



Third Quarter Fiscal Year 2014

Supplemental Financial Information

April 24, 2014



Q3-14 (Mar) Supplemental Financial Information

- Financial Information Summary
- Reconciliation of GAAP and Non-GAAP Financial Measures



Q3-14 (Mar) Quarter Non-GAAP Summary

Statement of Operations

Bookings / New Orders	\$702M
Shipments	\$731M
Revenues	\$832M
Gross Margin*	59%
R&D*	\$133M
SG&A*	\$93M
Operating Expenses*	\$226M
Other Income and Expense, Net	\$10M
Net Income*	\$206M
Diluted EPS*	\$1.23

* Non-GAAP, See appendix for GAAP to Non-GAAP reconciliation

Q3-14 (Mar) Summary Balance Sheet and Cash Flow Information

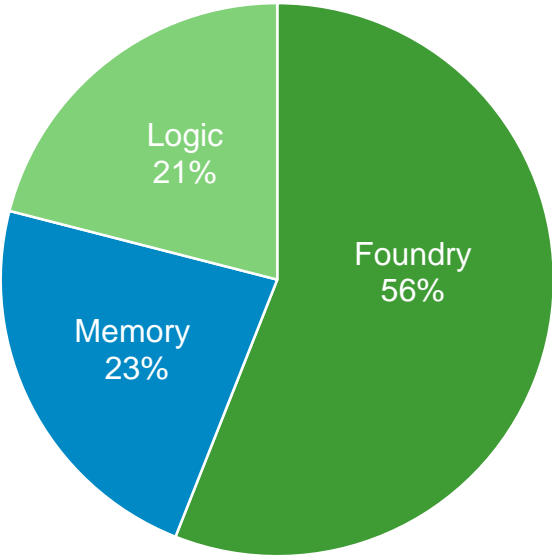
	Q1-14	Q2-14	Q3-14	Change from Q2-14 to Q3-14
Cash, Cash Equivalents and Marketable Securities	\$2.95B	\$2.95B	\$3.03B	\$80M
Accounts Receivable, Net	\$441M	\$573M	\$558M	(\$15M)
Net DSO (Shipment)*	63 days	61 days	69 days	8 days
Inventories, Net	\$660M	\$663M	\$681M	\$18M
Inventory Turns*	1.7X	1.7x	2.0x	.3x
Net Cash Provided by Operating Activities	\$177M	\$115M	\$238M	\$123M
Capital Expenditures, Net	\$22M	\$14M	\$18M	\$4M
Dividends Paid	\$75M	\$75M	\$75M	-
Share Repurchases	\$61M	\$60M	\$60M	-

*DSO = Current Net AR / (Current Quarter Shipments / 91)

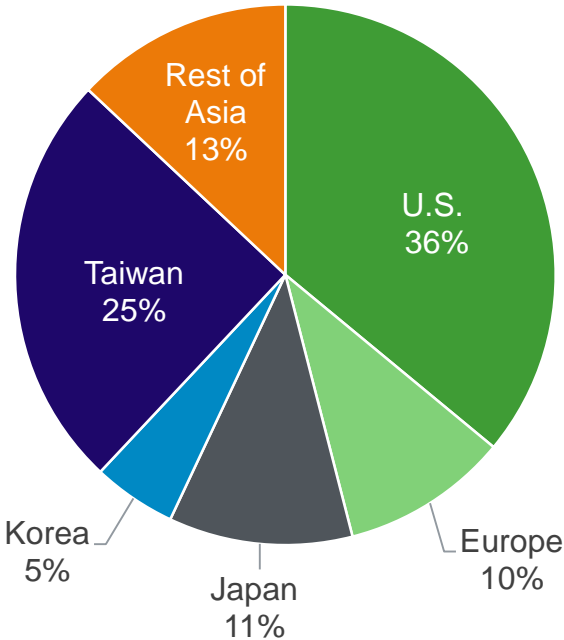
*Inventory Turns = Cost of Goods Sold / Average Inventory

