



**NANOMETRICS INCORPORATED
CONSOLIDATED BALANCE SHEETS**
(In thousands except share amounts)
(Unaudited)

ASSETS	April 1, 2006	December 31, 2005
Current assets:		
Cash and cash equivalents	\$ 33,915	\$ 40,445
Short-term investments	-	4,949
Accounts receivable, net of allowances of \$657 and \$592	20,570	18,983
Inventories	27,494	25,656
Prepaid expenses and other	<u>4,183</u>	<u>1,259</u>
Total current assets	86,162	91,292
Property, plant and equipment, net	42,613	42,928
Goodwill	3,030	-
Intangible assets	4,760	639
Other assets	<u>1,483</u>	<u>1,441</u>
Total assets	<u>\$ 138,048</u>	<u>\$ 136,300</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Revolving line of credit	\$ 510	\$ 1,186
Accounts payable	4,653	3,348
Accrued payroll and related expenses	2,086	1,540
Deferred revenue	3,818	3,448
Other current liabilities	3,920	3,869
Income taxes payable	748	770
Current portion of debt obligations	<u>381</u>	<u>400</u>
Total current liabilities	16,116	14,561
Deferred income taxes and other long-term liabilities	257	-
Debt obligations	<u>1,313</u>	<u>1,396</u>
Total liabilities	17,686	15,957
Shareholders' equity		
Common stock, no par value; 50,000,000 shares authorized; 13,033,438 and 12,990,894 outstanding	108,445	107,294
Retained earnings	10,896	12,218
Accumulated other comprehensive income	<u>1,021</u>	<u>831</u>
Total shareholders' equity	<u>120,362</u>	<u>120,343</u>
Total liabilities and shareholders' equity	<u>\$ 138,048</u>	<u>\$ 136,300</u>



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

	Three Months Ended	
	April 1, <u>2006</u>	April 2, <u>2005</u>
Net revenues:		
Products	\$ 15,972	\$ 21,010
Service	<u>2,996</u>	<u>2,340</u>
Total net revenues	<u>18,968</u>	<u>23,350</u>
Costs and expenses:		
Cost of products	7,909	9,732
Cost of service	2,534	2,573
Research and development	2,528	3,179
Selling	3,102	3,143
General and administrative	<u>4,550</u>	<u>1,998</u>
Total costs and expenses	<u>20,623</u>	<u>20,625</u>
Income (loss) from operations	(1,655)	2,725
Other income (expense):		
Interest income	332	130
Interest expense	(13)	(18)
Other, net	<u>35</u>	<u>(270)</u>
Total other income, net	<u>354</u>	<u>(158)</u>
Income (loss) before income taxes	(1,301)	2,567
Provision for income taxes	<u>21</u>	<u>83</u>
Net income (loss)	<u>\$ (1,322)</u>	<u>\$ 2,484</u>
Net income (loss) per share:		
Basic	<u>\$ (0.10)</u>	<u>\$ 0.20</u>
Diluted	<u>\$ (0.10)</u>	<u>\$ 0.18</u>
Shares used in per share computation:		
Basic	<u>13,018</u>	<u>12,575</u>
Diluted	<u>13,018</u>	<u>13,455</u>