

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	Q2	Q3
Reconciliation of GAAP gross profit to non-GAAP gross profit																		
GAAP gross profit	\$ 10,486	\$ 14,480	\$ 15,801	\$ 21,909	\$ 62,676	\$ 24,149	\$ 22,908	\$ 11,416	\$ 17,349	\$ 75,822	\$ 23,379	\$ 23,264	\$ 22,219	\$ 20,804	\$ 89,667	\$ 24,491	\$ 28,425	\$ 30,404
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	442	434
Non-GAAP gross profit	\$ 11,144	\$ 15,127	\$ 18,898	\$ 22,579	\$ 67,748	\$ 24,823	\$ 23,585	\$ 12,104	\$ 18,033	\$ 78,545	\$ 24,011	\$ 23,721	\$ 22,687	\$ 21,273	\$ 91,693	\$ 24,926	\$ 28,867	\$ 30,838
Reconciliation of GAAP operating income (loss) to non-GAAP operating income (loss)																		
GAAP gross profit	\$ 10,486	\$ 14,480	\$ 15,801	\$ 21,909	\$ 62,676	\$ 24,149	\$ 22,908	\$ 11,416	\$ 17,349	\$ 75,822	\$ 23,379	\$ 23,264	\$ 22,219	\$ 20,804	\$ 89,667	\$ 24,491	\$ 28,425	\$ 30,404
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	21,089	21,338
GAAP operating income (loss)	\$ (9,603)	\$ (6,156)	\$ (7,242)	\$ 1,292	\$ (21,709)	\$ 2,016	\$ 746	\$ (10,609)	\$ (3,806)	\$ (11,653)	\$ 2,241	\$ 2,509	\$ 1,264	\$ (1,042)	\$ 4,973	\$ 3,730	\$ 7,336	\$ 9,066
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	442	434
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	2,266 (c)	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	442	434
Non-GAAP operating income (loss)	\$ (8,747)	\$ (5,314)	\$ (2,210)	\$ 2,075	\$ (14,196)	\$ 2,798	\$ 1,530	\$ (8,103)	\$ (2,469)	\$ (6,244)	\$ 2,969	\$ 2,991	\$ 1,758	\$ 774	\$ 8,493	\$ 4,189	\$ 7,778	\$ 9,500
Reconciliation of GAAP net income (loss) to non-GAAP net income (loss)																		
GAAP operating income (loss)	\$ (9,603)	\$ (6,156)	\$ (7,242)	\$ 1,292	\$ (21,709)	\$ 2,016	\$ 746	\$ (10,609)	\$ (3,806)	\$ (11,653)	\$ 2,241	\$ 2,509	\$ 1,264	\$ (1,042)	\$ 4,973	\$ 3,730	\$ 7,336	\$ 9,066
Other income (expense)	(161)	(622)	(445)	(428)	(1,656)	166	(170)	(134)	170	33	632	(349)	297	44	595	117	(449)	149
GAAP income (Loss) before income taxes	(9,764)	(6,978)	(7,687)	864	(23,565)	2,182	576	(10,743)	(3,636)	(11,621)	2,873	2,161	1,531	(998)	5,568	3,847	6,887	9,215
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	856	1,332
GAAP net income (loss)	\$ (5,582)	\$ (4,566)	\$ (4,554)	\$ 556	\$ (14,146)	\$ 1,595	\$ 588	\$ (28,662)	\$ (4,639)	\$ (31,118)	\$ 2,556	\$ 1,344	\$ 818	\$ (1,814)	\$ 2,905	\$ 3,467	\$ 6,031	\$ 7,883
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	442	434
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)	(1,440)	-	-	-	-	-	-	-	-
Non-GAAP net income (loss)	\$ (5,032)	\$ (4,023)	\$ (1,307)	\$ 1,022	\$ (9,339)	\$ 2,095	\$ 1,091	\$ (5,892)	\$ (2,999)	\$ (5,705)	\$ 3,284	\$ 1,826	\$ 1,312	\$ 2	\$ 6,425	\$ 3,926	\$ 6,473	\$ 8,317
Per share data:																		
GAAP net income (loss) per diluted share	\$ (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	\$ 0.24	\$ 0.31
Non-GAAP net income (loss) per diluted share	\$ (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	\$ 0.26	\$ 0.33
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	24,927	25,282
Reconciliation of net cash provided by operating activities to free cash flow																		
GAAP net cash provided by operating activities	(8,521)	(8,437)	13,045	1,482	(2,431)	(4,692)	(2,176)	(2,679)	8,912	(635)	(5,874)	(1,283)	9,505	(777)	1,571	499	12,721	20,881
Purchase of property and equipment	(997)	(973)	(1,546)	(2,173)	(5,689)	(2,193)	(230)	(377)	(2,992)	(5,792)	(502)	(541)	(322)	(481)	(1,846)	(610)	(1,918)	(821)
Free cash flow	\$ (9,518)	\$ (9,410)	\$ 11,499	\$ (691)	\$ (8,120)	\$ (6,885)	\$ (2,406)	\$ (3,056)	\$ 5,920	\$ (6,427)	\$ (6,376)	\$ (1,824)	\$ 9,183	\$ (1,258)	\$ (275)	\$ (111)	\$ 10,803	\$ 20,060

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.