



Fourth Quarter Fiscal Year 2015

Supplemental Financial Information
July 30, 2015



Q4-15 Quarter Non-GAAP Summary

Statement of Operations

Bookings / New Orders	\$672M
Shipments	\$739M
Revenues	\$756M
Net Income*	\$159M
Diluted EPS*	\$0.99

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

Q4-15 Summary Balance Sheet and Cash Flow

	Q2-15	Q3-15	Q4-15
Cash and Investments	\$2.37B	\$2.34B	\$2.39B
Accounts Receivable, Net	\$632M	\$632M	\$585M
Net DSO (Shipment)*	75 days	80 days	72 days
Inventories	\$663M	\$632M	\$618M
Inventory Turns*	1.7x	2.0x	2.1x

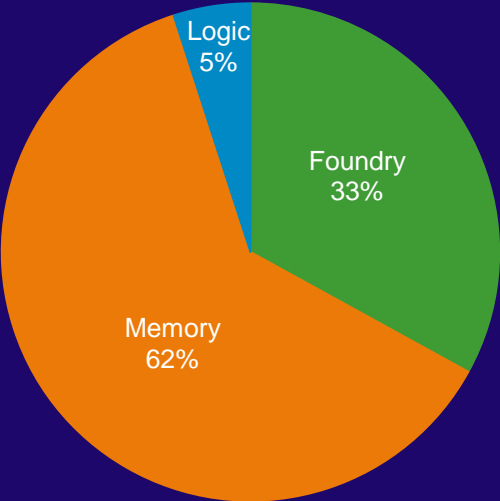
Net Cash Provided by Operating Activities	\$11M	\$242M	\$317M
Capital Expenditures, Net	\$13M	\$10M	\$9M
Free Cash Flow*	\$(2)M	\$232M	\$308M

Dividends Paid	\$2,797M	\$82M	\$80M
Share Repurchases	\$142M	\$169M	\$168M

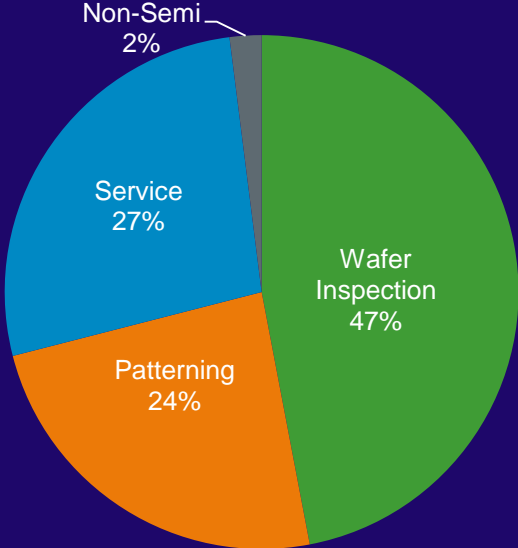
*DSO = Current Net AR / (Current Quarter Shipments / 91) , Inventory Turns = Cost of Goods Sold / Average Inventory, Free Cash Flow = Cash From Operations – Capital Expenditures

Distribution of Q4 FY15 System Orders

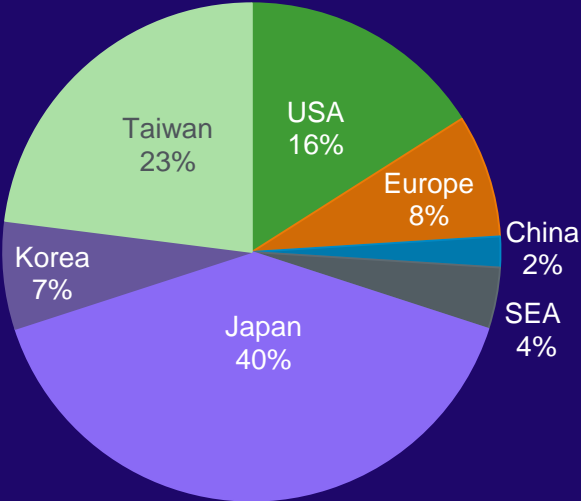
WAFER FRONT-END



SEGMENT



REGION



Appendix

Reconciliation of GAAP and non-GAAP Financial Measures

KLA-Tencor Corporation
Condensed Consolidated Unaudited Supplemental Information
(In thousands, except per share amounts)
Reconciliation of GAAP Net Income to Non-GAAP Net Income

