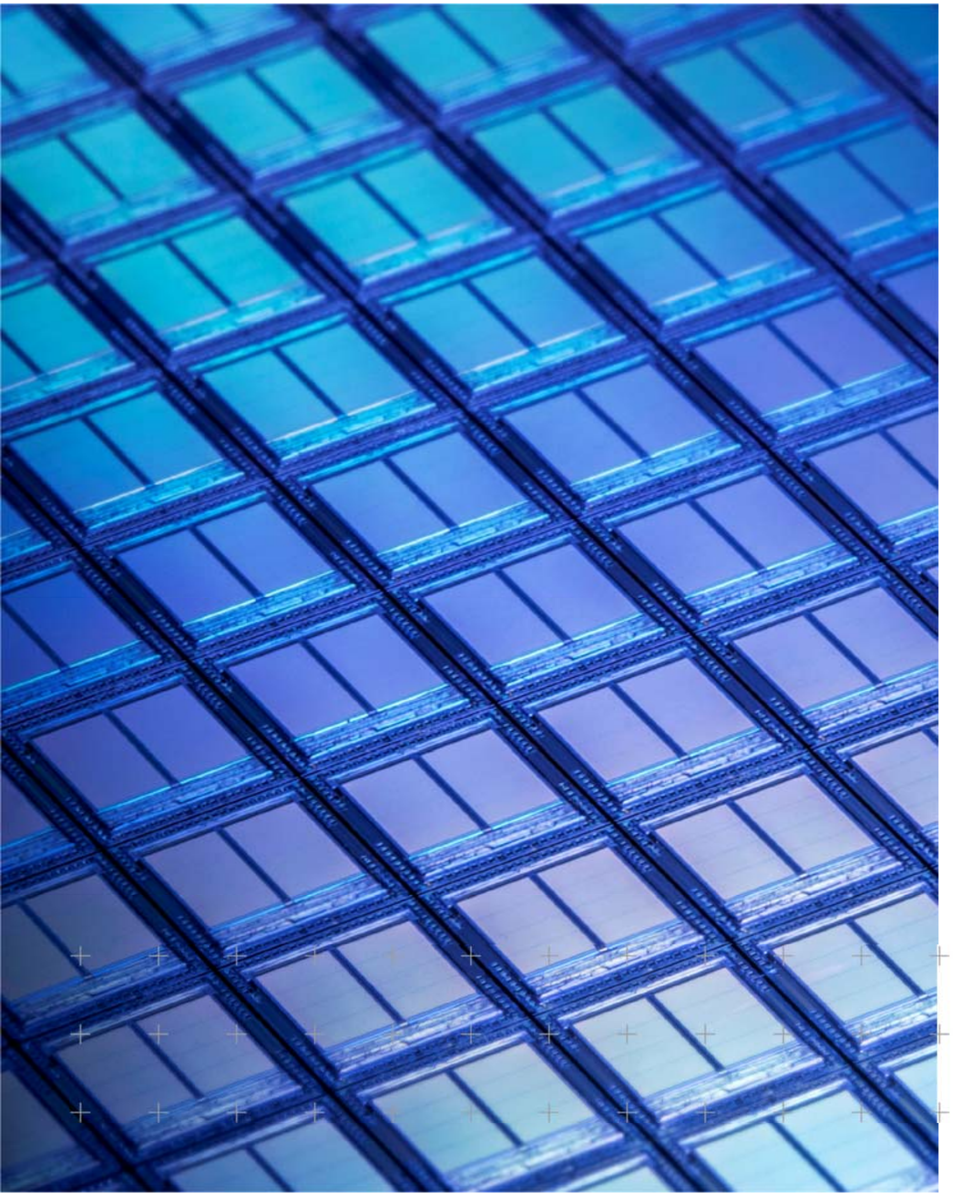


Third Quarter FY2019

Supplemental Financial Information

May 6, 2019

Q3-19 Key Financials

Total Company Shipments	**$1.111B**
Semi Process Control Shipments	***$957M***
Total Company Revenues	**$1.097B**
GAAP Net Income	**$193M**
GAAP Diluted EPS	**$1.23**

