

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

| ASSETS | September 30, <u>2006</u> | December 31, <u>2005</u> |
|--|------------------------------|-----------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 15,126 | \$ 40,445 |
| Short-term investments | - | 4,949 |
| Accounts receivable, net of allowances of \$778 and \$592 | 27,533 | 18,983 |
| Inventories | 47,916 | 25,656 |
| Prepaid expenses and other | <u>4,710</u> | <u>1,259</u> |
| Total current assets | 95,285 | 91,292 |
| Property, plant and equipment, net | 43,247 | 42,928 |
| Goodwill | 51,993 | - |
| Intangible assets | 30,727 | 639 |
| Other assets | <u>2,168</u> | <u>1,441</u> |
| Total assets | <u>\$ 223,420</u> | <u>\$ 136,300</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Revolving line of credit | \$ - | \$ 1,186 |
| Accounts payable | 9,254 | 3,060 |
| Accounts payable to related party | 534 | 288 |
| Accrued payroll and related expenses | 4,609 | 1,540 |
| Deferred revenue | 12,743 | 3,448 |
| Other current liabilities | 10,112 | 3,869 |
| Income taxes payable | 958 | 770 |
| Current portion of debt obligations | <u>354</u> | <u>400</u> |
| Total current liabilities | 38,564 | 14,561 |
| Deferred income taxes | 160 | - |
| Debt obligations | <u>1,136</u> | <u>1,396</u> |
| Total liabilities | 39,860 | 15,957 |
| Shareholders' equity | | |
| Common stock, no par value; 50,000,000 shares authorized; 18,026,167 and 12,990,894 outstanding | 176,347 | 107,294 |
| Additional paid-in capital | 3,355 | - |
| Retained earnings | 2,174 | 12,218 |
| Accumulated other comprehensive income | <u>1,684</u> | <u>831</u> |
| Total shareholders' equity | <u>183,560</u> | <u>120,343</u> |
| Total liabilities and shareholders' equity | <u>\$ 223,420</u> | <u>\$ 136,300</u> |

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

| | Three Months Ended | | Nine Months Ended | |
|---------------------------------------|--------------------|-------------------|--------------------|-----------------|
| | September 30, | October 1, | September 30, | October 1, |
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Net revenues: | | | | |
| Products | \$ 24,772 | \$ 11,772 | \$ 60,865 | \$ 49,317 |
| Service | <u>4,319</u> | <u>2,459</u> | <u>10,592</u> | <u>7,000</u> |
| Total net revenues | <u>29,091</u> | <u>14,231</u> | <u>71,457</u> | <u>56,317</u> |
| Costs and expenses: | | | | |
| Cost of product sales | 14,599 | 6,234 | 33,220 | 24,429 |
| Cost of service | 4,780 | 2,629 | 11,340 | 7,810 |
| Research and development | 4,208 | 3,291 | 9,798 | 10,126 |
| Selling | 5,850 | 2,395 | 12,892 | 8,389 |
| General and administrative | 5,447 | 3,348 | 14,303 | 7,746 |
| Asset impairment | - | - | - | 2,232 |
| Merger termination fee | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,300)</u> |
| Total costs and expenses | <u>34,884</u> | <u>17,897</u> | <u>81,553</u> | <u>52,432</u> |
| Income (loss) from operations | (5,793) | (3,666) | (10,096) | 3,885 |
| Other income (expense): | | | | |
| Interest income | 156 | 288 | 787 | 611 |
| Interest expense | (13) | - | (44) | (35) |
| Other, net | <u>(648)</u> | <u>(18)</u> | <u>(375)</u> | <u>(494)</u> |
| Total other income (expense), net | <u>(505)</u> | <u>270</u> | <u>368</u> | <u>82</u> |
| Income (loss) before income taxes | (6,298) | (3,396) | (9,728) | 3,967 |
| Provision for income taxes | <u>268</u> | <u>7</u> | <u>316</u> | <u>398</u> |
| Net income (loss) | <u>\$ (6,566)</u> | <u>\$ (3,403)</u> | <u>\$ (10,044)</u> | <u>\$ 3,569</u> |
| Net income (loss) per share: | | | | |
| Basic | <u>\$ (0.39)</u> | <u>\$ (0.26)</u> | <u>\$ (0.70)</u> | <u>\$ 0.28</u> |
| Diluted | <u>\$ (0.39)</u> | <u>\$ (0.26)</u> | <u>\$ (0.70)</u> | <u>\$ 0.27</u> |
| Shares used in per share computation: | | | | |
| Basic | <u>16,957</u> | <u>12,854</u> | <u>14,354</u> | <u>12,686</u> |
| Diluted | <u>16,957</u> | <u>12,854</u> | <u>14,354</u> | <u>13,448</u> |