

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

	Fiscal 2013					Fiscal 2014					Fiscal 2015					Fiscal 2016
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1
<b>Reconciliation of GAAP gross profit to non-GAAP gross profit</b>																
	<b>GAAP gross profit</b>															
	\$ 10,486	\$ 14,480	\$ 15,801	\$ 21,909	\$ 62,676	\$ 24,149	\$ 22,908	\$ 11,416	\$ 17,349	\$ 75,822	\$ 23,379	\$ 23,265	\$ 22,219	\$ 20,804	\$ 89,667	\$ 24,491
Inventory write-down	-	-	2,439	-	2,439	(a)	-	-	-	-	-	-	-	-	-	-
Amortization of intangible assets	658	647	658	670	2,633	674	677	688	684	2,723	632	457	468	469	2,026	435
	<b>Non-GAAP gross profit</b>															
	\$ 11,144	\$ 15,127	\$ 18,898	\$ 22,579	\$ 67,748	\$ 24,823	\$ 23,585	\$ 12,104	\$ 18,033	\$ 78,545	\$ 24,011	\$ 23,722	\$ 22,687	\$ 21,273	\$ 91,693	\$ 24,926
<b>Reconciliation of GAAP operating income (loss) to non-GAAP operating income (loss)</b>																
	<b>GAAP gross profit</b>															
	\$ 10,486	\$ 14,480	\$ 15,801	\$ 21,909	\$ 62,676	\$ 24,149	\$ 22,908	\$ 11,416	\$ 17,349	\$ 75,822	\$ 23,379	\$ 23,265	\$ 22,219	\$ 20,804	\$ 89,667	\$ 24,491
Total operating expenses	20,089	20,636	23,043	20,617	84,385	22,133	22,162	22,025	21,155	87,475	21,138	20,755	20,955	21,846	84,694	20,761
	<b>GAAP operating income (loss)</b>															
	\$ (9,603)	\$ (6,156)	\$ (7,242)	\$ 1,292	\$ (21,709)	\$ 2,016	\$ 746	\$ (10,609)	\$ (3,806)	\$ (11,653)	\$ 2,241	\$ 2,510	\$ 1,264	\$ (1,042)	\$ 4,973	\$ 3,730
Non-GAAP adjustments to operating income (loss):																
Inventory write-down	-	-	2,439	-	2,439	(a)	-	-	-	-	-	-	-	-	-	-
Amortization of intangible assets included in cost of revenues	658	647	658	670	2,633	674	677	688	684	2,723	632	457	468	469	2,026	435
Amortization of intangible assets included in operating expenses	198	195	195	113	701	108	107	103	102	420	38	25	26	25	114	24
Restructuring	-	-	1,740	-	1,740	(b)	-	-	1,715	551	58	-	-	1,322	1,380	(c)
Total non-GAAP adjustments to operating income (loss)	856	842	5,032	783	7,513	782	784	2,506	1,337	5,409	728	482	494	1,816	3,520	459
	<b>Non-GAAP operating income (loss)</b>															
	\$ (8,747)	\$ (5,314)	\$ (2,210)	\$ 2,075	\$ (14,196)	\$ 2,798	\$ 1,530	\$ (8,103)	\$ (2,469)	\$ (6,244)	\$ 2,969	\$ 2,992	\$ 1,758	\$ 774	\$ 8,493	\$ 4,189
<b>Reconciliation of GAAP net income (loss) to non-GAAP net income (loss)</b>																
	<b>GAAP operating income (loss)</b>															
	\$ (9,603)	\$ (6,156)	\$ (7,242)	\$ 1,292	\$ (21,709)	\$ 2,016	\$ 746	\$ (10,609)	\$ (3,806)	\$ (11,653)	\$ 2,241	\$ 2,510	\$ 1,264	\$ (1,042)	\$ 4,973	\$ 3,730
Other income (expense)	(161)	(822)	(445)	(428)	(1,856)	166	(170)	(134)	170	33	632	(348)	267	44	595	117
	<b>GAAP income (Loss) before income taxes</b>															
	(9,764)	(6,978)	(7,687)	864	(23,565)	2,182	576	(10,743)	(3,636)	(11,621)	2,873	2,162	1,531	(998)	5,568	3,847
Provision (benefit) for income taxes	(4,182)	(2,412)	(3,133)	308	(9,419)	587	(12)	17,919	1,003	19,497	317	817	713	816	2,663	380
	<b>GAAP net income (loss)</b>															
	\$ (5,582)	\$ (4,566)	\$ (4,554)	\$ 556	\$ (14,146)	\$ 1,595	\$ 588	\$ (28,662)	\$ (4,639)	\$ (31,118)	\$ 2,556	\$ 1,345	\$ 818	\$ (1,814)	\$ 2,905	\$ 3,467
Non-GAAP adjustments to net income (loss):																
Total non-GAAP adjustments to non-GAAP operating income (loss)	856	842	5,032	783	7,513	782	784	2,506	1,337	5,409	728	482	494	1,816	3,520	459
Valuation allowance on deferred tax assets and other non-cash adjustments related to tax assets	-	-	-	-	-	-	-	21,141	303	21,444	(d)	-	-	-	-	-
Tax effect of non-GAAP adjustments to operating income (loss)	(306)	(299)	(1,785)	(317)	(2,706)	(282)	(281)	(877)	-	(1,440)	-	-	-	-	-	-
	<b>Non-GAAP net income (loss)</b>															
	\$ (5,032)	\$ (4,023)	\$ (1,307)	\$ 1,022	\$ (9,339)	\$ 2,095	\$ 1,091	\$ (5,892)	\$ (2,999)	\$ (5,705)	\$ 3,284	\$ 1,827	\$ 1,312	\$ 2	\$ 6,425	\$ 3,926
Per share data:																
	<b>GAAP net income (loss) per diluted share</b>															
	\$ (0.24)	\$ (0.20)	\$ (0.20)	\$ 0.02	\$ (0.61)	\$ 0.07	\$ 0.02	\$ (1.19)	\$ (0.19)	\$ (1.30)	\$ 0.11	\$ 0.06	\$ 0.03	\$ (0.07)	\$ 0.12	\$ 0.14
	<b>Non-GAAP net income (loss) per diluted share</b>															
	\$ (0.22)	\$ (0.17)	\$ (0.06)	\$ 0.04	\$ (0.40)	\$ 0.09	\$ 0.05	\$ (0.24)	\$ (0.12)	\$ (0.24)	\$ 0.14	\$ 0.08	\$ 0.05	\$ 0.00	\$ 0.26	\$ 0.16
Shares used in non-GAAP diluted income per share calculation	23,341	23,138	23,261	23,913	23,290	24,159	24,220	24,132	24,048	23,958	24,257	24,285	24,352	24,446	24,375	24,597

**Notes:**

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

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

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

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