Non-GAAP Net Income*	**$283M**
Non-GAAP Diluted EPS*	**$1.80**

**See appendix for GAAP to Non-GAAP reconciliation*

Q3-19 Balance Sheet and Cash Flow Summary

	Q1-19	Q2-19	Q3-19
Cash and Investments	$2.78B	$2.69B	$1.90B
Accounts Receivable, Net	$602M	$658M	$958M
Net DSO (Shipment)*	54 days	55 days	76 days
Inventories	$994M	$1.01B	$1.32B
Inventory Turns*	1.6x	1.6x	1.7x

Net Cash From Operating Activities	$381M	$282M	$164M
Capital Expenditures, Net	$22M	$26M	$26M
Free Cash Flow*	$359M	$256M	$138M

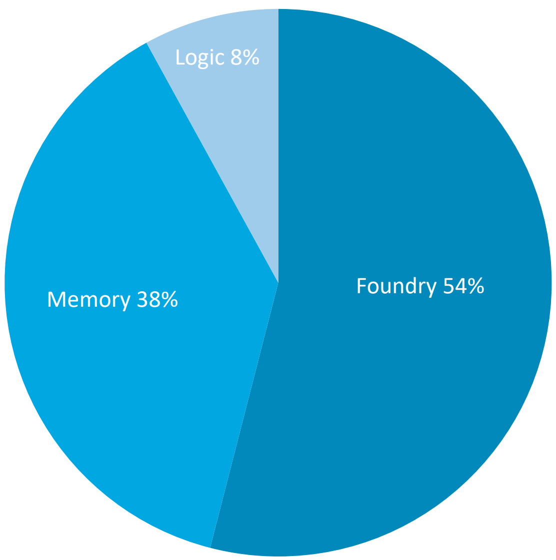
Dividends Paid	$123M	$115M	$114M

**DSO = Current Net AR/ (Current Quarter Shipments / 90), Inventory Turns = Cost of Goods Sold/ Average Inventory, Free Cash Flow = Net Cash Provided by Operating Activities – Net Capital Expenditures. Numbers have been rounded*

