KLA

Keep Looking Ahead

Letter to Shareholders

Q2 Fiscal 2025

QUARTER ENDED DECEMBER 31, 2024 | REPORTED JANUARY 30, 2025

Dear KLA Shareholders,

This letter reviews KLA's overall performance for calendar 2024, the business and financial highlights for the December quarter, and the March 2025 quarter outlook.

Calendar 2024 Recap

KLA delivered another year of relative growth outperformance, strong profitability, and healthy returns to shareholders. In calendar 2024, revenue grew 12% to a record $10.85 billion, with our process control systems business outpacing Wafer Fab Equipment (WFE) growth estimated to be in the mid-single digits. KLA benefited from a return to growth at the leading edge, driven by increased investments from our customers in AI and high-performance computing (HPC), continued momentum in advanced packaging, and strong and sustainable Services performance.

KLA process control system revenue grew by over 12%, indicating that KLA increased its WFE market share, as strength from both the leading edge in foundry and DRAM and legacy node Foundry and Logic customers drove outperformance. In addition, KLA's Services business grew 15% to $2.5 billion for the year. KLA's 2024 performance continues to reflect the increasing relevancy of process control and the power of KLA's product portfolio.

In the calendar year, KLA maintained industry-leading non-GAAP gross and operating margins at 61.4% and 40.6% respectively. The company also grew free cash flow to $3.4 billion and returned $2.9 billion in a combination of dividends and share buybacks. The strategic focus at the start of the year to support customers, execute on product roadmaps, and prepare for growth at the leading edge delivered the consistent outperformance that KLA stakeholders have come to expect.

Calendar 2024 – A Record Year In Review

12%
Revenue Growth
Revenue $10.85B

61.4%
Gross Profit Margin*
Gross Profit $6.7B*

40.6%
Operating Profit Margin*
Operating Profit $4.4B*



(Top) The 39xx Series "GEN 5" has played a critical role in defect discovery for advanced devices and in the transition to EUV lithography.

6%
FCF Growth*
FCF $3.4B

34%
Net Income Margin*
EPS $27.37***

$2.9B
Capital Returns
Dividends + Buybacks

Strong Relative Performance Demonstrating Market Leadership

* 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.

December 2024 Quarter Results

To close the calendar year, KLA's December quarter results were above the midpoint of non-GAAP guidance ranges despite navigating through the business impact of new U.S. government export controls released late in the quarter. December quarter revenue topped $3 billion for the first time, finishing at the upper end of the guidance range at $3.08 billion, highlighted by strong customer demand and solid company execution.

Non-GAAP diluted EPS was $8.20, finishing at the upper end of the guidance range for the quarter. GAAP diluted EPS was $6.16 and was impacted by a $239.1 million impairment charge for goodwill and purchased intangible assets in our PCB business or $1.76 per diluted share.

As expected, we are encouraged by the strong demand we are experiencing in leading-edge logic and with specific memory customers supporting high-bandwidth memory (HBM) and advanced packaging. KLA's differentiated portfolio of solutions aligns exceptionally well in helping enable our customers to navigate increasing complexity, growing design starts and larger semiconductor devices in an environment of rising semiconductor demand.

We are confident that these factors position KLA for another year of growth and strong relative performance compared with the overall WFE market in 2025.

Top 5 Highlights – December 2024 Quarter

KLA continued to deliver strong sequential and year-over-year revenue growth, demonstrating an improving industry environment as the company is well-positioned to benefit from growth at the leading edge. In Foundry/Logic, the resumption of scaling, incorporation of new technologies, larger die sizes, a robust design environment, and rising capital intensity continue to be long-term secular tailwinds for process control. In DRAM, investments supporting AI and HBM that require high performance, reliability, have less redundancy, and more complex logic circuitry are drivers for our business. This investment, in addition to an improving supply/demand environment, are positioning the DRAM market for growth which should lead to an increase in WFE investment in calendar 2025.

