

NOVA MEASURING INSTRUMENTS LTD.

Audit Committee Charter

I. General Statement of Purpose

The purposes of the Audit Committee of the Board of Directors (the "Committee") of Nova Measuring Instruments Ltd. (the "Company") are to:

- assist the Board of Directors (the "Board") in fulfilling its responsibility for oversight of the quality and integrity of accounting, auditing and financial reporting practices of the Company;
- oversee the qualifications, independence, appointment, compensation and performance of the Company's independent auditors;
- monitor deficiencies in the management of the Company, including in consultation with the independent auditors and the internal auditor, and to advise the Board on how to correct such deficiencies; and
- decide whether to approve engagements or transactions that require Committee approval under the Israeli Companies Law of 1999 (the "Companies Law").

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit Committee Responsibilities Guidelines attached hereto.

II. Composition

The Committee shall consist of at least three (3) members of the Board, each of whom must (i) be "independent" as defined in Rule 4200(a)(15) under the Marketplace Rules of the National Association of Securities Dealers, Inc.; (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subject to the exemptions provided in Rule 10A-3(c) under the Exchange Act; and (iii) not have participated in the preparation of the financial statements of the Company or a current subsidiary of the Company at any time during the past three years.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. One or more members of the Committee shall qualify as an "audit committee financial expert" under the rules promulgated by the Securities and Exchange Commission ("SEC") and at least one member shall meet the applicable accounting and related financial experience requirement by Nasdaq. .

All of the Company's External Directors appointed under the Companies Law shall be appointed to the Committee. The following persons shall not be appointed to the Committee: (i) the Chairman of the Board; (ii) any director employed by the Company or who receives any consulting, advisory or compensatory fee from the Company, other than in his or her capacity as a member of the Board or its committees; and (iii) any person who owns or controls (or whose relative owns or controls) more than 10% of the Company's shares.

The members of the Committee shall be appointed annually by the Board and may be replaced or removed by the Board with or without cause. Resignation or removal of a director from the Board, for whatever reason, shall automatically and without any further action constitute resignation or removal, as applicable, from the Committee. Any vacancy on the Committee, occurring for whatever reason, may be filled only by the Board. The Board shall designate one member of the Committee to be Chairman of the Committee.

All indemnification, exculpation, expense reimbursement and advancement provisions and rights available to members of the Committee in their capacities as directors of the Company shall be fully applicable with respect to their service on the Committee or any subcommittee thereof.

III. Compensation

A member of the Committee may not, other than in his or her capacity as a member of the Committee, the Board or any other committee established by the Board, receive directly or indirectly from the Company any consulting, advisory or other compensatory fee from the Company. Subject to applicable law, a member of the Committee may receive additional directors' fees to compensate such member for the significant time and effort expended by such member to fulfill his or her duties as a Committee member.

IV. Meetings

The Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this Charter, but not less frequently than quarterly. A majority of the members of the Committee shall constitute a quorum for purposes of holding a meeting and the Committee may act by a vote of a majority of the members present at such meeting. In lieu of a meeting, the Committee may act by unanimous written consent. The Chairman of the Committee, in consultation with the other committee members, may determine the frequency and length of the Committee meetings and may set meeting agendas consistent with this Charter.

The independent auditor shall be invited to every meeting of the Committee that relates to the financial statements of the Company. The internal auditor shall be invited to all Committee meetings. In addition, the internal auditor may request the Chairman of the Committee to convene a meeting to discuss a particular issue, and the Chairman of the Committee shall convene such meeting within a reasonable period of time, if the Chairman of the Committee finds it appropriate to do so. The Committee shall maintain minutes of its meetings.

V. Independent Counsel and Advisors

The Committee may engage independent counsel and such other advisors as it deems necessary or advisable to carry out its responsibilities and powers, and if such counsel or other advisors are engaged, shall determine the composition or fees payable to such counsel or other advisors.

The Committee relies on the expertise and knowledge of management, the independent auditor and the Company's internal auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining that the company's financial statements are complete, accurate and in accordance with generally accepted accounting principles. The independent auditor is responsible for auditing the Company's financial statements. It is not the duty of the Committee to plan or conduct audits, or to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

AUDIT COMMITTEE RESPONSIBILITIES GUIDELINES

General

- Be empowered to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain, at the Company's expense and without approval from the Board, independent counsel, accountants, or others to assist it in the conduct of any investigation.
- The Chairman of the Committee or any person appointed by him will communicate with the internal auditor, independent auditor, management and the Board. Committee actions shall be reported to the Board with such conclusions or recommendations as the Committee may deem appropriate.
- Review the independence of each Committee member based on all applicable rules.
- Review legal and regulatory matters that may have a material impact on the financial statements, related Company compliance policies, and programs and reports received from regulators.
- Meet with the Company's financial management in executive session to discuss any matters that the Committee or the financial management believe should be discussed privately with the Committee.
- Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. The Chairman of the Committee has been appointed by the Board as the address for any such complaints.
- The Committee may perform such other oversight functions outside of its stated purpose as may be requested by the Board from time to time.
- The Committee is authorized to request that any officer or employee of the Company, the Company's legal counsel, the Company's independent auditor or any other professional retained by the Company to render advice to the Company attend a meeting of the Committee or meet with any members of or advisors to the Committee.