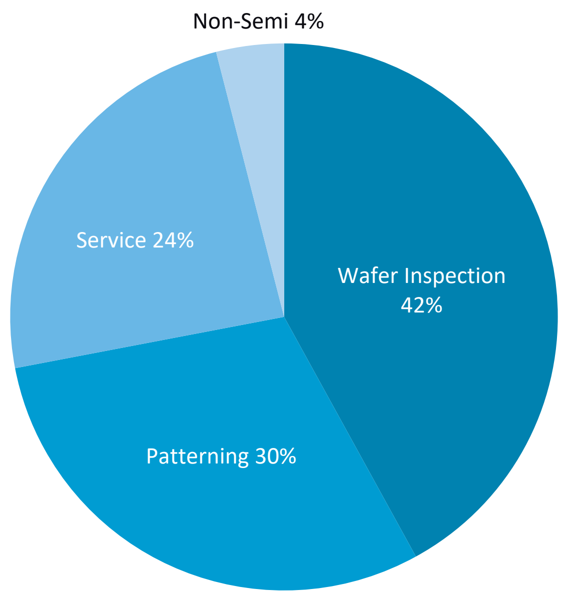
Q3-19 Shipment and Revenue Distribution

Semi Process Control Shipments

Wafer Front-End

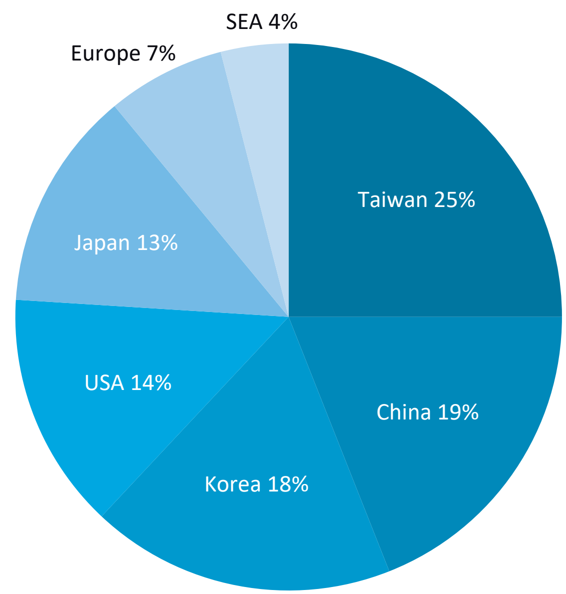


Product Group



Total Company Revenues

Region



Appendix

Reconciliation of Non-GAAP Financial Measures

(In thousands, except per share amounts and percentages)		For the three months ended March 31, 2019	December 31, 2018	March 31, 2018	For the nine months ended March 31, 2019	March 31, 2018
GAAP net income		**$ 192,728**	**$ 369,100**	**$ 306,881**	**$ 957,772**	**$ 453,498**
Adjustments to reconcile GAAP net income to non-GAAP net income*:						
Acquisition-related charges	a	103,755	4,281	7,413	113,587	10,608
Merger-related charges	b	-	-	-	-	3,015
Income tax effect of non-GAAP adjustments	c	(21,127)	(276)	(343)	(21,713)	(2,407)
Discrete tax items	d	7,482	(765)	4,184	(10,389)	446,078
Non-GAAP net income		**$ 282,838**	**$ 372,340**	**$ 318,135**	**$ 1,039,257**	**$ 910,792**
GAAP net income as a percentage of revenue		17.6%	33.0%	30.0%	28.9%	15.3%
Non-GAAP net income as a percentage of revenue		25.8%	33.2%	31.2%	31.4%	30.7%
GAAP net income per diluted share (2)		$ 1.23	$ 2.42	$ 1.95	$ 6.17	$ 2.88
Non-GAAP net income per diluted share (2)		$ 1.80	$ 2.44	$ 2.02	$ 6.69	$ 5.78
Shares used in diluted shares calculation		157,182	152,648	157,201	155,310	157,539
GAAP operating income (1)		**$ 243,295**	**$ 433,273**	**$ 385,804**	**$ 1,120,473**	**$ 1,113,688**
Adjustments to reconcile GAAP operating income to non-GAAP operating income*:						
Acquisition-related charges	a	103,755	4,281	7,413	113,587	10,608
Merger-related charges	b	-	-	-	-	3,015
Non-GAAP operating income (1)		**$ 347,050**	**$ 437,554**	**$ 393,217**	**$ 1,234,060**	**$ 1,127,311**
GAAP operating income as a percentage of revenue		22.2%	38.7%	37.8%	33.8%	37.5%
Non-GAAP operating income as a percentage of revenue		31.6%	39.1%	38.5%	37.3%	38.0%

Note: On July 1, 2018, the Company adopted ASC 606 using the modified retrospective transition approach. Results for reporting periods beginning July 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the legacy revenue recognition guidance. Also, the Company retrospectively adopted ASU 2017-07 on presentation of net periodic pension costs in Q1FY19, but prior period amounts were not re-casted.

* 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 includes 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 expense (benefit) associated with change in the liability included in selling, general and administrative expense for the three months ended March 31, 2019, December 31, 2018, and March 31, 2018 were $19.3 million, $(19.8) million and $0.9 million, respectively and $7.0 million and $14.7 million for the nine months ended March 31, 2019 and March 31, 2018, respectively. The gains (losses), net associated with the changes in the EDSP asset included in selling, general and administrative expense for the three months ended March 31, 2019, December 31, 2018, and March 31, 2018 were $19.7 million, $(19.4) million and $0.5 million, respectively and $7.7 million and $14.4 million for the nine months ended March 31, 2019 and March 31, 2018, respectively.

(2) GAAP EPS would have been $1.21 per share at the 14% long-term tax planning rate. Non-GAAP EPS would have been $1.78 per share at the 14% long-term tax planning rate.

