

**NANOMETRICS INCORPORATED**  
**RECONCILIATION OF GAAP TO NON-GAAP RESULTS**  
(In thousands, except per share amounts)  
(Unaudited)

	Fiscal 2012					Fiscal 2013					Fiscal 2014		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
<b>Reconciliation of GAAP gross profit to non-GAAP gross profit</b>													
GAAP gross profit	\$ 25,066	\$ 24,759	\$ 22,152	\$ 11,951	\$ 83,928	\$ 10,486	\$ 14,480	\$ 15,801	\$ 21,909	\$ 62,676	\$ 24,149	\$ 22,908	\$ 47,057
Inventory write-down	-	-	-	-	-	-	-	2,439	-	2,439	-	-	-
Amortization of intangible assets	637	637	629	646	2,549	658	647	658	670	2,633	674	677	1,351
Non-GAAP gross profit	\$ 25,703	\$ 25,396	\$ 22,781	\$ 12,597	\$ 86,477	\$ 11,144	\$ 15,127	\$ 18,898	\$ 22,579	\$ 67,748	\$ 24,823	\$ 23,585	\$ 48,408
<b>Reconciliation of GAAP operating income (loss) to non-GAAP operating income (loss)</b>													
GAAP gross profit	\$ 25,066	\$ 24,759	\$ 22,152	\$ 11,951	\$ 83,928	\$ 10,486	\$ 14,480	\$ 15,801	\$ 21,909	\$ 62,676	\$ 24,149	\$ 22,908	\$ 47,057
Total operating expenses	20,960	20,463	18,538	18,489	78,450	20,089	20,636	23,043	20,617	84,385	22,133	22,162	44,295
GAAP operating income (loss)	\$ 4,106	\$ 4,296	\$ 3,614	\$ (6,538)	\$ 5,478	\$ (9,603)	\$ (6,156)	\$ (7,242)	\$ 1,292	\$ (21,709)	\$ 2,016	\$ 746	\$ 2,762
Non-GAAP adjustments to operating income (loss):													
Inventory write-down	-	-	-	-	-	-	-	2,439	-	2,439	(b)	-	-
Amortization of intangible assets included in cost of revenues	637	637	629	646	2,549	658	647	658	670	2,633	674	677	1,351
Amortization of intangible assets included in operating expenses	192	195	193	196	776	198	195	195	113	701	108	107	215
Restructuring	-	-	-	-	-	-	-	1,740	-	1,740	(c)	-	-
Total non-GAAP adjustments to operating income (loss)	829	832	822	842	3,325	856	842	5,032	783	7,513	782	784	1,566
Non-GAAP operating income (loss)	\$ 4,935	\$ 5,128	\$ 4,436	\$ (5,696)	\$ 8,803	\$ (8,747)	\$ (5,314)	\$ (2,210)	\$ 2,075	\$ (14,196)	\$ 2,798	\$ 1,530	\$ 4,328
<b>Reconciliation of GAAP net income (loss) to non-GAAP net income (loss)</b>													
GAAP operating income (loss)	\$ 4,106	\$ 4,296	\$ 3,614	\$ (6,538)	\$ 5,478	\$ (9,603)	\$ (6,156)	\$ (7,242)	\$ 1,292	\$ (21,709)	\$ 2,016	\$ 746	\$ 2,762
Other income (expense)	(392)	(280)	(355)	168	(859)	(161)	(822)	(445)	(428)	(1,856)	166	(170)	(4)
GAAP income (Loss) before income taxes	3,714	4,016	3,259	(6,370)	4,619	(9,764)	(6,978)	(7,687)	864	(23,565)	2,182	576	2,758
Provision (benefit) for income taxes	2,011	(490)	1,356	(2,723)	154	(4,182)	(2,412)	(3,133)	308	(9,419)	587	(12)	575
GAAP net income (loss)	\$ 1,703	\$ 4,506	\$ 1,903	\$ (3,647)	\$ 4,465	\$ (5,582)	\$ (4,566)	\$ (4,554)	\$ 556	\$ (14,146)	\$ 1,595	\$ 588	\$ 2,183
Non-GAAP adjustments to net income (loss):													
Total non-GAAP adjustments to non-GAAP operating income (loss)	829	832	822	842	3,325	856	842	5,032	783	7,513	782	784	1,566
Tax effect of non-GAAP adjustments to operating income (loss)	(303)	(304)	(300)	(307)	(1,214)	(306)	(299)	(1,785)	(317)	(2,706)	(282)	(281)	(563)
Discrete tax adjustment	655	(1,955)	-	-	(1,300)	(a)	-	-	-	-	-	-	-
Non-GAAP net income (loss)	\$ 2,884	\$ 3,079	\$ 2,425	\$ (3,112)	\$ 5,276	\$ (5,032)	\$ (4,023)	\$ (1,307)	\$ 1,022	\$ (9,339)	\$ 2,095	\$ 1,091	\$ 3,186
Per share data:													
GAAP net income (loss) per diluted share	\$ 0.07	\$ 0.19	\$ 0.08	\$ (0.16)	\$ 0.19	\$ (0.24)	\$ (0.20)	\$ (0.20)	\$ 0.02	\$ (0.61)	\$ 0.07	\$ 0.02	\$ 0.09
Non-GAAP net income (loss) per diluted share	\$ 0.12	\$ 0.13	\$ 0.10	\$ (0.13)	\$ 0.22	\$ (0.22)	\$ (0.17)	\$ (0.06)	\$ 0.04	\$ (0.40)	\$ 0.09	\$ 0.05	\$ 0.13
Shares used in non-GAAP diluted income per share calculation	23,981	23,877	23,760	23,408	23,845	23,341	23,138	23,261	23,913	23,290	24,159	24,220	24,217

**Notes:**

(a) Reflects the tax benefit for certain first quarter foreign losses related to entity classification elections that were approved by the IRS in the second quarter. The tax benefit of these first quarter losses was recorded as a decrease to the second quarter tax provision on a GAAP basis. The discrete tax adjustment for the second quarter also excludes the one-time benefit associated with the recognition of deferred tax assets related to the entity classification elections, resulting in a combined first and second quarter Non-GAAP tax rate of approximately 36.5%.

(b) Represents charges associated with writing down inventory related to a discontinued product line.

(c) Includes severance and RSU modification charges accrued in connection with the notification of future closure of our Nanometrics Germany Inc office (Nanda).