UBS Global Industrials and Transportation Conference

Rick Wallace
CEO and President

June 9, 2021
Forward-Looking Statements

Statements in this presentation other than historical facts, such as statements pertaining to: (i) our ability to meet or exceed our 2023 financial targets and the CAGR for those financial targets; (ii) the amount of dividends declared per share in 2021; (iii) WFE and mix for 2021 and associated CAGR; (iv) end demand for semiconductors in 2021; are forward-looking statements and 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 future impacts of the COVID-19 pandemic; 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; push-out of deliveries or cancellation of orders by customers; the ability of KLA’s research and development teams to successfully innovate and develop technologies and products that are responsive to customer demands; KLA’s ability to successfully manage its costs; market acceptance of KLA’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 letter, please refer to KLA Corporation’s Annual Report on Form 10-K for the year ended June 30, 2020, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). KLA Corporation assumes no obligation to, and does not currently intend to, update these forward-looking statements.
What We Will Cover Today

- Who is KLA?
- The KLA Operating Model Drives Our Success
- KLA Possess A Strong Competitive Moat
- A History of Strong Cash Flow & Capital Return
- KLA is Well Positioned to Outperform
Who is KLA?
KLA Combines Growth & Best In Class Profitability With Capital Return

**Key Facts**

- Founded: 1976
- Global Employees: ~11,000
- Installed Base: >57,200 Systems
- PhD’s + Masters: ~40%
- Global Locations: 19
- Installed Base: ~15%
- R&D % of Sales: ~15%

**Revenue | EPS**

- Revenue: $6.4B + 15% Y/Y
- EPS: $12.85 + 37% Y/Y

**Revenue Split**

- $4.8B Systems (75%)
- $1.6B Services (25%)

**Operating Margin**

- 37.9%

**Free Cash Flow and Capital Return**

- Free Cash Flow (FCF): $1.9B
- FCF Margin: ~30%
- Consecutive Dividend Increases: 11 Years
- Capital Return %: ~70%+

Diversified Global Leader in Electronics Value Chain

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1. LTM – All financial metrics non-GAAP measures unless otherwise noted
2. Calendar 2020
Run By A Seasoned, Internally-Developed Leadership Team

RICK WALLACE
CEO & President
Joined: 1988

BREN HIGGINS
EVP, CFO & Global Operations
1999

ORESTE DONZELLA
EVP, CMO & Head of EPC
1999

AHMAD KHAN
President, KLA Semiconductor Process Control
2004

BRIAN LORIG
EVP, Global Support & Services
1998

BEN TSAI
EVP, CTO & Corporate Alliances
1984

MARYBETH WILKINSON
EVP, Chief Legal Officer & Corp. Secretary
2020

JOHN VAN CAMP
Chief Human Resources Officer
2006

BOBBY BELL
EVP, Chief Strategy Officer
1994
KLA Helps Enable The Industrial Economy and “Industrial Tech”

Virtually no computer, tablet, smart phone, wearable device, data center, video game console, smart factory, autonomous car, industrial monitoring equipment, medical electronic technology, or spacecraft, would exist without us.

Proud to Be Part of the Most Significant Technological Breakthroughs in History
KLA Revenue Growth Accelerating Into The Digitization Era

**INTERNET ERA**
- PC Driven Boom-Bust Cycles
- Fragmented Supply
- Fragmented Semi cap Market

**MOBILE ERA**
- Reduced Cyclicality
- Emergence of Foundry
- Customer & Semicap Consolidation

**Semi Revs Growth CAGR ~2 - 3%**
- KLA Revenue Range Bound: ~$2.5B - $3B

**DIGITIZATION ERA**
- Diversified Semi Markets
- Datacenter and Cloud Expansion
- Automotive Electrification
- CV-19/xFH Accelerated Digitization
- AI & 5G
- China & Regionalization

**Semi Revs CAGR ~4 - 6%**
- KLA Revenue CAGR ~18%

Source: Bloomberg, CY21E represents consensus estimates
Industrials Are One of Many Industries Adopting More Semi Content

2020-24 CAGR ~7%
~2x WORLDWIDE GDP

Mobile: 5G Transition
Servers: Cloud Expansion
Automotive: Electrification, Connectivity, Autonomous

Source: Gartner and KLA estimates
What Do KLA’s Products & Services Actually Do?