Second, AI continues to be a crucial catalyst for KLA. We are aware of the recent revelations of DeepSeek and the implications that it portends a diminished demand for advanced semiconductors in support of the AI infrastructure build-out. As a company that has been developing AI models for use in our own inspection systems for many years, our own experience supports the theory that increased compute efficiency enables more adoption of AI in our platforms. The demand is clearly elastic. As it pertains to the demand environment for advanced semiconductors, we see no reason to believe that increased compute efficiency in AI will have an impact on the advanced demand environment in the foreseeable future. AI is both an important driver and enabler of KLA's business. The semiconductor industry is experiencing higher value wafer volume, more complex designs, accelerating product cycles, larger die sizes, and growing advanced packaging demand that can all be traced back to AI. These trends support the increasing value of process control in assisting our customers in managing a dynamic production environment as investments and complexity increase, which benefits KLA. From an enablement perspective, we pioneered using and incorporating AI into our products beginning over a decade ago and have re-designed our compute architecture to leverage GPUs for more robust alogorithmic capability and cost leverage across most of our product portfolio. KLA's future product and service enhancements will leverage AI to improve the performance and customer cost of ownership of our leading-edge systems in a way that directly benefits our customers' time to results, yield entitlement, and ROI on fab investments. KLA will also benefit as cost of compute scales more

efficiently in our highest spend cost category and AI capabilities enhance the effectiveness and productivity of our product offerings and business execution.

Third, this quarter saw continued strong momentum for our advanced packaging portfolio, again driven by AI and HPC investments. The growing demand for more powerful systems of chips is driving more complex heterogeneous chip integration enabled by advanced packaging, increasing the value of process control in the chip package and fueling growth at high sample rates in this important growing market for KLA. Customer adoption of KLA's advanced packaging portfolio of products demonstrates the success of our market diversification, product portfolio technology roadmap, and growth strategies. KLA's advanced packaging revenue grew to approximately $500 million in calendar 2024 and is expected to exceed $800 million in calendar 2025, up from our estimate last quarter of $750 million.

Fourth, the KLA Services business grew to $667 million in the December quarter, up 4% sequentially and 18% year-over-year, above the long-term annual revenue growth target for Services of 12% to 14% despite the ongoing market access restrictions from the U.S. government export controls over the past few years. As a sign of its predictability and resiliency, our Services business has grown for 50 consecutive quarters on a year-over-year basis. Recent new China export controls will further restrict some of our Services business due to access to certain customer fabs providing a growth headwind in calendar 2025. However, over the long-term, given the incremental value opportunities in our Services offerings and the industry investing in new production facilities to align with expected future demand, we remain well-positioned to grow at the upper end of the annual Services revenue growth target of 12% to 14%.

Finally, the December quarter was another solid quarter from a cash flow and capital return perspective. Quarterly free cash flow was $757 million. In calendar 2024, free cash flow was $3.4 billion, with a free cash flow margin (free cash flow as a percentage of revenue) of 31% over the same period. This free cash flow margin ranks amongst the top companies in the S&P 500. Total capital return in the December quarter was $877 million, comprised of $650 million in share repurchases and $227 million in dividends. Total capital return over the past twelve months was $2.9 billion. In early September, KLA announced its 15th consecutive annual dividend increase, up 17% to $1.70 per share per quarter. KLA views explicit, consistent and healthy capital returns as fundamental to delivering value for shareholders.

KLA's December quarter results delivered strong sequential and year-over-year growth. The results also continue to demonstrate our process control leadership and the success of our broad portfolio and specific product strategies. This further exemplifies the critical nature of KLA's products and services in enabling the proliferation of semiconductors into more products, industries, and applications. Our consistent execution is a testament to the resiliency of the KLA Operating Model, the dedication of our global team, our commitment to assertive capital allocation, and maximizing long-term total shareholder value.

