

July 29, 2021

Letter to Shareholders

June 2021 Quarter

Rick Wallace

Chief Executive Officer

Bren Higgins

Chief Financial Officer



Dear KLA Shareholders,

The June 2021 quarter showed continued momentum and strength for KLA. We delivered on our top and bottom-line goals and continued to progress against our long-term strategic objectives.

Specifically, quarterly revenue grew 7% sequentially and 32% year-over-year to \$1.925 billion. Non-GAAP earnings per share was \$4.43, representing 15% sequential growth, and 63% growth compared to the prior year.

These results demonstrate the strong growth momentum in our core markets and the operating leverage in the KLA model.

We continue to see increased customer demand across each of our major product groups in response to ongoing secular trends driving semiconductor industry growth across a broad range of markets and applications. Our customers are increasing their strategic capex investments to address these growth markets and continue to invest in their leading-edge R&D efforts.

Against this strong demand backdrop, we are navigating evolving customer needs and persistent supply chain challenges. Still, KLA continues to outperform expectations by operating with purpose and precision and focusing on creating value for our customers, partners, and shareholders alike. This strong execution is led by our talented global teams continuing to go above and beyond, constantly rising to the challenges and opportunities of the marketplace.

This Shareholder Letter will address the key factors driving KLA's outperformance, value creation, and long-term success, along with the details of our performance in what was a strong quarter for the company. To begin, let's start with an update on how we see the industry demand environment.

Industry Demand Environment

KLA is in a great position when we look at how the industry demand environment continues to evolve. We have many tailwinds and strong secular growth drivers that are creating momentum for our industry as well as our business. As a result, our outlook for the Wafer Fab Equipment ("WFE") industry continues to move higher, and we have increased our growth estimate from the low to mid 20's stated last quarter, to the low to mid 30's on a percentage basis. This is off a base of approximately \$61 billion in calendar 2020. With strong secular semiconductor demand trends continuing, we expect positive industry dynamics to sustain into calendar 2022.

Industry Demand Momentum Continues – Industry demand for semiconductors and WFE continues to improve. KLA benefitted with broad, diversified strength across each of our major markets, with all major product groups seeing sequential growth. KLA is revising up its CY21 WFE estimate to the low to mid 30's on percentage basis (up from in the low to mid 20's), with growth continuing into CY22.

Customer R&D Investment Remains Very Strategic & Resilient – KLA helps enable critical technology transitions across Foundry/Logic and Memory. As a result, our business is most levered to customers' strategic R&D investments and leading-edge product developments. As the world-wide market leader in Process Control, KLA is on the critical path to enable the implementation for all advanced technologies and improve yields.

Strong Secular Growth Drivers For Semiconductors – Regionalization of semiconductors can now be added to other strong existing secular growth drivers such as rising data center demand, the build out of 5G infrastructure and continued smartphone growth, the electrification of automotive, digital healthcare, work from home, virtual collaboration, remote learning, and digital entertainment. Semiconductors remain at the center of the digitization of more industries and related end-markets than ever before.

KLA is on Track to Exceed 2023 Financial Targets Well Ahead of Expectations

In parallel to the increased demand driven by the accelerating digitization across multiple industries and end-markets, we also continue to address a heightened focus on the strategic nature of our customers' R&D investments around leading-edge development, optimizing fab utilization of established production nodes, and the emerging emphasis on regionalization. In addition, we believe we have the best portfolio of products to solve our customers' challenges and we continue to invest high levels of R&D to ensure we are constantly improving and remaining indispensable to our customers.

One specific area of R&D investment we continue to prioritize across our product portfolio is Artificial Intelligence (AI) and Machine Learning (ML). Our unique capabilities in leveraging these technologies in our product and service offerings are helping to drive adoption and differentiate KLA against the competition. KLA benefits from decades of market leadership and high levels of investment in advanced laser, sensor, optics, and data analytics technologies that leverage our AI and ML capabilities to identify critical defects in the production process and deliver ever-increasing precision in metrology applications. This investment helps our product and service offerings deliver best-in-class performance, lower process variability, drive higher yields, improve time-to-market, and reduce our customers' cost of ownership.

Our growing R&D investment is happening while Process Control intensity is increasing. In addition, KLA's market leadership in the Process Control market remains at an impressive level of greater than four times the nearest competitor as reported by Gartner Research in April of 2021. Our broader position within the electronics ecosystem through our Electronics, Packaging, and Components or EPC businesses, and the contribution of our large and growing Services business, also contributes to our continued outperformance. For new and long-time KLA investors, it is essential to point out that KLA's market leadership results from the consistent and focused execution of our company's differentiated strategy. Our strategy is rooted in the KLA Operating Model, which is based on investing a high level of R&D to bring to market a unique portfolio of products and technologies that address the most critical process control challenges and balance our customers' technical requirements and economic objectives. We are pleased that our strategy continues to be validated by our customers' purchasing decisions and our gross margin performance, affirming our ongoing market leadership in the critical areas where KLA focuses.

With this favorable backdrop and our strong execution, we are on track to achieve our 2023 financial targets well ahead of expectations.





Let's now move along to the top highlights from our most recent quarter.

Top 5 Highlights for the June 2021 Quarter:

