KLA Earnings

Q2 Fiscal 2022

(Quarter Ended December 31, 2021)

Reporting Date: January 27, 2022

Forward-Looking Statements

Statements in this presentation other than historical facts, such as statements pertaining to: (i) growth rates for 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 2022; (v) strong demand for memory in 2022; (vi) high R&D investment; (vii) expansion of service opportunities; (viii) capital allocation; (ix) continued improvement of revenue throughout calendar year 2022; (x) levels of business activity in the quarter ending March 31, 2022 and for calendar 2022; (xi) future capital returns to shareholders; (xii) our non-GAAP operating expenses for the quarter ending March 31, 2022 and near term budget; (xiii) our effective tax planning rate for the quarter ending March 31, 2022; (xiv) WFE growth in 2022, and demand levels across end markets; and (xv) revenues, GAAP and non-GAAP gross margin and GAAP and non-GAAP diluted EPS for the quarter ending March 31, 2022 and revenues across customer segments in the quarter ending March 31, 2022; 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’s 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.

Strategic Overview and Highlights

Rick Wallace | Chief Executive Officer

Semiconductor Industry Demand Environment

Semiconductor Demand Remains Powerful – KLA is benefiting from broad and diversified strength across each of our major markets, with growth fueled by increasing adoption of Process Control and KLA's market diversification strategies. KLA ended 2021 with record total company backlog and we see 2022 as another year of strong growth for the company and our industry, driven by semiconductor and electronics industry megatrends across a broad spectrum of markets enabling the Data Economy.

Customer R&D Investment and Increasing Capacity A Top Priority in CY22 – KLA plays a critical role in enabling technology transitions in advanced semiconductor manufacturing, as well as helping customer improve yields throughout the capacity growth phase. CY22 is shaping up to be a year of strong growth for WFE, with customers investing in technology transitions in every segment, as well as adding new capacity. KLA benefits from these investments as we are on the critical path to enabling faster R&D development cycles, faster yield ramps and higher, more stable yields in production.

Strong Secular Growth Drivers Intact – Regionalization of semiconductors has been added to other powerful 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 Has Delivered on our 2023 Financial Targets Well Ahead of Expectations

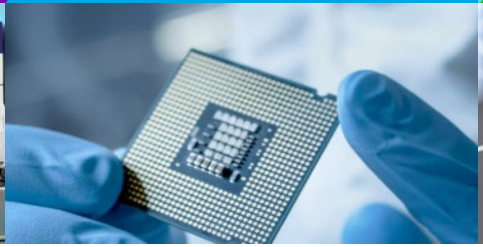
KLA's R&D Drives Product Differentiation

Leadership in Design, Technology, Performance and Customer Success

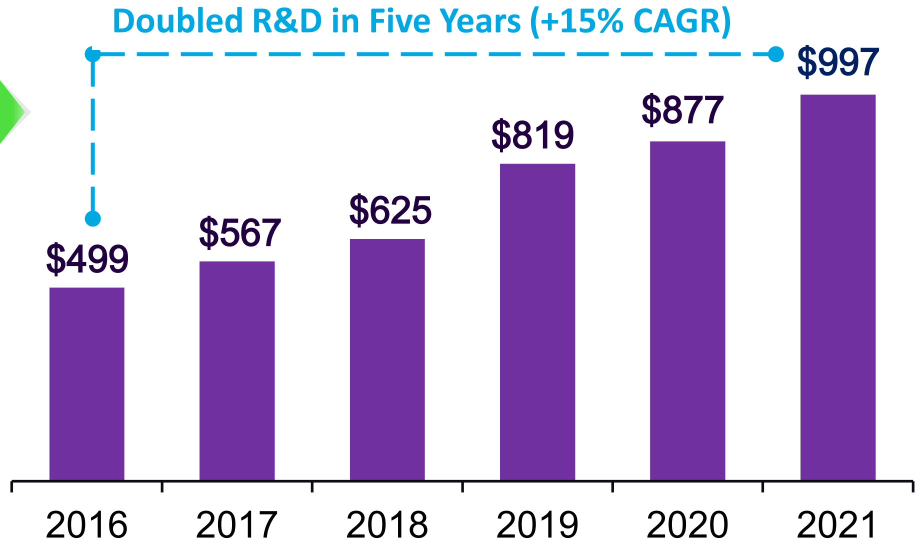
Embedded in R&D with customers

Working two generations ahead

Continued leadership in innovation



R&D INVESTMENTS[1] ($M)



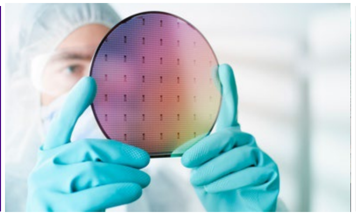
1 Non-GAAP

KLA's R&D Investments Have Doubled Over The Past Five Years

KLA

December Quarter 2021 Business Highlights

1

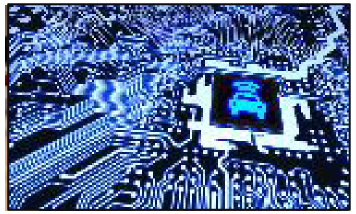


KLA's Consistency Led By Execution and Strong Portfolio. We continue to benefit from strength across all our major end markets with overall revenue up 34% year-over-year. We are not immune from supply chain challenges but have navigated them well. In Foundry/Logic, simultaneous investments across multiple nodes and rising capital intensity continues to be a tailwind. In Memory, demand remains broad-based across multiple customers, and we expect another year of double-digit growth in 2022, mainly driven by NAND but followed closely by DRAM, which will pick up strength in the year.