KLA's 2025 Priorities

We review and codify company-wide priorities at the start of each calendar year. As always, KLA's top priority is to support customers and meet product delivery and support commitments. Collaborating with our customers to deliver on critical long-term product roadmaps is also a priority to ensure we continue providing the innovation customers require to solve next-generation challenges. This includes continuing our investment across our product portfolio in critical categories including next-generation wafer inspection, optical metrology, e-Beam technologies, multiple reticle inspection platforms,

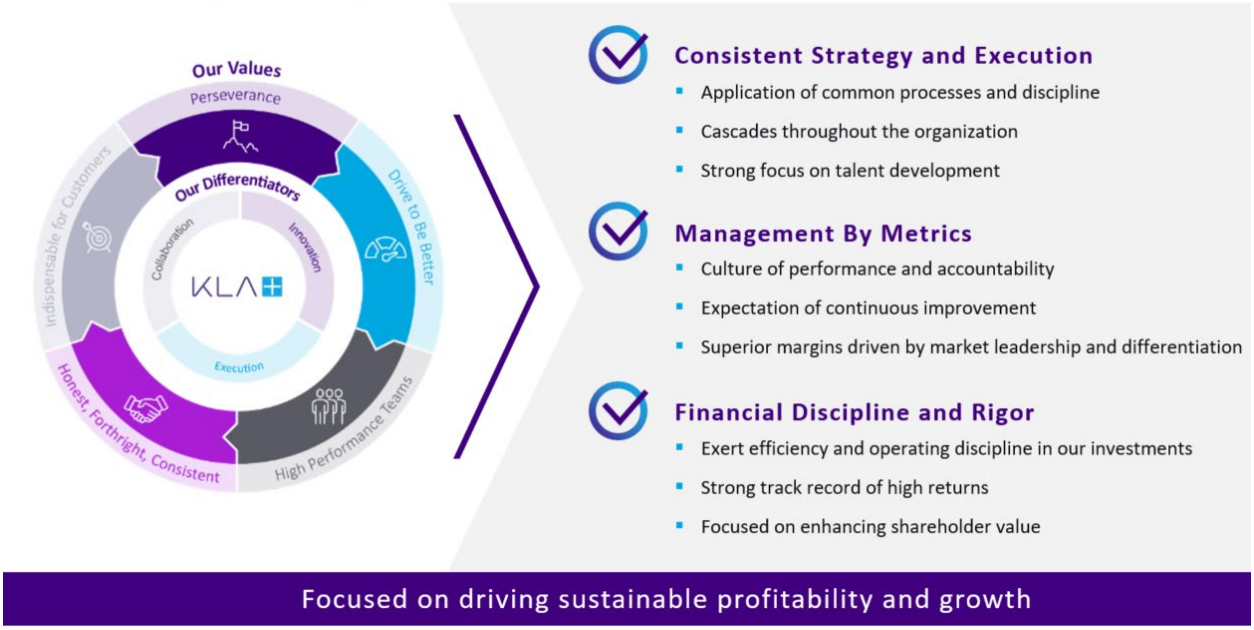
process tool capabilities and advanced packaging. Finally, to continue our strength in operational execution, we are focused on driving productivity to best enable our global teams as we position the company to scale to support long term growth for the industry. This includes leveraging AI tools to drive productivity across the enterprise as an enabler of our business growth, operational leverage and profitability objectives.

KLA's 2025 Priorities



The KLA Operating Model positions the company well for sustainable outperformance relative to the industry over the long run. It also guides critical strategic objectives and informs our decision-making and accountability processes: these objectives fuel growth, reliable operational excellence, and differentiation across our diverse products and services offerings.

The KLA Operating Model



December 2024 Quarter Financial Highlights

KLA's December quarter results demonstrate market leadership combined with the consistent execution and dedication of our global team to meet customer commitments and drive sequential and year-over-year growth and profitability improvements.

$3.1B
Revenue

61.7%
Gross Margin*

42.3%
Operating Margin*

$1.1B
Net Income*

(Right) The KLA 295x Series or "GEN4" is the industry-standard for inline monitoring. It pairs sensitivity with optical wafer defect inspection speed, enabling Discovery at the Speed of Light – the combination of fast defect discovery and full characterization of defect issues at the optimal cost of ownership.



$8.20
Non-GAAP Diluted EPS

$6.16
GAAP Diluted EPS

*Non-GAAP metric – please refer to the appendix for reconciliation to GAAP

Revenue was $3.08 billion, above the guidance midpoint of $2.95 billion. Non-GAAP diluted EPS was $8.20, above the guidance midpoint. GAAP diluted EPS was $6.16.

