

October 27, 2021

Letter to Shareholders

September 2021 Quarter

Rick Wallace

President & Chief Executive Officer

Bren Higgins

Chief Financial Officer



Dear KLA Shareholders,

KLA's September 2021 quarter continued our track-record of consistent execution and commitment to outperformance. The company's focus on delivering on top and bottom-line goals remained at the forefront of how we run our business and continues to support efforts to meet or exceed our long-term strategic objectives.

During the September quarter, revenue grew 8% sequentially and 35% year-over-year to \$2.08 billion. Non-GAAP earnings per share was \$4.64, representing 5% sequential growth, and up 53% compared to the prior year.

Results like this demonstrate strong growth momentum in our core markets and the continued operating leverage inherent in the KLA financial model.

Customer demand across each of our major product groups continues as secular trends drive growth across a broad range of markets and applications in the semiconductor industry which is pressuring the industry's ability to supply semiconductors across multiple technology nodes. Simultaneously, our leading-edge customers are increasing their strategic capex investments to improve their competitive positioning while addressing growth markets demanding new semiconductor capabilities.

Against this strong demand backdrop, we continue to navigate evolving customer needs and supply chain challenges. Still, KLA continues to outperform expectations by operating with purpose and precision and keeping our focus on creating value for our customers, partners, and shareholders. This strong execution is led by our talented global teams continuing to rise to the challenges and opportunities of the marketplace.

This Shareholder Letter is an update on our most recent performance and provides insight into the key factors driving KLA's consistent outperformance, value creation, and long-term success. We will begin with a brief update on how we see the current industry demand environment.

Semiconductor Industry Demand Environment

KLA remains in an excellent position when we look at the industry demand landscape. Strong secular growth drivers are creating important tailwinds that translate into momentum for our industry and our business. As a result, we are again increasing our outlook for the Wafer Fab Equipment ("WFE") industry. Last quarter we estimated WFE growth would be in the mid 30's percent range calculated off a baseline of approximately \$61 billion in calendar 2020. We continue to see demand growing and now estimate that WFE will grow approximately 40% in 2021. With sustained secular semiconductor demand trends, we expect positive industry dynamics to continue into calendar 2022 and fuel another year of growth.

Industry Demand Momentum Continues – Industry demand for semiconductors and WFE continues to improve. KLA benefited 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 for the fourth time this year to approximately 40% (up from the mid 30's), with growth continuing into CY22.

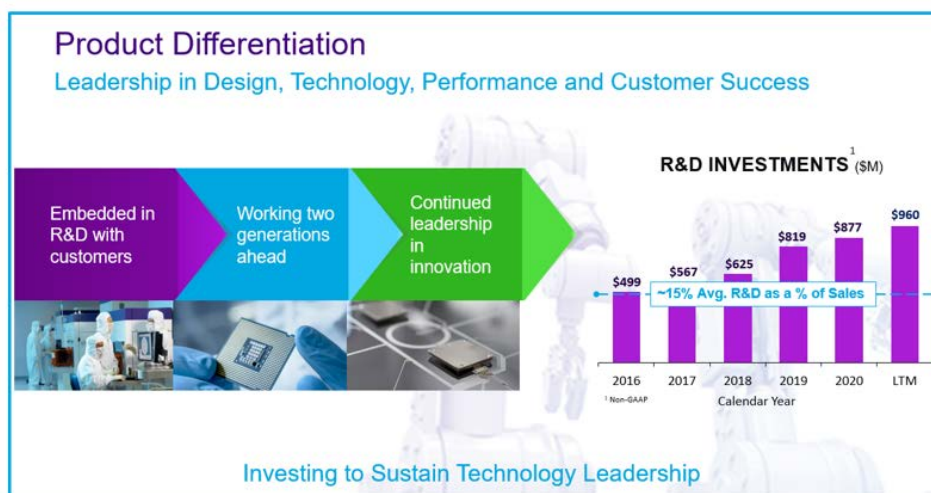
Customer R&D Investment Remains Very Strategic & Resilient – KLA helps enable critical technology transitions across Foundry/Logic (61% of quarterly semi process sales) and Memory (39% of quarterly semi process sales). As a result, our business is most levered to customers' strategic R&D investments 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

Along with increased demand driven by accelerating digitization across multiple industries and end-markets, our business is benefiting from our customers' heightened focus on strategic R&D investments in leading-edge development, optimizing fab utilization of established production nodes, and the emerging emphasis on regionalization for future fab construction. To address this growth, we continue to invest high levels of R&D to ensure we are constantly improving and remaining indispensable to our customers.

Innovate to Differentiate



For example, we are prioritizing investment in R&D focused on software that enhances the value customers extract from KLA systems through data analytics, advanced simulations, and machine learning technologies to further drive adoption of process control. KLA's data analytics platforms connect, centralize, and analyze the data produced by our systems in the field, creating a network effect that enhances performance across the product portfolio and for customers. Together with advanced software simulations we enable our customers to optimize their process, improve yield and reduce variability. KLA's unique position in the marketplace enables this value as none of our competitors possess the breadth of products required to utilize these types of capabilities to speed time to results for our customers. We are leveraging investments in these critical technologies while process control intensity is increasing, and 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.

For all KLA investors, it is essential to point out that KLA's stellar performance 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, differentiate from our competitors, 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 proven focus on execution, we remain on track to achieve our 2023 financial targets well ahead of expectations. Let's now move along to the top highlights from the quarter.

Top 5 Highlights for the September 2021 Quarter:

First, KLA's consistency is led by our execution and strong portfolio. We continue to benefit from strength across all our major end markets with overall company revenue expected to be up mid 30's on a percentage basis year-over-year based on the midpoint of our guidance for the December quarter. We are not immune to the unprecedented supply chain challenges affecting the electronics industry, but we are navigating them as well as can be expected. In Foundry/Logic, simultaneous investments across multiple nodes and rising capital intensity continues to be a tailwind. In Memory, demand remains broad-based across multiple customers, with growth in 2021 led by DRAM, and 2022 setting up to be a relatively strong year for NAND.

