expenses, facilities transition costs, revaluation of long-term liabilities and tax effect of non-GAAP adjustments 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.

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 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 worldwide financial and economic instabilities, including the implications of the ongoing novel coronavirus (COVID-19) pandemic; 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 technology security threats, including data breaches, cyberattacks and system disruptions, and changes in privacy laws; 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, 2019 filed with the Securities and Exchange Commission on March 12, 2020. 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)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>March 31, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>35,531</td>
<td>31,748</td>
</tr>
<tr>
<td>Short-term interest-bearing bank deposits</td>
<td>162,155</td>
<td>154,533</td>
</tr>
<tr>
<td>Trade accounts receivable</td>
<td>55,043</td>
<td>51,603</td>
</tr>
<tr>
<td>Inventories</td>
<td>49,779</td>
<td>48,362</td>
</tr>
<tr>
<td>Other current assets</td>
<td>13,429</td>
<td>17,122</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>315,937</td>
<td>303,368</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing bank deposits</td>
<td>2,726</td>
<td>2,813</td>
</tr>
<tr>
<td>Restricted interest-bearing bank deposits</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>4,755</td>
<td>4,554</td>
</tr>
<tr>
<td>Severance pay funds</td>
<td>1,158</td>
<td>1,210</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>27,545</td>
<td>28,256</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>31,460</td>
<td>30,566</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>6,936</td>
<td>7,562</td>
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<tr>
<td>Goodwill</td>
<td>20,114</td>
<td>20,114</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>96,694</td>
<td>97,075</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>412,631</td>
<td>400,443</td>
</tr>
</tbody>
</table>

### LIABILITIES AND SHAREHOLDERS’ EQUITY

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade accounts payable</td>
<td>18,451</td>
<td>20,706</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>2,602</td>
<td>2,256</td>
</tr>
<tr>
<td>Operating lease current liabilities</td>
<td>2,020</td>
<td>2,236</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>23,220</td>
<td>21,751</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>46,293</td>
<td>46,949</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued severance pay</td>
<td>2,054</td>
<td>2,120</td>
</tr>
<tr>
<td>Operating lease long-term liabilities</td>
<td>30,370</td>
<td>31,077</td>
</tr>
<tr>
<td>Other long-term liability</td>
<td>6,025</td>
<td>5,758</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>38,449</td>
<td>38,955</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>327,889</td>
<td>314,539</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>412,631</td>
<td>400,443</td>
</tr>
</tbody>
</table>
NOVA MEASURING INSTRUMENTS LTD,
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(U.S. dollars in thousands, except per share data) - (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three months ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
</tr>
<tr>
<td>Products</td>
<td>45,725</td>
</tr>
<tr>
<td>Services</td>
<td>15,297</td>
</tr>
<tr>
<td>Total revenues</td>
<td>61,022</td>
</tr>
<tr>
<td>Cost of revenues:</td>
<td></td>
</tr>
<tr>
<td>Products</td>
<td>0</td>
</tr>
<tr>
<td>Services</td>
<td>8,640</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>26,680</td>
</tr>
<tr>
<td>Gross profit</td>
<td>34,342</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
</tr>
<tr>
<td>Research and development, net</td>
<td>11,683</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>6,563</td>
</tr>
<tr>
<td>General and administrative</td>
<td>2,589</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>626</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>21,461</td>
</tr>
<tr>
<td>Operating income</td>
<td>12,881</td>
</tr>
<tr>
<td>Financing income, net</td>
<td>1,028</td>
</tr>
<tr>
<td>Income before taxes on income</td>
<td>13,909</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>2,227</td>
</tr>
<tr>
<td>Net income for the period</td>
<td>11,682</td>
</tr>
<tr>
<td>Earnings per share:</td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>0.42</td>
</tr>
<tr>
<td>Diluted</td>
<td>0.41</td>
</tr>
<tr>
<td>Shares used for calculation of earnings per share:</td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>27,902</td>
</tr>
<tr>
<td>Diluted</td>
<td>28,760</td>
</tr>
<tr>
<td>Cash flows from operating activities:</td>
<td>Three months ended</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Net income for the period</td>
<td></td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,744</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>1,318</td>
</tr>
<tr>
<td>Change in deferred tax assets, net</td>
<td>654</td>
</tr>
<tr>
<td>Change in accrued severance pay, net</td>
<td>(14)</td>
</tr>
<tr>
<td>Change in trade accounts receivable</td>
<td>(3,440)</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>(1,448)</td>
</tr>
<tr>
<td>Change in other current and long-term assets</td>
<td>3,693</td>
</tr>
<tr>
<td>Change in trade accounts payable</td>
<td>(2,255)</td>
</tr>
<tr>
<td>Change in other current and long-term liabilities</td>
<td>211</td>
</tr>
<tr>
<td>Change in short term deferred revenues</td>
<td>346</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from investment activities:</td>
<td></td>
</tr>
<tr>
<td>Increase in short-term and long-term interest-bearing bank deposits</td>
<td>(7,535)</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(2,270)</td>
</tr>
<tr>
<td><strong>Net cash used in investment activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
</tr>
<tr>
<td>Purchases of treasury shares</td>
<td>(14)</td>
</tr>
<tr>
<td>Shares issued upon exercise of options</td>
<td>111</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in cash and cash equivalents and restricted cash</td>
<td>3,783</td>
</tr>
<tr>
<td>Cash and cash equivalents – beginning of period</td>
<td>31,748</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents – end of period</strong></td>
<td></td>
</tr>
</tbody>
</table>
## NOVA MEASURING INSTRUMENTS LTD.  
### RECONCILIATION OF GAAP TO NON-GAAP RESULTS  
(U.S. dollars in thousands, except percentage and per share data) - (Unaudited)

