

# KLA-TENCOR CORPORATION

## Consolidated Balance Sheets

(In thousands, except par value)	As of June 30,	
	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$1,108,488	\$ 838,025
Marketable securities .....	1,382,806	1,549,086
Accounts receivable, net .....	613,233	585,494
Inventories .....	698,635	617,904
Deferred income taxes .....	—	236,253
Other current assets .....	64,870	77,814
Total current assets .....	3,868,032	3,904,576
Land, property and equipment, net .....	278,014	314,591
Goodwill .....	335,177	335,263
Deferred income taxes, non-current .....	302,219	78,648
Purchased intangibles, net .....	4,331	11,895
Other non-current assets .....	174,659	181,039
Total assets .....	\$4,962,432	\$4,826,012
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 106,517	\$ 103,342
Deferred system profit .....	174,551	148,691
Unearned revenue .....	59,147	71,335
Current portion of long-term debt .....	—	16,981
Other current liabilities .....	662,208	661,414
Total current liabilities .....	1,002,423	1,001,763
Non-current liabilities:		
Long-term debt .....	3,057,936	3,173,435
Unearned revenue .....	56,336	47,145
Other non-current liabilities .....	156,623	182,230
Total liabilities .....	4,273,318	4,404,573
Commitments and contingencies (Notes 12 and 13)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 1,000 shares authorized, none outstanding . . .	—	—
Common stock, \$0.001 par value, 500,000 shares authorized, 260,619 and 259,007 shares issued, 155,955 and 157,851 shares outstanding, as of June 30, 2016 and June 30, 2015, respectively .....	156	158
Capital in excess of par value .....	452,818	474,216
Retained earnings (accumulated deficit) .....	284,825	(12,362)
Accumulated other comprehensive income (loss) .....	(48,685)	(40,573)
Total stockholders' equity .....	689,114	421,439
Total liabilities and stockholders' equity .....	\$4,962,432	\$4,826,012

See accompanying notes to consolidated financial statements.

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

(In thousands, except per share amounts)	Year ended June 30,		
	2016	2015	2014
Revenues:			
Product .....	\$2,250,260	\$2,125,396	\$2,286,437
Service .....	734,233	688,653	642,971
Total revenues .....	<u>2,984,493</u>	<u>2,814,049</u>	<u>2,929,408</u>
Costs and expenses:			
Costs of revenues .....	1,163,391	1,215,229	1,232,962
Research and development .....	481,258	530,616	539,469
Selling, general and administrative .....	379,399	406,864	384,907
Loss on extinguishment of debt and other, net .....	—	131,669	—
Interest expense .....	122,887	106,009	53,812
Other expense (income), net .....	(20,634)	(10,469)	(16,203)
Income before income taxes .....	<u>858,192</u>	<u>434,131</u>	<u>734,461</u>
Provision for income taxes .....	<u>153,770</u>	<u>67,973</u>	<u>151,706</u>
Net income .....	<u>\$ 704,422</u>	<u>\$ 366,158</u>	<u>\$ 582,755</u>
Net income per share:			
Basic .....	<u>\$ 4.52</u>	<u>\$ 2.26</u>	<u>\$ 3.51</u>
Diluted .....	<u>\$ 4.49</u>	<u>\$ 2.24</u>	<u>\$ 3.47</u>
Cash dividends declared per share (including a special cash dividend of \$16.50 per share declared during the three months ended December 31, 2014) .....	<u>\$ 2.08</u>	<u>\$ 18.50</u>	<u>\$ 1.80</u>
Weighted-average number of shares:			
Basic .....	<u>155,869</u>	<u>162,282</u>	<u>166,016</u>
Diluted .....	<u>156,779</u>	<u>163,701</u>	<u>168,118</u>

See accompanying notes to consolidated financial statements.

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

(In thousands)	Year Ended June 30,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	\$ 704,422	\$ 366,158	\$ 582,755
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	66,932	80,536	83,072
Asset impairment charges	1,396	2,126	1,374
Loss on extinguishment of debt and other, net	—	131,669	—
Non-cash stock-based compensation expense	45,050	55,302	60,940
Deferred income taxes	19,804	(24,245)	17,176
Excess tax benefit from equity awards	(11,936)	(15,403)	(20,554)
Net gain on sale of marketable securities and other investments	(5,887)	(2,119)	(5,920)
Changes in assets and liabilities, net of impact of acquisition of business:			
Decrease (increase) in accounts receivable, net	(8,292)	(118,520)	32,591
Decrease (increase) in inventories	(67,579)	27,500	(26,173)
Decrease (increase) in other assets	14,613	11,135	(26,265)
Increase (decrease) in accounts payable	3,109	848	(12,333)
Increase (decrease) in deferred system profit	25,860	768	(10,042)
Increase (decrease) in other liabilities	(27,796)	90,151	102,265
Net cash provided by operating activities	759,696	605,906	778,886
Cash flows from investing activities:			
Acquisition of non-marketable securities	—	—	(1,345)
Acquisition of business	—	—	(18,000)
Capital expenditures, net	(31,741)	(45,791)	(67,502)
Proceeds from sale of assets	7,076	—	3,836
Purchases of available-for-sale securities	(1,175,720)	(1,731,551)	(1,834,223)
Proceeds from sale of available-for-sale securities	737,817	1,993,396	987,512
Proceeds from maturity of available-for-sale securities	602,446	699,108	251,876
Purchases of trading securities	(68,378)	(60,808)	(64,053)
Proceeds from sale of trading securities	73,187	63,867	65,790
Net cash provided by (used in) investing activities	144,687	918,221	(676,109)
Cash flows from financing activities:			
Proceeds from issuance of debt, net of issuance costs	—	3,224,906	—
Repayment of debt	(135,000)	(916,117)	—
Issuance of common stock	38,298	47,008	112,221
Tax withholding payments related to vested and released restricted stock units	(23,942)	(30,229)	(51,948)
Common stock repurchases	(181,711)	(602,888)	(240,843)
Payment of dividends to stockholders	(346,283)	(3,041,055)	(298,871)
Excess tax benefit from equity awards	11,936	15,403	20,554
Net cash used in financing activities	(636,702)	(1,302,972)	(458,887)
Effect of exchange rate changes on cash and cash equivalents	2,782	(13,991)	1,581
Net increase (decrease) in cash and cash equivalents	270,463	207,164	(354,529)
Cash and cash equivalents at beginning of period	838,025	630,861	985,390
Cash and cash equivalents at end of period	\$ 1,108,488	\$ 838,025	\$ 630,861
Supplemental cash flow disclosures:			
Income taxes paid, net	\$ 105,187	\$ 69,681	\$ 117,348
Interest paid	\$ 120,433	\$ 92,982	\$ 52,474
Non-cash activities:			
Purchase of land, property and equipment—investing activities	\$ 2,035	\$ 1,843	\$ 3,457
Unsettled common stock repurchase—financing activities	\$ —	\$ 5,968	\$ —
Dividends payable—financing activities	\$ 19,556	\$ 42,002	\$ —

See accompanying notes to consolidated financial statements.