KLA’s Systems, Software, and Services Enable The Most Advanced Inspection and Measurement In The World

**Inspection**
Find Critical Defects

**Metrology**
Measure Critical Dimensions

You Can’t Fix What You Can’t Find

You Can’t Control What You Can’t Measure

Smaller Than the Wavelengths of Visible Light
The KLA Operating Model Drives Our Success
Our Shared Purpose is the Foundation for the KLA Operating Model

**MISSION**

Improve customer yield, performance and time-to-market, enabling the data era

**STRATEGY**

Provide leading technologies, differentiated solutions and superior customer experiences through collaboration, innovation and execution

**OBJECTIVES**

Achieve world-class results in market leadership, product differentiation and operational excellence with our diverse and inclusive global organization
The KLA Operating Model is Values-Based and Centered on 3 Pillars

1. Consistent strategy and execution
   - Application of common processes and discipline
   - Cascades throughout the organization
   - Strong focus on talent development

2. Management by metrics
   - Culture of performance and accountability
   - Expectation of continuous improvement
   - Superior margins driven by market leadership and differentiation

3. Financial discipline and rigor
   - Exert efficiency and operating discipline in our investments
   - Strong track record of high returns
   - Focused on enhancing shareholder value

Focused on Driving Sustainable Profitability and Growth
The Results of Having The KLA Operating Model Are Compelling

1. **Global leader** in process control and supplier of process-enabling solutions for the data era

2. **Sustained technology leadership** allows us to remain at forefront of industry trends with new capabilities and technologies, enabling our profitable growth strategy

3. **Competitive moat** driven by deep, collaborative customer relationships, a broad IP portfolio, significant R&D investments, and differentiated solutions to solve our customers’ most complex challenges

4. **Experienced and energized leadership team** utilizing the KLA Operating Model to instill a high-performance culture driving efficiency and operating performance

5. **Track record of strong cash flow generation** supported by diversification of revenue streams; balanced capital allocation delivering superior shareholder value
KLA’s Four Strategic Objectives Serve As Our Guide

Market Leadership

Highly Valued and Trusted Partner
- Licenses and Designs Understanding
- Partner, Connect, and Differ
- Align and Share Value
- Innovate and Enable

Operational Excellence

Investment in Growth and New Products
- Cash Returns to Shareholders
- Cycle of Success
- Market Leadership and Commercial Solutions
- Strong Margins and FCF

Product Differentiation

Leadership in Design, Technology, Performance and Customer Success
- Embedded in R&D with customers
- Working two generations ahead
- Continued leadership in innovation

FREE CASH FLOW $14
- Commentary
  - Introducing new products at 2X faster pace than our competition
  - Addressing market share of our nearest competitors
  - Strong gross margins and FCF generation via differentiation
  - Commitment to long-term 70%+ FCF returned to shareholders through dividends and buybacks

High-Performance Culture to Attract and Develop Talent
- High caliper graduates from top tier universities across the world
- Career development opportunities through multi-disciplinary and broad-based programs
- Extensive educational benefits and advancement degree recognition reimbursement programs
- Investing in Ann Arbor, Michigan innovation center to attract new talent via cost-efficient labor market and collaborate with top universities
- 100% of Vice President promotions from within – tracking at +60%
Corporate Social Responsibility and Sustainability is in Our DNA
Reducing overall environmental impact by focusing on improving yield and efficiency for our customers

<table>
<thead>
<tr>
<th>Sustainable Environmental Initiatives</th>
<th>Community Programs &amp; Initiatives</th>
<th>Corporate Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transportation:</strong> Avoiding wasted space and saving fuel by utilizing custom tailored and collapsible containers in product shipments</td>
<td><strong>KLA Foundation:</strong> Inspires individual philanthropy and supporting programs focusing on health/wellness, social services, and educational programs and institutions</td>
<td><strong>Board of Directors:</strong> 11 members</td>
</tr>
<tr>
<td><strong>Energy &amp; Emissions</strong>: Saving 80,000 metric tons of CO₂ over the next five years from recent switch to third-party provider of energy with nearly 100% sourced from renewable energy</td>
<td><strong>CSR Award:</strong> KLA Singapore received CARES Award from American Chamber of Commerce for our efforts in charity and volunteering</td>
<td><strong>Diversity:</strong> Seasoned board comprised of independent business leaders, 30% female independent directors</td>
</tr>
<tr>
<td><strong>Waste:</strong> Improved diversion rate to over 80%, up from 50% a decade ago</td>
<td><strong>COVID-19 Community Support:</strong> The KLA Foundation committed $2 million dollars in global relief efforts to benefit local non-profit organizations working in areas identified as having high numbers of individuals impacted by COVID-19, and those who are working with high-risk populations in Asia, Europe, Israel, and the United States.</td>
<td><strong>Board Tenure:</strong> Well balanced tenure of directors, with six serving &lt; 10 years, and five serving &gt; 10 years</td>
</tr>
<tr>
<td><strong>Supply Chain Environmental &amp; Social Responsibility Management:</strong> Requiring suppliers to meet more stringent sustainability criteria as a member of Responsible Business Alliance (RBA)</td>
<td></td>
<td><strong>Management Aligned with Shareholders:</strong> Compensation of management and board aligned with shareholder interests</td>
</tr>
</tbody>
</table>