Oversight of Relationship with Independent Auditor

- Confirm the independence of the public accounting firm, including through receipt from the independent auditors of a formal written statement delineating all relationships between the auditor and the company.
- Recommend to the Board and shareholders the appointment, termination and approval of the compensation of, and oversee, the Company's independent auditor.
- Approve all audit and non-audit services to be provided by the independent auditor and review the audit firm's non-audit services and related fees.
- Oversee the hiring by the Company of any employees or former employees of the Company's auditors.
- Meet with the independent auditor in executive session to discuss any matters that the Committee or the independent auditor believe should be discussed privately with the Committee.

Internal Control Oversight and Risk Management

- Propose to the Board the appointment of an internal auditor, and express its opinion with regard to the termination of the internal auditor's engagement by the Company.
- Meet with the internal auditor in executive session to discuss any matters that the Committee or the internal auditor believe should be discussed privately with the Committee.
- Discuss with management and the Company's independent auditor about significant risks or exposures and assess the steps management has taken to minimize such risk to the Company.
- Consider and review with the independent auditor:
 - the adequacy of the Company's internal financial controls, including computerized information system controls and security, and
 - any related significant findings and recommendations of the independent auditor and internal audit together with management's responses thereto.
- Consider and review with management and the internal auditor:
 - significant findings during the year and management's responses thereto,
 - any difficulties or disputes with management encountered in the course of his or her audits, including any restrictions on the scope of their work or access to required information, and
 - any changes required in planned scope of his or her audit plan.
- Oversee the functioning of the internal auditor and its work plans, and review internal audit reports prepared by the internal auditor. The Chairman of the Committee may instruct the internal auditor to perform special audits and shall review the internal auditor's reports of such audits.

Audit Oversight

- Prior to the annual audit, review the scope of the independent auditor's audit plan, including the scope, timing and procedures for the audit.
- Review with management and the independent auditor at the completion of the annual audit:
 - the Company's annual financial statements and related footnotes;
 - the independent auditor's audit of the financial statements and its report thereon;
 - any significant changes required in the independent auditor's audit plan;
 - the effect or potential effect of any regulatory regime, accounting initiatives or off-balance sheet structures on the Company's financial statements;
 - any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies;
 - any serious difficulties or disputes with management encountered during the course of the audit; and

- other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.
- Review with the Company's financial management and the independent auditor at least annually the Company's critical accounting policies, alternative treatments discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the registered public accounting firm, and any material written communications between the independent auditor and management (such as any management letters or schedules of unadjusted differences).
- Review with management any significant changes to GAAP policies or standards.
- Review, at least annually, (i) the material reserves established for the contingent liabilities of the Company and its subsidiaries, (ii) the Company's major financial risk exposures and the Company's policies for managing such risks and (iii) any "off-balance sheet" transaction or off-balance sheet assets or liabilities.
- Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as modified or supplemented.
- Obtain from the independent auditor assurance that it has compiled with Section 10A of the Securities Exchange Act of 1934.

Related Party Transactions

- Review policies and procedures with respect to transactions between the Company and officers and directors, or affiliates of officers or directors, or transactions that are not in the ordinary course of the Company's business.
- Review and approve any engagements or transactions that require the Committee's approval under the Companies Law.

Public Financial Disclosures

- Participate in a meeting or telephonic conference call with the Chief Financial Officer and the independent auditor prior to earnings releases and review earnings releases prior to their distribution.
- Review and discuss with management, before release, the audited financial statements.
- Review and discuss with management the Operating and Financial Review and Prospects proposed to be included in the Corporation's Annual Report on Form 20-F.
- In connection with each Annual Report on Form 20-F of the Company, review:
 - management's disclosure to the Committee about all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; and, any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls as required under Section 302 of the Sarbanes-Oxley Act, and
 - the contents of the Chief Executive Officer and the Chief Financial Officer certificates to be filed under Sections 302 and 906 of the Sarbanes-Oxley Act.
- Review filings with the SEC and other published documents containing the Company's financial statements and consider whether the information contained in these documents is consistent with the information contained in the financial statements before it is filed with the SEC or other regulators.

Annual Review of Charter

- Review the adequacy of this Charter as necessary and recommend to the Board any amendments or modifications to the Charter that the Committee deems appropriate.

ADOPTED: February 19, 2007