KLA-Tencor Reports Fiscal 2007 Third Quarter Results

Revenue of $716 million and EPS of $0.76

SAN JOSE, Calif.--(BUSINESS WIRE)--

KLA-Tencor Corporation (NASDAQ:KLAC) today announced operating results for its third quarter of fiscal 2007, which ended on March 31, 2007. The Company reported GAAP net income of $155 million, which included share-based compensation and other charges discussed below, and GAAP earnings per diluted share of $0.76 on revenue of $716 million in the third quarter, compared to GAAP net income of $90 million or $0.44 per diluted share on revenue of $649 million in the second quarter of fiscal 2007, and GAAP net income of $97 million or $0.47 per diluted share on revenue of $520 million in the third quarter of fiscal 2006.

Net income for the third quarter of fiscal 2007 reflects $62 million in pre-tax charges, as follows:

-- Acquisition-related charges of $18 million for amortization of intangible assets and in-process R&D related primarily to the acquisitions of ADE Corporation, OnWafer Technologies and SensArray Corporation. Acquisition-related charges for the second quarter of fiscal 2007 were $19 million.

-- Stock-based compensation charges of $29 million, compared to $16 million for the second quarter of fiscal 2007 and $48 million for the third quarter of fiscal 2006.

-- Restatement-related charges of $15 million, including compensation expense for non-executive related to reimbursements for penalty taxes under Section 409A of the Internal Revenue Code and legal and other expenses related to the stock options investigation, shareholder litigation and related matters. Restatement-related charges for the second quarter of fiscal 2007 were $15 million.

"KLA-Tencor's solid financial performance this quarter reflects our focus on enabling our customers to meet their technical and economic challenges with our inspection and metrology solutions," said Rick Wallace, Chief Executive Officer of KLA-Tencor. "I thank our employees for their unwavering commitment to operational excellence, customer satisfaction and profitable growth."

KLA-Tencor ended the third quarter of fiscal 2007 with approximately eight months of product-related shipment and revenue backlog. The geographic breakdown of orders in the quarter was:

Percent of Orders
Cash and investments ended the quarter at $1.6 billion compared to $2.1 billion at the end of previous quarter as a result of a pre-payment of $750 million on an accelerated stock repurchase program.

KLA-Tencor will discuss its fiscal 2007 third quarter results, along with its outlook for the fourth quarter of fiscal 2007, on a conference call today beginning at 2:00 p.m. Pacific Daylight Time. A webcast of the call will be available at: www.kla-tencor.com.

Forward Looking Statements: Statements in this press release other than historical facts, such as statements regarding the benefit to customers of KLA-Tencor's products, demand for KLA-Tencor's products and the Company's future financial performance, 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: our ability to successfully address and resolve all issues arising from the discovery that we had retroactively priced stock options (primarily from July 1, 1997 to June 30, 2002) and had not accounted for them correctly; the demand for semiconductors; new and enhanced product offerings by competitors; cancellation of orders by customers; and changing customer demands. 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 the Company's Form 10-K, Form 10-Q and other filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein).

About KLA-Tencor: KLA-Tencor is the world leader in yield management and process control solutions for semiconductor manufacturing and related industries. Headquartered in San Jose, Calif., the Company has sales and service offices around the world. An S&P 500 Company, KLA-Tencor is traded on the Nasdaq National Market under the symbol KLAC. Additional information about the Company is available on the Internet at http://www.kla-tencor.com.
### Current assets:
- Cash and investments: $1,585,234, $2,325,796
- Accounts receivable, net: 499,298, 439,899
- Inventories: 530,141, 449,156
- Other current assets: 332,482, 328,392

Total current assets: 2,947,155, 3,543,243

### Land, property and equipment, net:
- 363,767, 395,412

### Goodwill and intangibles, net:
- 465,330, 70,341

### Other assets:
- 564,541, 566,915

Total assets: $4,340,793, $4,575,911

### Liabilities, minority interest and stockholders' equity

#### Current liabilities:
- Accounts payable: $93,805, $95,192
- Deferred system profit: 217,232, 226,142
- Unearned revenue: 86,805, 80,543
- Other current liabilities: 631,694, 600,604

Total current liabilities: 1,029,536, 1,002,481

Minority interest in subsidiary: $- $5,439

#### Stockholders' equity:
- Common stock and capital in excess of par value: 958,567, 1,421,373
- Prepaid stock repurchase: (113,676), -
- Retained earnings: 2,446,446, 2,137,710
- Accumulated other comprehensive income: 19,920, 8,908

Total stockholders' equity: 3,311,257, 3,567,991

Total liabilities, minority interest, and stockholders' equity: $4,340,793, $4,575,911

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**KLA-Tencor Corporation**

**Condensed Consolidated Unaudited Statements Of Operations**

<table>
<thead>
<tr>
<th>(In thousands except per share data)</th>
<th>Three months ended</th>
<th>Nine months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31 2007</td>
<td>March 31 2006</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>$607,390</td>
<td>$429,068</td>
</tr>
<tr>
<td>Service</td>
<td>108,818</td>
<td>90,580</td>
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<tr>
<td>Total revenues</td>
<td>716,208</td>
<td>519,648</td>
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</tbody>
</table>

Costs and operating expenses:
- Cost of revenues(1): 306,751, 226,575
- Engineering, research and
<table>
<thead>
<tr>
<th>Category</th>
<th>106,265</th>
<th>97,633</th>
<th>313,659</th>
<th>295,210</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling, general and administrative(1)</td>
<td>120,537</td>
<td>110,513</td>
<td>391,536</td>
<td>303,543</td>
</tr>
<tr>
<td>Total costs and operating expenses</td>
<td>533,553</td>
<td>434,721</td>
<td>1,579,837</td>
<td>1,256,680</td>
</tr>
<tr>
<td>Income from operations</td>
<td>182,655</td>
<td>84,927</td>
<td>415,004</td>
<td>234,911</td>
</tr>
<tr>
<td>Interest income and other, net</td>
<td>20,817</td>
<td>17,225</td>
<td>65,931</td>
<td>47,986</td>
</tr>
<tr>
<td>Income before income taxes and minority interest</td>
<td>203,472</td>
<td>102,152</td>
<td>480,935</td>
<td>282,897</td>
</tr>
<tr>
<td>Provision for income taxes(1)</td>
<td>48,546</td>
<td>6,388</td>
<td>101,551</td>
<td>37,041</td>
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<tr>
<td>Income before minority interest</td>
<td>154,926</td>
<td>95,764</td>
<td>379,384</td>
<td>245,856</td>
</tr>
<tr>
<td>Minority interest</td>
<td>(141)</td>
<td>920</td>
<td>1,372</td>
<td>2,920</td>
</tr>
<tr>
<td>Net income</td>
<td>$154,785</td>
<td>$96,684</td>
<td>$380,756</td>
<td>$248,776</td>
</tr>
</tbody>
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Net income per share:

- Basic: $0.78, $0.48, $1.91, $1.25
- Diluted: $0.76, $0.47, $1.87, $1.22

Weighted average number of shares:

- Basic: 197,930, 199,876, 199,053, 198,498
- Diluted: 203,474, 205,361, 203,976, 204,294

(1) includes the following amounts related to equity awards:

- Costs of revenues: $6,629, $6,198, $23,218, $19,649
- Engineering, research and development: $11,036, $12,488, $33,984, $38,019
- Selling, general and administrative: $11,604, $29,675, $25,182, $69,258
- Provision for income taxes: $(9,349), $(15,247), $(25,596), $(46,320)

Source: KLA-Tencor Corporation