1 Note: statistics are for the Milpitas, CA facility.
KLA Possesses A Strong Competitive Moat
Market Leadership and Best in Class Margins | Innovation | Significant R&D Advantage
Global Market Leader in Semiconductor Process Control

Highly Valued and Trusted Partner

- Listen and Confirm Understanding
- Partner, Commit and Deliver
- Follow Up and Ensure Value
- Measure and Continuously Improve
- Collaborate Partnering with customers onsite
- Innovate Four centers of excellence worldwide
- Execute Solving industry’s most complex challenges

Process Control Market Share

Source: Gartner April 2021

4x NEAREST COMPETITOR ACROSS ALL REGIONS
KLA Has A History of Best-in-Class Margins Versus Leading Peers

1 Non-GAAP measure, please see Appendix for definition and GAAP to non-GAAP reconciliation.
Source: Bloomberg
KLA Has Best in Class GAAP Operating Margins vs. Broader Universe

10-Yr. Avg. GAAP Operating Margin %

- KLA
- Semi Cap Peers
- Industrial Peers
- S&P 500
- DJIA
- NASDAQ
- SOX

Source: Bloomberg as of 3/31/21

1 ASML, AMAT, LCRX
2 DHR, FTV, ROP, ETN
KLA Innovates to Differentiate

Embedded in R&D with customers

Working two generations ahead

Continued leadership in innovation

Innovation 2X pace of competition

Leadership in Design, Technology, Performance and Customer Success
High Level of R&D Investment Powers Market Leadership

2020 GARTNER PROCESS CONTROL SYSTEMS REVENUE ESTIMATES ($M)

- KLA
- Applied Materials
- Hitachi High-Technology
- Onto Innovation
- Lasertec
- ASML

KLA’s Process Control R&D > Most Competitors Process Control Revenue

Source: Gartner April 2021 and Company estimates
A History of Strong Cash Flow & Capital Returns

Sustainable Free Cash Flow | Rapidly Growing Services Business | Consistent Capital Returns
FCF Generation Fuels Consistent Capital Return to Shareholders

- Introducing new products at 2x the pace vs. our competitors
- Achieving market share of 4x our nearest competitor
- High gross margin and FCF conversion via differentiation

Committed to Long-Term >70% 3 FCF Returned to Shareholders through Dividends and Buybacks

1 Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
2 FCF Conversion defined as FCF/Non-GAAP Net Income; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP
3 For calendar 2021 KLA committed to return > 85% of FCF as disclosed on 4/29/21 earnings call
Attractive Free Cash Flow Margins Compared to Broader Universe

10-Yr. Avg. Free Cash Flow Margin %

- KLA
- Semi Cap Peers
- Industrial Peers
- S&P 500
- DJIA
- NASDAQ
- SOX

Source: Bloomberg as of 3/31/21; ¹ Free Cash Flow Margin = Free Cash Flow / Revenue ² ASML, AMAT, LCRX ³ DHR, FTV, ROP, ETN
KLA Runs An Asset-Lite, High Capital Return Business Model

**Asset-Lite**

LTM Capex / Revenue

- KLA: 3%
- S&P 500: 6%
- DJIA: 4%
- NASDAQ: 8%
- SOX: 10%

**High Capital Return**

10-Yr Dividends + Repurchases / FCF

- KLA: 104%
- S&P 500: 87%
- DJIA: 79%
- NASDAQ: 80%
- SOX: 81%

1 KLA’s capital return includes the 2014 leveraged recapitalization and $16.50 special dividend

Source: As of 3/31/21, Bloomberg
Services Delivers Recurring Revenue at 2x Industry Growth Rate