Distribution of Q3-14 New System Orders

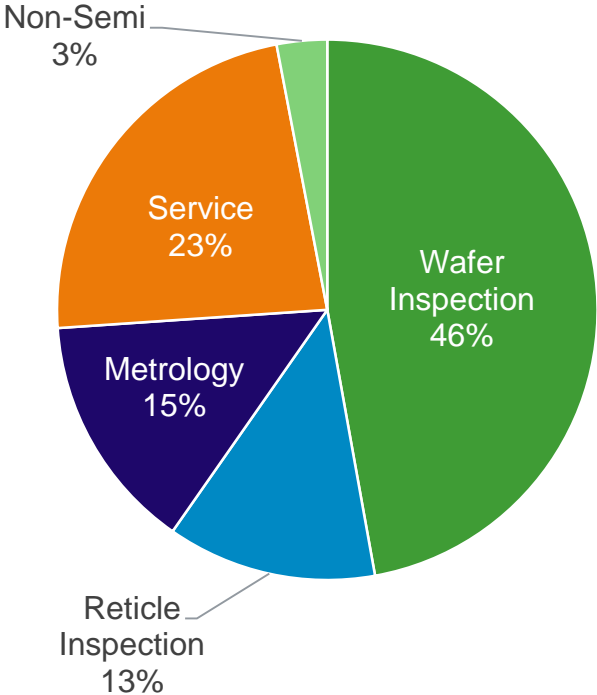
End Market



Region



Segment



Appendix

Reconciliation of GAAP and non-GAAP Financial Measures

KLA-Tencor Corporation

Condensed Consolidated Unaudited Supplemental Information

(In thousands, except per share data)

Reconciliation of GAAP Net Income to Non-GAAP Net Income

		Three months ended			Nine months ended	
		March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014	March 31, 2013
GAAP net income		\$ 203,581	\$ 139,246	\$ 166,382	\$ 454,024	\$ 408,379
<u>Adjustments to reconcile GAAP net income to non-GAAP net income</u>						
Acquisition related charges	a	3,828	3,599	4,180	11,596	15,308
Restructuring, severance and other related charges	b	—	2,002	2,845	3,239	5,979
Income tax effect of non-GAAP adjustments	c	(1,193)	(1,777)	(2,212)	(4,642)	(6,583)
Discrete tax items	d	—	—	—	—	(3,514)
Non-GAAP net income		<u>\$ 206,216</u>	<u>\$ 143,070</u>	<u>\$ 171,195</u>	<u>\$ 464,217</u>	<u>\$ 419,569</u>
GAAP net income per diluted share		<u>\$ 1.21</u>	<u>\$ 0.83</u>	<u>\$ 0.98</u>	<u>\$ 2.70</u>	<u>\$ 2.41</u>
Non-GAAP net income per diluted share		<u>\$ 1.23</u>	<u>\$ 0.85</u>	<u>\$ 1.01</u>	<u>\$ 2.76</u>	<u>\$ 2.48</u>
Shares used in diluted shares calculation		<u>167,989</u>	<u>168,206</u>	<u>169,180</u>	<u>168,355</u>	<u>169,425</u>

Reconciliation of GAAP and non-GAAP Financial Measures

Pre-tax impact of items included in Condensed Consolidated Unaudited Statements of Operations

	Acquisition related charges	Restructuring, severance and other related charges	Total pre-tax GAAP to non-GAAP adjustment
<u>Three months ended March 31, 2014</u>			
Costs of revenues	\$ 1,921	\$ —	\$ 1,921
Engineering, research and development	836	—	836
Selling, general and administrative	1,071	—	1,071
Total in three months ended March 31, 2014	<u>\$ 3,828</u>	<u>\$ —</u>	<u>\$ 3,828</u>
<u>Three months ended December 31, 2013</u>			
Costs of revenues	\$ 1,921	\$ 469	\$ 2,390
Engineering, research and development	836	1,132	1,968
Selling, general and administrative	842	401	1,243
Total in three months ended December 31, 2013	<u>\$ 3,599</u>	<u>\$ 2,002</u>	<u>\$ 5,601</u>
<u>Three months ended March 31, 2013</u>			
Costs of revenues	\$ 1,921	\$ 713	\$ 2,634
Engineering, research and development	835	2,405	3,240
Selling, general and administrative	1,424	(273)	1,151
Total in three months ended March 31, 2013	<u>\$ 4,180</u>	<u>\$ 2,845</u>	<u>\$ 7,025</u>