2

KLA's Market Leadership in the Largest and Fastest-Growing Segments of Process Control Driving Strong Relative Growth. Wafer Inspection systems revenue grew 54% in 2021, outpacing the WFE market which is estimated to have grown approximately 40%. We are seeing strong growth across our Wafer Inspection portfolio, from Broadband Plasma, Laser Scanning, Unpatterned and Bare Wafer Inspection, Macro Inspection, and e-Beam. This quarter we highlight Macro Inspection, which is growing at a pace of ~1.5x WFE, driven by Automotive and other Specialty markets, a strong growth opportunity where KLA has a unique and defensible market position.

3



KLA's Market Diversification Strategies Highlighted by Growth in EPC. KLA's Electronics, Packaging, and Components Group systems revenue grew 20% in 2021. EPC comprises businesses associated with the former Orbotech and ICOS acquisitions. With EPC, KLA is diversifying our opportunity with a broad product portfolio addressing fast-growing new markets in the electronics value chain, such RF, Automotive, PCB, Advanced Packaging, and Display.

4

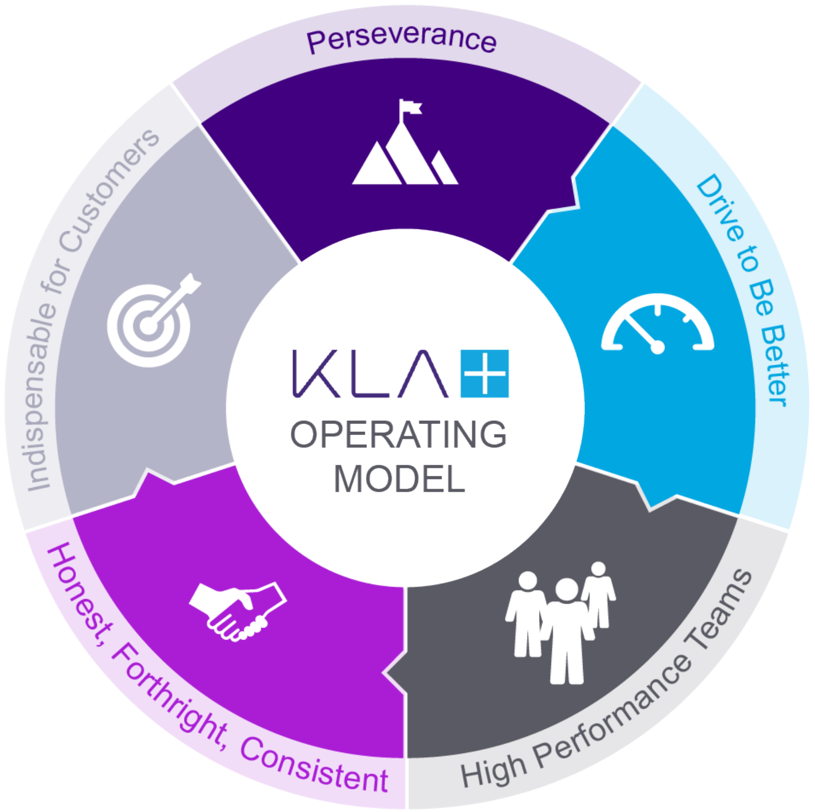
Stellar Services Performance as Double-Digit Growth Continues. Our Services business (19% of total revenue) continues to perform well, growing 14% in 2021, above its targeted long-term growth rate of 9% to 11%. Long-term growth in Services is being driven by a growing installed base, increasing complexity of our systems, tighter time-to-market requirements for customers, and market expansion at trailing edge nodes. KLA's Services contract penetration rate is over 75% of overall Service revenue and growing.

5

Company Delivered Exceptional Free Cash Flow Generation and Consistent Capital Returns. Quarterly free cash flow was $746 million which drove free cash flow growth of 43% in 2021, to $2.5 billion. We have also remained focused on returning capital to shareholders via our dividend and stock repurchase program, and total capital returns in 2021 grew by 63% to $2 billion. Dividends and share repurchases were $590 million in the December 2021 quarter.