**COMMENTARY**

- Growing installed base of > 57,200 systems
- Risen to ~25% of total revenue
- >75% revenue from subscription-like service contracts in semiconductor process control
- 11% CAGR since 2002
- Expected CAGR of 9% to 11% (2019 – 2023E)
- Resilient revenue growth with only one year-over-year decline in 20 years (2009)
- High free cash flow generator

**KLA SERVICES REVENUE ($M)**

Note: Calendar year figures; ¹ Includes first year warranty in accordance with adoption of ASC606

Predictable Long-Term Revenue and Free Cash Flow Growth
Return to Shareholders Balanced Between Buybacks and Dividends

Consistent share repurchases

Strong track record of annual dividend increases

$80
Avg Price Per Share Since 2010

$0.48 $0.54 $0.60 $0.65 $0.60 $1.20 $1.50 $1.70 $1.90 $2.04 $2.10 $2.26 $2.84 $3.10 $3.50 $3.60
($/per share)

July 2020 Announced Dividend Increase to $3.60

~35%
Target Dividend Payout Ratio

15% CAGR

1 Share repurchase halted in CY16 during KLA-Lam merger proceedings
2 Excludes $16.50 per share special dividend in CY15
3 Settlement Date basis
4 NTM = Next Twelve Months
KLA is Well Positioned To Outperform

Less Cyclical Industry | Investment Grade Balance Sheet | Attractive Long-Term Model
Industry Growth and Diversification Has Reduced Volatility

WFE Doubled In 5 Years

WFE ($M)

WFE Mix Favors Foundry/Logic

End-Demand for Semiconductors is Diversifying

Source: Gartner

(1) 2020 estimates for WFE and KLA Revenue are based on consensus estimates as of June 6, 2021

Source: Credit Suisse, November 2020
Strong Balance Sheet With No Bond Maturities Until 2024

**Balance Sheet Summary**

<table>
<thead>
<tr>
<th></th>
<th>($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cash</td>
<td>2,443</td>
</tr>
<tr>
<td>Working Capital</td>
<td>3,376</td>
</tr>
<tr>
<td>Total Assets</td>
<td>9,939</td>
</tr>
<tr>
<td>Debt</td>
<td>3,422</td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>3,113</td>
</tr>
</tbody>
</table>

**Bond Maturity Profile**

<table>
<thead>
<tr>
<th></th>
<th>$3,450M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds Outstanding</td>
<td></td>
</tr>
<tr>
<td>Weighted Average Rate</td>
<td>4.37%</td>
</tr>
<tr>
<td>Weighted Average Maturity</td>
<td>13.7 years</td>
</tr>
</tbody>
</table>

**Investment Grade Credit Ratings**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>A2</td>
<td>Moody’s</td>
</tr>
<tr>
<td>BBB+</td>
<td>S&amp;P</td>
</tr>
<tr>
<td>BBB+</td>
<td>Fitch</td>
</tr>
</tbody>
</table>

1. As of 03/31/21; 2. Total Cash includes Cash, Cash Equivalents and Marketable Securities; 3. Difference between Bonds Outstanding of $3,450B and gross debt of $3,422B is un-amortized debt issuance discounts and costs. KLA also has a $20M notes payable due in CY22; 4. Moody’s upgraded from Baa1 to A2 on 6/2/21
2023E Long-Term Targets

<table>
<thead>
<tr>
<th>2023E Targets</th>
<th>Ongoing Financial Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES</strong></td>
<td><strong>$7.0B - $7.5B</strong></td>
</tr>
<tr>
<td><strong>OPERATING MARGIN</strong></td>
<td><strong>36%+</strong></td>
</tr>
<tr>
<td><strong>EARNINGS PER SHARE</strong></td>
<td><strong>$14.50 - $15.50</strong></td>
</tr>
<tr>
<td><strong>CAPITAL ALLOCATION</strong></td>
<td><strong>Target Payout ~70% of FCF</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Balanced Between Dividend and Share Repurchase</strong></td>
</tr>
<tr>
<td></td>
<td><strong>~1.5x Revenue Growth Rate</strong></td>
</tr>
</tbody>
</table>

**MACRO ASSUMPTIONS**
- Semiconductor industry CAGR of 4% - 5%
- Capital intensity ~flat
- ~60% memory / ~40% foundry/logic mix
- Process Control Market grows with WFE

