



partnering for process control

Company Contact:

Dror David, Chief Financial Officer
Nova Measuring Instruments Ltd.
Tel: 972-8-938-7505
E-mail: info@nova.co.il
<http://www.nova.co.il>

Investor relations Contacts:

Ehud Helft / Kenny Green
CCG Investor Relations
Tel: +1-646-201-9246
E-mail: nova@ccgisrael.com

Company Press Release

NOVA ANNOUNCES RECORD QUARTERLY REVENUES AND PROFITABILITY

*Strong business momentum leading to significantly improved outlook
Company expects 2010 revenues to be higher than \$78M with net profitability above 21%*

Rehovot, Israel - August 3, 2010 - Nova Measuring Instruments Ltd. (Nasdaq: NVMI), provider of leading edge stand alone metrology and the market leader of integrated metrology solutions to the semiconductor process control market, today reported its 2010 second quarter financial results.

Highlights for the Second Quarter of 2010

- Total revenues of \$19.4 million, 22% increase over the first quarter of 2010
- Record level gross margins of 54%, up from 51% in the previous quarter
- GAAP net income of \$4.7 million, or \$0.18 per diluted share
- \$6.3 million positive operating cash flow
- Accelerating standalone metrology customer penetrations

2010 Second Quarter Results

Total revenues for the second quarter of 2010 were \$19.4 million, an increase of 179% relative to the second quarter of 2009, and an increase of 22% relative to the first quarter of 2010.

Gross margin for the second quarter of 2010 was 54%, compared with 41% in the second quarter of 2009, and 51% in the first quarter of 2010.

Operating expenses in the second quarter of 2010 were \$5.8 million, compared with \$3.0 million in the second quarter of 2009, and \$5.4 million in the first quarter of 2010.



On a GAAP basis, the company reported net income of \$4.7 million, or \$0.18 per diluted share, in the second quarter of 2010. This compares to a net loss of \$0.1 million in the second quarter of 2009, and a net income of \$2.7 million, or \$0.11 per diluted share, in the first quarter of 2010.

The company generated \$6.3 million in cash from operating activities during the second quarter of 2010, and total cash reserves at the end of the second quarter of 2010 were \$46.7 million.

Management Comments

“Q2 was an excellent quarter, with record levels of revenues, profitability and operating cash flow” commented Gabi Seligsohn, President and CEO of Nova. “These results demonstrate the success of our strategy which has focused on expanding our product offering, increasing our fab foot print and displacing traditional metrology techniques with our differentiated products”.

“Semiconductor business fundamentals continue to be strong, as evidenced by 15 new fab announcements, some of which are moving much faster than was previously anticipated. The pace of technology transition continues to accelerate, and customers are adding our metrology solutions for a broader range of technology nodes and applications. In parallel, we have been able to increase the value we offer for existing products, through additional features and functionality, which have been very well received by our customers during the quarter”.

“Recent customer design wins have generated very strong demand for our metrology solutions, and will result in significant revenue increase in the second half of the year, as fab expansion rates continue to rise. In parallel, our recently announced customer penetrations in the standalone metrology area lay solid foundation for further growth in the future. The fact that Nova now plays a much more significant role for the semiconductor manufacturing arena is clearly driving the company to an exceptional growth rate”.

Guidance for year 2010

The company’s revised revenue guidance for 2010 is \$78-\$85 million. Based on this revenue guidance, the company is also guiding to net profitability of 21%-24% for 2010.

The company’s previous 2010 full year guidance was revenues of \$61-\$66 million, with net profitability of 13%-17%.

The Company will host a conference call today, August 3, 2010, at 9:00am ET. To participate, please dial in the US: 1 888 935 4575; or internationally: +972 3 721 9509. A recording of the call will be available on Nova’s website, within 24 hours following the end of the call.

In addition, a presentation to accompany the conference call will be available together with a live webcast of the conference call. This will be accessible from a link on Nova’s website at www.nova.co.il.

About Nova

Nova Measuring Instruments Ltd. develops, produces and markets advanced integrated and stand alone metrology solutions for the semiconductor manufacturing industry. Nova is traded on the NASDAQ & TASE under the symbol NVMI. The Company's website is www.nova.co.il.

