



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

| ASSETS | <u>July 1, 2006</u> | <u>December 31, 2005</u> |
|--|-------------------------|------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 29,612 | \$ 40,445 |
| Short-term investments | - | 4,949 |
| Accounts receivable, net of allowances of \$653 and \$592 | 22,841 | 18,983 |
| Inventories | 30,592 | 25,656 |
| Prepaid expenses and other | <u>2,850</u> | <u>1,259</u> |
| Total current assets | 85,895 | 91,292 |
| Property, plant and equipment, net | 42,314 | 42,928 |
| Goodwill | 3,499 | - |
| Intangible assets | 4,151 | 639 |
| Other assets | <u>5,897</u> | <u>1,441</u> |
| Total assets | <u>\$ 141,756</u> | <u>\$ 136,300</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Revolving line of credit | \$ - | \$ 1,186 |
| Accounts payable | 5,927 | 3,348 |
| Accrued payroll and related expenses | 2,503 | 1,540 |
| Deferred revenue | 6,696 | 3,448 |
| Other current liabilities | 3,926 | 3,869 |
| Income taxes payable | 716 | 770 |
| Current portion of debt obligations | <u>358</u> | <u>400</u> |
| Total current liabilities | 20,126 | 14,561 |
| Deferred income taxes and other long-term liabilities | 160 | - |
| Debt obligations | <u>1,238</u> | <u>1,396</u> |
| Total liabilities | 21,524 | 15,957 |
| Shareholders' equity | | |
| Common stock, no par value; 50,000,000 shares authorized; 13,095,332 and 12,990,894 outstanding | 110,113 | 107,294 |
| Retained earnings | 8,740 | 12,218 |
| Accumulated other comprehensive income | <u>1,379</u> | <u>831</u> |
| Total shareholders' equity | <u>120,232</u> | <u>120,343</u> |
| Total liabilities and shareholders' equity | <u>\$ 141,756</u> | <u>\$ 136,300</u> |



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

| | Three Months Ended | | Six Months Ended | |
|---------------------------------------|--------------------|-----------------|-------------------|-----------------|
| | July 1, 2006 | July 2, 2005 | July 1, 2006 | July 2, 2005 |
| Net revenues: | | | | |
| Products | \$ 20,121 | \$ 16,535 | \$ 36,093 | \$ 37,545 |
| Service | <u>3,277</u> | <u>2,201</u> | <u>6,273</u> | <u>4,541</u> |
| Total net revenues | <u>23,398</u> | <u>18,736</u> | <u>42,366</u> | <u>42,086</u> |
| Costs and expenses: | | | | |
| Cost of products | 10,712 | 8,463 | 18,621 | 18,195 |
| Cost of service | 4,026 | 2,608 | 6,560 | 5,181 |
| Research and development | 3,062 | 3,656 | 5,590 | 6,835 |
| Selling | 3,940 | 2,851 | 7,042 | 5,994 |
| General and administrative | 4,306 | 2,400 | 8,856 | 4,398 |
| Asset impairment | - | 2,232 | - | 2,232 |
| Merger termination fee | - | (8,300) | - | (8,300) |
| Total costs and expenses | <u>26,046</u> | <u>13,910</u> | <u>46,669</u> | <u>34,535</u> |
| Income (loss) from operations | (2,648) | 4,826 | (4,303) | 7,551 |
| Other income (expense): | | | | |
| Interest income | 299 | 193 | 631 | 323 |
| Interest expense | (18) | (17) | (31) | (35) |
| Other, net | <u>238</u> | <u>(206)</u> | <u>273</u> | <u>(476)</u> |
| Total other income (expense), net | <u>519</u> | <u>(30)</u> | <u>873</u> | <u>(188)</u> |
| Income (loss) before income taxes | (2,129) | 4,796 | (3,430) | 7,363 |
| Provision for income taxes | <u>27</u> | <u>308</u> | <u>48</u> | <u>391</u> |
| Net income (loss) | <u>\$ (2,156)</u> | <u>\$ 4,488</u> | <u>\$ (3,478)</u> | <u>\$ 6,972</u> |
| Net income (loss) per share: | | | | |
| Basic | <u>\$ (0.16)</u> | <u>\$ 0.36</u> | <u>\$ (0.27)</u> | <u>\$ 0.55</u> |
| Diluted | <u>\$ (0.16)</u> | <u>\$ 0.34</u> | <u>\$ (0.27)</u> | <u>\$ 0.52</u> |
| Shares used in per share computation: | | | | |
| Basic | <u>13,088</u> | <u>12,629</u> | <u>13,053</u> | <u>12,602</u> |
| Diluted | <u>13,088</u> | <u>13,374</u> | <u>13,053</u> | <u>13,414</u> |