

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

	Fiscal 2011					Fiscal 2012					Fiscal 2013				
	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
Reconciliation of GAAP gross profit to non-GAAP gross profit															
GAAP gross profit	\$ 34,923	\$ 35,872	\$ 30,596	\$ 20,710	\$ 122,101	\$ 25,066	\$ 24,759	\$ 22,152	\$ 11,951	\$ 83,928	\$ 10,486	\$ 14,480	\$ 15,801	\$ 21,909	\$ 62,676
Inventory write-down											-	-	2,439	-	2,439
Amortization of intangible assets	232	232	203	410	1,077	637	637	629	646	2,549	658	647	658	670	2,633
Non-GAAP gross profit	35,155	36,104	30,799	21,120	123,178	25,703	25,396	22,781	12,597	86,477	11,144	15,127	18,898	22,579	67,748
Reconciliation of GAAP operating income (loss) to non-GAAP operating income (loss)															
GAAP operating income (loss)	\$ 17,063	\$ 17,485	\$ 11,746	\$ (528)	\$ 45,766	\$ 4,106	\$ 4,296	\$ 3,614	\$ (6,538)	\$ 5,478	\$ (9,603)	\$ (6,156)	\$ (7,242)	\$ 1,292	\$ (21,709)
Non-GAAP adjustments to operating income (loss):															
Inventory write-down													2,439	-	2,439
Amortization of intangible assets included in cost of revenues	232	232	203	410	1,077	637	637	629	646	2,549	658	647	658	670	2,633
Amortization of intangible assets included in operating expenses	174	169	126	156	625	192	195	193	196	776	198	195	195	113	701
Acquisition-related charges	-	-	682	1,277	1,959	-	-	-	-	-	-	-	-	-	-
Legal settlement	-	-	-	2,500	2,500	-	-	-	-	-	-	-	-	-	-
Restructuring	-	-	-	-	-	-	-	-	-	-	-	-	1,740	-	1,740
Asset impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-GAAP adjustments to operating income (loss)	406	401	1,011	4,343	6,161	829	832	822	842	3,325	856	842	5,032	783	7,513
Non-GAAP operating income (loss)	17,469	17,886	12,757	3,815	51,927	4,935	5,128	4,436	(5,696)	8,803	(8,747)	(5,314)	(2,210)	2,075	(14,196)
Reconciliation of GAAP net income (loss) to non-GAAP net income (loss)															
GAAP operating income (loss)	17,063	17,485	11,746	(528)	45,766	4,106	4,296	3,614	(6,538)	5,478	(9,603)	(6,156)	(7,242)	1,292	(21,709)
Other income (expense)	(810)	(746)	567	(194)	(1,183)	(392)	(280)	(355)	168	(859)	(161)	(822)	(445)	(428)	(1,856)
GAAP income (Loss) before income taxes	16,253	16,739	12,313	(722)	44,583	3,714	4,016	3,259	(6,370)	4,619	(9,764)	(6,978)	(7,687)	864	(23,565)
Provision (benefit) for income taxes	5,743	5,652	4,694	(190)	15,899	2,011	(490)	1,356	(2,723)	154	(4,182)	(2,412)	(3,133)	308	(9,419)
GAAP net income (loss)	\$ 10,510	\$ 11,087	\$ 7,619	\$ (532)	\$ 28,685	\$ 1,703	\$ 4,506	\$ 1,903	\$ (3,647)	\$ 4,465	\$ (5,582)	\$ (4,566)	\$ (4,554)	\$ 556	\$ (14,146)
Non-GAAP adjustments to net income (loss):															
Total non-GAAP adjustments to non-GAAP operating income (loss)	406	401	1,011	4,343	6,161	829	832	822	842	3,325	856	842	5,032	783	7,513
Tax effect of non-GAAP adjustments to operating income (loss)	(146)	(144)	(364)	(1,496)	(2,151)	(303)	(304)	(300)	(307)	(1,214)	(306)	(299)	(1,785)	(317)	(2,706)
Discrete tax adjustment	-	-	-	-	-	655	(1,955)	-	-	(1,300)	-	-	-	-	-
Non-GAAP net income (loss)	\$ 10,770	\$ 11,344	\$ 8,266	\$ 2,315	\$ 32,695	\$ 2,884	\$ 3,079	\$ 2,425	\$ (3,112)	\$ 5,276	\$ (5,032)	\$ (4,023)	\$ (1,307)	\$ 1,022	\$ (9,339)
Per share data:															
GAAP net income (loss) per diluted share	\$ 0.45	\$ 0.47	\$ 0.32	\$ (0.02)	\$ 1.22	\$ 0.07	\$ 0.19	\$ 0.08	\$ (0.16)	\$ 0.19	\$ (0.24)	\$ (0.20)	\$ (0.20)	\$ 0.02	\$ (0.61)
Non-GAAP net income (loss) per diluted share	\$ 0.46	\$ 0.48	\$ 0.35	\$ 0.10	\$ 1.39	\$ 0.12	\$ 0.13	\$ 0.10	\$ (0.13)	\$ 0.22	\$ (0.22)	\$ (0.17)	\$ (0.06)	\$ 0.04	\$ (0.40)
Shares used in non-GAAP diluted income per share calculation	23,397	23,442	23,526	23,687	23,480	23,981	23,877	23,760	23,408	23,845	23,341	23,138	23,261	23,913	23,290

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%.

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

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