



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

	October 1, 2005	January 1, 2005
Assets		<i>As restated</i>
Current assets:		
Cash and cash equivalents	\$ 20,705	\$ 15,949
Short-term investments	25,751	17,919
Accounts receivable, net of allowances of \$595 and \$603	18,734	22,222
Inventories	23,900	25,494
Prepaid expenses and other	1,466	944
Assets held for sales	1,040	---
Total current assets	91,596	82,528
Property, plant and equipment, net	44,657	49,035
Intangible assets	703	924
Other assets	1,399	1,282
Total	\$ 138,355	\$ 133,769
Liabilities and shareholders' equity		
Current liabilities:		
Revolving line of credit	\$ 1,586	\$ ---
Accounts payable	3,248	3,146
Accrued payroll and related expenses	2,143	2,512
Deferred revenue	2,726	3,506
Other current liabilities	3,462	2,097
Income taxes payable	1,086	1,515
Current portion of debt obligations	437	1,164
Total current liabilities	14,688	13,940
Deferred income taxes and other long-term liabilities	24	930
Debt obligations	1,543	2,070
Total liabilities	16,255	16,940
Shareholders' equity:		
Common stock, no par value; 50,000,000 shares authorized; 12,942,243 and 12,566,636 outstanding	106,728	104,191
Retained earnings	14,275	10,707
Accumulated translation adjustment	1,097	1,931
Total shareholders' equity	122,100	116,829
Total	\$ 138,355	\$ 133,769



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

	Three Months Ended		Nine Months Ended	
	October 1, <u>2005</u>	October 2, <u>2004</u> <i>As restated</i>	October 1, <u>2005</u>	October 2, <u>2004</u> <i>As restated</i>
Net revenues:				
Product sales	\$ 11,772	\$ 18,228	\$ 49,317	\$ 43,671
Service	<u>2,459</u>	<u>1,855</u>	<u>7,000</u>	<u>5,900</u>
Total net revenues	<u>14,231</u>	<u>20,083</u>	<u>56,317</u>	<u>49,571</u>
Costs and expenses:				
Cost of product sales	6,234	7,799	24,429	19,227
Cost of service	2,629	2,067	7,810	5,326
Research and development	3,291	3,358	10,126	9,517
Selling	2,395	2,906	8,389	9,243
General and administrative	3,348	1,369	7,746	4,027
Asset impairment	—	—	2,232	—
Merger termination fee	—	—	(8,300)	—
Total costs and expenses	<u>17,897</u>	<u>17,499</u>	<u>52,432</u>	<u>47,340</u>
Income (loss) from operations	(3,666)	2,584	3,885	2,231
Other income (expense):				
Interest income	288	69	611	174
Interest expense	—	(28)	(35)	(78)
Other, net	<u>(18)</u>	<u>(109)</u>	<u>(494)</u>	<u>(294)</u>
Total other income (expense), net	<u>270</u>	<u>(68)</u>	<u>82</u>	<u>(198)</u>
Income (loss) before income taxes	(3,396)	2,516	3,967	2,033
Provision for income taxes	<u>7</u>	<u>360</u>	<u>398</u>	<u>464</u>
Net income (loss)	<u>\$ (3,403)</u>	<u>\$ 2,156</u>	<u>\$ 3,569</u>	<u>\$ 1,569</u>
Net income (loss) per share:				
Basic	<u>\$ (0.26)</u>	<u>\$ 0.17</u>	<u>\$ 0.28</u>	<u>\$ 0.13</u>
Diluted	<u>\$ (0.26)</u>	<u>\$ 0.17</u>	<u>\$ 0.27</u>	<u>\$ 0.12</u>
Shares used in per share computation:				
Basic	<u>12,854</u>	<u>12,331</u>	<u>12,686</u>	<u>12,261</u>
Diluted	<u>12,854</u>	<u>12,742</u>	<u>13,448</u>	<u>13,210</u>