

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
Reconciliation of GAAP gross profit to non-GAAP gross profit												
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
Amortization of intangible assets	215	215	215	215	861	232	232	203	410	1,077	637	637
Non-GAAP gross profit	20,547	28,006	29,397	24,303	102,253	35,155	36,104	30,799	21,120	123,178	25,703	25,396
Reconciliation of GAAP operating income (loss) to non-GAAP operating income (loss)												
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
Non-GAAP adjustments to operating income:												
Amortization of intangible assets included in cost of revenues	215	215	215	215	861	232	232	203	410	1,077	637	637
Amortization of intangible assets included in operating expenses	174	195	153	174	695	174	169	126	156	625	192	195
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	733	454	443	389	2,019	406	401	1,011	4,343	6,161	829	832
Non-GAAP operating income (loss)	6,679	13,346	14,261	9,057	43,343	17,469	17,886	12,757	3,815	51,927	4,935	5,128
Reconciliation of GAAP net income (loss) to non-GAAP net income (loss)												
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
Non-GAAP adjustments to net income:												
Total non-GAAP adjustments to non-GAAP operating income	733	454	443	389	2,019	406	401	1,011	4,343	6,161	829	832
Tax effect of non-GAAP adjustments to operating income	(264)	(163)	(159)	(140)	(727)	(146)	(144)	(364)	(1,496)	(2,151)	(303)	(304)
Discrete tax adjustment	-	-	-	(18,198)	(18,198)	-	-	-	-	-	655	(1,955)
Non-GAAP net income (loss)	\$ 6,394	\$ 11,858	\$ 12,611	\$ 8,179	\$ 39,042	\$ 10,770	\$ 11,344	\$ 8,266	\$ 2,315	\$ 32,695	\$ 2,884	\$ 3,079
Per share data:												
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
Non-GAAP net income (loss) per diluted share	\$ 0.28	\$ 0.52	\$ 0.54	\$ 0.35	\$ 1.70	\$ 0.46	\$ 0.48	\$ 0.35	\$ 0.10	\$ 1.39	\$ 0.12	\$ 0.13
Shares used in non-GAAP diluted income (loss) 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

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 effective tax rate of approximately 36.5%.