1. First, KLA continues to execute well and outperform expectations. We are benefitting from a robust industry demand environment across all our major end markets. In Foundry/Logic, we see simultaneous investments across multiple nodes, and our customers continuing to increase their demand forecasts. We remain encouraged by the breadth and consistency of investment across our customer base. In Memory, demand is strong and is also spread across a broader set of customers. During the quarter, we announced four new products targeting the automotive semiconductor market, including patterned and un-patterned wafer inspection and inline test solutions. Altogether these new systems address the growing demand for automotive-quality semiconductor components driven by the market's transition to Hybrid/EV and semi-autonomous vehicles. KLA's automotive solutions aim to help customers identify and mitigate potential reliability defects in the development and manufacturing of automotive semiconductors early in the manufacturing process, improving device reliability and driving significant value for our customers.
2. Second, KLA's market leadership in Optical Patterned Wafer Inspection is helping to drive strong relative growth for our Semiconductor Process Control segment in 2021. In fact, Optical Patterned Wafer Inspection is forecasted to be among the fastest-growing segments in WFE, for product segments over \$1 billion in revenue, in 2021 and is poised to outpace the overall industry growth by a factor of 2x this year. This follows similar relative growth and outperformance in 2020.
3. Third, KLA's flagship reticle inspection business is on pace for a record year in 2021, growing faster than the market and expanding our leadership. We estimate that nearly all of the reticles today at 5nm are inspected by KLA's systems. Leading-edge reticle inspection is becoming increasingly challenging, both in the mask shop where reticles are made and in production where requalification is critical to defectivity control. In addition, KLA continues to innovate and expand our portfolio to address these challenges. Our next-generation e-beam based "8XX" mask inspection platform shipped last quarter and has begun customer qualification for applications at 3nm and below.
4. Fourth, our Services revenue was \$444 million in the June quarter, or 23% of total sales, with over 75% of Services revenue in our Semiconductor Process Control segment and over 90% of Services revenue in our Printed Circuit Board business resulting from recurring subscription-based contracts. We believe these are among the highest subscription services rates in the industry. Services is on track for another year of strong double-digit growth, well above our long-term growth model target. This is being driven by our ever-growing installed base, higher utilization rates, and increasing expansion of Service opportunities in the trailing edge and the EPC group. Our Semiconductor Process Control Service business revenue continues to grow faster than the rate of growth of the installed base, growing approximately 2.8 times faster from 2016 through 2020. The mission of KLA's Service organization is to partner with our customers to maximize the value of their KLA assets. The Services team continues to leverage the KLA Operating Model to deliver value at a high level to all customers. KLA's Services business has the advantage of always working in close collaboration with customers and partners, driving innovation and new initiatives for growth.
5. Finally, in keeping with our commitment to deliver strong and predictable capital returns to our shareholders, today we announced KLA's Board of Directors approved a 17% increase in the company's quarterly dividend level, from \$0.90 to \$1.05 per share. This is the 12th consecutive annual increase in our dividend level, which has grown at a compounded annual rate of 16% since its inception in 2006. In addition, we announced a new \$2 billion share repurchase authorization

targeted for execution over the next 12 to 18 months. We believe KLA's track record of delivering strong capital returns is a key component of the KLA investment thesis and offers predictable and compelling value creation for our shareholders.

June Quarter 2021 Business Highlights

1		KLA Continues to Execute Well and Outperform Expectations
2		Leadership in Optical Inspection is Helping to Drive Strong Relative Growth for our Semiconductor Process Control Segment, Outpacing Overall Industry Growth by a Factor of 2x in 2021
3		KLA's Flagship Reticle Inspection Business is on Pace for a Record year in 2021, Growing Faster than the Market, and Expanding our Leadership
4		Service Business Delivers Again With Strong Double-Digit Year-over-Year Growth
5		Board of Directors Approves 17% increase in Dividend Level and new \$2 Billion Share Repurchase

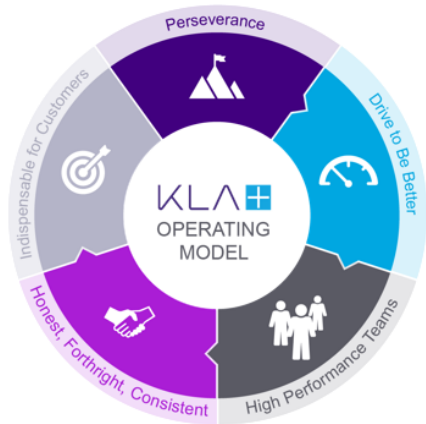
Before moving into the financial highlights, let's briefly summarize a few key points.

KLA's June quarter results demonstrate the critical nature of KLA's products and services in enabling the digital transformation of our lives, the resiliency of the KLA Operating Model, and our commitment to productive capital allocation.

KLA is exceptionally well positioned at the forefront of technology innovation with a comprehensive portfolio of products to meet demanding customer requirements balancing sensitivity and throughput. The semiconductor and electronics landscape are constantly changing, and we are seeing broadening customer interest driven by more technology innovation than ever before at the leading edge.

We believe KLA will continue to benefit from the many strong secular factors driving long-term industry demand. At the same time, our strategy of driving diversified growth with strong long-term operating leverage should provide robust cash flow generation and consistent capital returns to our shareholders.

The KLA Operating Model



Consistent strategy and execution

- Application of common processes and discipline
- Cascades throughout the organization
- Strong focus on talent development

Management by metrics

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

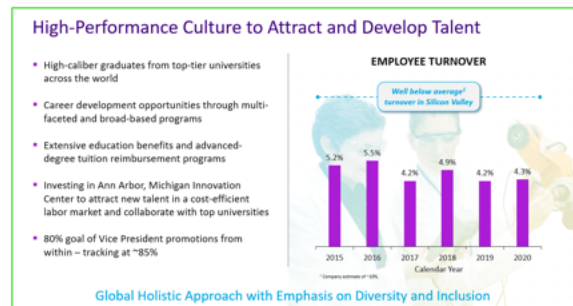
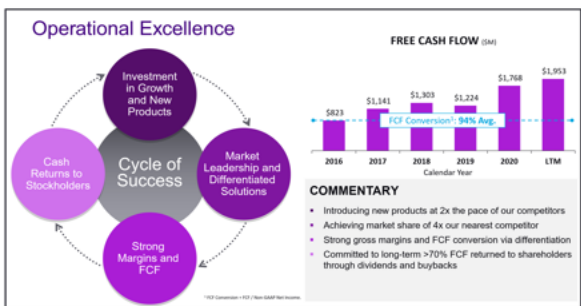
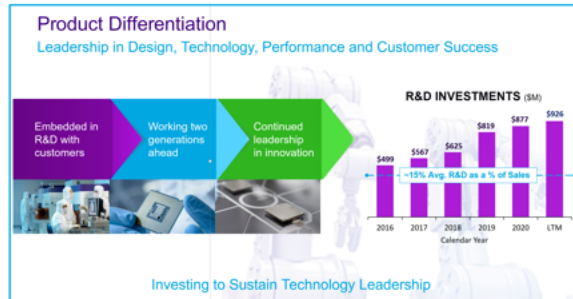
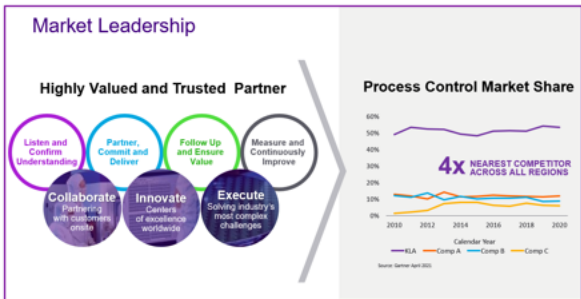
Financial discipline and rigor

- 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

In addition to the ongoing successful execution of our strategic objectives and disciplined capital management, another way KLA delivers enduring value is through corporate stewardship and the way our corporate values are reflected in efforts to reduce our environmental footprint, provide for a safe and healthy work environment for employees, advance inclusion and diversity, and contribute positively to the broader community. Look for more detail and discussion of the ESG vision for KLA in the upcoming Global Impact Report scheduled to be released later in August.