Second, our optical metrology business continues to stand out. KLA's metrology revenue is on track to grow meaningfully faster than the WFE market in 2021 after experiencing similar levels of absolute growth in 2020. This is driven by market leadership and increasing adoption of metrology applications in leading-edge technology development and capacity monitoring. The optical metrology market is strongly leveraged to EUV and critical next-generation architectures including gate-all-around (GAA) and multi-stack 160+ layer 3D NAND.



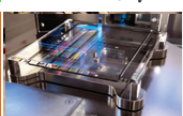


Third, KLA's market leadership in the largest and fastest-growing segments of the process control market is fueling strong relative growth in our Semiconductor Process Control segment. Optical patterned wafer inspection is forecasted to be among the fastest-growing segments of WFE in 2021, for product segments over \$1 billion in revenue, following a similar result in 2020. KLA's cadence of innovation and new product introduction continues to outpace the competition, offering the broadest suite of advanced optical inspection tools in the marketplace that feature the best sensitivity and cost of ownership. Just last month, [we introduced our new Voyager® 1035 laser scanning patterned wafer inspector](#), the latest in an extensive portfolio of inline defect inspection tools for critical process monitoring applications in advanced logic and memory chip manufacturing. Coupled with the GEN4 and GEN5 broadband plasma portfolio, KLA's Laser Scattering systems help comprise the most comprehensive optical patterned wafer inspection portfolio in the marketplace today.

Fourth, our Services revenue was \$454 million in the September quarter, up 15% year-over-year. For the quarter, it was 22% of revenue and over 75% of Services revenue in the Semiconductor Process Control segment and over 90% of Services in the Printed Circuit Board business comes from recurring subscription-like contracts. Services is on track for another year of strong double-digit

growth in 2021. This is driven by our growing installed base, higher utilization rates, and increasing expansion of Service opportunities in the trailing edge.

Finally, the September quarter was exceptional from a free cash flow perspective. We generated record quarterly free cash flow of \$795 million which helped drive last twelve months (LTM) free cash flow up 42% year-over-year to \$2.29 billion. We have also remained focused on returning capital to shareholders via our dividend and stock repurchase program, both of which are up materially year-over-year, including \$563 million in share repurchases and dividends in the quarter.

September Quarter 2021 Business Highlights

1		KLA's consistency has been led by execution and a strong portfolio, we are not immune from supply chain challenges, but we are navigating them well and our leading foundry/logic position is a tailwind
2		KLA's metrology revenue is on track to grow meaningfully faster than the WFE market in 2021, driven by market leadership and the growing adoption of metrology applications in leading edge technology development and capacity monitoring
3		KLA'S leadership of the largest and fastest-growing segments of the process control market is fueling strong relative growth for the semiconductor process control segment, highlighted by 71% year-over-year growth in wafer inspection revenue in the September 2021 quarter
4		KLA's service business remains stellar, with strong double-digit year-over-year growth
5		KLA delivered record quarterly free cash flow generation of \$795 million, driving LTM free cash flow up 42% year-over-year to \$2.29 billion, while returning \$563 million in capital via buybacks and dividends

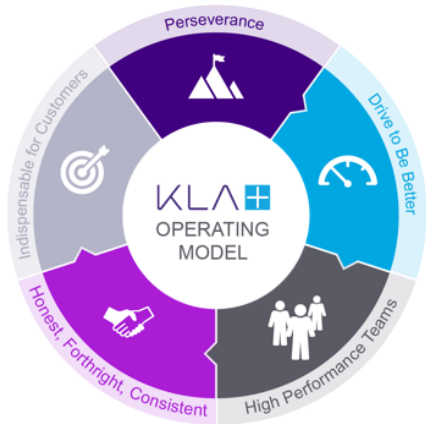
Before moving into the financial highlights, let's briefly summarize a few key points.

KLA's September 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 and increasing performance and reliability requirements for semiconductors produced at mature nodes to support evolving markets where semiconductor content is increasing to deliver new capabilities.

We believe KLA will continue to benefit from the numerous secular growth 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 executing against our strategic objectives and disciplined capital management, KLA delivers enduring value through corporate stewardship. KLA’s values are reflected in efforts to reduce our environmental footprint, provide for a safe and healthy workplace for employees, advance inclusion and diversity, and make positive contributions to the communities where we live and work.

We published our latest Global Impact Report in August 2021. It highlights how KLA delivers lasting value through corporate citizenship. Our journey on this path began when we opened our doors in 1976. We are now expanding our efforts to be more holistic across the Environmental, Social and Governance (ESG) topics most relevant to our business. We have also broadened our tracking and reporting to be inclusive of our full global footprint and acquired companies. We continue to build our long-term ESG strategy to focus on reducing climate impact, increasing disclosure, and deepening the positive impact we deliver through our business and community engagement.

2019-2020 GLOBAL IMPACT REPORT

- Introduction
- Our ESG Strategy
- CEO Message
- Business Snapshot and ESG Highlights
- Advancing Humanity
- Advancing Innovation
- Advancing Stewardship
- Advancing Opportunity
- Advancing Leadership
- Content Index

+ Standing Together to Advance Humanity

2020 was a year unlike any other. Despite all the challenges, together, we grew stronger. True to our KLA values, we never gave up on our drive to be better at work and in our communities.

When COVID-19 disrupted our normal operations, our top priority was keeping our employees and their families safe, especially those whose jobs could only be done onsite. Our teams mobilized quickly to implement temperature checks and daily testing for essential staff.