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 integrated process control 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 OEM suppliers; risks associated with our dependence on a single manufacturing facility; our ability to expand our manufacturing capacity or marketing efforts to support our future growth; our dependency on a small number of large customers and small number of suppliers; risks related to our intellectual property; changes in customer demands for our products; new product offerings from our competitors; changes in or an inability to execute our business strategy; 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, 2009 filed with the Securities and Exchange Commission on March 26, 2010. 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)

	<u>As of June 30, 2010</u>	<u>As of December 31, 2009</u>
CURRENT ASSETS		
Cash and cash equivalents	6,838	9,861
Short-term interest-bearing bank deposits	39,294	8,607
Trade accounts receivable	10,853	11,545
Inventories	7,997	3,949
Other current assets	2,307	1,728
	<u>67,289</u>	<u>35,690</u>
LONG-TERM ASSETS		
Long-term interest-bearing bank deposits	570	561
Other Long-term assets	151	142
Severance pay funds	2,338	2,368
	<u>3,059</u>	<u>3,071</u>
FIXED ASSETS, NET	<u>2,302</u>	<u>2,163</u>
Total assets	<u>72,650</u>	<u>40,924</u>
CURRENT LIABILITIES		
Trade accounts payable	6,551	3,715
Deferred income	5,685	1,671
Other current liabilities	5,357	5,237
	<u>17,593</u>	<u>10,623</u>
LONG-TERM LIABILITIES		
Liability for employee severance pay	3,271	3,168
Deferred income	186	183
Other long-term liability	29	35
	<u>3,486</u>	<u>3,386</u>
SHAREHOLDERS' EQUITY	<u>51,571</u>	<u>26,915</u>
Total liabilities and shareholders' equity	<u>72,650</u>	<u>40,924</u>

NOVA MEASURING INSTRUMENTS LTD.
QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS

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

	<u>June 30,</u> <u>2010</u>	<u>Three months ended</u> <u>March 31,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
REVENUES			
Product sales	15,889	12,901	4,631
Services	<u>3,551</u>	<u>3,080</u>	<u>2,333</u>
	<u>19,440</u>	<u>15,981</u>	<u>6,964</u>
COST OF REVENUES			
Products	6,554	5,478	2,050
Services	<u>2,452</u>	<u>2,389</u>	<u>2,091</u>
	<u>9,006</u>	<u>7,867</u>	<u>4,141</u>
GROSS PROFIT	<u>10,434</u>	<u>8,114</u>	<u>2,823</u>
OPERATING EXPENSES			
Research & Development expenses, net	2,828	2,554	1,183
Sales & Marketing expenses	2,242	2,196	1,293
General & Administration expenses	<u>679</u>	<u>651</u>	<u>484</u>
	<u>5,749</u>	<u>5,401</u>	<u>2,960</u>
OPERATING PROFIT (LOSS)	4,685	2,713	(137)
Interest income (expenses), net	<u>24</u>	<u>(14)</u>	<u>43</u>
NET INCOME (LOSS) FOR THE PERIOD	<u>4,709</u>	<u>2,699</u>	<u>(94)</u>
Net income (loss) per share:			
Basic	<u>0.19</u>	<u>0.12</u>	<u>(0.00)</u>
Diluted	<u>0.18</u>	<u>0.11</u>	
Shares used for calculation of net income (loss) per share:			
Basic	<u>24,808</u>	<u>22,666</u>	<u>19,378</u>
Diluted	<u>26,406</u>	<u>24,236</u>	

NOVA MEASURING INSTRUMENTS LTD.
YEAR TO DATE CONSOLIDATED STATEMENTS OF OPERATIONS
(U.S. dollars in thousands, except per share data)

	Six-months ended	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
REVENUES		
Product sales	28,790	8,276
Services	6,631	4,408
	<u>35,421</u>	<u>12,684</u>
	-----	-----
COST OF REVENUES		
Product sales	12,032	3,632
Services	4,841	4,365
	<u>16,873</u>	<u>7,997</u>
	-----	-----
GROSS PROFIT	<u>18,548</u>	<u>4,687</u>
	-----	-----
OPERATING EXPENSES		
Research & Development expenses, net	5,382	2,966
Sales & Marketing expenses	4,438	2,466
General & Administration expenses	1,330	987
	<u>11,150</u>	<u>6,419</u>
	-----	-----
OPERATING PROFIT (LOSS)	7,398	(1,732)
INTEREST INCOME (EXPENSES), NET	<u>10</u>	<u>(21)</u>
	-----	-----
NET INCOME (LOSS) FOR THE PERIOD	<u>7,408</u>	<u>(1,753)</u>
	-----	-----
Net income (loss) per share:		
Basic	0.31	(0.09)
Diluted	<u>0.29</u>	<u>-----</u>
	-----	-----
Shares used for calculation of net income (loss) per share:		
Basic	23,721	19,378
Diluted	<u>25,226</u>	<u>-----</u>
	-----	-----