KLA's Four Strategic Objectives Serve As Our Guide



Sources: Industry data and Company estimates.

June Quarter 2021 Financial Highlights

KLA's June quarter 2021 results highlight the soundness and strength of our ongoing strategies. We continue to demonstrate our ability to meet customer needs in a robust demand environment while expanding market leadership, growing operating profits, generating strong free cash flow, and maintaining our long-term strategy of productive capital allocation.

Total revenue in the June quarter was \$1.925 billion, towards the top of the guided range for the quarter of \$1.755 to \$1.955 billion. Non-GAAP Gross Margin was 62% with the various components performing mostly as expected and at the midpoint of the guided range for the quarter of 61% to 63%. Non-GAAP EPS was \$4.43, above the guided range of \$3.47 to \$4.35. GAAP EPS was \$4.10.

June Quarter 2021 Financial Highlights

\$1.93B Revenue	40.2% Op. Margin*	\$684M Net Income*
62.0% Gross Margin*	\$410M Free Cash Flow*	\$4.43 NON-GAAP EPS*
\$419M Operating Expenses*	60.0% FCF Conversion*	\$4.10 GAAP EPS

* Non-GAAP metric - Please refer to Appendix for reconciliation to GAAP. Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures.

Non-GAAP Total Operating Expenses were \$419 million, about \$7 million higher than expected primarily due to engineering materials timing and adjustments to variable compensation programs. Non-GAAP Operating expenses included \$241 million of R&D expense, and \$178 million of SG&A. At KLA, technical applications support for our customers is included in SG&A and was \$44 million in the quarter. The combination of R&D expense and technical applications represents about 70% of total operating expenses. KLA innovation is fundamental to our go-to-market strategy focused on differentiated solutions. R&D is at the heart of KLA and remains a key element in driving our portfolio strategy and product differentiation. This in turns helps sustain our technology and market leadership.



Non-GAAP Operating Income as a percentage of revenue was very strong at 40.2%. Given higher revenue expectations for the second half of 2021, product development requirements, ongoing regionalization of additional customer engagement resources, and increased investment in our global infrastructure due to overall business volume, we expect non-GAAP operating expenses to be approximately \$430 million in the September quarter. Going forward, we will continue to size the company based on our target operating model, which delivers 40% to 50% incremental operating margin leverage on revenue growth over a multi-quarter horizon.

Other Income and Expense in the June quarter, net was \$11 million, reflecting the realization of the gain on an investment in a strategic supplier that recently completed an Initial Public Offering. This gain represented \$0.15 of earnings per share at the company's tax planning rate of 13.5%. Going forward, you should continue to model Other Income and Expense, net at approximately \$43 million per quarter. The quarterly effective tax rate was 10.4%, reflecting the benefit of favorable audit adjustments recognized in the period. We will continue to monitor the corporate tax discussions in the United States and will provide updates on how those would affect KLA as appropriate in the future.

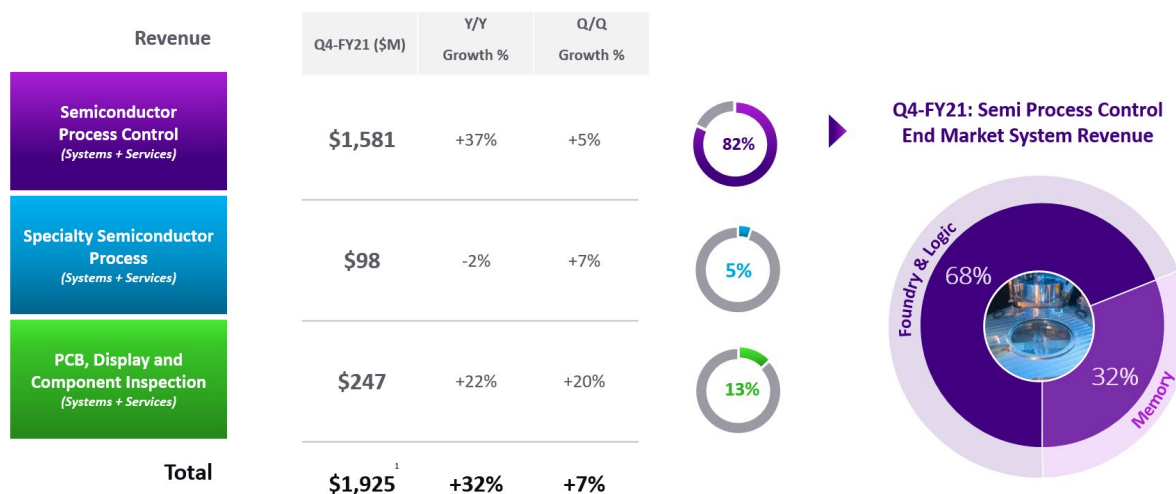
Non-GAAP net income was \$684 million, GAAP net income was \$633 million, cash flow from operations was \$466 million, and free cash flow was \$410 million. The company had approximately 154 million diluted weighted average shares outstanding at quarter-end.

Breakdown of Revenue by Reportable Segments and End Markets

Our revenue was strong in the quarter, driven by broad-based sequential growth across all reportable segments.

Revenue for the Semiconductor Process Control segment, including its associated Services business, was \$1.581 billion, a sequential quarterly increase of 5%, and also up 37% compared with June of last year. The approximate Semiconductor Process Control customer segment mix was in line with our forecast from April as Foundry/Logic was 68%, and Memory was 32%. In Memory, the business was split roughly 34% NAND and 66% DRAM.