KLA

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

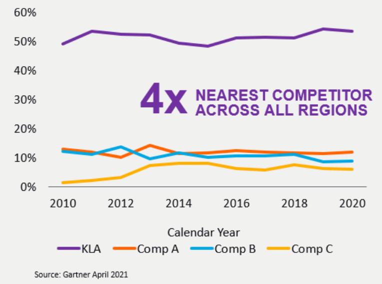
Focused on Driving Sustainable Profitability and Growth

KLA's Four Strategic Objectives Serve As Our Guide

Market Leadership

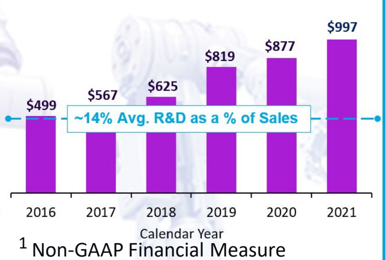
Highly Valued and Trusted Partner

Process Control Market Share



Product Differentiation

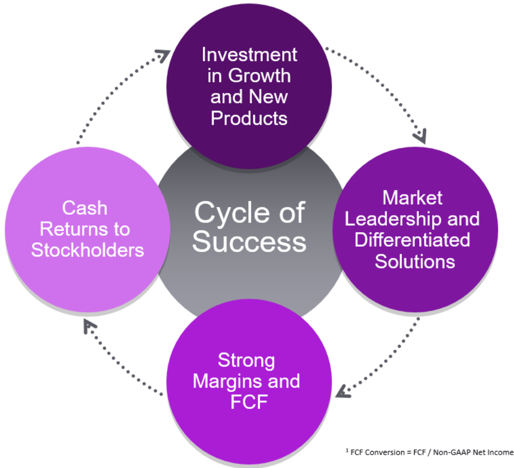
Leadership in Design, Technology, Performance and Customer Success

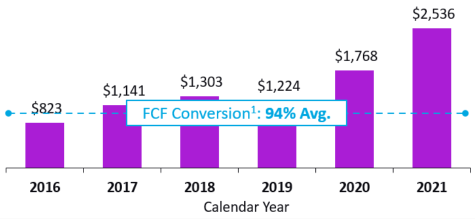


1 Non-GAAP Financial Measure

Investing to Sustain Technology Leadership

Operational Excellence





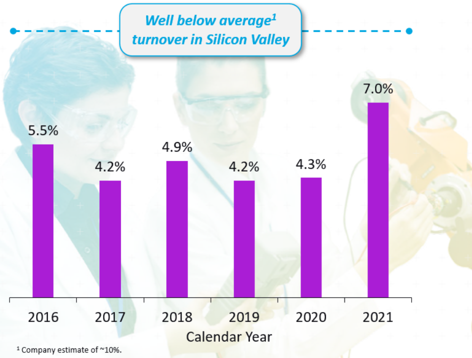
COMMENTARY

- Introducing new products at 2x the pace of our competitors
- Achieving market share of 4x our nearest competitor
- Strong gross margins and FCF conversion via differentiation
- Committed to long-term >70% FCF returned to shareholders through dividends and buybacks

[1] FCF Conversion = FCF / Non-GAAP Net Income.

High-Performance Culture to Attract and Develop Talent

- High-caliber graduates from top-tier universities across the world
- Career development opportunities through multi-faceted and broad-based programs
- Extensive education benefits and advanced-degree tuition reimbursement programs
- Investing in Ann Arbor, Michigan Innovation Center to attract new talent in a cost-efficient labor market and collaborate with top universities
- 80% goal of Vice President promotions from within – tracking at ~85%



Global Holistic Approach with Emphasis on Diversity and Inclusion

Sources: Industry data and Company estimates.

Business Performance and Guidance

Bren Higgins | Chief Financial Officer

Calendar Year 2021 Highlights: 6th Consecutive Year of Growth

Revenue $8,166M	**34%**	Revenue Growth
FCF $2,536M	**43%**	Free Cash Flow Growth*
Gross Profit $5,125M	**37%**	Gross Profit Growth*
EPS $18.50	**61%**	EPS Growth*
Op. Profit $3,401M	**54%**	Op. Profit Growth*
Dividend + Buybacks	**$2,003M**	Capital Returns

* Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP . Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures.
* Diluted net income per share is computed independently for each of the quarters presented based on the weighted-average fully diluted shares outstanding for each quarter. Therefore, the sum of quarterly diluted net income per share information may not equal annual (or other multiple-quarter calculations of) diluted net income per share.

Delivering Strong Earnings Leverage and Capital Returns

December Quarter 2021 Financial Highlights

$2,353M Revenue	43.4% Op. Margin*	$851M Net Income*
63.1% Gross Margin*	$746M Free Cash Flow*	$5.59 NON-GAAP DILUTED EPS*
$465M Operating Expenses*	88% FCF Conversion*	$4.71 GAAP DILUTED EPS

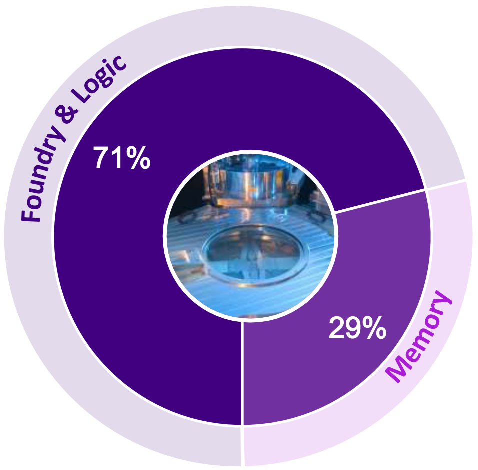
* Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP . Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures.