As communities struggled to secure personal protective equipment (PPE), we jumped into action to help. For example, our global operations team repurposed our 3D printers to produce face shields for healthcare workers, and our procurement department helped the Valley Medical Foundation in San Jose, California, procure more than \$300,000 in PPE supplies, with the KLA Foundation donating \$100,000 in support of the effort.

When racial injustice ignited unrest within the United States and abroad, we stood strong in our commitment to racial equity. We listened carefully, had deep conversations and reaffirmed our pledge that no form of racism will be tolerated at KLA.

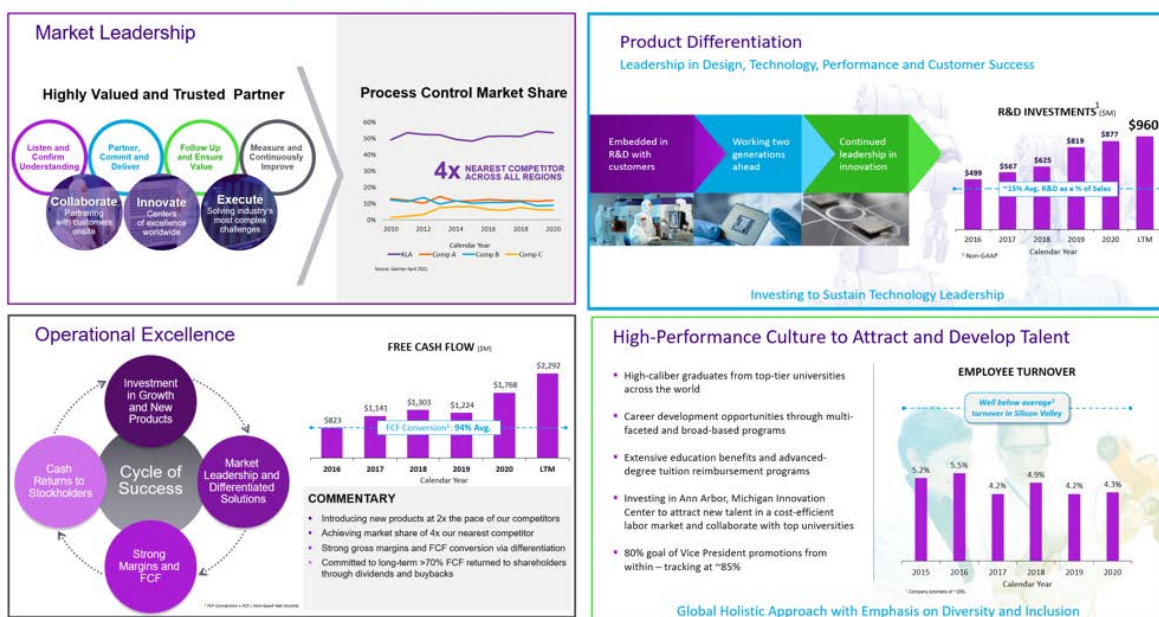
Throughout it all, we forged ahead on our environmental, social and governance (ESG) journey. We leaned into business and societal challenges by helping develop the technology to address them and continuing the important work of the KLA Foundation.

We're proud of the work we did to develop our corporate ESG strategy during 2019 and 2020, and we are excited to report progress on our initiatives.

We remain even more committed to our purpose of advancing humanity in everything we do—through innovation, stewardship, opportunity and leadership. True to the KLA name, we'll keep Looking Ahead™ and working toward a world that's more just, more equitable and more sustainable.

[Click Here To Read KLA’s New Global Impact Report](#)

KLA's Four Strategic Objectives Serve As Our Guide



Sources: Industry data and Company estimates.

September Quarter 2021 Financial Highlights

KLA's September 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 September quarter was \$2.08 billion, above the midpoint of the guided range for the quarter of \$1.92 to \$2.12 billion. Non-GAAP gross margin was above the midpoint of guidance at 62.9% as the various components performed mostly as expected with upside coming from the higher than expected semiconductor process control systems revenue which enhanced the product mix for the quarter. Non-GAAP diluted EPS was \$4.64, above the midpoint of the guided range of \$4.01 to \$4.89. Our performance reflected the mark-to-market of an equity position in a strategic supplier that negatively impacted non-GAAP earnings per share by \$0.06. GAAP diluted EPS was \$6.96 due primarily to a one-time tax benefit of \$395 million resulting from changes made to our international structure to better align ownership of certain intellectual property rights with how our business operates.

\$2,084M Revenue	42.2% Op. Margin*	\$712M Net Income*
62.9% Gross Margin*	\$795M Free Cash Flow*	\$4.64 NON-GAAP DILUTED EPS*
\$432M Operating Expenses*	112% FCF Conversion*	\$6.96 GAAP DILUTED 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 operating expenses were \$432 million, mostly in-line with guidance of \$430 million, and included \$252 million of R&D expense, and \$180 million of SG&A. Technical applications is a competitive advantage for KLA and drives demand for our products by helping our customers develop solutions that address their complex process challenges. Technical applications is included in SG&A and was \$47 million in the quarter. The combination of R&D expense and technical applications represented approximately 70% of total operating expenses. KLA's innovation is fundamental to our go-to-market strategy focused on differentiated solutions. R&D is at the heart of what we do and remains a key element in driving our portfolio strategy, new product introduction cadence, and product differentiation. This in turns helps sustain our technology and market leadership.

Given the rapid growth of the business over the last couple of years and our revenue expectations for the business going forward, we expect the company's operating expenses to continue to grow as we invest in global infrastructure, systems to scale the KLA Operating Model, new product development programs and volume dependent resources to support our business expansion. Furthermore, we, as most companies, are seeing a strong labor market driving cost pressure across our global workforce. As a result, we expect operating expenses to grow sequentially to approximately \$470 million in the December quarter and we forecast sequential growth in operating expenses to continue through calendar 2022. While operating expenses are trending higher, going forward, we will make the necessary investments to scale our business while we 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 normalized time horizon.