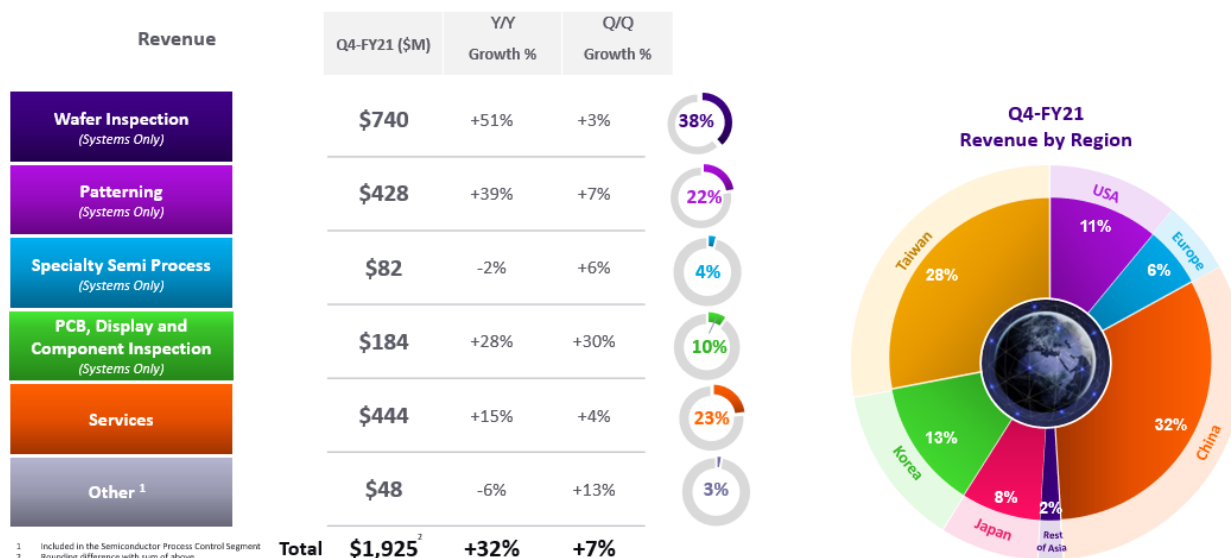
Revenue for our Electronics, Packaging, and Components (EPC) group hit a record in the quarter driven by continued strength in 5G mobile and infrastructure, as well as rising demand in automotive. More specifically, the Specialty Semiconductor Process segment generated revenue of \$98 million, up 7% sequentially, and down 2% over the prior year. Demand in this segment was mostly driven by growth in the automotive power semiconductor applications where we have a leading position in etch and deposition products. Specialty Semiconductor Process’s performance was also highlighted by the second straight quarter of record bookings. PCB, Display and Component Inspection revenue was \$247 million, up 20% sequentially, and up 22% year-over-year with the data center driving strength in advanced PCB and packaging inspection.



1. Rounding difference with sum of above

Breakdown of Revenue by Major Products and Regions

All major product categories grew on a sequential basis. Wafer Inspection was 38% of total quarterly revenue, Patterning, which includes reticle inspection, was 22%. Specialty Semiconductor Process was 4%. PCB, Display and Component Inspection was 10%, Service was 23%, and Other, which is consolidated into the Semiconductor Process Control segment, was 3%.



1 included in the Semiconductor Process Control Segment

2 Rounding difference with sum of above

The regional split of revenue was as follows: China was 32%, Taiwan was 28%, Korea was 13%, and the US was 11%. Regions that accounted for less than 10% of sales included Japan at 8%, Europe at 6%, and the rest of Asia at 2%.

Strong Investment Grade Balance Sheet with No Bond Maturities Until 2024

KLA ended the quarter with \$2.5 billion in total cash, total debt of almost \$3.5 billion, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three agencies. We were also pleased to see Moody's upgrade our debt rating in early June to A2 from Baa1, further underscoring the strength of our balance sheet and sustainability of our business and financial performance.

Balance Sheet Summary¹ (\$M)

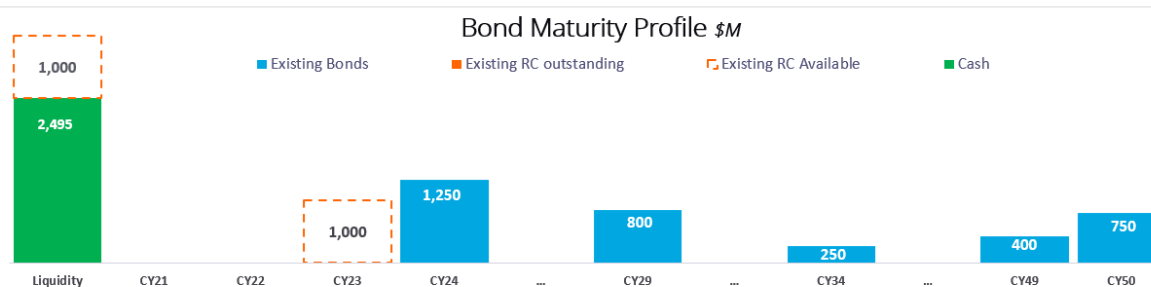
Total Cash ²	\$ 2,495
Working Capital	\$ 3,593
Total Assets	\$ 10,271
Debt ²	\$ 3,423
Total Shareholders' Equity	\$ 3,376

Bond Maturity Profile

Bonds Outstanding	\$ 3,450M
Weighted Average Rate	4.37%
Weighted Average Maturity	13.4 years

Investment Grade Credit Ratings

Moody's	A2 ³
S&P	BBB+
Fitch	BBB+

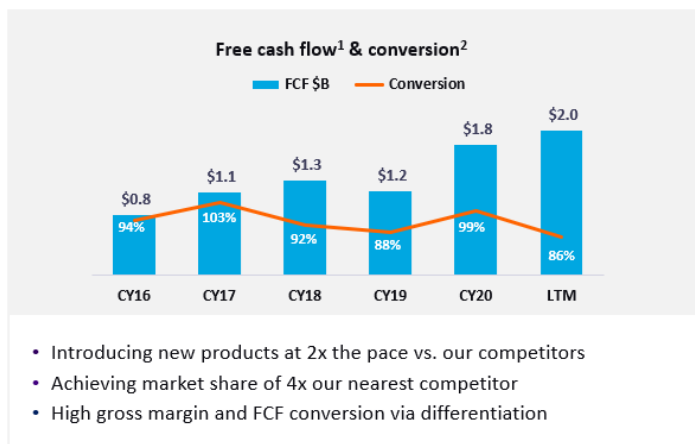


¹ As of 06/30/21; ² Total Cash includes Cash, Cash Equivalents and Marketable Securities;

