

# KLA-TENCOR CORPORATION

## Consolidated Balance Sheets

(In thousands, except par value)	As of June 30,	
	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$1,404,382	\$1,153,051
Marketable securities . . . . .	1,475,936	1,863,689
Accounts receivable, net . . . . .	651,678	571,117
Inventories . . . . .	931,845	732,988
Other current assets . . . . .	85,159	71,221
Total current assets . . . . .	4,549,000	4,392,066
Land, property and equipment, net . . . . .	286,306	283,975
Goodwill . . . . .	354,698	349,526
Deferred income taxes . . . . .	193,200	291,967
Purchased intangibles, net . . . . .	19,333	18,963
Other non-current assets . . . . .	216,819	195,676
Total assets . . . . .	\$5,619,356	\$5,532,173
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable . . . . .	\$ 169,354	\$ 147,380
Deferred system profit . . . . .	279,581	180,861
Unearned revenue . . . . .	69,255	65,507
Current portion of long-term debt . . . . .	—	249,983
Other current liabilities . . . . .	699,893	649,431
Total current liabilities . . . . .	1,218,083	1,293,162
Non-current liabilities:		
Long-term debt . . . . .	2,237,402	2,680,474
Unearned revenue . . . . .	71,997	59,713
Other non-current liabilities . . . . .	471,363	172,407
Total liabilities . . . . .	3,998,845	4,205,756
Commitments and contingencies (Notes 13 and 14)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 1,000 shares authorized, none outstanding . . .	—	—
Common stock, \$0.001 par value, 500,000 shares authorized, 262,718 and 261,654 shares issued, 156,048 and 156,840 shares outstanding, as of June 30, 2018 and June 30, 2017, respectively . . . . .	156	157
Capital in excess of par value . . . . .	617,843	529,126
Retained earnings . . . . .	1,056,445	848,457
Accumulated other comprehensive income (loss) . . . . .	(53,933)	(51,323)
Total stockholders' equity . . . . .	1,620,511	1,326,417
Total liabilities and stockholders' equity . . . . .	\$5,619,356	\$5,532,173

See accompanying notes to consolidated financial statements.

**KLA-TENCOR CORPORATION**  
**Consolidated Statements of Operations**

(In thousands, except per share amounts)	Year ended June 30,		
	2018	2017	2016
Revenues:			
Product .....	\$3,160,671	\$2,703,934	\$2,250,260
Service .....	876,030	776,080	734,233
Total revenues .....	<u>4,036,701</u>	<u>3,480,014</u>	<u>2,984,493</u>
Costs and expenses:			
Costs of revenues .....	1,447,369	1,287,547	1,163,391
Research and development .....	608,712	526,870	481,258
Selling, general and administrative .....	443,426	389,336	379,399
Interest expense .....	114,376	122,476	122,887
Other expense (income), net .....	<u>(33,113)</u>	<u>(19,461)</u>	<u>(20,634)</u>
Income before income taxes .....	1,455,931	1,173,246	858,192
Provision for income taxes .....	<u>653,666</u>	<u>247,170</u>	<u>153,770</u>
Net income .....	<u>\$ 802,265</u>	<u>\$ 926,076</u>	<u>\$ 704,422</u>
Net income per share:			
Basic .....	<u>\$ 5.13</u>	<u>\$ 5.92</u>	<u>\$ 4.52</u>
Diluted .....	<u>\$ 5.10</u>	<u>\$ 5.88</u>	<u>\$ 4.49</u>
Cash dividends declared per share .....	<u>\$ 2.52</u>	<u>\$ 2.14</u>	<u>\$ 2.08</u>
Weighted-average number of shares:			
Basic .....	<u>156,346</u>	<u>156,468</u>	<u>155,869</u>
Diluted .....	<u>157,378</u>	<u>157,481</u>	<u>156,779</u>

See accompanying notes to consolidated financial statements.

**KLA-TENCOR CORPORATION**  
**Consolidated Statements of Cash Flows**

(In thousands)	Year Ended June 30,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	\$ 802,265	\$ 926,076	\$ 704,422
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	62,684	57,836	66,932
Asset impairment charges	1,000	358	1,396
Stock-based compensation expense	62,784	50,943	45,050
Deferred income taxes	98,760	4,007	19,804
Excess tax benefit from equity awards	—	—	(11,936)
Net (gain) loss on sales of marketable securities and other investments	195	(1,207)	(5,887)
Changes in assets and liabilities, net of business acquisition:			
Accounts receivable, net	(76,497)	39,898	(8,292)
Inventories	(182,883)	(46,433)	(67,579)
Other assets	(37,632)	(26,596)	14,613
Accounts payable	21,778	40,100	3,109
Deferred system profit	98,720	6,310	25,860
Other liabilities	377,946	28,373	(27,796)
Net cash provided by operating activities	1,229,120	1,079,665	759,696
Cash flows from investing activities:			
Acquisition of non-marketable securities	(3,377)	(3,430)	—
Business acquisition, net of cash acquired	(17,403)	(28,560)	—
Capital expenditures, net	(66,961)	(38,594)	(31,741)
Proceeds from sale of assets	14	2,947	7,076
Purchases of available-for-sale securities	(466,330)	(1,626,983)	(1,175,720)
Proceeds from sale of available-for-sale securities	233,259	434,873	737,817
Proceeds from maturity of available-for-sale securities	608,446	699,293	602,446
Purchases of trading securities	(77,922)	(97,525)	(68,378)
Proceeds from sale of trading securities	81,892	97,093	73,187
Net cash provided by (used in) investing activities	291,618	(560,886)	144,687
Cash flows from financing activities:			
Proceeds from issuance of debt, net of issuance costs	248,693	—	—
Repayment of debt	(946,250)	(130,000)	(135,000)
Issuance of common stock	61,444	45,359	38,298
Tax withholding payments related to vested and released restricted stock units	(28,756)	(19,169)	(23,942)
Common stock repurchases	(203,169)	(25,002)	(181,711)
Payment of dividends to stockholders	(402,065)	(343,993)	(346,283)
Excess tax benefit from equity awards	—	—	11,936
Net cash used in financing activities	(1,270,103)	(472,805)	(636,702)
Effect of exchange rate changes on cash and cash equivalents	696	(1,411)	2,782
Net increase in cash and cash equivalents	251,331	44,563	270,463
Cash and cash equivalents at beginning of period	1,153,051	1,108,488	838,025
Cash and cash equivalents at end of period	\$ 1,404,382	\$ 1,153,051	\$ 1,108,488
Supplemental cash flow disclosures:			
Income taxes paid, net	\$ 253,128	\$ 234,053	\$ 105,187
Interest paid	\$ 114,238	\$ 119,998	\$ 120,433
Non-cash activities:			
Purchase of land, property and equipment—investing activities	\$ 7,418	\$ 3,299	\$ 2,035
Business acquisition holdback amounts—investing activities	\$ —	\$ 5,318	\$ —
Dividends payable—financing activities	\$ 9,571	\$ 13,772	\$ 19,556

See accompanying notes to consolidated financial statements.