Breakdown of Revenue by Reportable Segments & End Markets

Revenue	CY21-Q4 ($M)	Y/Y Growth %	Q/Q Growth %	CY21-Q4 Rev Mix	CY21 ($M)	Y/Y Growth %
Semiconductor Process Control *(Systems + Services)*	$2,052	+49%	+15%	87%	$6,918	+39%
Specialty Semiconductor Process *(Systems + Services)*	$113	+24%	+10%	5%	$404	+11%
PCB, Display and Component Inspection *(Systems + Services)*	$188	+5%	-7%	8%	$843	+17%
Total	**$2,353**[1]	**+43%**	**+13%**		**$8,166**[1]	**+34%**

1. Rounding difference with sum of above

CY21-Q4: Semi Process Control End Market System Revenue

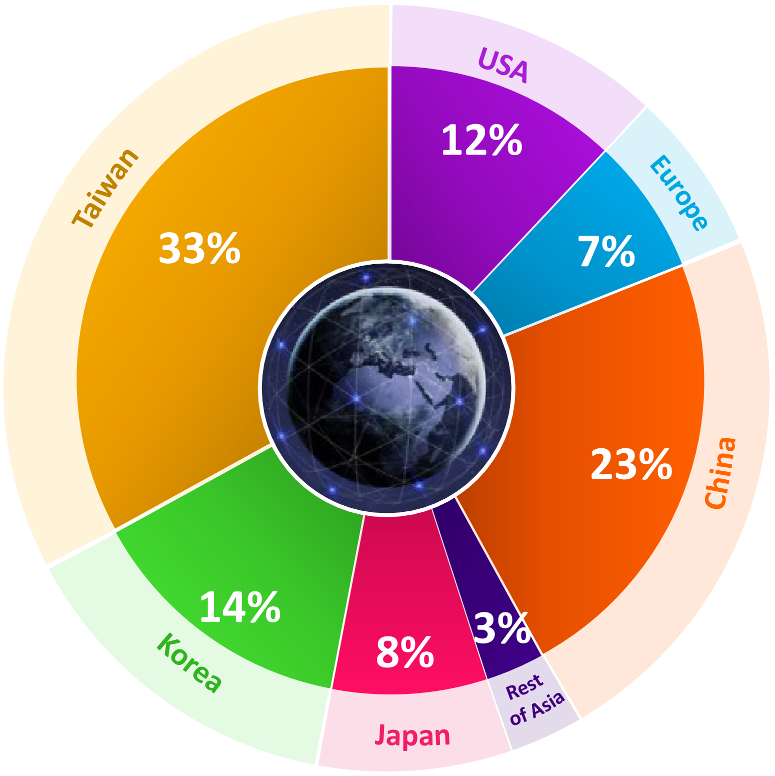


Breakdown of Revenue by Major Product Categories and Region

Revenue	CY21-Q4 ($M)	Y/Y Growth %	Q/Q Growth %	CY21-Q4 Rev Mix	CY21 ($M)	Y/Y Growth %
Wafer Inspection *(Systems Only)*	$1,104	+61%	+24%	47%	$3,446	+54%
Patterning *(Systems Only)*	$509	+65%	+16%	22%	$1,776	+38%
Specialty Semi Process *(Systems Only)*	$105	+46%	+13%	4%	$357	+20%
PCB, Display and Component Inspection *(Systems Only)*	$122	+5%	-12%	5%	$586	+21%
Services	$457	+11%	+1%	19%	$1,783	+14%
Other [1]	$57	+2%	-21%	2%	$219	+4%
Total	**$2,353** [2]	**+43%**	**+13%**		**$8,166**	**+34%**

1 Included in the Semiconductor Process Control Segment
2 Rounding difference with sum of above

CY21-Q4 Revenue by Region



Strong Balance Sheet With No Bond Maturities Until 2024

Balance Sheet Summary[1] ($M)

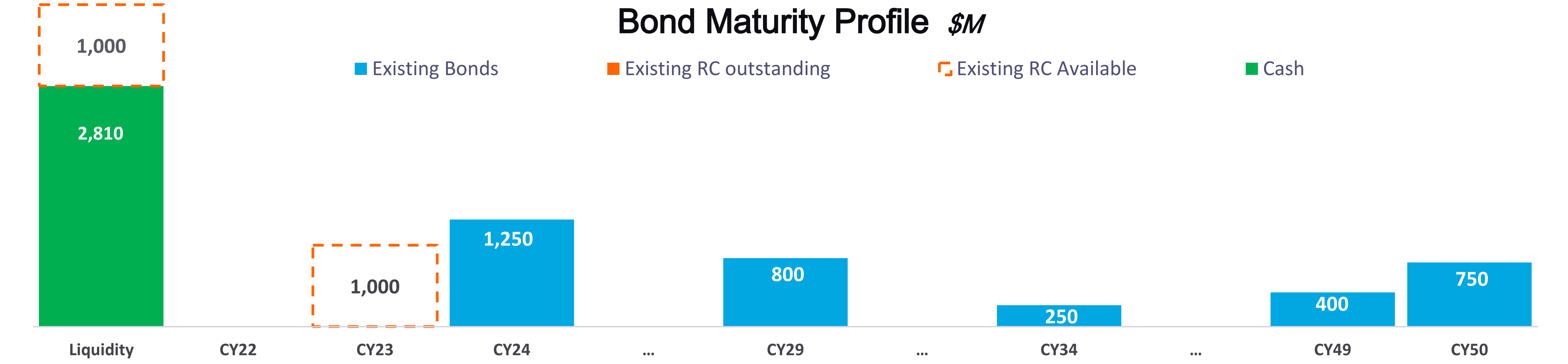
Total Cash[2]	$	2,810
Working Capital	$	3,925
Total Assets	$	11,680
Debt[3]	$	3,444
Total Shareholders' Equity	$	4,047