NOVA MEASURING INSTRUMENTS LTD.
QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	<u>June 30,</u> <u>2010</u>	<u>Three months ended</u> <u>March 31,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
CASH FLOW – OPERATING ACTIVITIES			
Net income (loss) for the period	4,709	2,699	(94)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	323	324	276
Amortization of deferred stock-based compensation	122	116	100
Increase in liability for employee termination benefits, net	105	48	144
Net recognized gains on investments	--	--	(4)
Decrease (increase) in trade accounts receivables	67	625	(2,441)
Decrease (increase) in inventories	(1,855)	(2,267)	636
Increase in other short and long term assets	(388)	(260)	(608)
Increase (decrease) in trade accounts payables	289	2,545	(102)
Increase (decrease) in other current and long-term liabilities	1,130	(1,105)	(2)
Increase (decrease) in short and long term deferred income	1,769	2,248	(44)
Net cash from (used in) operating activities	<u>6,271</u>	<u>4,973</u>	<u>(2,139)</u>
CASH FLOW – INVESTMENT ACTIVITIES			
Increase in short-term interest-bearing bank deposits	(10,701)	(19,986)	--
Proceeds from (investment in) long-term interest-bearing bank deposits	--	(9)	141
Additions to fixed assets	(307)	(405)	(24)
Net cash from (used in) investment activities	<u>(11,008)</u>	<u>(20,400)</u>	<u>117</u>
CASH FLOW – FINANCING ACTIVITIES			
Shares issued under employee share-based plans	51	122	--
Shares issued in public offering	--	16,968	--
Net cash from financing activities	<u>51</u>	<u>17,090</u>	<u>--</u>
Increase (decrease) in cash and cash equivalents	<u>(4,686)</u>	<u>1,663</u>	<u>(2,022)</u>
Cash and cash equivalents – beginning of period	<u>11,524</u>	<u>9,861</u>	<u>11,039</u>
Cash and cash equivalents – end of period	<u>6,838</u>	<u>11,524</u>	<u>9,017</u>

NOVA MEASURING INSTRUMENTS LTD.
YEAR TO DATE CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	<u>Six months ended</u> <u>June 30, 2010</u>	<u>June 30, 2009</u>
CASH FLOW – OPERATING ACTIVITIES		
Net income (loss) for the period	7,408	(1,753)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	647	596
Amortization of deferred stock-based compensation	238	206
Increase in liability for employee termination benefits, net	153	30
Impairment loss on equipment	--	--
Net recognized gains on investments	--	(4)
Decrease (increase) in trade accounts receivables	692	(2,197)
Decrease (increase) in inventories	(4,122)	1,156
Decrease (increase) in other current and long term assets	(648)	89
Increase (decrease) in trade accounts payables and other long term liabilities	2,834	(1,302)
Increase (decrease) in current liabilities	25	(1,639)
Increase (decrease) in short and long term deferred income	4,017	(938)
Net cash from (used in) operating activities	<u>11,244</u>	<u>(5,756)</u>
CASH FLOW – INVESTMENT ACTIVITIES		
Decrease (increase) in short-term interest-bearing bank deposits	(30,687)	50
Increase in short-term investments	--	(4,595)
Proceeds from (investment in) long-term deposits	(9)	21
Additions to fixed assets	(712)	(28)
Net cash used in investment activities	<u>(31,408)</u>	<u>(4,552)</u>
CASH FLOW – FINANCING ACTIVITIES		
Shares issued under employee share-based plans	173	--
Shares issued in public offering	16,968	--
Net cash from financing activities	<u>17,141</u>	<u>--</u>
Decrease in cash and cash equivalents	<u>(3,023)</u>	<u>(10,308)</u>
Cash and cash equivalents – beginning of period	<u>9,861</u>	<u>19,325</u>
Cash and cash equivalents – end of period	<u><u>6,838</u></u>	<u><u>9,017</u></u>