Reconciliation of Non-GAAP Financial Measures

(In thousands, except percentages)		For the three months ended			For the nine months ended	
		March 31, 2019	December 31, 2018	March 31, 2018	March 31, 2019	March 31, 2018
GAAP gross margin		**$ 610,366**	**$ 711,638**	**$ 652,606**	**$ 2,033,877**	**$ 1,897,226**
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*:						
Acquisition-related charges	a	47,659	967	1,122	49,516	4,182
Merger-related charges	b	-	-	-	-	405
Non-GAAP gross margin		**$ 658,025**	**$ 712,605**	**$ 653,728**	**$ 2,083,393**	**$ 1,901,813**
GAAP gross margin as a percentage of revenue		55.6%	63.5%	63.9%	61.4%	64.0%
Non-GAAP gross margin as a percentage of revenue		60.0%	63.6%	64.0%	62.9%	64.1%
GAAP operating expenses (1)		**$ 367,071**	**$ 278,365**	**$ 266,802**	**$ 913,404**	**$ 783,538**
Adjustments to reconcile GAAP operating expenses to non-GAAP operating expenses*:						
Acquisition-related charges	a	(56,096)	(3,314)	(6,291)	(64,071)	(6,426)
Merger-related charges	b	-	-	-	-	(2,610)
Non-GAAP operating expenses (1)		**$ 310,975**	**$ 275,051**	**$ 260,511**	**$ 849,333**	**$ 774,502**
GAAP operating expenses as a percentage of revenue		33.5%	24.9%	26.1%	27.6%	26.4%
Non-GAAP operating expenses as a percentage of revenue		28.3%	24.6%	25.5%	25.7%	26.1%

Note: On July 1, 2018, the Company adopted ASC 606 using the modified retrospective transition approach. Results for reporting periods beginning July 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the legacy revenue recognition guidance. Also, the Company retrospectively adopted ASU 2017-07 on presentation of net periodic pension costs in Q1FY19, but prior period amounts were not re-casted.

* 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 includes 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 expense (benefit) associated with change in the liability included in selling, general and administrative expense for the three months ended March 31, 2019, December 31, 2018, and March 31, 2018 were $19.3 million, $(19.8) million and $0.9 million, respectively and $7.0 million and $14.7 million for the nine months ended March 31, 2019 and March 31, 2018, respectively. The gains (losses), net associated with the changes in the EDSP asset included in selling, general and administrative expense for the three months ended March 31, 2019, December 31, 2018, and March 31, 2018 were $19.7 million, $(19.4) million and $0.5 million, respectively and $7.7 million and $14.4 million for the nine months ended March 31, 2019 and March 31, 2018, respectively.

Reconciliation of Non-GAAP Financial Measures

(In thousands, except percentages)		For the three months ended			For the nine months ended	
		March 31, 2019	December 31, 2018	March 31, 2018	March 31, 2019	March 31, 2018
GAAP income before income taxes		**$ 221,390**	**$ 415,963**	**$ 365,983**	**$ 1,064,921**	**$ 1,049,442**
GAAP income tax expense		$ 28,745	$ 46,863	$ 59,102	$ 107,232	$ 595,944
GAAP income tax rate		13.0%	11.3%	16.1%	10.1%	56.8%
Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*:						
Acquisition-related charges	a	103,755	4,281	7,413	113,587	10,608
Merger-related charges	b	-	-	-	-	3,015
Non-GAAP income before income taxes		**$ 325,145**	**$ 420,244**	**$ 373,396**	**$ 1,178,508**	**$ 1,063,065**
Income tax effects of non-GAAP adjustments	c	21,127	276	343	21,713	2,407
Discrete tax item	d	(7,482)	765	(4,184)	10,389	(446,078)
Non-GAAP income tax expense		$ 42,390	$ 47,904	$ 55,261	$ 139,334	$ 152,273
Non-GAAP income tax rate		13.0%	11.4%	14.8%	11.8%	14.3%

Note: On July 1, 2018, the Company adopted ASC 606 using the modified retrospective transition approach. Results for reporting periods beginning July 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the legacy revenue recognition guidance. Also, the Company retrospectively adopted ASU 2017-07 on presentation of net periodic pension costs in Q1FY19, but prior period amounts were not re-casted.