Bond Maturity Profile

Bonds Outstanding	$ 3,450M
Weighted Average Rate	4.37%
Weighted Average Maturity	12.9 years

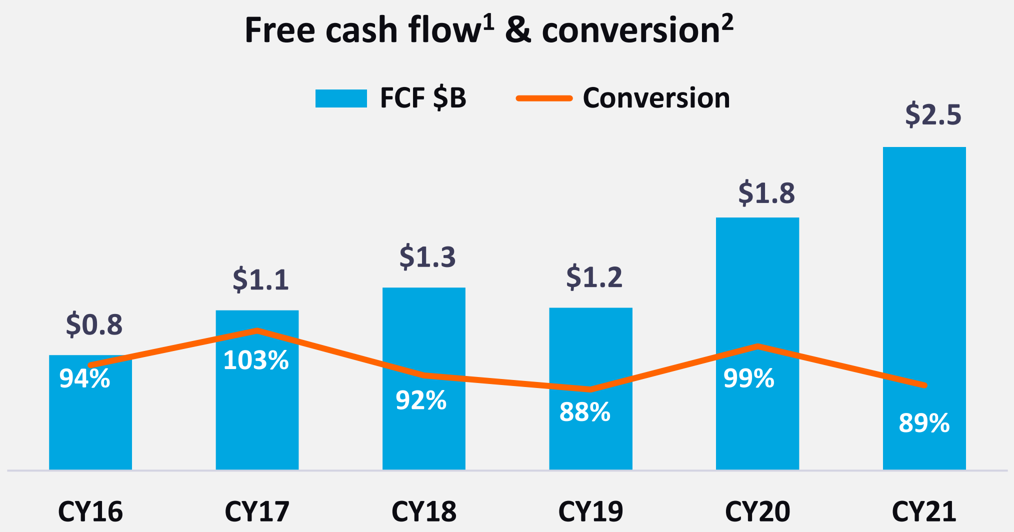
Investment Grade Credit Ratings

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



[1] As of 12/31/21; [2] Total Cash includes Cash, Cash Equivalents and Marketable Securities;
[3] Difference between Bonds Outstanding of $3.450B and gross debt of $3.424B 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



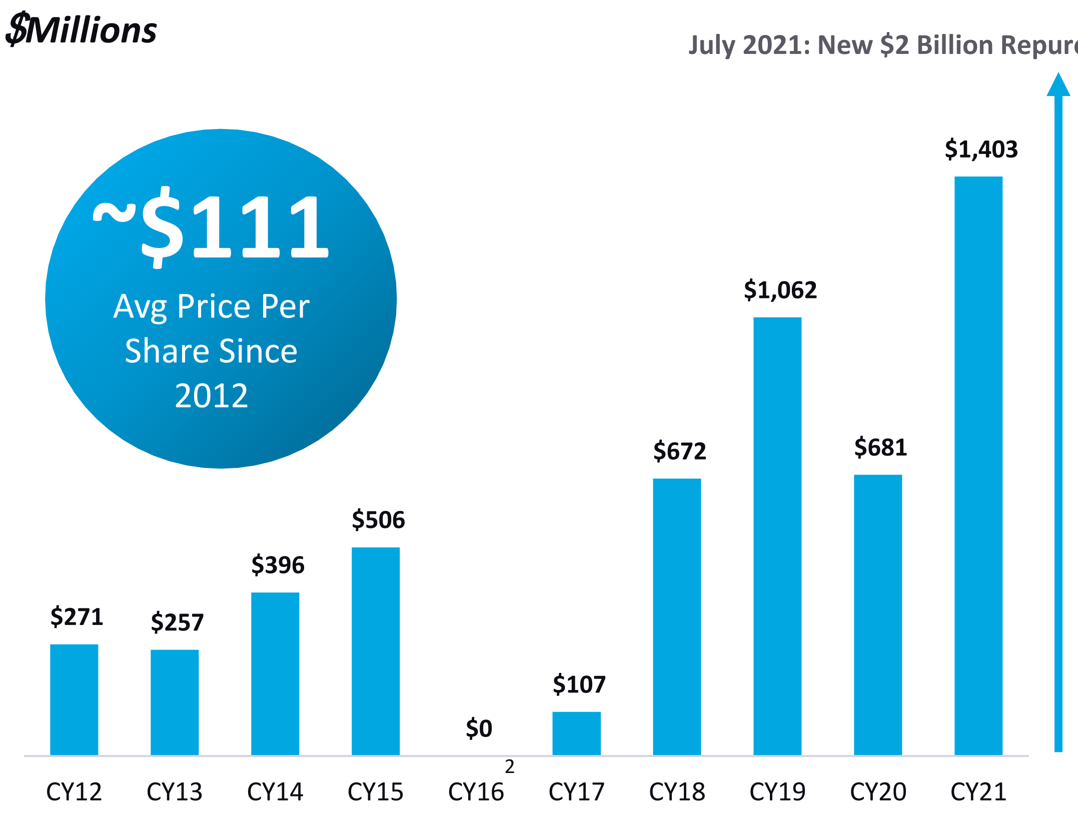
- Introducing new products at 2x the pace vs. our competitors
- Achieving market share of 4x our nearest competitor
- High gross margin and FCF conversion via differentiation

