

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

	Fiscal 2010		Fiscal 2011				Fiscal 2012					Fiscal 2013			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	FY
<b>Reconciliation of GAAP gross profit to non-GAAP gross profit</b>															
GAAP gross profit	\$ 101,392	\$ 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	\$ 40,767
Inventory write-down														2,439	2,439
Amortization of intangible assets	861	232	232	203	410	1,077	637	637	629	646	2,549	658	647	658	1,963
<b>Non-GAAP gross profit</b>	<b>102,253</b>	<b>35,155</b>	<b>36,104</b>	<b>30,799</b>	<b>21,120</b>	<b>123,178</b>	<b>25,703</b>	<b>25,396</b>	<b>22,781</b>	<b>12,597</b>	<b>86,477</b>	<b>11,144</b>	<b>15,127</b>	<b>18,898</b>	<b>45,169</b>
<b>Reconciliation of GAAP operating income (loss) to non-GAAP operating income (loss)</b>															
GAAP gross profit	\$ 101,392	\$ 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	\$ 40,767
Total operating expenses	60,068	17,860	18,387	18,850	21,238	76,335	20,960	20,463	18,538	18,489	78,450	20,089	20,636	23,043	63,768
<b>GAAP operating income (loss)</b>	<b>41,324</b>	<b>17,063</b>	<b>17,485</b>	<b>11,746</b>	<b>(528)</b>	<b>45,766</b>	<b>4,106</b>	<b>4,296</b>	<b>3,614</b>	<b>(6,538)</b>	<b>5,478</b>	<b>(9,603)</b>	<b>(6,156)</b>	<b>(7,242)</b>	<b>(23,001)</b>
Non-GAAP adjustments to operating income (loss):															
Inventory write-down														2,439	2,439
Amortization of intangible assets included in cost of revenues	861	232	232	203	410	1,077	637	637	629	646	2,549	658	647	658	1,963
Amortization of intangible assets included in operating expenses	695	174	169	126	156	625	192	195	193	196	776	198	195	195	588
Acquisition-related charges	-	-	-	682	1,277	1,959	(a)	-	-	-	-	-	-	-	-
Legal settlement	-	-	-	-	2,500	2,500	(b)	-	-	-	-	-	-	-	-
Restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	1,740	1,740
Asset impairment	463	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-GAAP adjustments to operating income (loss)	2,019	406	401	1,011	4,343	6,161	829	832	822	842	3,325	856	842	5,032	6,730
<b>Non-GAAP operating income (loss)</b>	<b>43,343</b>	<b>17,469</b>	<b>17,886</b>	<b>12,757</b>	<b>3,815</b>	<b>51,927</b>	<b>4,935</b>	<b>5,128</b>	<b>4,436</b>	<b>(5,696)</b>	<b>8,803</b>	<b>(8,747)</b>	<b>(5,314)</b>	<b>(2,210)</b>	<b>(16,271)</b>
<b>Reconciliation of GAAP net income (loss) to non-GAAP net income (loss)</b>															
GAAP operating income (loss)	41,324	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)	(23,001)
Other income (expense)	(635)	(810)	(746)	567	(194)	(1,183)	(392)	(280)	(355)	168	(859)	(161)	(822)	(445)	(1,428)
<b>GAAP income (Loss) before income taxes</b>	<b>40,689</b>	<b>16,253</b>	<b>16,739</b>	<b>12,313</b>	<b>(722)</b>	<b>44,583</b>	<b>3,714</b>	<b>4,016</b>	<b>3,259</b>	<b>(6,370)</b>	<b>4,619</b>	<b>(9,764)</b>	<b>(6,978)</b>	<b>(7,687)</b>	<b>(24,429)</b>
Provision (benefit) for income taxes	(15,258)	5,743	5,652	4,694	(190)	15,899	2,011	(490)	1,356	(2,723)	154	(4,182)	(2,412)	(3,133)	(9,727)
<b>GAAP net income (loss)</b>	<b>\$ 55,947</b>	<b>\$ 10,510</b>	<b>\$ 11,087</b>	<b>\$ 7,619</b>	<b>\$ (532)</b>	<b>\$ 28,685</b>	<b>\$ 1,703</b>	<b>\$ 4,506</b>	<b>\$ 1,903</b>	<b>\$ (3,647)</b>	<b>\$ 4,465</b>	<b>\$ (5,582)</b>	<b>\$ (4,566)</b>	<b>\$ (4,554)</b>	<b>\$ (14,702)</b>
Non-GAAP adjustments to net income (loss):															
Total non-GAAP adjustments to non-GAAP operating income (loss)	2,019	406	401	1,011	4,343	6,161	829	832	822	842	3,325	856	842	5,032	6,730
Tax effect of non-GAAP adjustments to operating income (loss)	(727)	(146)	(144)	(364)	(1,496)	(2,151)	(303)	(304)	(300)	(307)	(1,214)	(306)	(299)	(1,785)	(2,390)
Discrete tax adjustment	(18,198)	(c)	-	-	-	-	655	(1,955)	-	-	(1,300)	(d)	-	-	-
<b>Non-GAAP net income (loss)</b>	<b>\$ 39,042</b>	<b>\$ 10,770</b>	<b>\$ 11,344</b>	<b>\$ 8,266</b>	<b>\$ 2,315</b>	<b>\$ 32,695</b>	<b>\$ 2,884</b>	<b>\$ 3,079</b>	<b>\$ 2,425</b>	<b>\$ (3,112)</b>	<b>\$ 5,276</b>	<b>\$ (5,032)</b>	<b>\$ (4,023)</b>	<b>\$ (1,307)</b>	<b>\$ (10,362)</b>
<b>Per share data:</b>															
<b>GAAP net income (loss) per diluted share</b>	<b>\$ 2.43</b>	<b>\$ 0.45</b>	<b>\$ 0.47</b>	<b>\$ 0.32</b>	<b>\$ (0.02)</b>	<b>\$ 1.22</b>	<b>\$ 0.07</b>	<b>\$ 0.19</b>	<b>\$ 0.08</b>	<b>\$ (0.16)</b>	<b>\$ 0.19</b>	<b>\$ (0.24)</b>	<b>\$ (0.20)</b>	<b>\$ (0.20)</b>	<b>\$ (0.63)</b>
<b>Non-GAAP net income (loss) per diluted share</b>	<b>\$ 1.70</b>	<b>\$ 0.46</b>	<b>\$ 0.48</b>	<b>\$ 0.35</b>	<b>\$ 0.10</b>	<b>\$ 1.39</b>	<b>\$ 0.12</b>	<b>\$ 0.13</b>	<b>\$ 0.10</b>	<b>\$ (0.13)</b>	<b>\$ 0.22</b>	<b>\$ (0.22)</b>	<b>\$ (0.17)</b>	<b>\$ (0.06)</b>	<b>\$ (0.45)</b>
Shares used in non-GAAP diluted income per share calculation	22,998	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	23,247

**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 the inventory write-off associated with the discontinuation of the Mosaic product line.

(f) Includes severance charges accrued in connection with the notification and initiation of the closure of our Nanda Technologies Germany office related to our consolidation of our Spark product line activities.