**BUSINESS ASSUMPTIONS**
- Intensity/market share gain at leading edge
- Greater exposure to trailing edge markets
- New market penetration
- M&A with synergy execution

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*We are unable to provide a reconciliation of these forward-looking non-GAAP measures to the most directly comparable forward-looking GAAP financial measures without unreasonable effort due to variability and difficulty in making accurate projections for items that would be required to be included in the GAAP measures, such as stock-based compensation, acquisition and integration-related costs, restructuring charges, asset impairments and the provision for income taxes. We believe such reconciliations would imply a degree of precision that would be misleading to investors.*
KLA is a High Performing Company Enabling Key Trends Across Industries

KLA Has Many Qualities Investors Value From Resiliency to Competitive Moats and High Cash Returns

These Key Trends Will Transform The Way We All Live and Work

The “Data Era” Will Drive Key Trends That Shape the Next Growth Markets Like Industry 4.0, 5G, and A.I.

Semiconductors Power The World More Today Than Ever Before

KLA is Critical to Powering the Semi Industry

Virtually Every Electronic Device In The World Is Made Possible Using KLA Products
Appendix
Reconciliations
Reconciliation of Non-GAAP Financial Measures *

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
<th>For the twelve months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP research and development expenses (&quot;R&amp;D&quot;)</td>
<td>$904,119</td>
</tr>
<tr>
<td>Adjustments to reconcile GAAP R&amp;D expenses to non-GAAP R&amp;D expenses*</td>
<td></td>
</tr>
<tr>
<td>Acquisition-related charges</td>
<td>a</td>
</tr>
<tr>
<td>Restructuring, severance and other charges</td>
<td>b</td>
</tr>
<tr>
<td>Merger-related charges</td>
<td>e</td>
</tr>
<tr>
<td>Non-GAAP R&amp;D expenses</td>
<td>$901,072</td>
</tr>
<tr>
<td>Non-GAAP R&amp;D expenses as a percentage of revenue</td>
<td>14.0%</td>
</tr>
</tbody>
</table>

(in thousands, except per share amounts and percentages)

For the twelve months ended

<table>
<thead>
<tr>
<th></th>
<th>Mar 31, 2021</th>
<th>Dec 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP EPS</td>
<td>$11.91</td>
<td>$6.41</td>
</tr>
<tr>
<td>Adjustments to reconcile GAAP EPS to non-GAAP EPS*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition-related charges</td>
<td>a</td>
<td>1.36</td>
</tr>
<tr>
<td>Restructuring, severance and other charges</td>
<td>b</td>
<td>0.06</td>
</tr>
<tr>
<td>Debt extinguishment loss</td>
<td>c</td>
<td>-</td>
</tr>
<tr>
<td>Goodwill and intangible asset impairment</td>
<td>d</td>
<td>-</td>
</tr>
<tr>
<td>Income tax effect of non-GAAP adjustments</td>
<td>g</td>
<td>(0.44)</td>
</tr>
<tr>
<td>Discrete tax items</td>
<td>h</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Non-GAAP EPS</td>
<td>$12.65</td>
<td>$9.39</td>
</tr>
<tr>
<td>Shares used in diluted shares calculation</td>
<td>155,836</td>
<td>159,465</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>219,042</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>6,452,956</td>
<td></td>
</tr>
<tr>
<td>Capital expenditures as a percentage of revenue</td>
<td>3.4%</td>
<td></td>
</tr>
</tbody>
</table>

* Refer to "Reconciliation of Non-GAAP Financial Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information for each reconciling item.
Reconciliation of Non-GAAP Financial Measures*

(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP gross profit</td>
<td>$3,571,306</td>
<td>$3,377,030</td>
<td>$2,961,024</td>
<td>$2,766,227</td>
<td>$2,405,872</td>
<td>$2,056,032</td>
<td>$1,852,907</td>
<td>$1,644,029</td>
<td>$1,532,744</td>
<td>$1,708,154</td>
<td>$1,868,376</td>
</tr>
<tr>
<td>Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition-related charges a</td>
<td>157,533</td>
<td>154,074</td>
<td>214,035</td>
<td>3,708</td>
<td>4,286</td>
<td>4,268</td>
<td>2,471</td>
<td>7,737</td>
<td>9,658</td>
<td>7,894</td>
<td>15,649</td>
</tr>
<tr>
<td>Restructuring, severance and other charges b</td>
<td>2,636</td>
<td>2,418</td>
<td>831</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>121</td>
<td>10,909</td>
<td>600</td>
<td>2,783</td>
</tr>
<tr>
<td>Merger-related charges c</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>778</td>
<td>1,192</td>
<td>77</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-GAAP gross profit</strong></td>
<td><strong>$3,796,357</strong></td>
<td><strong>$3,577,542</strong></td>
<td><strong>$3,175,906</strong></td>
<td><strong>$2,771,931</strong></td>
<td><strong>$2,410,910</strong></td>
<td><strong>$2,054,438</strong></td>
<td><strong>$1,871,620</strong></td>
<td><strong>$1,654,327</strong></td>
<td><strong>$1,643,311</strong></td>
<td><strong>$1,804,403</strong></td>
<td><strong>$1,850,831</strong></td>
</tr>
</tbody>
</table>