Committed to Long-Term >70% 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

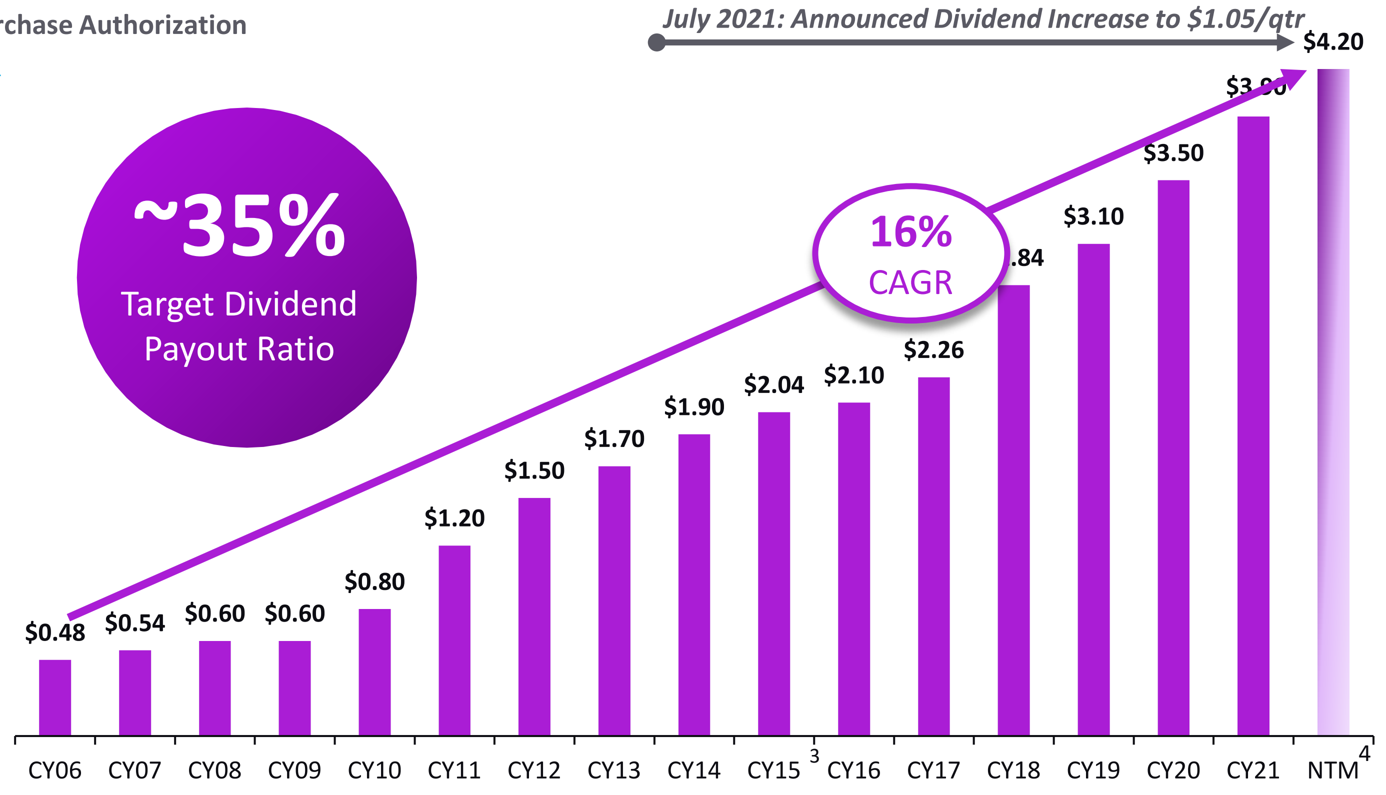
Return to Shareholders Balanced Between Buybacks and Dividends

Consistent share repurchases [1]



Strong track record of annual per share dividend increases

($/per share)



[1] Settlement Date basis [2] Share repurchase halted in CY16 during KLA-Lam merger proceedings [3] Excludes $16.50 per share special dividend in CY15 [4] NTM = Next Twelve Months (Pro forma)

March Quarter 2022 Guidance (Q3 FY2022)

	March 2022 quarter
REVENUE	$2,100M to $2,300M
NON-GAAP GROSS MARGIN*	61.50% to 63.50%
GAAP DILUTED EPS	$4.09 to $4.99
NON-GAAP DILUTED EPS*	$4.35 to $5.25