Non-GAAP operating income as a percentage of revenue was strong at 42.2% in the September quarter. Other income and expense, net, was \$52 million, compared with guidance of \$43 million, with the variance from guidance reflecting the impact of the mark-to-market of an investment discussed earlier. For December, we forecast other income and expense, net at approximately \$44 million. The quarterly effective tax rate was 13.9%, just above our guided tax rate of 13.5%. We will continue to monitor the corporate tax discussions in the United States and around the world and will provide updates on how those would affect KLA when necessary.

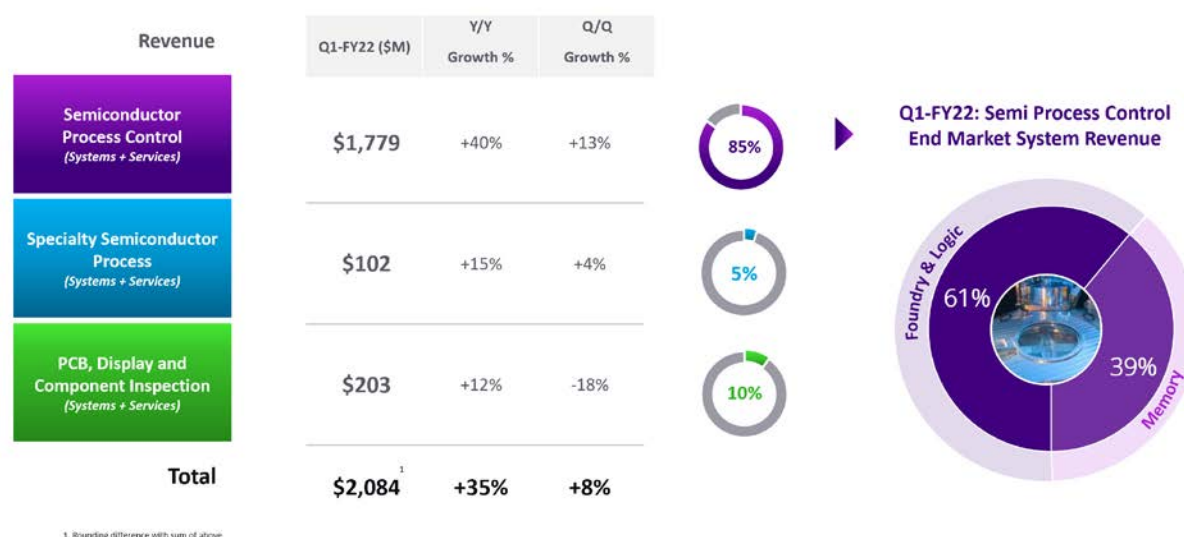
Non-GAAP net income was \$712 million, GAAP net income was \$1.07 billion, cash flow from operations was \$864 million, and free cash flow was \$795 million resulting in a free cash flow

conversion of 112%. The company had approximately 153 million diluted weighted average shares outstanding.

Breakdown of Revenue by Reportable Segments and End Markets

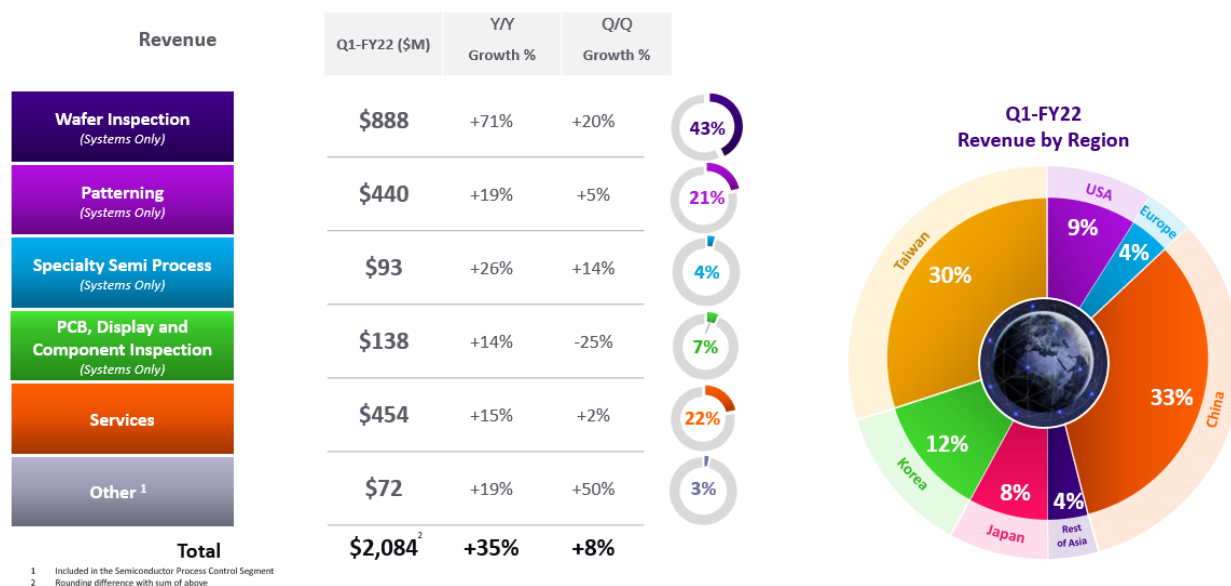
Revenue for the Semiconductor Process Control segment, including its associated Services business, was \$1.78 billion, up 40% year-over-year and up 13% sequentially. The approximate Semiconductor Process Control system customer segment mix was tilted slightly more towards Foundry/Logic than we forecasted at 61%, above our 59% estimate. Memory was 39% and within Memory, the business was split roughly 61% DRAM and 39% NAND.