² Difference between Bonds Outstanding of \$3,450B and gross debt of \$3,423B is un-amortized debt issuance discounts and costs. KLA also has a \$20M notes payable due in CY22; ³ Upgraded by Moody's from Baa1 to A2 on 6/2/21

FCF Generation Fuels Consistent Capital Return to Shareholders

We have tremendous confidence in our business over the long run and are committed to a long-term strategy of cash returns to shareholders, executing a balanced approach split between dividends and share repurchases, targeting long-term returns of at least 70% of free cash flow generated. Our announcement today of our 12th consecutive annual increase in the quarterly dividend level and the additional share repurchase authorization are representative of our explicit approach and strong track record of predictable and productive capital deployment and are a key component of the KLA investment thesis.

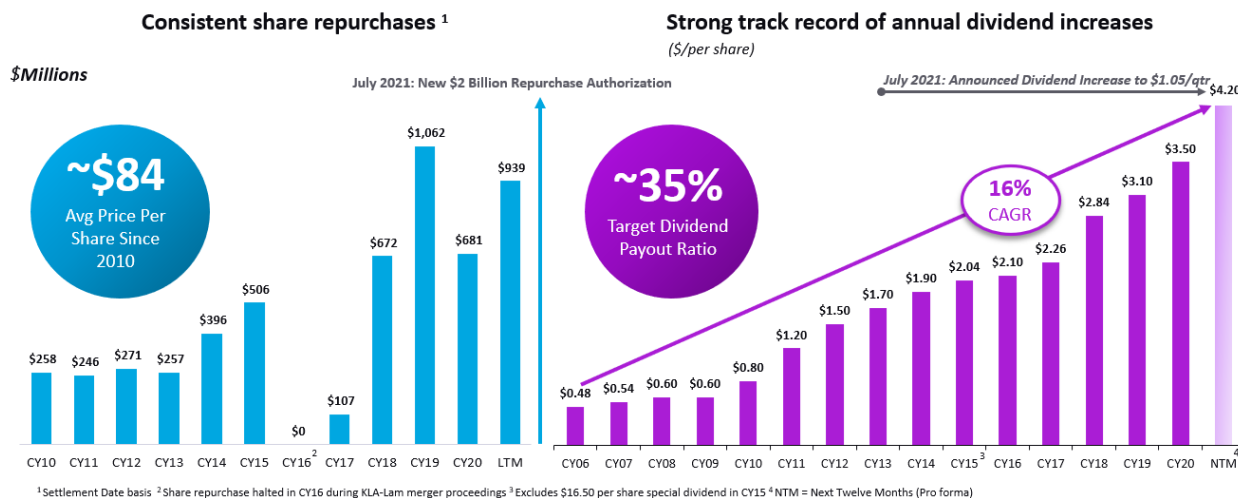


Committed to Long-Term >70%³ FCF Returned to Shareholders through Dividends and Buybacks

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 originally on 4/29/21 earnings call

Over the last 12 months, KLA returned \$1.5 billion to shareholders including \$559 million in dividends paid, and \$939 million in share repurchases. While circumstances can change, our current expectation remains that our capital returns for calendar 2021 will exceed 85% of expected free cash flow.

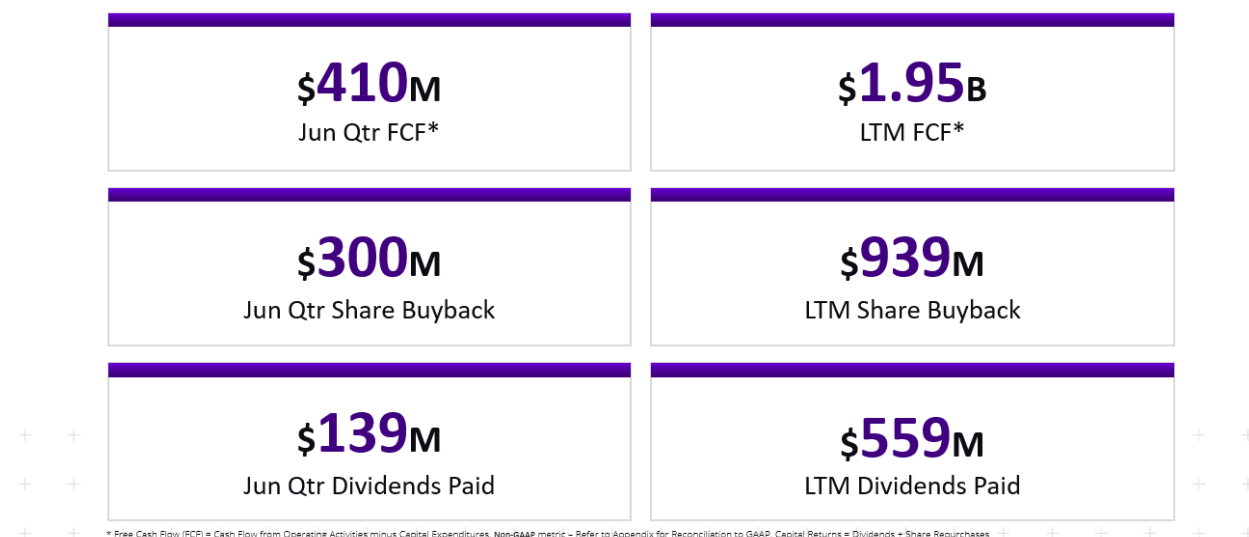
Return to Shareholders Balanced Between Buybacks and Dividends



Free Cash Flow and Capital Returns Highlights

KLA has a history of consistent free cash flow generation, high free cash flow conversion, and strong free cash flow margins across all phases of the business cycle and economic conditions. During the quarter we generated \$410 million in free cash flow and repurchased \$300 million of common stock

while also paying \$139 million in dividends.