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

Macro assumptions

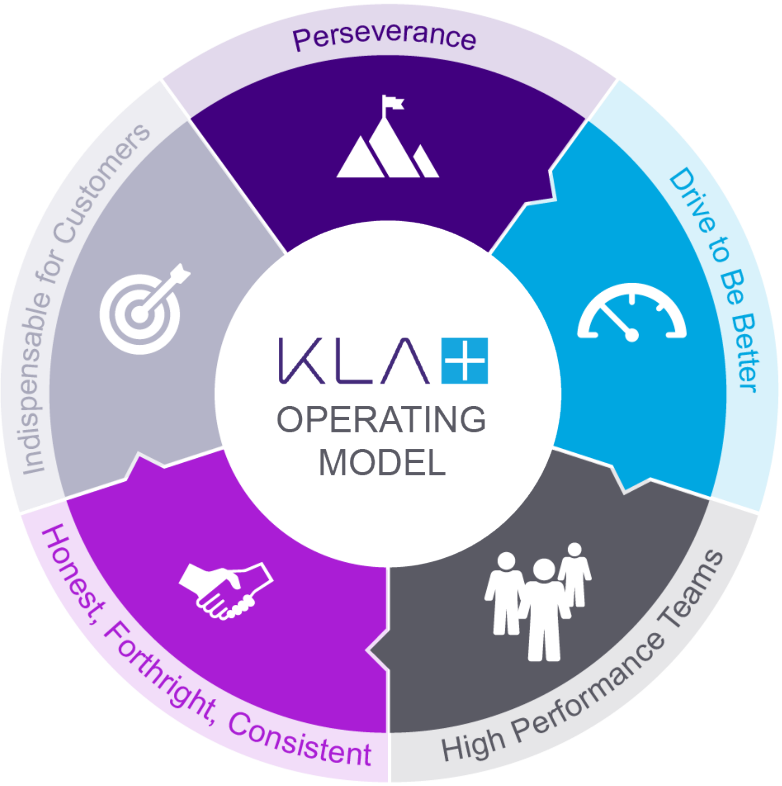
- Semi Process Control Revenue By End Market
  - Foundry/Logic: 59%
  - Memory: 41%

Model assumptions

- Non-GAAP Operating Expenses:* ~$495M
- Other Income & Expense (OIE), Net: ~$41M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~151M

Driving Profitable Growth and Delivering Shareholder Value

The KLA Operating Model Continues to Guide Us



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

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

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

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

5 **Track record of strong cash flow generation** supported by diversification of revenue streams; balanced capital allocation delivering superior shareholder value

Appendix

Reconciliation of Financial Results

Reconciliation of Non-GAAP Financial Measures

(in thousands, except per share amounts and percentages)		For the three months ended Dec 31, 2021	For the twelve months ended Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
GAAP net income attributable to KLA		**$ 717,444**	**$ 2,986,335**	**$ 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	54,339	220,488	214,533	340,318	21,218	4,737	4,383
Restructuring, severance and other charges	b	-	(51)	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	(16,758)	(71,218)	(74,196)	(97,828)	(1,229)	(4,631)	(6,169)
Discrete tax items	g	96,016	(290,331)	(10,047)	8,465	(18,089)	441,894	(3,064)
Non-GAAP net income attributable to KLA		**$ 851,041**	**$ 2,845,223**	**$ 1,793,885**	**$ 1,391,394**	**$ 1,422,592**	**$ 1,107,649**	**$ 876,008**
GAAP diluted EPS +		**$ 4.71**	**$ 19.42**	**$ 8.75**				
Non-GAAP diluted EPS +		**$ 5.59**	**$ 18.50**	**$ 11.47**				
Shares used in diluted shares calculation +		152,331	153,796	156,339				
GAAP research and development ("R&D") expenses		**$ 265,031**	**$ 1,003,569**	**$ 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)	-	(3,328)	-	-	-
Restructuring, severance and other charges	b	-	(350)	(3,625)	(802)	-	-	(5)
Merger-related charges	e	-	-	-	-	-	(3,139)	(3,767)
Non-GAAP R&D expenses		**$ 265,031**	**$ 997,257**	**$ 877,010**	**$ 818,798**	**$ 624,668**	**$ 567,063**	**$ 499,416**
GAAP R&D expenses as a percentage of revenue		11.3%	12.3%	14.5%	15.6%	14.5%	15.0%	15.4%
Non-GAAP R&D expenses as a percentage of revenue		11.3%	12.2%	14.4%	15.5%	14.5%	14.9%	15.3%

\+ In multiple-quarter calculations of diluted net income per share, the shares used are an average of the weighted average fully diluted shares outstanding for the relevant quarters. Therefore, the sum of the individual quarterly diluted net income per share amounts for the quarters may not equal the calendar year or multiple-quarter diluted net income per share presented.