	Three months ended			Twelve months ended	
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
GAAP net income	\$ 142,019	\$ 131,638	\$ 128,731	\$ 366,158	\$ 582,755
Adjustments to reconcile GAAP net income to non-GAAP net income					
Acquisition related charges	a 3,578	3,928	4,216	15,336	15,812
Restructuring, severance and other related charges	b 22,417	3,636	2,459	33,409	5,698
Debt extinguishment loss and recapitalization charges	c —	—	—	134,147	—
Income tax effect of non-GAAP adjustments	d (9,159)	(1,840)	(2,168)	(61,258)	(6,810)
Non-GAAP net income	\$ 158,855	\$ 137,362	\$ 133,238	\$ 487,792	\$ 597,455
GAAP net income per diluted share	\$ 0.89	\$ 0.81	\$ 0.77	\$ 2.24	\$ 3.47
Non-GAAP net income per diluted share	\$ 0.99	\$ 0.84	\$ 0.80	\$ 2.98	\$ 3.55
Shares used in diluted shares calculation	159,965	162,794	167,345	163,701	168,118

Reconciliation of GAAP and non-GAAP Financial Measures

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

	<u>Acquisition related charges</u>	<u>Restructuring, severance and other related charges</u>	<u>Total pre-tax GAAP to non-GAAP adjustment</u>
<u>Three months ended June 30, 2015</u>			
Costs of revenues	\$ 2,282	\$ 7,458	\$ 9,740
Engineering, research and development	650	6,310	6,960
Selling, general and administrative	646	8,649	9,295
Total in three months ended June 30, 2015	<u>\$ 3,578</u>	<u>\$ 22,417</u>	<u>\$ 25,995</u>
<u>Three months ended March 31, 2015</u>			
Costs of revenues	\$ 2,507	\$ 211	\$ 2,718
Engineering, research and development	700	680	1,380
Selling, general and administrative	721	2,745	3,466
Total in three months ended March 31, 2015	<u>\$ 3,928</u>	<u>\$ 3,636</u>	<u>\$ 7,564</u>
<u>Three months ended June 30, 2014</u>			
Costs of revenues	\$ 2,623	\$ 245	\$ 2,868
Engineering, research and development	872	1,811	2,683
Selling, general and administrative	721	403	1,124
Total in three months ended June 30, 2014	<u>\$ 4,216</u>	<u>\$ 2,459</u>	<u>\$ 6,675</u>

Reconciliation of GAAP and non-GAAP Financial Measures

Reconciliation of GAAP and Non-GAAP financial measures

	For three months ended June 30, 2015				For three months ended March 31, 2015			
	GAAP	Acquisition related charges	Restructuring, severance and other related charges	Non-GAAP	GAAP	Acquisition related charges	Restructuring, severance and other related charges	Non-GAAP
Total Revenues	\$ 756,332	\$ -	\$ -	\$ 756,332	\$ 738,459	\$ -	\$ -	\$ 738,459
Cost of revenues	323,267	(2,282)	(7,458)	313,527	320,282	(2,507)	(211)	317,564
Gross Margin	433,065	2,282	7,458	442,805	418,177	2,507	211	420,895
Engineering, Research and Development	128,839	(650)	(6,310)	121,879	124,583	(700)	(680)	123,203
Selling, general and administrative*	101,739	(646)	(8,649)	92,444	98,608	(721)	(2,745)	95,142
Operating expenses	230,578	(1,296)	(14,959)	214,323	223,191	(1,421)	(3,425)	218,345
Income from Operations	\$ 202,487	\$ 3,578	\$ 22,417	\$ 228,482	\$ 194,986	\$ 3,928	\$ 3,636	\$ 202,550

* Selling, general and administrative expenses include the expense/benefit associated with change in non-qualified deferred compensation plan liability as well as the gains (losses), net on deferred compensation plan assets under our non-qualified deferred compensation plan. The amount of benefit included was \$0.1 million for the three months ended June 30, 2015. The amount of gains (losses), net included for the same period was (\$0.3) million. The amount of expense included was \$6.3 million for the three months ended March 31, 2015. The amount of gains (losses), net included for the same period was \$6.4 million.

