Financial Terms

Non-GAAP Net Income is net income adjusted for acquired intangibles non-cash amortization charges, acquired in-process research and development, all forms of stock-based compensation, and related tax effects.

Non-GAAP Diluted Shares is diluted shares plus the inclusion of buy-back shares resulted from the average unrecognized stock-based compensation cost during the period and any tax benefits that would be credited upon exercise to additional paid in capital.

Non-GAAP Net Income per Share is Non-GAAP Net Income divided by Non-GAAP Diluted Shares.

Total Revenues are comprised of Royalty and License Fees, Past Production Payments, and Product and Service Revenues.

Past Production Payment Revenue consists of royalty payments for the use of our technology or intellectual property in the past by new licensees who make such payments as part of a settlement of a patent infringement dispute.

Product Revenue is mainly from our Digital Optics solutions which include diffractive optical elements such as the lenses used in off-axis illumination for lithography; refractive optical elements such as lens arrays; and integrated micro-optical subassemblies such as optical and electro-optic modules. Product Revenue also includes revenue from our Product Launch Services, a strategic initiative that supports our infrastructure licensees with proof of high-volume manufacturability and provides our customers access to our new technologies to accelerate the rate of adoption of our Imaging & Optics technologies in the industry.

Service Revenue is mainly derived from engineering, assembly, design and infrastructure services which are provided primarily to our licensees to shorten their development effort and time to market.

Total Operating Expenses consist of cost of revenues, research, development and other related costs, selling, general and administrative expense, and litigation expense.