Revenue for our Electronics, Packaging, and Components (EPC) group continues to be driven by strength in 5G mobile and infrastructure, as well as continued demand in automotive. More specifically, the Specialty Semiconductor Process segment which includes its associated Services business generated record revenue of \$102 million, up 15% over the prior year and up 4% sequentially. PCB, Display and Component Inspection revenue was \$203 million, up 12% year-over-year, but down 18% sequentially, after a record quarter in the PCB and the Component Inspection business in June.



Breakdown of Revenue by Major Products and Region

All major product categories delivered strong year-over-year growth, highlighted by Wafer Inspection systems, which grew 71% year-over-year, and was 43% of total revenue. Patterning systems, which includes reticle inspection, rose 19% year-over-year and was 21% of total revenue. Specialty Semiconductor Process systems grew 26% year-over-year and was 4% of total revenue. Finally, PCB, Display and Component Inspection systems was 7%, Services was 22%, and Other, which is consolidated into the Semiconductor Process Control segment, was 3%.



The regional split of revenue was as follows: China was 33%, Taiwan was 30%, and Korea was 12%. Regions that accounted for less than 10% of sales included the US at 9%, Japan at 8%, Europe at 4%, and the rest of Asia at 4%.

Strong Investment Grade Balance Sheet with No Bond Maturities Until 2024

KLA ended the quarter with \$2.625 billion in total cash, total bonds outstanding of \$3.45 billion, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three agencies.

Balance Sheet Summary¹ (\$M)

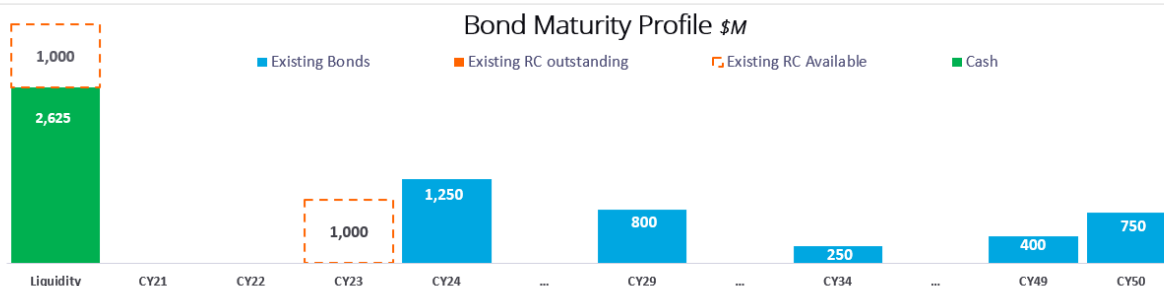
Total Cash ²	\$ 2,625
Working Capital	\$ 3,622
Total Assets	\$ 11,146
Debt ²	\$ 3,423
Total Shareholders' Equity	\$ 3,859

Bond Maturity Profile

Bonds Outstanding	\$ 3,450M
Weighted Average Rate	4.37%
Weighted Average Maturity	13.2 years

Investment Grade Credit Ratings

Moody's	A2
S&P	BBB+
Fitch	BBB+

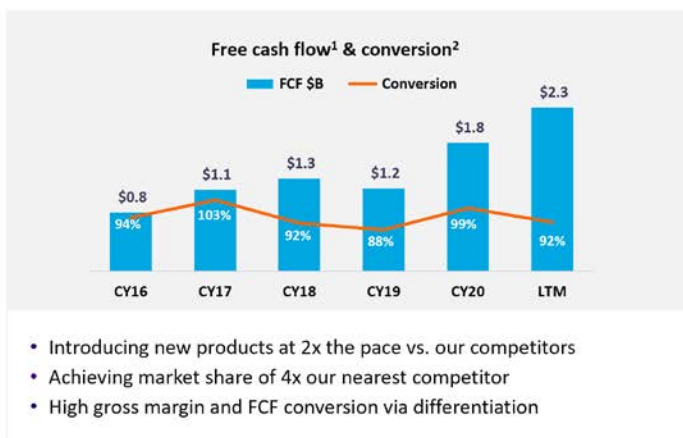


¹ As of 09/30/21; ² Total Cash includes Cash, Cash Equivalents and Marketable Securities; ³ Difference between Bonds Outstanding of \$3.450B and gross debt of \$3.423B is un-amortized debt issuance discounts and costs. KLA also has a \$20M notes payable due in CY22

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. Long-term, we target returning at least 70% of free cash flow

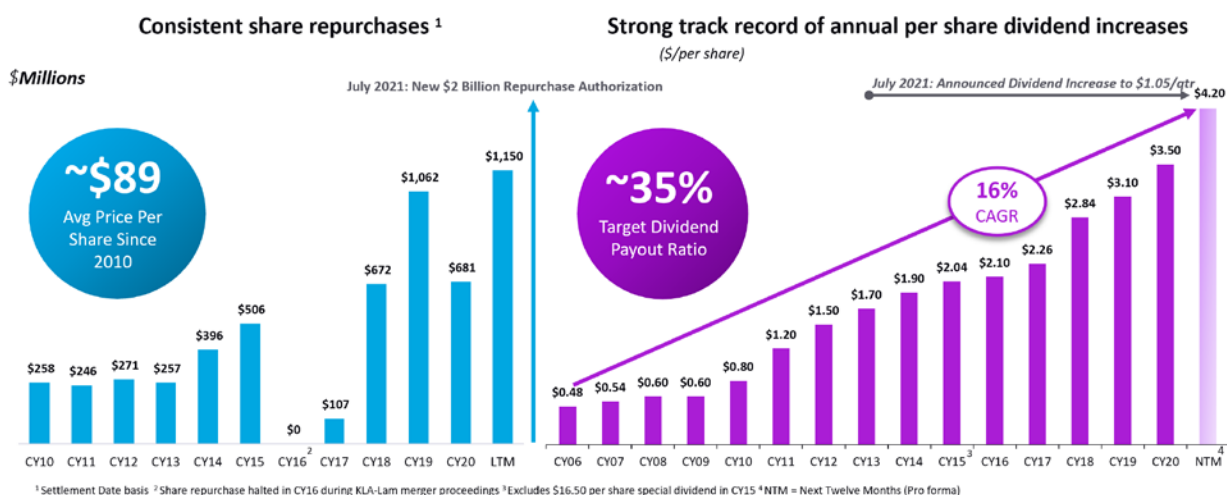
generated. Last quarter’s announcement of our 12th consecutive annual increase in the quarterly dividend level and the additional share repurchase authorization underscore our strong track record of predictable and productive capital deployment and remain an important part of the KLA investment thesis.