GAAP gross margin
58.4%  56.8%  56.1%  64.3%  63.3%  62.8%  58.0%  57.0%  56.1%  57.2%  59.0%
Non-GAAP gross margin
61.0%  61.4%  60.2%  64.4%  63.9%  63.8%  58.7%  57.3%  58.8%  57.7%  59.7%

GAAP operating income (1) $2,221,858 $1,725,675 $1,385,224 $1,668,488 $1,429,595 $1,168,340 $712,228 $698,044 $727,274 $822,377 $1,069,600

Adjustments to reconcile GAAP operating income to non-GAAP operating income* | | | | | | | | | | | |
| Acquisition-related charges a | 210,484 | 214,533 | 340,318 | 21,218 | 4,737 | 4,383 | 12,396 | 15,874 | 16,117 | 26,666 | 36,382 |
| Restructuring, severance and other charges b | 13,040 | 15,869 | 2,786 | - | - | - | 572 | 9,015 | 3,134 | 6,947 |
| Debt extinguishment loss and recapitalization charges c | - | - | - | - | - | - | - | - | - | - | - |
| Goodwill and intangible asset impairment d | - | - | - | - | - | - | - | - | - | - | - |
| Merger-related charges e | - | - | - | 9,935 | 17,051 | 809 | - | - | - | - | - |
| Restatement-related charges f | - | - | - | - | - | - | - | - | - | - | 6,705 |
| **Non-GAAP operating income (1)** | **$2,441,762** | **$2,212,726** | **$1,728,378** | **$1,787,931** | **$1,435,610** | **$1,185,911** | **$828,805** | **$726,211** | **$751,393** | **$979,577** | **$1,112,618** |

GAAP operating margin
34.4%  28.4%  26.2%  39.2%  37.4%  35.8%  27.1%  24.2%  25.9%  30.1%  33.8%
Non-GAAP operating margin
37.9%  36.4%  32.7%  39.7%  37.8%  36.5%  29.1%  25.2%  26.7%  31.0%  35.2%

GAAP net income attributable to KLA $567,496 $1,856,567 $1,367,523 $1,137,653 $1,429,632 $1,656,341 $863,670

Adjustments to reconcile GAAP net income to non-GAAP net income* | | | | | | | | | | | |
| Acquisition-related charges a | 62,973 | 212,494 | 214,533 | 349,318 | 21,218 | 4,737 | 4,383 |
| Restructuring, severance and other charges b | 1,534 | 9,941 | 16,895 | 2,786 | - | - | 157 |
| Debt extinguishment loss and recapitalization charges c | - | - | - | - | - | - | - |
| Goodwill and intangible asset impairment d | - | - | - | - | - | - | - |
| Merger-related charges e | - | - | - | 9,935 | 17,051 | 809 | - | - | - | - |
| Discr. tax items f | - | - | - | - | - | - | - |
| **Non-GAAP net income attributable to KLA** | **$550,210** | **$2,063,489** | **$1,793,885** | **$1,391,394** | **$1,422,512** | **$1,767,640** | **$876,008** |

(1) Non-GAAP operating income and operating expenses include the effects of the changes in the Company’s Executive Deferred Savings Plan Program (EDSP) and the changes in the EDSP liability and asset are recorded in selling, general and administrative expenses in operating expenses. The expenses (benefits) associated with changes in the liability included in selling, general and administrative expenses for the LTM ended March 31, 2021, and calendar years ended December 31, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 were $63.9 million, $34.7 million, $35.8 million, $27.8 million, $9.5 million, $9.5 million, $12.3 million, $23.8 million, $13.6 million and $18.9 million, respectively. The gains (losses) associated with changes in the EDSP assets included in selling, general and administrative expenses for the LTM ended March 31, 2021, and calendar years ended December 31, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 were $70.5 million, $35.2 million, $40.8 million, $60.5 million, $27.9 million, $9.9 million, $2.9 million, $12.8 million, $23.6 million, $14.1 million, and $9.4 million, respectively.