Non-GAAP gross margin was 61.7%. Non-GAAP operating expenses were $596 million. Non-GAAP operating expenses were comprised of $342 million in non-GAAP R&D and $254 million in non-GAAP SG&A. Non-GAAP operating margin was 42.3%. Non-GAAP other income and expense, net, was a $31 million expense. The quarterly non-GAAP effective tax rate was 13.7%.

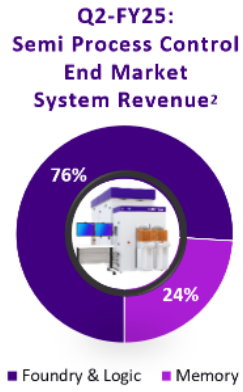
Non-GAAP net income was $1.1 billion, GAAP net income was $825 million, cash flow from operations was $850 million, and free cash flow was $757 million. The company had 133.9 million diluted weighted average shares outstanding at the end of the quarter.

Breakdown of Revenue by Reportable Segments and End Markets

Revenue for the Semiconductor Process Control segment for the December quarter, including its associated Services business, was $2.76 billion, up 7% sequentially and 26% on a year-over-year basis. The Semiconductor Process Control segment grew 13% in calendar 2024. The approximate Semi Process Control system semiconductor customer mix for Foundry/Logic customers was 76% in the quarter. Memory was approximately 24%, with DRAM accounting for 85% of Memory revenue.

	Revenue Q2-FY25	Y/Y Growth	Q/Q Growth	Quarterly Revenue %	Revenue CY24	CY24 Growth
Semiconductor Process Control (Systems + Services)	$2,755	+26%	+7%	90%	$9,735	+13%
Specialty Semiconductor Process (Systems + Services)	$160	+7%	+25%	5%	$541	+1%
PCB and Component Inspection (Systems + Services)	$161	+13%	+17%	5%	$572	+6%
Total:	**$3,077** [1]	**+24%**	**+8%**		**$10,847** [1]	**12%**

[1] Amounts may not sum due to rounding and the effects of FX and corporate allocations are not allocated to segments
[2] Represents approximate Semi Process Control system-only sales to Foundry/Logic customers or Memory customers



Revenue for the Specialty Semiconductor Process segment, which includes its associated Services business, was up 7% on a year-over-year basis to $160 million and was up 25% sequentially. PCB and Component Inspection revenue was $161 million, up 13% year-over-year, and up 17% sequentially.

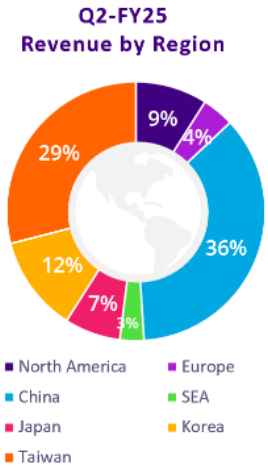
Breakdown of Revenue by Major Products and Regions

Driven by demand from Foundry/Logic customers, Wafer Inspection systems grew 14% sequentially and 34% year-over-year in the December quarter, totaling 51% of total revenue.

Patterning systems, which include metrology and reticle inspection, were down 8% sequentially but still rose 23% year-over-year, accounting for 17% of revenue in the December quarter.

	Revenue Q2-FY25	Y/Y Growth	Q/Q Growth	Quarterly Revenue %	Revenue CY24	CY24 Growth
Wafer Inspection	$1,563	+34%	+14%	51%	$5,088	+22%
Patterning	$531	+23%	-8%	17%	$2,189	+1%
Specialty Semi Process	$143	+5%	+27%	5%	$478	-1%
PCB and Comp. Inspection	$93	+21%	+28%	3%	$309	+9%
Services	$667	+18%	+4%	22%	$2,516	+15%
Other[1]	$80	-28%	+20%	2%	$267	-32%
Total:	**$3,077**	**+24%**	**+8%**		**$10,847**	**+12%**

[1] Included in the Semiconductor Process Control Segment



Specialty Semiconductor Process systems revenue was up 27% sequentially and 5% year-over-year and finished at 5% of revenue.

