

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

(Unaudited)

|   | Fiscal 2012 |           |           |            |           | Fiscal 2013 |            |            |           |             | Fiscal 2014 |           |             |            |             |
|---|-------------|-----------|-----------|------------|-----------|-------------|------------|------------|-----------|-------------|-------------|-----------|-------------|------------|-------------|
|   | Q1          | Q2        | Q3        | Q4         | FY        | Q1          | Q2         | Q3         | Q4        | FY          | Q1          | Q2        | Q3          | Q4         | FY          |
| <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 | \$ 11,416   | \$ 17,349  | \$ 75,822   |
| 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       | 688         | 684        | 2,723       |
| 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 | \$ 12,104   | \$ 18,033  | \$ 78,545   |
| <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 | \$ 11,416   | \$ 17,349  | \$ 75,822   |
| 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    | 22,025      | 21,155     | 87,475      |
| 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    | \$ (10,609) | \$ (3,806) | \$ (11,653) |
| 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       | 688         | 684        | 2,723       |
| Amortization of intangible assets included in operating expenses                                | 192         | 195       | 193       | 196        | 776       | 198         | 195        | 195        | 113       | 701         | 108         | 107       | 103         | 102        | 420         |
| Restructuring   | -           | -         | -         | -          | -         | -           | -          | 1,740      | -         | 1,740       | (c)         | -         | -           | 1,715      | 551         |
| Total non-GAAP adjustments to operating income (loss)   | 829         | 832       | 822       | 842        | 3,325     | 856         | 842        | 5,032      | 783       | 7,513       | 782         | 784       | 2,506       | 1,337      | 5,409       |
| 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  | \$ (8,103)  | \$ (2,469) | \$ (6,244)  |
| <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    | \$ (10,609) | \$ (3,806) | \$ (11,653) |
| Other income (expense)  | (392)       | (280)     | (355)     | 168        | (859)     | (161)       | (822)      | (445)      | (428)     | (1,856)     | 166         | (170)     | (134)       | 170        | 33          |
| 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       | (10,743)    | (3,636)    | (11,621)    |
| Provision (benefit) for income taxes  | 2,011       | (490)     | 1,356     | (2,723)    | 154       | (4,182)     | (2,412)    | (3,133)    | 308       | (9,419)     | 587         | (12)      | 17,919      | 1,003      | 19,497      |
| 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    | \$ (28,662) | \$ (4,639) | \$ (31,118) |
| 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       | 2,506       | 1,337      | 5,409       |
| Valuation allowance on deferred tax assets and other non-cash adjustments related to tax assets | -           | -         | -         | -          | -         | -           | -          | -          | -         | -           | -           | -         | 21,141      | 303        | 21,444      |
| 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)     | (877)       | -          | (1,440)     |
| 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  | \$ (5,892)  | \$ (2,999) | \$ (5,705)  |
| 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   | \$ (1.19)   | \$ (0.19)  | \$ (1.30)   |
| 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   | \$ (0.24)   | \$ (0.12)  | \$ (0.24)   |
| 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    | 24,132      | 24,048     | 23,958      |

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 associate 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).

(d) Includes severance, facility lease termination and other costs associated with consolidating operations into the U.S. and management changes.

(e) Reflects a non-cash valuation allowance related to certain deferred US tax assets and other non-cash adjustments.