

KLA-TENCOR CORPORATION
Consolidated Balance Sheets

	As of June 30,	
<u>(In thousands, except par value)</u>	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 1,153,051	\$ 1,108,488
Marketable securities	1,863,689	1,382,806
Accounts receivable, net	571,117	613,233
Inventories	732,988	698,635
Other current assets.....	71,221	64,870
Total current assets	4,392,066	3,868,032
Land, property and equipment, net	283,975	278,014
Goodwill	349,526	335,177
Deferred income taxes	291,967	302,219
Purchased intangibles, net.....	18,963	4,331
Other non-current assets	195,676	174,659
Total assets.....	<u>\$ 5,532,173</u>	<u>\$ 4,962,432</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 147,380	\$ 106,517
Deferred system profit	180,861	174,551
Unearned revenue	65,507	59,147
Current portion of long-term debt.....	249,983	—
Other current liabilities	649,431	662,208
Total current liabilities.....	1,293,162	1,002,423
Non-current liabilities:		
Long-term debt.....	2,680,474	3,057,936
Unearned revenue	59,713	56,336
Other non-current liabilities	172,407	156,623
Total liabilities	4,205,756	4,273,318
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, 261,654 and 260,619 shares issued, 156,840 and 155,955 shares outstanding, as of June 30, 2017 and June 30, 2016, respectively	157	156
Capital in excess of par value	529,126	452,818
Retained earnings	848,457	284,825
Accumulated other comprehensive income (loss).....	(51,323)	(48,685)
Total stockholders' equity.....	1,326,417	689,114
Total liabilities and stockholders' equity	<u>\$ 5,532,173</u>	<u>\$ 4,962,432</u>

See accompanying notes to consolidated financial statements.

KLA-TENCOR CORPORATION
Consolidated Statements of Operations

<u>(In thousands, except per share amounts)</u>	Year ended June 30,		
	2017	2016	2015
Revenues:			
Product.....	\$ 2,703,934	\$ 2,250,260	\$ 2,125,396
Service	776,080	734,233	688,653
Total revenues.....	3,480,014	2,984,493	2,814,049
Costs and expenses:			
Costs of revenues	1,287,547	1,163,391	1,215,229
Research and development.....	526,870	481,258	530,616
Selling, general and administrative	389,336	379,399	406,864
Loss on extinguishment of debt and other, net.....	—	—	131,669
Interest expense.....	122,476	122,887	106,009
Other expense (income), net	(19,461)	(20,634)	(10,469)
Income before income taxes	1,173,246	858,192	434,131
Provision for income taxes	247,170	153,770	67,973
Net income.....	\$ 926,076	\$ 704,422	\$ 366,158
Net income per share:			
Basic.....	\$ 5.92	\$ 4.52	\$ 2.26
Diluted	\$ 5.88	\$ 4.49	\$ 2.24
Cash dividends declared per share (including a special cash dividend of \$16.50 per share declared during the three months ended December 31, 2014).....	\$ 2.14	\$ 2.08	\$ 18.50
Weighted-average number of shares:			
Basic.....	156,468	155,869	162,282
Diluted	157,481	156,779	163,701

See accompanying notes to consolidated financial statements.

KLA-TENCOR CORPORATION
Consolidated Statements of Cash Flows

<u>(In thousands)</u>	Year Ended June 30,		
	2017	2016	2015
Cash flows from operating activities:			
Net income.....	\$ 926,076	\$ 704,422	\$ 366,158
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	57,836	66,932	80,536
Asset impairment charges.....	358	1,396	2,126
Loss on extinguishment of debt and other, net.....	—	—	131,669
Non-cash stock-based compensation expense.....	50,943	45,050	55,302
Deferred income taxes.....	4,007	19,804	(24,245)
Excess tax benefit from equity awards.....	—	(11,936)	(15,403)
Net gain on sales of marketable securities and other investments.....	(1,207)	(5,887)	(2,119)
Changes in assets and liabilities, net of business acquisition:			
Decrease (increase) in accounts receivable, net.....	39,898	(8,292)	(118,520)
Decrease (increase) in inventories	(46,433)	(67,579)	27,500
Decrease (increase) in other assets.....	(26,596)	14,613	11,135
Increase in accounts payable.....	40,100	3,109	848
Increase in deferred system profit.....	6,310	25,860	768
Increase (decrease) in other liabilities.....	28,373	(27,796)	90,151
Net cash provided by operating activities.....	1,079,665	759,696	605,906
Cash flows from investing activities:			
Acquisition of non-marketable securities.....	(3,430)	—	—
Business acquisition, net of cash acquired.....	(28,560)	—	—
Capital expenditures, net	(38,594)	(31,741)	(45,791)
Proceeds from sale of assets.....	2,947	7,076	—
Purchases of available-for-sale securities.....	(1,626,983)	(1,175,720)	(1,731,551)
Proceeds from sale of available-for-sale securities.....	434,873	737,817	1,993,396
Proceeds from maturity of available-for-sale securities.....	699,293	602,446	699,108
Purchases of trading securities	(97,525)	(68,378)	(60,808)
Proceeds from sale of trading securities.....	97,093	73,187	63,867
Net cash provided by (used in) investing activities.....	(560,886)	144,687	918,221
Cash flows from financing activities:			
Proceeds from issuance of debt, net of issuance costs.....	—	—	3,224,906
Repayment of debt.....	(130,000)	(135,000)	(916,117)
Issuance of common stock.....	45,359	38,298	47,008
Tax withholding payments related to vested and released restricted stock units.....	(19,169)	(23,942)	(30,229)
Common stock repurchases.....	(25,002)	(181,711)	(602,888)
Payment of dividends to stockholders.....	(343,993)	(346,283)	(3,041,055)
Excess tax benefit from equity awards.....	—	11,936	15,403
Net cash used in financing activities.....	(472,805)	(636,702)	(1,302,972)
Effect of exchange rate changes on cash and cash equivalents.....	(1,411)	2,782	(13,991)
Net increase in cash and cash equivalents.....	44,563	270,463	207,164
Cash and cash equivalents at beginning of period.....	1,108,488	838,025	630,861
Cash and cash equivalents at end of period.....	\$ 1,153,051	\$ 1,108,488	\$ 838,025
Supplemental cash flow disclosures:			
Income taxes paid, net	\$ 234,053	\$ 105,187	\$ 69,681
Interest paid	\$ 119,998	\$ 120,433	\$ 92,982
Non-cash activities:			
Purchase of land, property and equipment - investing activities	\$ 3,299	\$ 2,035	\$ 1,843
Business acquisition holdback amounts- investing activities	\$ 5,318	\$ —	\$ —
Unsettled common stock repurchase - financing activities.....	\$ —	\$ —	\$ 5,968
Dividends payable - financing activities	\$ 13,772	\$ 19,556	\$ 42,002

See accompanying notes to consolidated financial statements.