PCB and Component Inspection systems revenue was up 28% sequentially and up 21% year-over-year, ending at 3% of revenue.

Services revenue grew 18% year-over-year and 4% sequentially to $667 million and totaled 22% of revenue.

Other, which is included in the Semiconductor Process Control segment, was 2% of revenue.

In descending order, the December quarter regional revenue split was China at 36%, which was lower than September and inline with expectations, Taiwan at 29%, and Korea at 12% of total revenue. Other regions that accounted for less than 10% of revenue were North America at 9%, Japan at 7%, Europe at 4%, and the rest of Asia at 3%.

Strong Investment Grade Balance Sheet

KLA ended the quarter with $3.8 billion in total cash, cash equivalents and marketable securities, debt of $5.9 billion, and a flexible and attractive bond maturity profile supported by strong investment-grade ratings from all three major rating agencies. During the December quarter, we retired our $750 million November 2024 bonds at maturity with cash on hand. KLA's balance sheet provides the ability to fund our growth strategies, organic and inorganic, and offer attractive capital returns to shareholders.

Balance Sheet Summary[1] ($M)

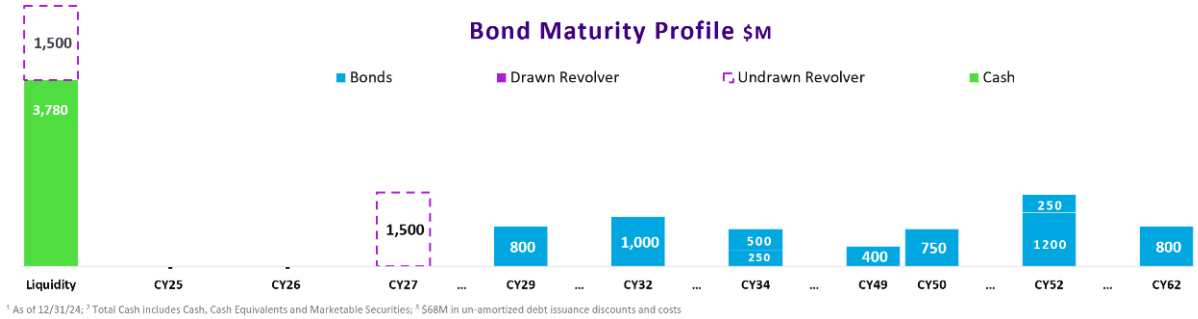
Total Cash[2]	$ 3,780
Working Capital	$ 5,634
Total Assets	$ 15,002
Debt[3]	$ 5,882
Total Shareholders' Equity	$ 3,585

Bond Maturity Profile

Bonds Outstanding	$5.95B
Weighted Average Interest Rate	4.67%
Weighted Average Maturity	19.6 years

Investment Grade Credit Ratings

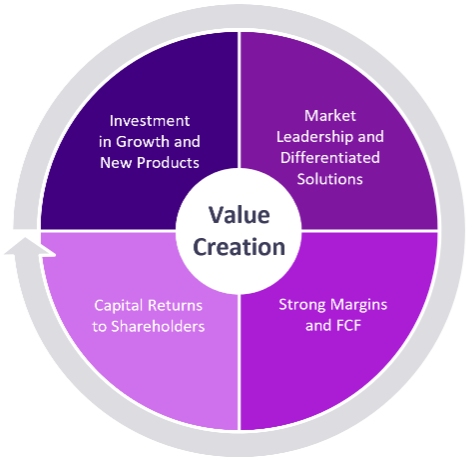
Moody's	A2
S&P	A-
Fitch	A



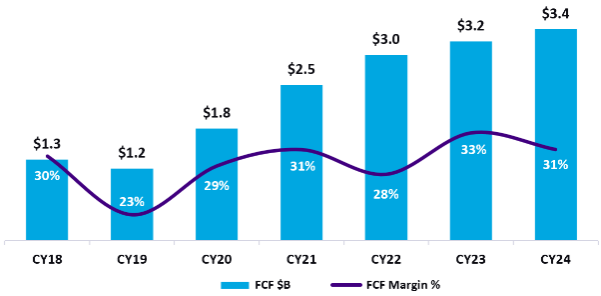
[1] As of 12/31/24; [2] Total Cash includes Cash, Cash Equivalents and Marketable Securities; [3] $68M in un-amortized debt issuance discounts and costs