* Refer to “Reconciliation of Non-GAAP Financial Measures – Explanation of Non-GAAP Financial Measures” for detailed descriptions and information for each reconciling item.
# Reconciliation of Non-GAAP Financial Measures*

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$2,172,248</td>
<td>$1,969,226</td>
<td>$1,373,921</td>
<td>$1,399,697</td>
<td>$1,159,475</td>
<td>$857,760</td>
<td>$854,002</td>
<td>$532,377</td>
<td>$692,871</td>
<td>$699,396</td>
<td>$599,930</td>
</tr>
<tr>
<td>Less: Capital expenditures</td>
<td>(218,042)</td>
<td>(200,304)</td>
<td>(149,242)</td>
<td>(86,518)</td>
<td>(49,207)</td>
<td>(34,974)</td>
<td>(34,842)</td>
<td>(57,514)</td>
<td>(73,426)</td>
<td>(67,913)</td>
<td>(55,482)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$1,954,206</td>
<td>$1,767,922</td>
<td>$1,223,679</td>
<td>$1,303,179</td>
<td>$1,110,268</td>
<td>$713,786</td>
<td>$819,160</td>
<td>$474,863</td>
<td>$899,445</td>
<td>$791,483</td>
<td>$884,448</td>
</tr>
<tr>
<td>Free Cash Flow Conversion calculation</td>
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<td>$713,786</td>
<td>$819,160</td>
<td>$474,863</td>
<td>$899,445</td>
<td>$791,483</td>
<td>$884,448</td>
</tr>
<tr>
<td>Non-GAAP net income attributable to KLA</td>
<td>$2,003,049</td>
<td>$1,793,886</td>
<td>$1,391,364</td>
<td>$1,422,592</td>
<td>$1,167,490</td>
<td>$876,068</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Free cash flow conversion</td>
<td>97.6%</td>
<td>98.6%</td>
<td>88.8%</td>
<td>91.6%</td>
<td>103.0%</td>
<td>93.3%</td>
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<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$1,954,206</td>
<td>$1,767,922</td>
<td>$1,223,679</td>
<td>$1,303,179</td>
<td>$1,110,268</td>
<td>$713,786</td>
<td>$819,160</td>
<td>$474,863</td>
<td>$899,445</td>
<td>$791,483</td>
<td>$884,448</td>
</tr>
<tr>
<td>Revenue</td>
<td>6,462,856</td>
<td>6,073,047</td>
<td>5,278,613</td>
<td>4,304,456</td>
<td>3,797,869</td>
<td>3,259,162</td>
<td>2,847,680</td>
<td>2,686,200</td>
<td>2,812,527</td>
<td>3,126,706</td>
<td>3,166,456</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>30.3%</td>
<td>29.1%</td>
<td>23.2%</td>
<td>30.3%</td>
<td>30.1%</td>
<td>25.2%</td>
<td>28.8%</td>
<td>16.5%</td>
<td>28.8%</td>
<td>25.3%</td>
<td>27.9%</td>
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<tr>
<td>GAAP metric comparable to Free Cash Flow Conversion</td>
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<td>$1,399,697</td>
<td>$1,159,475</td>
<td>$857,760</td>
<td>$854,002</td>
<td>$532,377</td>
<td>$692,871</td>
<td>$699,396</td>
<td>$599,930</td>
</tr>
<tr>
<td>GAAP net income attributable to KLA</td>
<td>$1,856,867</td>
<td>$1,367,523</td>
<td>$1,137,853</td>
<td>$1,420,892</td>
<td>$1,098,394</td>
<td>$683,670</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>GAAP metric comparable to free cash flow conversion</td>
<td>117.0%</td>
<td>143.9%</td>
<td>126.7%</td>
<td>97.8%</td>
<td>181.4%</td>
<td>99.3%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Cash paid for dividends</td>
<td>$592,848</td>
<td>$548,837</td>
<td>$491,276</td>
<td>$448,482</td>
<td>$363,083</td>
<td>$337,071</td>
<td>$344,957</td>
<td>$3,028,423</td>
<td>$282,342</td>
<td>$250,151</td>
<td>$200,385</td>
</tr>
<tr>
<td>Cash paid for share repurchases</td>
<td>$632,830</td>
<td>$681,384</td>
<td>$1,068,104</td>
<td>$673,002</td>
<td>$105,366</td>
<td>$619,239</td>
<td>$386,387</td>
<td>$257,460</td>
<td>$270,492</td>
<td>$246,643</td>
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<tr>
<td>Capital returns</td>
<td>$1,151,678</td>
<td>$1,228,221</td>
<td>$1,549,380</td>
<td>$1,119,484</td>
<td>$468,409</td>
<td>$337,071</td>
<td>$863,196</td>
<td>$3,414,820</td>
<td>$539,802</td>
<td>$520,643</td>
<td>$446,008</td>
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<tr>
<td>Capital returns as a percentage of free cash flow</td>
<td>61.0%</td>
<td>69.5%</td>
<td>126.6%</td>
<td>85.9%</td>
<td>41.0%</td>
<td>41.0%</td>
<td>105.4%</td>
<td>719.1%</td>
<td>68.7%</td>
<td>65.8%</td>
<td>50.4%</td>
</tr>
</tbody>
</table>