Outlook

Our overall semiconductor demand and WFE outlook continues to increase from our views earlier in the year. At the start of this year we characterized the expected growth of the WFE market to be in the low teens plus or minus a few percentage points. In April, we revised that view to the low to mid 20's on a percentage basis with a bias to the upside. Today, we see further improvement and expect the WFE market to grow in the low to mid 30's from approximately \$61 billion in calendar 2020 to approximately \$81 billion at the midpoint in calendar 2021. This reflects the broad-based strengthening of demand across all customer segments. KLA is in position to deliver strong relative growth this year, driven by our market leadership, and strong momentum in the marketplace across multiple product platforms in both the Semiconductor Process Control and EPC groups.

Looking ahead, we remain encouraged by the sustainability of our current demand profile. As a result, we continue to expect total company revenue to improve sequentially quarter to quarter throughout the remainder of the calendar year. We also expect the second half of calendar 2021 to grow in the mid-teens on a percentage basis versus the first half as more of our manufacturing capacity comes online to support this strong customer demand. Furthermore, our system shipment expectations point to meaningful growth in Semiconductor Process Control systems in the second half of calendar 2021. This strong backdrop supports our current expectation of high 30's to low 40's year over year percentage growth for the Semiconductor Process Control systems business in calendar 2021. As a result, we continue to believe that this business is positioned to outperform in 2021 relative to the overall WFE market.

Our September quarter guidance is as follows: Total revenue is expected to be in a range of \$2.02 billion, plus or minus \$100 million. Foundry/Logic is forecasted to be approximately 59% and Memory is expected to be approximately 41% of Semiconductor Process Control systems revenue to semiconductor customers. Within Memory, DRAM is expected to be about 60% of the segment mix. We forecast non-GAAP Gross Margin to be in a range of 61.5% to 63.5%. At the midpoint, this is 50 basis points above the June quarter level due principally to product mix. While in any given quarter the mix of our business across products and business segments will affect our gross margin results, the structural trends, both in terms of product cost, manufacturing efficiency, and product positioning, remain compelling and are sustainable tailwinds going forward.

Other model assumptions for September include: Non-GAAP Operating Expenses of approximately \$430 million, Other Income and Expense, net of approximately \$43 million, and an effective tax rate of approximately 13.5%. Finally, GAAP diluted EPS is expected to be in a range of \$3.76 to \$4.64 and non-GAAP diluted EPS in a range of \$4.01 to \$4.89. The EPS guidance is based on a fully diluted share count of approximately 153.5 million shares.

September Quarter 2021 Guidance (Q1 FY2022)

	September 2021 quarter
REVENUE	\$1,920M to \$2,120M
NON-GAAP GROSS MARGIN*	61.5% to 63.5%
GAAP DILUTED EPS	\$3.76 to \$4.64
NON-GAAP DILUTED EPS*	\$4.01 to \$4.89

* Non-GAAP metric – Refer to Appendix for Reconciliation to GAAP

Macro assumptions

- Semi Process Control Revenue By End Market
 - Foundry/Logic: 59%
 - Memory: 41%

Model assumptions

- Non-GAAP Operating Expenses:* ~\$430M
- Other Income & Expense (OIE), Net: ~\$43M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~153.5M

Driving Profitable Growth and Delivering Shareholder Value

In Conclusion

In closing, the industry dynamics driving semiconductors and investments in WFE remain compelling, with broad-based customer demand and simultaneous investments across multiple technology nodes. We are encouraged by the leading indicators for our business, including our backlog and sales funnel visibility over the next couple of quarters. Our customers' multi-year investment plans also point to the stability of demand in the future. KLA continues to execute well and is on track to exceed our 2023 financial targets well ahead of expectations. The KLA Operating Model positions us well to outperform and guides our important strategic objectives. These objectives fuel our growth, operational excellence, and differentiation across an increasingly diverse product and services offering. They also underpin our sustained technology leadership, deep competitive moat, strong financial performance and long-standing track record of free cash flow generation and capital returns to shareholders.

Sincerely,



Rick Wallace
CEO



Bren Higgins
CFO

Appendix

Reconciliation of Non-GAAP Financial Measures

<i>(in thousands, except per share amounts and percentages)</i>	For the three months ended		For the twelve months ended						
	Jun 30, 2021	Jun 30, 2020	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
GAAP net income attributable to KLA	\$ 632,978		\$ 2,078,292	\$ 1,216,785	\$ 1,367,523	\$ 1,137,653	\$ 1,420,692	\$ 656,341	\$ 863,670
Adjustments to reconcile GAAP net income to non-GAAP net income*									
Acquisition-related charges	a	53,008	209,555	244,715	214,533	340,318	21,218	4,737	4,383
Restructuring, severance and other charges	b	1,358	7,037	12,458	16,885	2,786	-	-	137
Debt extinguishment loss	c	-	-	22,538	22,538	-	-	-	-
Goodwill and intangible asset impairment	d	-	-	256,649	256,649	-	-	-	-
Merger-related charges	e	-	-	-	-	-	-	9,308	17,051
Income tax effect of non-GAAP adjustments	f	(16,910)	(69,341)	(83,402)	(74,196)	(97,828)	(1,229)	(4,631)	(6,169)
Discrete tax items	g	13,620	35,521	(34,915)	(10,047)	8,465	(18,089)	441,894	(3,064)
Non-GAAP net income attributable to KLA	\$	684,054	\$ 2,261,064	\$ 1,634,828	\$ 1,793,885	\$ 1,391,394	\$ 1,422,592	\$ 1,107,649	\$ 876,008
GAAP diluted EPS	\$	4.10	\$ 13.37	\$ 7.70					
Non-GAAP diluted EPS	\$	4.43	\$ 14.56	\$ 10.35					
Shares used in diluted shares calculation		154,283	155,437	158,005					
GAAP research and development ("R&D") expenses	\$	241,428	\$ 928,487	\$ 863,864	\$ 880,635	\$ 822,928	\$ 624,668	\$ 570,202	\$ 503,188
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*									
Acquisition-related charges	a	-	-	-	-	(3,328)	-	-	-
Restructuring, severance and other charges	b	(203)	(2,705)	(2,072)	(3,625)	(802)	-	-	(5)
Merger-related charges	c	-	-	-	-	-	-	(3,139)	(3,787)
Non-GAAP R&D expenses	\$	241,225	\$ 925,782	\$ 861,792	\$ 877,010	\$ 818,798	\$ 624,668	\$ 567,063	\$ 499,416
GAAP R&D expenses as a percentage of revenue		12.5%	13.4%	14.9%	14.5%	15.6%	14.5%	15.0%	15.4%
Non-GAAP R&D expenses as a percentage of revenue		12.5%	13.4%	14.8%	14.4%	15.5%	14.5%	14.9%	15.3%
GAAP income before income taxes	\$	708,843							
Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*									
Acquisition-related charges	a	53,008							
Restructuring, severance and other charges	b	1,358							
Non-GAAP income before income taxes	\$	763,209							
GAAP income tax expense	\$	75,785							
Adjustments to reconcile GAAP income tax expense to non-GAAP income tax expense*									
Income tax effect of non-GAAP adjustments	f	16,910							
Discrete tax items	g	(13,620)							
Non-GAAP income tax expense	\$	79,075							
GAAP effective tax rate		10.7%							
Non-GAAP effective tax rate		10.4%							