FCF Generation Fuels Consistent Capital Return to Shareholders

KLA's business consistently generates strong free cash flow, which helps drive a cash return strategy that includes dividend growth and increasing share repurchases over the long term. This strategy supports a strong track record of predictable and assertive capital deployment and remains an important differentiating element of the KLA investment thesis.



Free Cash Flow[1] and FCF Margin[2]

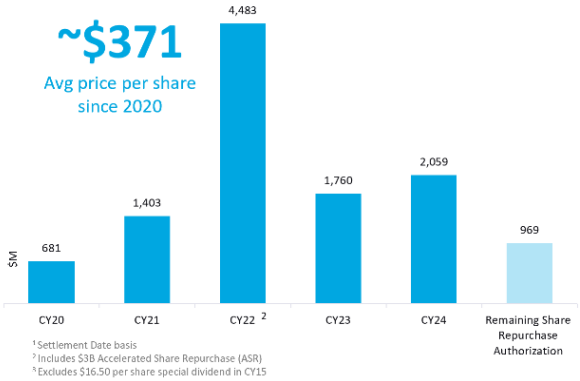


[1] Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures
[2] FCF Margin defined as FCF/Revenue; Non-GAAP metric – Please refer to Appendix for reconciliation to GAAP

Committed to long-term >85% FCF returned to shareholders through dividends and share repurchases

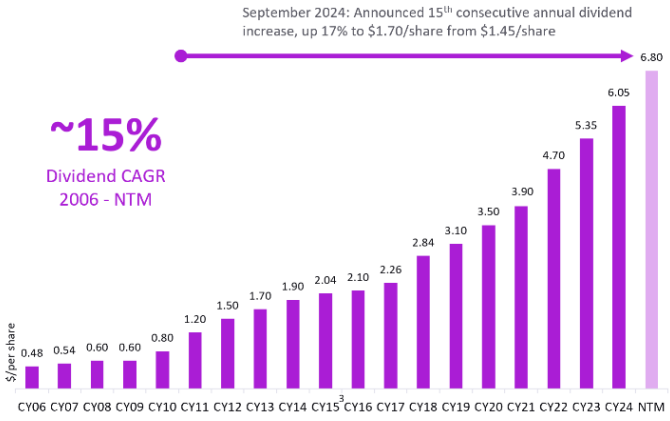
Return to Shareholders Across Both Share Repurchases & Dividends

Share Repurchases - Last 5 Years[1]



[1] Settlement Date basis
[2] Includes $3B Accelerated Share Repurchase (ASR)
[3] Excludes $16.50 per share special dividend in CY15

Track Record of Dividend Increases



Free Cash Flow and Capital Return Highlights

KLA has a well-documented history of strong free cash flow generation, free cash flow margins, and high free cash flow conversion across all business cycles and economic conditions. KLA's free cash flow margin also consistently ranks amongst the leaders in the S&P 500. KLA has grown the quarterly dividend level in line with an approximately 15% compounded annual growth rate target since its inception. The company has also methodically repurchased shares. These capital returns actions reflect our focus on assertive capital allocation and confidence in our business model and growth strategies as we progress toward the 2026 financial targets.

$757M
December Quarter
Free Cash Flow*

25%
December Quarter
FCF Margin*

69%
December Quarter
FCF Conversion*



(Above) Surfscan® SP7XP is an advanced wafer defect inspection system developed to discover the smallest defects and imperfections on bare wafers and blanket films used in semiconductor manufacturing. It helps semiconductor substrate, equipment, materials, and chip manufacturers achieve strict quality standards for producing the most advanced chips.

