



NANOMETRICS INCORPORATED 1550 Buckeye Drive Milpitas CA 95035 Tel: 408.435.9600 Fax: 408.232.5910

NANOMETRICS INCORPORATED
CONSOLIDATED BALANCE SHEETS
 (Amounts in thousands except share amounts)
 (Unaudited)

	December 31, <u>2003</u>	December 31, <u>2002</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,949	\$ 7,967
Short-term investments	21,943	28,899
Accounts receivable, net of allowances of \$583 and \$566	14,522	9,021
Inventories	24,264	25,847
Deferred income taxes	-	6,840
Prepaid expenses and other	<u>644</u>	<u>2,803</u>
Total current assets	69,322	81,377
PROPERTY, PLANT AND EQUIPMENT, Net	49,738	50,050
INTANGIBLE ASSETS	1,322	1,748
OTHER ASSETS	<u>1,358</u>	<u>1,513</u>
TOTAL	<u>\$ 121,740</u>	<u>\$ 134,688</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,045	\$ 1,708
Accrued payroll and related expenses	1,593	1,004
Deferred revenue	2,345	1,396
Other current liabilities	1,436	1,574
Income taxes payable	1,528	139
Current portion of debt obligations	<u>1,157</u>	<u>780</u>
Total current liabilities	10,104	6,601
DEFERRED INCOME TAXES	437	858
DEBT OBLIGATIONS	<u>2,756</u>	<u>3,123</u>
Total liabilities	<u>13,297</u>	<u>10,582</u>
SHAREHOLDERS' EQUITY:		
Common stock, no par value; 50,000,000 shares authorized; 12,165,016 and 12,006,641 outstanding	101,099	99,911
Retained earnings	7,009	24,475
Accumulated other comprehensive loss	<u>335</u>	<u>(280)</u>
Total shareholders' equity	<u>108,443</u>	<u>124,106</u>
TOTAL	<u>\$ 121,740</u>	<u>\$ 134,688</u>



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NANOMETRICS INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
NET REVENUES:				
Product sales	\$ 10,778	\$ 8,035	\$ 34,592	\$ 28,669
Service	<u>1,609</u>	<u>1,702</u>	<u>7,010</u>	<u>6,054</u>
Total net revenues	<u>12,387</u>	<u>9,737</u>	<u>41,602</u>	<u>34,723</u>
COSTS AND EXPENSES:				
Cost of product sales	4,665	4,353	17,691	13,237
Cost of service	1,702	1,388	6,620	5,765
Research and development	3,200	3,638	13,399	13,765
Selling	3,031	3,226	11,496	10,862
General and administrative	1,225	1,592	4,689	5,104
Goodwill impairment	<u>-</u>	<u>1,077</u>	<u>-</u>	<u>1,077</u>
Total costs and expenses	<u>13,823</u>	<u>15,274</u>	<u>53,895</u>	<u>49,810</u>
LOSS FROM OPERATIONS	(1,436)	(5,537)	(12,293)	(15,087)
OTHER INCOME (EXPENSE)				
Interest income	167	150	397	583
Interest expense	(25)	(22)	(96)	(94)
Other, net	<u>209</u>	<u>43</u>	<u>385</u>	<u>100</u>
Total other income, net	<u>351</u>	<u>171</u>	<u>686</u>	<u>589</u>
LOSS BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	(1,085)	(5,366)	(11,607)	(14,498)
PROVISION (BENEFIT) FOR INCOME TAXES	<u>(281)</u>	<u>(2,163)</u>	<u>5,860</u>	<u>(6,230)</u>
NET LOSS	<u>\$ (804)</u>	<u>\$ (3,203)</u>	<u>\$ (17,467)</u>	<u>\$ (8,268)</u>
NET LOSS PER SHARE:				
Basic	<u>\$ (0.07)</u>	<u>\$ (0.27)</u>	<u>\$ (1.45)</u>	<u>\$ (0.70)</u>
Diluted	<u>\$ (0.07)</u>	<u>\$ (0.27)</u>	<u>\$ (1.45)</u>	<u>\$ (0.70)</u>
SHARES USED IN PER SHARE COMPUTATION:				
Basic	<u>12,122</u>	<u>11,998</u>	<u>12,043</u>	<u>11,878</u>
Diluted	<u>12,122</u>	<u>11,998</u>	<u>12,043</u>	<u>11,878</u>