

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

	Fiscal 2010					Fiscal 2011					Fiscal 2012				
	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	\$ 20,332	\$ 27,791	\$ 29,182	\$ 24,088	\$ 101,392	\$ 34,923	\$ 35,872	\$ 30,596	\$ 20,710	\$ 122,101	\$ 25,066	\$ 24,759	\$ 22,152	\$ 11,951	\$ 83,928
Amortization of intangible assets	215	215	215	215	861	232	232	203	410	1,077	637	637	629	646	2,549
Non-GAAP gross profit	<u>20,547</u>	<u>28,006</u>	<u>29,397</u>	<u>24,303</u>	<u>102,253</u>	<u>35,155</u>	<u>36,104</u>	<u>30,799</u>	<u>21,120</u>	<u>123,178</u>	<u>25,703</u>	<u>25,396</u>	<u>22,781</u>	<u>12,597</u>	<u>86,477</u>
<b>Reconciliation of GAAP operating income (loss) to non-GAAP operating income (loss)</b>															
GAAP operating income (loss)	\$ 5,946	\$ 12,892	\$ 13,818	\$ 8,668	\$ 41,324	\$ 17,063	\$ 17,485	\$ 11,746	\$ (528)	\$ 45,766	\$ 4,106	\$ 4,296	\$ 3,614	\$ (6,538)	\$ 5,478
Non-GAAP adjustments to operating income (loss):															
Amortization of intangible assets included in cost of revenues	215	215	215	215	861	232	232	203	410	1,077	637	637	629	646	2,549
Amortization of intangible assets included in operating expenses	174	195	153	174	695	174	169	126	156	625	192	195	193	196	776
Acquisition-related charges	-	-	-	-	-	-	-	682	1,277	1,959	(a)	-	-	-	-
Legal settlement	-	-	-	-	-	-	-	-	2,500	2,500	(b)	-	-	-	-
Asset impairment	344	44	75	-	463	-	-	-	-	-	-	-	-	-	-
Restructuring charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-GAAP adjustments to operating income (loss)	733	454	443	389	2,019	406	401	1,011	4,343	6,161	829	832	822	842	3,325
Non-GAAP operating income (loss)	<u>6,679</u>	<u>13,346</u>	<u>14,261</u>	<u>9,057</u>	<u>43,343</u>	<u>17,469</u>	<u>17,886</u>	<u>12,757</u>	<u>3,815</u>	<u>51,927</u>	<u>4,935</u>	<u>5,128</u>	<u>4,436</u>	<u>(5,696)</u>	<u>8,803</u>
<b>Reconciliation of GAAP net income (loss) to non-GAAP net income (loss)</b>															
GAAP net income (loss)	\$ 5,925	\$ 11,567	\$ 12,327	\$ 26,128	\$ 55,947	\$ 10,510	\$ 11,087	\$ 7,619	\$ (532)	\$ 28,685	\$ 1,703	\$ 4,506	\$ 1,903	\$ (3,647)	\$ 4,465
Non-GAAP adjustments to net income (loss):															
Total non-GAAP adjustments to non-GAAP operating income (loss)	733	454	443	389	2,019	406	401	1,011	4,343	6,161	829	832	822	842	3,325
Tax effect of non-GAAP adjustments to operating income (loss)	(264)	(163)	(159)	(140)	(727)	(146)	(144)	(364)	(1,496)	(2,151)	(303)	(304)	(300)	(307)	(1,214)
Discrete tax adjustment	-	-	-	(18,198)	(18,198)	(c)	-	-	-	-	-	655	(1,955)	-	(1,300)
Non-GAAP net income (loss)	<u>6,394</u>	<u>11,858</u>	<u>12,611</u>	<u>8,179</u>	<u>39,042</u>	<u>10,770</u>	<u>11,344</u>	<u>8,266</u>	<u>2,315</u>	<u>32,695</u>	<u>2,884</u>	<u>3,079</u>	<u>2,425</u>	<u>(3,112)</u>	<u>5,276</u>
<b>Per share data:</b>															
GAAP net income (loss) per diluted share	\$ 0.26	\$ 0.51	\$ 0.53	\$ 1.12	\$ 2.43	\$ 0.45	\$ 0.47	\$ 0.32	\$ (0.02)	\$ 1.22	\$ 0.07	\$ 0.19	\$ 0.08	\$ (0.16)	\$ 0.19
Non-GAAP net income (loss) per diluted share	<u>\$ 0.28</u>	<u>\$ 0.52</u>	<u>\$ 0.54</u>	<u>\$ 0.35</u>	<u>\$ 1.70</u>	<u>\$ 0.46</u>	<u>\$ 0.48</u>	<u>\$ 0.35</u>	<u>\$ 0.10</u>	<u>\$ 1.39</u>	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.10</u>	<u>\$ (0.13)</u>	<u>\$ 0.22</u>
Shares used in non-GAAP diluted income per share calculation	22,655	22,847	23,168	23,323	22,998	23,397	23,442	23,526	23,687	23,480	23,981	23,877	23,760	23,408	23,845

**Notes:**

(a) Includes legal, finance and investment banking fees paid in connection with the acquisition of Nanda Technologies, as well as \$474,000 in stock grants made to Nanda employees upon sign-on post close.

(b) Charges associated with the settlement of KLA-Tencor litigation, which was a subsequent event completed in January 2012.

(c) Consists of the favorable impact of the release of \$18.2 million in income tax valuation allowances.

(d) 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%.