

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

ASSETS	<u>September 29, 2007</u>	<u>December 30, 2006</u>
Current assets:		
Cash and cash equivalents	\$ 14,874	\$ 7,957
Short-term investments	-	-
Accounts receivable, net of allowances of \$468 and \$841	34,157	24,888
Inventories	33,149	43,601
Prepaid expenses and other	<u>4,841</u>	<u>3,639</u>
Total current assets	87,021	80,085
Property, plant and equipment, net	44,230	43,294
Goodwill	52,885	55,217
Intangible assets, net	23,085	27,583
Other assets	<u>1,719</u>	<u>1,985</u>
Total assets	<u>\$ 208,940</u>	<u>\$ 208,164</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,066	\$ 9,155
Accounts payable to related party	-	181
Accrued payroll and related expenses	5,123	5,227
Deferred revenue and product margin	1,840	6,239
Other current liabilities	9,724	8,381
Income taxes payable	447	695
Current portion of debt obligations	<u>145</u>	<u>486</u>
Total current liabilities	30,345	30,364
Deferred income taxes	1,582	1,848
Debt obligations and other long term liabilities	<u>715</u>	<u>1,321</u>
Total liabilities	32,642	33,533
Stockholders' equity		
Common stock, \$0.001 par value; 47,000,000 shares authorized; and; 18,577,546 and 18,141,589, respectively, outstanding	19	18
Additional paid-in capital	185,727	182,096
Accumulated deficit	(12,642)	(9,909)
Accumulated other comprehensive income	<u>3,194</u>	<u>2,426</u>
Total stockholders' equity	<u>176,298</u>	<u>174,631</u>
Total liabilities and stockholders' equity	<u>\$ 208,940</u>	<u>\$ 208,164</u>

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

	Three Months Ended		Nine Months Ended	
	September 29, 2007	September 30, 2006	September 29, 2007	September 30, 2006
Net revenues:				
Products	\$ 33,306	\$ 24,772	\$ 98,564	\$ 60,865
Service	<u>5,341</u>	<u>4,319</u>	<u>14,533</u>	<u>10,592</u>
Total net revenues	<u>38,647</u>	<u>29,091</u>	<u>113,097</u>	<u>71,457</u>
Costs of revenues:				
Cost of products	16,773	12,935	50,628	31,405
Cost of service	<u>4,791</u>	<u>4,780</u>	<u>15,459</u>	<u>11,340</u>
Total costs of net revenues	<u>21,564</u>	<u>17,715</u>	<u>66,087</u>	<u>42,745</u>
Gross profit	17,083	11,376	47,010	28,712
Operating expenses:				
Research and development	4,661	4,208	13,986	9,798
Selling	4,603	5,079	14,636	12,034
General and administrative	4,783	5,447	16,538	14,303
Amortization of intangible assets	1,285	2,434	4,497	2,673
Restructuring charge	2,128	-	2,128	-
Gain on sale of assets	<u>(2,100)</u>	<u>-</u>	<u>(2,100)</u>	<u>-</u>
Total operating expenses	<u>15,360</u>	<u>17,168</u>	<u>49,685</u>	<u>38,808</u>
Income (loss) from operations	1,723	(5,792)	(2,675)	(10,096)
Other income (expense):				
Interest income	69	156	121	787
Interest expense	(56)	(13)	(141)	(44)
Other, net	<u>382</u>	<u>(648)</u>	<u>(40)</u>	<u>(375)</u>
Total other income (expense), net	<u>395</u>	<u>(505)</u>	<u>(60)</u>	<u>368</u>
Income (loss) before provision (benefit) for income taxes	2,118	(6,297)	(2,735)	(9,728)
Provision (benefit) for income taxes	<u>110</u>	<u>268</u>	<u>(2)</u>	<u>316</u>
Net income (loss)	<u>\$ 2,008</u>	<u>\$ (6,565)</u>	<u>\$ (2,733)</u>	<u>\$ (10,044)</u>
Net income (loss) per share:				
Basic	<u>\$ 0.11</u>	<u>\$ (0.40)</u>	<u>\$ (0.15)</u>	<u>\$ (0.71)</u>
Diluted	<u>\$ 0.11</u>	<u>\$ (0.40)</u>	<u>\$ (0.15)</u>	<u>\$ (0.71)</u>
Shares used in per share computation:				
Basic	<u>18,278</u>	<u>16,573</u>	<u>17,931</u>	<u>14,226</u>
Diluted	<u>18,676</u>	<u>16,573</u>	<u>17,931</u>	<u>14,226</u>