Reconciliation of GAAP and non-GAAP Financial Measures

KLA-Tencor Corporation

FY16 Q1 EPS Guidance Range Reconciliation

GAAP to Non-GAAP Reconciliation

	Low	High
GAAP net income per diluted share	\$ 0.39	\$ 0.61
Acquisition related charges	0.02	0.02
Restructuring, severance and other related charges	0.08	0.05
Income tax effects of above adjustments	(0.03)	(0.02)
Effect on net income per diluted share	0.07	0.05
Non-GAAP net income per diluted share	\$ 0.46	\$ 0.66

NOTE: The guidance is as of July 30, 2015. We undertake no responsibility to update the above in light of new information or future events. Refer to Forward-looking statements for important information.

Reconciliation of GAAP and non-GAAP Financial Measures

KLA-Tencor Corporation Explanation of Non-GAAP measures

To supplement our condensed consolidated financial statements presented in accordance with GAAP, we provide certain non-GAAP financial information, which is adjusted from results based on GAAP to exclude certain costs and expenses, as well as other supplemental information. The non-GAAP and supplemental information is provided to enhance the user's overall understanding of our operating performance and our prospects in the future. Specifically, we believe that the non-GAAP information provides useful measures to both management and investors regarding financial and business trends relating to our financial performance by excluding certain costs and expenses that we believe are not indicative of our core operating results. The non-GAAP information is among the budgeting and planning tools that management uses for future forecasting. However, because there are no standardized or generally accepted definitions for most non-GAAP financial metrics, definitions of non-GAAP financial metrics (for example, determining which costs and expenses to exclude when calculating such a metric) are inherently subject to significant discretion. As a result, non-GAAP financial metrics may be defined very differently from company to company, or even from period to period within the same company, which can potentially limit the usefulness of such information to an investor. The presentation of non-GAAP and supplemental information is not meant to be considered in isolation or as a substitute for results prepared and presented in accordance with United States GAAP.

- Acquisition related charges includes amortization of intangible assets associated with acquisitions. Management believes that the expense associated with the amortization of acquisition related intangible assets is appropriate to be excluded because a significant portion of the purchase price for acquisitions may be allocated to intangible assets that have short lives, and exclusion of these expenses allows comparisons of operating results that are consistent over time for both KLA-Tencor's newly acquired and long-held businesses. Management believes excluding these items helps investors compare our operating performance with our results in prior periods as well as with the performance of other companies.
- a.
- Restructuring, severance and other related charges include costs associated with employee severance and other exit costs, impairment of certain long lived assets. Management believes excluding these items helps investors compare our operating performance with our results in prior periods as well as with the performance of other companies.
- b.
- Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above as well as additional true up adjustment to the tax rate arising from the tax impacts associated with the pre-tax loss on extinguishment of debt that was recognized in the three months ended December 31, 2014. Management believes that it is appropriate to exclude the tax effects of the items noted above in order to present a more meaningful measure of non-GAAP net income.
- c.

Reconciliation of GAAP and non-GAAP Financial Measures

- **Forward-Looking Statements:**

Statements in this press release other than historical facts, such as statements regarding KLA-Tencor's ability to benefit from its market leadership position and operational execution and enable its customers with its solutions and services, are forward-looking statements, and are subject to the Safe Harbor provisions created by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current information and expectations, and involve a number of risks and uncertainties. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to: the demand for semiconductors; the financial condition of the global capital markets and the general macroeconomic environment; new and enhanced product and technology offerings by competitors; cancellation of orders by customers; the ability of KLA-Tencor's research and development teams to successfully innovate and develop technologies and products that are responsive to customer demands; KLA-Tencor's ability to successfully manage its costs; market acceptance of KLA-Tencor's existing and newly issued products; changing customer demands; and industry transitions. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this release, please refer to KLA-Tencor's Annual Report on Form 10-K for the year ended June 30, 2014, subsequently filed Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). KLA-Tencor assumes no obligation to, and does not currently intend to, update these forward-looking statements.