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

<i>(in thousands, except per share amounts and percentages)</i>	For the three months ended
	June 30, 2021
GAAP operating income (1)	\$ 719,780
Adjustments to reconcile GAAP operating income to non-GAAP operating income*	
Acquisition-related charges	a 53,008
Restructuring, severance and other charges	b 1,358
Non-GAAP Operating income (1)	\$ 774,146
GAAP operating margin	37.4%
Non-GAAP operating margin	40.2%
GAAP Selling, General and Administrative ("SG&A") expenses (1)	\$ 192,022
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*	
Acquisition-related charges	a (12,509)
Restructuring, severance and other charges	b (1,626)
Non-GAAP SG&A expenses (1)	\$ 177,887
GAAP Operating expenses (1)	\$ 433,450
Adjustments to reconcile GAAP operating expenses to non-GAAP operating expenses*	
Acquisition-related charges	a (12,509)
Restructuring, severance and other charges	b (1,829)
Non-GAAP Operating expenses (1)	\$ 419,112
GAAP gross profit	\$ 1,153,230
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*	
Acquisition-related charges	a 40,499
Restructuring, severance and other charges	b (471)
Non-GAAP gross profit	\$ 1,193,258
GAAP gross margin	59.9%
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*	
Acquisition-related charges	a 2.1%
Non-GAAP gross margin	62.0%

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

(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 expense in operating expenses. The expenses (benefits) associated with changes in the liability included in selling, general and administrative expense for the quarter ended June 30, 2021 was \$15.5 million. The gains (losses) associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended June 30, 2021 was \$15.5 million.

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures <i>(Dollars in thousands)</i>	For the three months ended		For the twelve months ended						
	Jun 30, 2021	Jun 30, 2021	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Net cash provided by operating activities	\$ 465,622	\$ 2,185,026	\$ 1,778,850	\$ 1,968,126	\$ 1,373,031	\$ 1,389,697	\$ 1,190,475	\$ 857,780	
Less Capital expenditures	(55,375)	(231,628)	(152,675)	(200,304)	(149,242)	(86,518)	(49,207)	(34,974)	
Free cash flow	\$ 410,247	\$ 1,953,398	\$ 1,626,175	\$ 1,767,822	\$ 1,223,789	\$ 1,303,179	\$ 1,141,268	\$ 822,806	
Free Cash Flow Conversion calculation									
Free cash flow	\$ 410,247	\$ 1,953,397	\$ 1,626,175	\$ 1,767,822	\$ 1,223,789	\$ 1,303,179	\$ 1,141,268	\$ 822,806	
Non-GAAP net income attributable to KLA	684,054	2,261,064	1,634,828	1,793,885	1,391,394	1,422,592	1,107,649	876,008	
Free cash flow conversion	60.0%	86.4%	99.5%	98.5%	88.0%	91.6%	103.0%	93.9%	
GAAP metric comparable to Free Cash Flow Conversion									
Net cash provided by operating activities	\$ 465,622	\$ 2,185,026	\$ 1,778,850	\$ 1,968,126	\$ 1,373,031	\$ 1,389,697	\$ 1,190,475	\$ 857,780	
GAAP net income attributable to KLA	632,978	2,078,292	1,216,785	1,367,523	1,137,653	1,420,692	656,341	863,670	
GAAP metric comparable to free cash flow conversion	73.6%	105.1%	146.2%	143.9%	120.7%	97.8%	181.4%	99.3%	
Free Cash Flow Margin									
Free cash flow	\$ 410,247								
Revenue	1,925,471								
Free cash flow margin	21.3%								
Cash paid for dividends	\$ 139,267	\$ 559,353							
Cash paid for share repurchases	299,777	938,607							
Capital returns	\$ 439,044	\$ 1,497,960							
Capital returns as a percentage of free cash flow	107.0%	76.7%							

The Company presents free cash flow and certain related metrics as supplemental non-GAAP measures of its performance. Free cash flow is determined by adjusting GAAP net cash provided by operating activities for capital expenditures. Free cash flow conversion is defined as free cash flow divided by non-GAAP net income, and free cash flow margin is defined as free cash flow divided by revenue.

Reconciliation of Q1 FY 2022 Guidance Range

<i>(In millions, except per share amounts and percentages)</i>	Low	High
GAAP diluted net income per share	\$ 3.76	\$ 4.64
Acquisition-related charges	a 0.35	0.35
Restructuring, severance and other charges	b 0.01	0.01
Income tax effect of non-GAAP adjustments	f (0.11)	(0.11)
Non-GAAP diluted net income per share	\$ 4.01	\$ 4.89
Shares used in diluted shares calculation	153.5	153.5
GAAP gross margin	59.4%	61.5%
Acquisition-related charges	a 2.1%	2.0%
Restructuring, severance and other charges	b 0.0%	0.0%
Non-GAAP gross margin	61.5%	63.5%
GAAP operating expenses	\$ 441	\$ 447
Acquisition-related charges	a (12)	(12)
Restructuring, severance and other charges	b (2)	(2)
Non-GAAP operating expenses	\$ 427	\$ 433

Note: The guidance as of July 29, 2021 represents our best estimate considering the information known as of the date of issuing the guidance. We undertake no responsibility to update the above in light of new information or future events. Refer to forward looking statements for important information. Also refer to "Reconciliation of Non-GAAP Financial Measures - Explanation of Non-GAAP Financial Measures" for detailed descriptions and information about 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, non-GAAP R&D expenses, non-GAAP gross margin, non-GAAP operating margin, non-GAAP operating expenses, Free Cash Flow, FCF Conversion and FCF Margin, 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 includes a pre-tax loss on early extinguishment of the \$500 million 4.125% Senior Notes due in November 2021.
- 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) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.
- g) Discrete tax items consist of certain income tax expenses/benefits that, by excluding, help investors compare our operating performance with our results in prior periods as well as with the performance of other companies.