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

Reconciliation of Non-GAAP Financial Measures

(Dollars in thousands)		For the three months ended Dec 31, 2021	For the twelve months ended Dec 31, 2021	Dec 31, 2020
GAAP gross profit		$ 1,444,468	$ 4,962,056	$ 3,571,050
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*				
Acquisition-related charges	a	41,115	163,038	154,074
Restructuring, severance and other charges	b		230	2,418
Non-GAAP gross profit		$ 1,485,583	$ 5,125,324	$ 3,727,542
GAAP gross margin		61.4%	60.8%	58.8%
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*				
Acquisition-related charges	a	1.7%	2.0%	2.6%
Non-GAAP gross margin		63.1%	62.8%	61.4%
GAAP operating income (1)		$ 965,958	$ 3,176,685	$ 1,725,675
Adjustments to reconcile GAAP operating income to non-GAAP operating income*				
Acquisition-related charges	a	54,339	220,488	214,533
Restructuring, severance and other charges	b		4,281	15,869
Goodwill and intangible asset impairment	d		-	256,649
Non-GAAP Operating income (1)		$ 1,020,297	$ 3,401,454	$ 2,212,726
GAAP operating margin		41.1%	38.9%	28.4%
Non-GAAP operating margin		43.4%	41.7%	36.4%
GAAP Selling, General and Administrative ("SG&A") expenses (1)		$ 213,479		
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*				
Acquisition-related charges	a	(13,224)		
Non-GAAP SG&A expenses (1)		$ 200,255		
GAAP Operating expenses (1)		$ 478,510		
Adjustments to reconcile GAAP operating expenses to non-GAAP operating expenses*				
Acquisition-related charges	a	(13,224)		
Non-GAAP Operating expenses (1)		$ 465,286		

* 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 associated with changes in the liability included in selling, general and administrative expense for the quarter ended December 31, 2021 and the calendar years ended December 31, 2021 and 2020 were $12.0 million, $32.2 million and $34.7 million, respectively. The net gains associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter ended December 31, 2021 and the calendar years ended December 31, 2021 and 2020 were $11.8 million, $32.0 million and $35.2 million, respectively.

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures	For the three months ended		For the twelve months ended					
(Dollars in thousands)	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Net cash provided by operating activities	$ 810,798	$ 561,081	$ 2,786,367	$ 1,968,126	$ 1,373,031	$ 1,389,697	$ 1,190,475	$ 857,780
Less Capital expenditures	(64,901)	(59,144)	(250,414)	(200,304)	(149,242)	(86,518)	(49,207)	(34,974)
Free cash flow	**$ 745,897**	**$ 501,937**	**$ 2,535,953**	**$ 1,767,822**	**$ 1,223,789**	**$ 1,303,179**	**$ 1,141,268**	**$ 822,806**
Free Cash Flow Conversion calculation								
Free cash flow	$ 745,897	$ 501,937	$ 2,535,953	$ 1,767,822	$ 1,223,789	$ 1,303,179	$ 1,141,268	$ 822,806
Non-GAAP net income attributable to KLA	851,041	504,139	2,845,223	1,793,885	1,391,394	1,422,592	1,107,649	876,008
Free cash flow conversion	**87.6%**	**99.6%**	**89.1%**	**98.5%**	**88.0%**	**91.6%**	**103.0%**	**93.9%**
GAAP metric comparable to Free Cash Flow Conversion								
Net cash provided by operating activities	$ 810,798	$ 561,081	$ 2,786,367	$ 1,968,126	$ 1,373,031	$ 1,389,697	$ 1,190,475	$ 857,780
GAAP net income attributable to KLA	717,444	457,251	2,986,335	1,367,523	1,137,653	1,420,692	656,341	863,670
GAAP metric comparable to free cash flow conversion	**113.0%**	**122.7%**	**93.3%**	**143.9%**	**120.7%**	**97.8%**	**181.4%**	**99.3%**
Cash paid for dividends	$ 159,129	$ 139,584	$ 600,555	$ 546,837				
Cash paid for share repurchases	429,874	177,492	1,402,769	681,384				
Capital returns	**$ 589,003**	**$ 317,076**	**$ 2,003,324**	**$ 1,228,221**				
Capital returns as a percentage of free cash flow	**79.0%**	**63.2%**	**79.0%**	**69.5%**				
Free cash flow	$ 745,897							
Revenue	2,352,630							
Free cash flow margin	**31.7%**							

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.

Reconciliation of Q3 FY 2022 Guidance Range

(In millions, except per share amounts and percentages)		Low	High
GAAP diluted net income per share		$ 4.09	$ 4.99
Acquisition-related charges	a	0.37	0.37
Income tax effect of non-GAAP adjustments	e	(0.11)	(0.11)
Non-GAAP diluted net income per share		$ 4.35	$ 5.25
Shares used in net income per diluted shares calculation		151.4	151.4
GAAP gross margin as a percentage of revenue		59.5%	61.7%
Acquisition-related charges	a	2.0%	1.8%
Restructuring, severance and other charges	b	0.0%	0.0%
Non-GAAP gross margin as a percentage of revenue		61.5%	63.5%
GAAP operating expenses		$ 503	$ 515
Acquisition-related charges	a	(14)	(14)
Non-GAAP operating expenses		$ 489	$ 501

Note: The guidance as of January 27, 2022 represents our best estimate considering the information known as of the date of issuing the guidance. Any impact from acquisitions that have not closed as of December 31, 2021 are not included in these estimates. 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 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.