

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

ASSETS	December 30, <u>2006</u>	December 31, <u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 7,957	\$ 40,445
Short-term investments	-	4,949
Accounts receivable, net of allowances of \$841 and \$592	24,888	18,983
Inventories	47,813	25,656
Prepaid expenses and other	<u>3,639</u>	<u>1,259</u>
Total current assets	84,297	91,292
Property, plant and equipment, net	43,294	42,928
Goodwill	54,817	-
Intangible assets	27,983	639
Other assets	<u>1,985</u>	<u>1,441</u>
Total assets	<u>\$ 212,376</u>	<u>\$ 136,300</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Revolving line of credit	\$ -	\$ 1,186
Accounts payable	9,155	3,060
Accounts payable to related party	181	288
Accrued payroll and related expenses	5,227	1,540
Deferred revenue	10,451	3,448
Other current liabilities	8,371	3,869
Income taxes payable	695	770
Current portion of debt obligations	<u>356</u>	<u>400</u>
Total current liabilities	34,436	14,561
Deferred income taxes	1,852	-
Debt obligations	<u>1,457</u>	<u>1,396</u>
Total liabilities	37,745	15,957
Shareholders' equity		
Common stock, \$0.001 par value; 47,000,000 shares authorized; 18,141,589 and 12,990,894, respectively, outstanding	18	107,294
Additional paid-in capital	182,096	-
Retained earnings (accumulated deficit)	(9,909)	12,218
Accumulated other comprehensive income	<u>2,426</u>	<u>831</u>
Total shareholders' equity	<u>174,631</u>	<u>120,343</u>
Total liabilities and shareholders' equity	<u>\$ 212,376</u>	<u>\$ 136,300</u>

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

	Three Months Ended		Year Ended	
	December 30,	December 31,	December 30,	December 31,
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net revenues:				
Products	\$ 19,771	\$ 11,695	\$ 80,636	\$ 61,012
Service	<u>5,146</u>	<u>2,530</u>	<u>15,738</u>	<u>9,531</u>
Total net revenues	<u>24,917</u>	<u>14,225</u>	<u>96,374</u>	<u>70,543</u>
Costs and expenses:				
Cost of products	14,506	4,745	47,726	29,173
Cost of service	5,270	2,886	16,610	10,695
Research and development	4,455	2,407	14,253	12,533
Selling	5,713	2,556	18,605	10,945
General and administrative	7,002	4,135	21,305	11,882
Merger termination fee	-	-	-	(8,300)
Asset impairment and disposition	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,232</u>
Total costs and expenses	<u>36,946</u>	<u>16,729</u>	<u>118,499</u>	<u>69,160</u>
Income (loss) from operations	(12,029)	(2,504)	(22,125)	1,383
Other income (expense):				
Interest income	64	387	851	998
Interest expense	(16)	(38)	(60)	(73)
Other, net	<u>(741)</u>	<u>(85)</u>	<u>(1,116)</u>	<u>(579)</u>
Total other income (expense), net	<u>(693)</u>	<u>264</u>	<u>(325)</u>	<u>346</u>
Income (loss) before income taxes	(12,722)	(2,240)	(22,450)	1,729
Provision (benefit) for income taxes	<u>(639)</u>	<u>(180)</u>	<u>(323)</u>	<u>218</u>
Net income (loss)	<u>\$ (12,083)</u>	<u>\$ (2,060)</u>	<u>\$ (22,127)</u>	<u>\$ 1,511</u>
Net income (loss) per share:				
Basic	<u>\$ (0.69)</u>	<u>\$ (0.16)</u>	<u>\$ (1.47)</u>	<u>\$ 0.12</u>
Diluted	<u>\$ (0.69)</u>	<u>\$ (0.16)</u>	<u>\$ (1.47)</u>	<u>\$ 0.11</u>
Shares used in per share computation:				
Basic	<u>17,622</u>	<u>12,981</u>	<u>15,075</u>	<u>12,760</u>
Diluted	<u>17,622</u>	<u>12,981</u>	<u>15,075</u>	<u>13,471</u>

NANOMETRICS INCORPORATED
RECONCILIATION OF NON-GAAP ADJUSTMENTS TO
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended			Year Ended		
	December 30, 2006			December 30, 2006		
	GAAP	Non-GAAP Adjustments	As Adjusted	GAAP	Non-GAAP Adjustments	As Adjusted
Net revenues:						
Products	\$ 19,771	\$ -	\$ 19,771	\$ 80,636	\$ -	\$ 80,636
Service	<u>5,146</u>	<u>-</u>	<u>5,146</u>	<u>15,738</u>	<u>-</u>	<u>15,738</u>
Total net revenues	<u>24,917</u>	<u>-</u>	<u>24,917</u>	<u>96,374</u>	<u>-</u>	<u>96,374</u>
Costs and expenses:						
Cost of product sales	14,506	(1,831) (a)	12,546	47,726	(3,454) (a)	43,918
		(129) (b)			(354) (b)	
Cost of service	5,270	(107) (b)	5,163	16,610	(305) (b)	16,305
Research and development	4,455	(387) (b)	4,068	14,253	(1,313) (b)	12,940
Selling	5,713	(770) (a)	4,625	18,605	(1,628) (a)	15,989
		(318) (b)			(988) (b)	
General and administrative	<u>7,002</u>	<u>(673) (b)</u>	<u>6,329</u>	<u>21,305</u>	<u>(2,065) (b)</u>	<u>19,240</u>
Total costs and expenses	<u>36,946</u>	<u>(4,215)</u>	<u>32,731</u>	<u>118,499</u>	<u>(10,107)</u>	<u>108,392</u>
Income (loss) from operations	(12,029)	4,215	(7,814)	(22,125)	10,107	(12,018)
Other income (expense):						
Interest income	64	-	64	851	-	851
Interest expense	(16)	-	(16)	(60)	-	(60)
Other, net	<u>(741)</u>	<u>-</u>	<u>(741)</u>	<u>(1,116)</u>	<u>-</u>	<u>(1,116)</u>
Total other income (expense), net	<u>(693)</u>	<u>-</u>	<u>(693)</u>	<u>(325)</u>	<u>-</u>	<u>(325)</u>
Income (loss) before income taxes	(12,722)	4,215	(8,507)	(22,450)	10,107	(12,343)
Benefit for income taxes	<u>(639)</u>	<u>-</u>	<u>(639)</u>	<u>(323)</u>	<u>-</u>	<u>(323)</u>
Net income (loss)	<u>\$ (12,083)</u>	<u>\$ 4,215</u>	<u>\$ (7,868)</u>	<u>\$ (22,127)</u>	<u>\$ 10,107</u>	<u>\$ (12,020)</u>
Net loss per share:						
Basic	<u>\$ (0.69)</u>		<u>\$ (0.45)</u>	<u>\$ (1.47)</u>		<u>\$ (0.80)</u>
Diluted	<u>\$ (0.69)</u>		<u>\$ (0.45)</u>	<u>\$ (1.47)</u>		<u>\$ (0.80)</u>
Shares used in per share computation:						
Basic	<u>17,622</u>		<u>17,622</u>	<u>15,075</u>		<u>15,075</u>
Diluted	<u>17,622</u>		<u>17,622</u>	<u>15,075</u>		<u>15,075</u>

(a) Amortization of intangible assets and step-up to fair value of inventories from the Accent and Soluris acquisitions

(b) Stock-based compensation