About KLA Corporation

KLA Corporation (“KLA”) is the world's leading supplier of process control and yield management solutions for the semiconductor and related microelectronics industries. The company's comprehensive portfolio of products, software, analysis, services, and expertise is designed to help Integrated Circuit (IC) manufacturers manage yield throughout the entire wafer fabrication process—from R & D to final yield analysis. KLA offers a broad spectrum of products and services that are used by every major semiconductor manufacturer in the world. We provide advanced process control and process-enabling solutions for manufacturing wafers and reticles, integrated circuits, Packaging, printed circuit boards and flat panel displays. In close collaboration with leading customers across the globe, our expert teams of physicists, engineers, data scientists and problem-solvers design solutions that move the world forward. Additional information may be found at: www.kla.com.

Investors and others should note that KLA announces material financial information to investors using an investor relations website (ir.kla.com), including SEC filings, press releases, public earnings calls, and conference webcasts. These channels are used to communicate with the public about the company, products, services, and other matters.



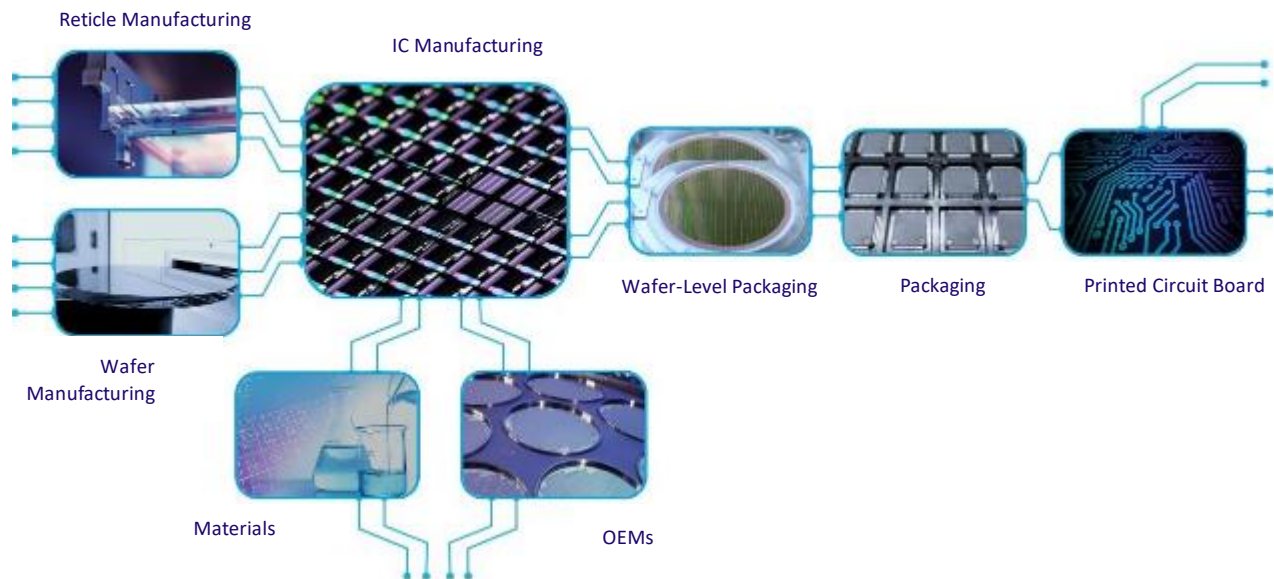
KLA's broad portfolio services the entire semiconductor ecosystem:

Semiconductor Manufacturing

- IC Manufacturing
- Wafer Manufacturing
- Reticle Manufacturing
- IC Packaging
- Printed Circuit Board

Related Electronics Industries

- Compound Semiconductor
- Power Device
- LED
- MEMS
- Data Storage/Media Head
- Flat Panel Display
- General Purpose/Labs



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Note on Forward-Looking Statements

Statements in this presentation other than historical facts, such as statements pertaining to: (i) growth rates for 2021; (ii) positive industry dynamics continuing into 2022; (iii) our customers increasing their strategic capex investments; (iv) continued improvement of industry demand for semiconductors and WFE; (v) our ability to meet or exceed our 2023 financial targets ahead of expectations; (vi) our expectation of positive industry dynamics to sustain into calendar year 2022; (vii) the continuation of our customers' R&D investments around leading-edge development, optimizing fab utilization of established production nodes, and the emerging emphasis on regionalization; (viii) foundry/logic strength with our customers increasing their demand forecast in 2021; (ix) the forecast of Optical Patterned Wafer Inspection to be among the fastest-growing segments in WFE; (x) our flagship reticle inspection business being on pace for a record year in 2021; (xi) the sustainability of our current demand profile; (xii) the increase in our manufacturing capacity and growth in the Semiconductor Process Control business in the second half of calendar year 2021; (xiii) continued improvement of revenue throughout calendar year 2021; (xiv) levels of business activity in the quarter ending September 30, 2021 and for calendar 2021; (xv) future cash flow generation and capital returns to shareholders; (xvi) the timing of our repurchases under our new \$2 billion share repurchase authorization; (xvii) our non-GAAP operating expenses for the quarter ending September 30, 2021 and near term budget; (xviii) our effective tax planning rate for the quarter ending September 30, 2021; (xix) WFE growth in 2021 and demand levels across end markets; (xx) revenues, GAAP and non-GAAP gross margin and GAAP and non-GAAP diluted EPS for the quarter ending September 30, 2021 and revenues across customer segments in the quarter ending September 30, 2021; (xxi) the mix of sales between foundry/logic and memory customers for the quarter ending September 30, 2021; (xxii) the incremental operating margin leverage on revenue growth over multiple quarters; and (xxiii) modeling of Other Income and Expense in future quarters; 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; delays and disruptions in the supply chain; 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 launched 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.