* Refer to "Reconciliation of Non-GAAP Financial Measures – Explanation of Non-GAAP Financial Measures" for detailed descriptions and information for each reconciling item.
Reconciliation of Non-GAAP Financial Measures

Explanation of Non-GAAP Financial 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, including non-GAAP net income attributable to KLA, non-GAAP net income per diluted share attributable to KLA, and Free Cash Flow, 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 to help investors compare our operating performances with our results in prior periods as well as with the performance of other companies. 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 are inherently subject to significant discretion (for example, determining which costs and expenses to exclude when calculating such a metric). 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. The following are descriptions of the adjustments made to reconcile GAAP net income attributable to KLA to non-GAAP net income attributable to KLA:

a) Acquisition-related charges primarily include amortization of intangible assets and other acquisition-related adjustments including adjustments for the fair valuation of inventory and backlog, and transaction costs associated with our acquisitions, primarily Orbotech.

b) Restructuring, severance and other charges primarily include costs associated with employee severance, acceleration of certain stock-based compensation arrangements, and other exit costs.

c) Debt extinguishment loss and recapitalization charges include the following: in calendar 2020, a pre-tax loss on early extinguishment of the $500 million 4.125% Senior Notes due in November 2021, and in calendar 2014, a pre-tax loss on early extinguishment of debt related to the 6.000% Senior Notes due 2018, not, and certain other expenses incurred in connection with the leveraged recapitalization plan which was completed in the quarter ended December 31, 2014.

d) Goodwill impairment includes non-cash expense recognized as a result of the company’s annual testing for goodwill impairment performed in the third quarter of the fiscal year. The impairment charge resulted from the downward revision of financial outlook for the acquired Orbotech business as well as the impact of elevated risk and macroeconomic slowdown driven by the COVID-19 pandemic.

e) Merger-related charges associated with the terminated merger agreement between KLA-Tencor and Lam Research Corporation (“Lam”) primarily include employee retention-related expenses, legal expenses and other costs.

f) Restructure-related charges include legal and other expenses related to the investigation regarding the company's historical stock option granting process and related stockholder litigation and other matters. KLA has paid or reimbursed legal expenses incurred by a number of its current and former directors, officers and employees in connection with the investigation of the company's historical stock option practices and the related litigation and government inquiries.


g) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted in items a, b, c, d, e and f.

h) Discrete tax items in the three months ended March 31, 2021 primarily relate to a tax benefit of $3.0 million due to a decrease in deferred tax liability on purchased intangibles relating to a decrease in the effective income tax rate in Israel. Discrete tax items in the three months ended December 31, 2020 consist primarily of a tax expense of $4.0 million from an internal restructuring. Discrete tax items in the nine months ended March 31, 2021 primarily include the aforementioned items as well as a tax expense of $14.0 million due to an increase in deferred tax liability on purchased intangibles relating to an increase in the United Kingdom statutory income tax rate. Discrete tax items in the three months and nine months ended March 31, 2020 include a decrease in deferred tax liability for an unrealized gain on investments held for sale by subsidiaries of the acquired Orbotech business.
For more info go to the KLA IR website: ir.kla.com

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