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

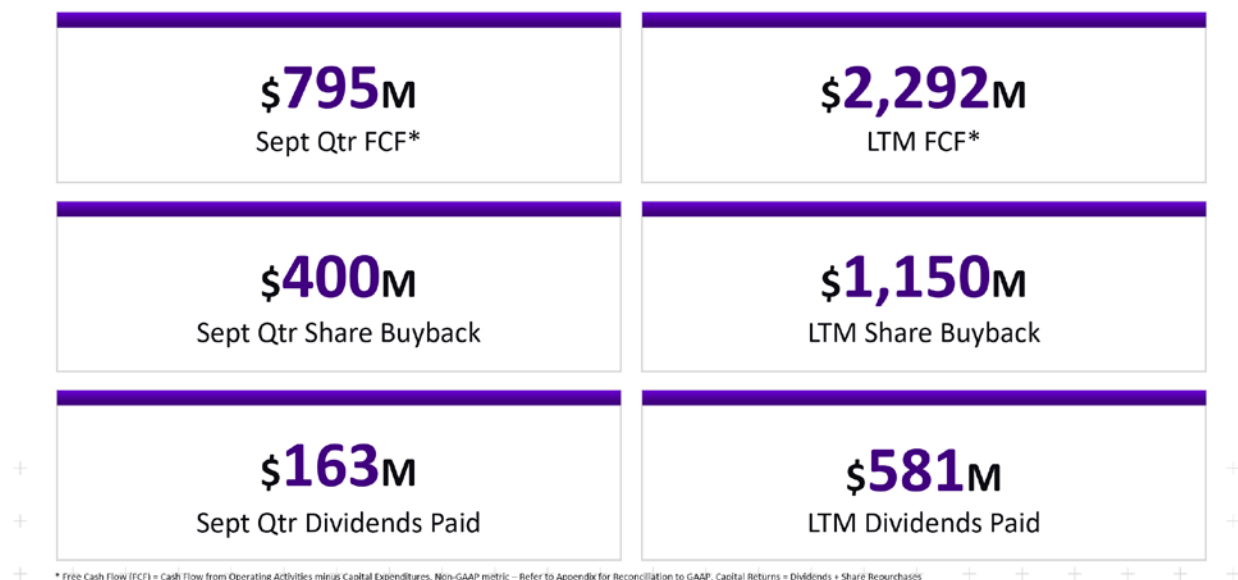
¹ Free Cash Flow (FCF) – Cash Flow from Operating Activities minus Capital Expenditures
² FCF Conversion defined as FCF/Non-GAAP Net Income; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP
³ For calendar 2021 KLA committed to return > 85% of FCF as disclosed originally on 4/29/21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

Over the last 12 months, KLA returned \$1.73 billion to shareholders including \$581 million in dividends paid, and \$1.15 billion in share repurchases. While circumstances can change, current expectations are that capital returns for calendar 2021 will exceed 85% of expected free cash flow generated in the calendar year.



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 a record \$795 million in free cash flow and repurchased \$400 million of common stock while also paying \$163 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, and in July we revised our WFE outlook upward again to the mid 30's. Today, we see continued strengthening and expect the WFE market to grow approximately 40% to the mid \$80 billion range in 2021, growing from approximately \$61 billion in calendar 2020. This reflects the broad-based strengthening of demand across all customer segments. KLA is in position to deliver strong relative growth this year with the semiconductor process control systems business now expected to grow in the mid 40's on a percentage basis over calendar year 2020. This growth profile is driven by our market leadership, and strong momentum in the marketplace across multiple product platforms.

Looking ahead, we remain encouraged by the strength and sustainability of our current demand profile across all customer segments. For the total company, we expect that the first half of 2022 will grow in the high single digits versus the second half of 2021. It is abundantly clear today that demand is constrained by the industry's ability to supply. This pent-up demand should enable another year of solid growth in 2022. While it is too early to put a fine point on our growth expectations for next calendar year, early indications point towards the wafer fab equipment (WFE) industry maintaining its growth momentum. Given our bookings momentum and strong backlog, we believe KLA is well positioned to outperform WFE. As in calendar 2021, we are adding capacity strategically across our global manufacturing footprint to drive this outlook and enable us to support our customers process control requirements.

Our December quarter guidance is as follows: Total revenue is expected to be in a range of \$2.325 billion, plus or minus \$100 million. Foundry/Logic is forecasted to be approximately 74% and Memory is expected to be approximately 26% of Semiconductor Process Control systems revenue to semiconductor customers. Within Memory, DRAM is expected to be about 53% of the segment mix and NAND is forecasted to be 47%. We forecast non-GAAP gross margin to be in a range of 62% to 64%. At the midpoint, gross margin is roughly flat sequentially as revenue volume and product mix improvement is offset by higher expected service and manufacturing costs.

Other model assumptions for December include: Non-GAAP operating expenses of approximately \$470 million, other income and expense, net of approximately \$44 million, and an effective tax rate of approximately 13.5%. Finally, GAAP diluted EPS is expected to be in a range of \$4.69 to \$5.59 and non-GAAP diluted EPS in a range of \$4.95 to \$5.85. The EPS guidance is based on a fully diluted share count of approximately 152 million shares.