**Three months ended**

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2020</th>
<th>December 31, 2019</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP gross profit</td>
<td>34,342</td>
<td>34,633</td>
<td>31,584</td>
</tr>
<tr>
<td>Stock-based compensation expenses *</td>
<td>256</td>
<td>269</td>
<td>234</td>
</tr>
<tr>
<td>Facilities transition costs</td>
<td>-</td>
<td>-</td>
<td>212</td>
</tr>
<tr>
<td>Non-GAAP gross profit</td>
<td>34,598</td>
<td>34,902</td>
<td>32,030</td>
</tr>
<tr>
<td><strong>GAAP gross margin as a percentage of revenues</strong></td>
<td>56%</td>
<td>54%</td>
<td>56%</td>
</tr>
<tr>
<td><strong>Non-GAAP gross margin as a percentage of revenues</strong></td>
<td>57%</td>
<td>54%</td>
<td>57%</td>
</tr>
<tr>
<td>GAAP operating income</td>
<td>12,881</td>
<td>14,483</td>
<td>8,676</td>
</tr>
<tr>
<td>Stock-based compensation expenses *</td>
<td>1,318</td>
<td>1,430</td>
<td>1,212</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>626</td>
<td>656</td>
<td>656</td>
</tr>
<tr>
<td>Facilities transition costs</td>
<td>-</td>
<td>-</td>
<td>614</td>
</tr>
<tr>
<td>Non-GAAP operating income</td>
<td>14,825</td>
<td>16,569</td>
<td>11,158</td>
</tr>
<tr>
<td><strong>GAAP operating margin as a percentage of revenues</strong></td>
<td>21%</td>
<td>22%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Non-GAAP operating margin as a percentage of revenues</strong></td>
<td>24%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>GAAP net income</td>
<td>11,682</td>
<td>12,385</td>
<td>7,756</td>
</tr>
<tr>
<td>Stock-based compensation expenses *</td>
<td>1,318</td>
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<td>1,212</td>
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<td>656</td>
<td>656</td>
</tr>
<tr>
<td>Facilities transition costs</td>
<td>-</td>
<td>-</td>
<td>614</td>
</tr>
<tr>
<td>Revaluation of long-term liabilities</td>
<td>(66)</td>
<td>269</td>
<td>484</td>
</tr>
<tr>
<td>Tax effect of non-GAAP adjustments</td>
<td>(79)</td>
<td>(179)</td>
<td>(273)</td>
</tr>
<tr>
<td>Non-GAAP net income</td>
<td>13,481</td>
<td>14,561</td>
<td>10,449</td>
</tr>
<tr>
<td>GAAP basic earnings per share</td>
<td>0.42</td>
<td>0.44</td>
<td>0.28</td>
</tr>
<tr>
<td>Non-GAAP basic earnings per share</td>
<td>0.48</td>
<td>0.52</td>
<td>0.37</td>
</tr>
<tr>
<td>GAAP diluted earnings per share</td>
<td>0.41</td>
<td>0.43</td>
<td>0.27</td>
</tr>
<tr>
<td>Non-GAAP diluted earnings per share</td>
<td>0.47</td>
<td>0.51</td>
<td>0.37</td>
</tr>
</tbody>
</table>

### Shares used for calculation of earnings per share:
- **Basic**: 27,902, 27,965, 27,932
- **Diluted**: 28,760, 28,689, 28,580

* Stock-based compensation expenses for the three months ended March 31, 2020 included in – Cost of revenues products - 206; Cost of revenues services - 50; Research and development expenses, net – 335; Sales and marketing expenses – 346; General and administrative expenses – 381.