Reconciliation of Q4 Fiscal Year 2019 Guidance Range

(In millions, except per share amounts and percentages)		Low	High
GAAP diluted net income per share		$ 1.09	$ 1.39
Acquisition-related charges (1)	a	0.68	0.68
Income tax effect of non-GAAP adjustments	c	(0.22)	(0.22)
Effect on net income per diluted share		$ 1.55	$ 1.85
Shares used in net income per diluted shares calculation		162.2	162.2
GAAP gross margin as a percentage of revenue		51.1%	52.5%
Acquisition-related charges (1)	a	6.9%	6.5%
Non-GAAP gross margin as a percentage of revenue		58.0%	59.0%
GAAP operating expenses		$ (399)	$ (403)
Acquisition-related charges (1)	a	26	26
Non-GAAP operating expenses		$ (373)	$ (377)

Note: The guidance as of May 6, 2019 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 the 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 of 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 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. 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 (for example, determining which costs and expenses to exclude when calculating such a metric) are inherently subject to significant discretion. 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.

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, certain employee compensation arrangements, acceleration of certain stock-based compensation arrangements, and transaction costs associated with our acquisitions, primarily Orbotech. Management believes that the expense associated with the amortization of acquisition-related intangible assets is appropriate to be excluded because a significant portion of the purchase price for acquisitions may be allocated to intangible assets that have short lives, and exclusion of these expenses allows comparisons of operating results that are consistent over time for both KLA's newly acquired and long-held businesses. Management believes that the other acquisition-related expenses are appropriate to be excluded because such costs would not have otherwise been incurred in the periods presented. Management believes excluding these items helps investors compare our operating performances with our results in prior periods as well as with the performance of other companies. Merger-related charges associated with the terminated merger agreement between KLA and Lam Research Corporation ("Lam") primarily includes employee retention-related expenses and other costs. Management believes that it is appropriate to exclude these items as they are not indicative of ongoing operating results and therefore limit comparability and excluding these items helps investors compare our operating performance with our results in prior periods as well as with the performance of other companies.
b. Merger-related charges associated with the terminated merger agreement between KLA and Lam Research Corporation ("Lam") primarily includes employee retention-related expenses and other costs. Management believes that it is appropriate to exclude these items as they are not indicative of ongoing operating results and therefore limit comparability and excluding these items helps investors compare our operating performance with our results in prior periods as well as with the performance of other companies.
c. Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above. Management believes that it is appropriate to exclude the tax effects of the items noted above in order to present a more meaningful measure of non-GAAP net income.
d. Discrete tax items include charges associated with the acquisition of Orbotech as well as the income tax effects of an income tax expense from the enacted tax reform legislation through the Tax Cuts and Jobs-Act (the "Act"), which was signed into law on December 22, 2017, of which the impact is primarily related to the provisional tax amounts recorded for the transition tax on accumulated foreign earnings and the re-measurement of certain deferred tax assets and liabilities as a result of the enactment of the Act. Management believes excluding these items helps investors compare our operating performance with our results in prior periods as well as with the performance of other companies.

Forward-Looking Statements

Statements in this presentation other than historical facts, such as data pertaining to the range of expected GAAP and non-GAAP: (i) net income per diluted share and shares used in calculating net income per diluted share; (ii) gross margin as a percentage of revenue; and (iii) operating expenses, each for the quarter ending June 30, 2019 and reconciliation to GAAP thereof are forward-looking statements, and are subject to the Safe Harbor provisions created by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current information and expectations, and involve a number of risks and uncertainties. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to: 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; cancellation of orders by customers; the ability of KLA's research and development teams to successfully innovate and develop technologies and products that are responsive to customer demands; KLA's ability to successfully manage its costs; market acceptance of KLA's existing and newly issued products; changing customer demands; and industry transitions. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this letter, please refer to KLA's Annual Report on Form 10-K for the year ended June 30, 2018, and other subsequent filings with the Securities and Exchange Commission (including, but not limited to, the risk factors described therein). KLA assumes no obligation to, and does not currently intend to, update these forward-looking statements.