	December 2021 quarter
REVENUE	\$2,225M to \$2,425M
NON-GAAP GROSS MARGIN*	62% to 64%
GAAP DILUTED EPS	\$4.69 to \$5.59
NON-GAAP DILUTED EPS*	\$4.95 to \$5.85

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

Macro assumptions

- Semi Process Control Revenue By End Market
 - Foundry/Logic: 74%
 - Memory: 26%

Model assumptions

- Non-GAAP Operating Expenses:* ~\$470M
- Other Income & Expense (OIE), Net: ~\$44M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~152M

Driving Profitable Growth and Delivering Shareholder Value

In Conclusion

In closing, the tailwinds driving semiconductor growth and investments in WFE continue to remain compelling. Broad-based customer demand and simultaneous investments across multiple technology nodes are strong and resilient trends. We have confidence in the leading indicators for our business, including our backlog and sales funnel visibility which is spurring us to invest in expanding our business infrastructure and the required capabilities to support our outlook. Our customers' multi-year investment plans provide an element of stability in the demand outlook for the future. KLA continues to execute exceptionally well and is on track to exceed our 2023 financial targets well ahead of expectations. The KLA Operating Model positions us well to outperform our industry and guides our important strategic objectives. These objectives fuel our growth, operational excellence, and differentiation across an increasingly diverse product and services offering. They are also the foundation for our sustained technology leadership, wide competitive moat, leading financial performance, long-standing track record of strong 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				
	Sep 30, 2021	Sep 30, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
GAAP net income attributable to KLA	\$ 1,068,417	\$ 2,726,142	\$ 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 60,168	219,248	214,533	340,318	21,218	4,737	4,383
Restructuring, severance and other charges	b 125	3,909	16,885	2,786	-	-	137
Debt extinguishment loss	c -	-	22,538	-	-	-	-
Goodwill and intangible asset impairment	d -	-	256,649	-	-	-	-
Merger-related charges	e -	-	-	-	-	9,308	17,051
Income tax effect of non-GAAP adjustments	f (19,684)	(72,012)	(74,196)	(97,828)	(1,229)	(4,631)	(6,169)
Discrete tax items	g (397,000)	(378,966)	(10,047)	8,465	(18,089)	441,894	(3,054)
Non-GAAP net income attributable to KLA	\$ 712,026	\$ 2,498,321	\$ 1,793,885	\$ 1,391,394	\$ 1,422,952	\$ 1,107,649	\$ 876,008
GAAP diluted EPS	\$ 6.96						
Non-GAAP diluted EPS	\$ 4.64						
Shares used in diluted shares calculation	153,410						
GAAP research and development ("R&D") expenses	\$ 258,153	\$ 967,602	\$ 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 (5,962)	(5,962)	-	(3,320)	-	-	-
Restructuring, severance and other charges	b -	(1,782)	(3,625)	(602)	-	-	(5)
Merger-related charges	e -	-	-	-	-	(3,139)	(3,767)
Non-GAAP R&D expenses	\$ 252,191	\$ 959,858	\$ 877,010	\$ 818,798	\$ 624,668	\$ 567,063	\$ 499,416
GAAP R&D expenses as a percentage of revenue	12.4%	13.0%	14.5%	15.6%	14.5%	15.0%	15.4%
Non-GAAP R&D expenses as a percentage of revenue	12.1%	12.9%	14.4%	15.5%	14.5%	14.9%	15.3%
GAAP income before income taxes	\$ 766,348						
Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*							
Acquisition-related charges	a 60,168						
Restructuring, severance and other charges	b 125						
Non-GAAP income before income taxes	\$ 826,641						
GAAP income tax expense (benefit)	\$ (302,137)						
Adjustments to reconcile GAAP income tax expense to non-GAAP income tax expense*							
Income tax effect of non-GAAP adjustments	f 19,684						
Discrete tax items	g 397,000						
Non-GAAP income tax expense (benefit)	\$ 114,547						
GAAP effective tax rate	-39.4%						
Non-GAAP effective tax rate	13.9%						

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

<i>(Dollars in thousands)</i>	For the three months ended
	Sep 30, 2021
GAAP operating income (1)	\$ 818,800
Adjustments to reconcile GAAP operating income to non-GAAP operating income*	
Acquisition-related charges	a 60,168
Non-GAAP Operating income (1)	\$ 878,968
GAAP operating margin	39.3%
Non-GAAP operating margin	42.2%
GAAP Selling, General and Administrative ("SG&A") expenses (1)	\$ 193,261
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*	
Acquisition-related charges	a (13,091)
Non-GAAP SG&A expenses (1)	\$ 180,170
GAAP Operating expenses (1)	\$ 451,414
Adjustments to reconcile GAAP operating expenses to non-GAAP operating expenses*	
Acquisition-related charges	a (19,053)
Non-GAAP Operating expenses (1)	\$ 432,361
GAAP gross profit	\$ 1,270,214
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*	
Acquisition-related charges	a 41,115
Non-GAAP gross profit	\$ 1,311,329
GAAP gross margin	61.0%
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*	
Acquisition-related charges	a 1.9%
Non-GAAP gross margin	62.9%

* 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 September 30, 2021 was \$(1.0) million. The gains (losses) associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended September 30, 2021 was \$(1.1) 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						
	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Dec 31, 2020	Sep 30, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Net cash provided by operating activities	\$ 863,797	\$ 512,171	\$ 2,536,650	\$ 1,968,126	\$ 1,794,776	\$ 1,373,031	\$ 1,389,697	\$ 1,190,475	\$ 857,780
Less Capital expenditures	(68,955)	(55,925)	(244,657)	(200,304)	(176,034)	(149,242)	(86,518)	(49,207)	(34,974)
Free cash flow	\$ 794,842	\$ 456,246	\$ 2,291,993	\$ 1,767,822	\$ 1,618,742	\$ 1,223,789	\$ 1,303,179	\$ 1,141,268	\$ 822,806
Free Cash Flow Conversion calculation									
Free cash flow	\$ 794,842		\$ 2,291,993	\$ 1,767,822		\$ 1,223,789	\$ 1,303,179	\$ 1,141,268	\$ 822,806
Non-GAAP net income attributable to KLA	712,026		2,498,321	1,793,885		1,391,394	1,422,592	1,107,649	876,008
Free cash flow conversion	111.6%		91.7%	98.5%		88.0%	91.6%	103.0%	93.9%
GAAP metric comparable to Free Cash Flow Conversion									
Net cash provided by operating activities	\$ 863,797		\$ 2,536,650	\$ 1,968,126		\$ 1,373,031	\$ 1,389,697	\$ 1,190,475	\$ 857,780
GAAP net income attributable to KLA	1,068,417		2,726,142	1,367,523		1,137,653	1,420,692	656,341	863,670
GAAP metric comparable to free cash flow conversion	80.8%		93.0%	143.9%		120.7%	97.8%	181.4%	99.3%
Cash paid for dividends	\$ 162,821	\$ 141,164							
Cash paid for share repurchases	399,677	187,897							
Capital returns	\$ 562,498	\$ 329,061							
Capital returns as a percentage of free cash flow	70.8%	72.1%							

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.

Reconciliation of Q2 FY 2022 Guidance Range

<i>(In millions, except per share amounts and percentages)</i>	Low	High
GAAP diluted net income per share	\$ 4.69	\$ 5.59
Acquisition-related charges	a 0.36	0.36
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	\$ 4.95	\$ 5.85
Shares used in diluted shares calculation	152.2	152.2
GAAP gross margin	60.2%	62.3%
Acquisition-related charges	a 1.8%	1.7%
Non-GAAP gross margin	62.0%	64.0%
GAAP operating expenses	\$ 480	\$ 492
Acquisition-related charges	a (14)	(14)
Restructuring, severance and other charges	b (2)	(2)
Non-GAAP operating expenses	\$ 464	\$ 476

Note: The guidance as of October 27, 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.
- 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.



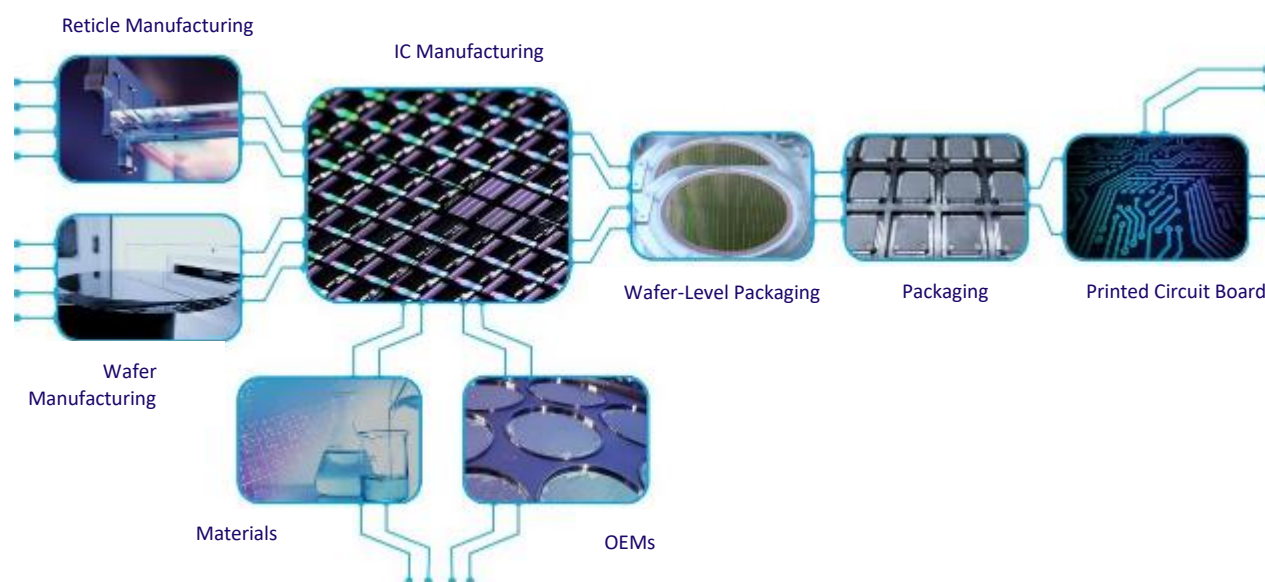
KLA's broad portfolio services the entire semiconductor ecosystem:

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 and 2022; (ii) our ability to meet or exceed our 2023 financial targets ahead of expectations; (iii) continued improvement of industry demand for semiconductors and WFE; (iv) foundry/logic strength with our customers increasing their demand forecast in 2021; (v) strong demand for memory in 2021 and 2022; (vi) high R&D investment; (vii) expansion of service opportunities; (viii) capital allocation; (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) continued improvement of revenue throughout calendar year 2021; (xii) levels of business activity in the quarter ending December 31, 2021 and for calendar 2021; (xiii) future capital returns to shareholders; (xiv) our non-GAAP operating expenses for the quarter ending December 31, 2021 and near term budget; (xv) our effective tax planning rate for the quarter ending December 31, 2021; (xvi) WFE growth in 2021 and 2022, and demand levels across end markets; and (xvii) revenues, GAAP and non-GAAP gross margin and GAAP and non-GAAP diluted EPS for the quarter ending December 31, 2021 and revenues across customer segments in the quarter ending December 31, 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; delays and disruptions in the supply chain; cybersecurity incidents of ours and our customer' and suppliers' networks; 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's Annual Report on Form 10-K for the year ended June 30, 2021, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors included therein). KLA assumes no obligation to, and does not currently intend to, update these forward-looking statements.