$650M
December Quarter
Share Buyback

$2.06B
CY24 Share Buyback

$227M
December Quarter
Dividends Paid

$820M
CY24 Dividends Paid

* Free Cash Flow (FCF) = Cash Flow from Operating Activities minus Capital Expenditures. FCF Margin = FCF/Revenue. FCF Conversion = FCF / Non-GAAP Net Income. Non-GAAP metric Refer to Appendix for Reconciliation to GAAP. Capital Returns = Dividends + Share Repurchases

Semiconductor Industry Demand Environment

The past decade has brought significant positive changes to the Semiconductor industry. Over the last 20 years, the industry heavily depended on one or two end-markets, first PCs and, later, mobile phones. Today, the semiconductor industry is experiencing higher levels of through-cycle growth along with more diversified demand. In addition, semiconductors are now strategic to a growing number of industries and countries worldwide. Factors including the emergence of disruptive technologies such as AI and the continuing advancement of innovation spurred by the power and performance benefits of being at the leading edge are increasingly essential drivers in the ongoing buildout and upgrade of the world's data centers, which are currently shaping the semiconductor industry demand environment more than any other factor. The commentary on incremental investment from the hyperscalers is driving strong expected growth for HPC capability. Current projections of compounded annual growth for this segment are expected to fundamentally change the composition of semiconductor revenue to grow to be 40 to 50% or more of overall revenue over the next several years. For providers of leading-edge semiconductor production capacity, this growth, coupled with rising and diverse design starts, accelerating product cycles and larger die, increases the opportunity but also the risk in accelerating time-to-market and ensuring chips function in line with higher performance specifications. These trends, in the fastest-growing segment of semiconductor revenue, are encouraging and should lead to increasing relevancy for KLA as measured by the share of the WFE market over the next several years as our broad product portfolio plays a substantive role in enabling our customers' success. Finally, rising

semiconductor content across more end markets and strategic investments in legacy nodes are other factors that provide dependable long-term growth for the semiconductor equipment industry.

Near-Term and Calendar Year 2025 Industry Outlook

The industry outlook continues to gain momentum in the near term, driven by increasing investment in leading-edge logic, high-bandwidth memory, and advanced packaging.

We expect the WFE market to grow by a mid-single-digit percentage in 2025 from the high $90 billion level for calendar 2024. Growth in calendar 2025 is expected to be fueled principally by increasing investment in both leading-edge Foundry/Logic and Memory to support growing AI and premium mobile demand offset by lower overall demand from China due to the digestion of elevated levels of investment over the past couple of years. In an encouraging development, our top customer recently said in an earnings call that they expect the number of new tape-outs for N2, or the 2 nanometer node, in the first two years to be higher than both N3 and N5 in their first two years, fueled by both smartphone and HPC applications. As communicated in early December, we continue to estimate the impact on KLA's revenue in calendar 2025 from recent export controls in China to be approximately $500 million, plus or minus $100 million with roughly 70% of the impact affecting our systems business. While we are hopeful, based on our interpretation of the regulations, that there should be licensing opportunities that will mitigate some of this impact, we are taking a cautious view given the significant delays in processing licensing requests by the U.S. government over the past few years. However, given KLA's business momentum, market share opportunities, and higher expected process control intensity at the leading edge across all segments, we are confident we will continue to deliver growth outperformance compared with the WFE market in 2025.

KLA's unique product portfolio differentiation and value proposition are focused on enabling technology transitions, accelerating process node capacity ramps, and ensuring yield entitlement in high-volume production. We are encouraged by recent customer discussions and we are aligning shipment slots with demand expectations. In this industry environment, KLA will continue to focus on supporting customer requirements, executing on product roadmaps, and driving productivity.

March 2025 Quarterly & 2025 Annual Guidance

KLA's March quarter guidance is as follows: total revenue is expected to be $3.0 billion, plus or minus $150 million. Our revenue guidance is up 27% year-over-year at the midpoint, further illustrating the improvement we expect to see in calendar 2025. Foundry/Logic revenue from semiconductor customers is forecasted to be approximately 73%, and Memory is expected to be approximately 27% of Semi Process Control systems revenue to semiconductor customers. Within Memory, DRAM is expected to be about 75% of the revenue mix and NAND the remaining 25%.

Non-GAAP gross margin is forecasted to be 62% plus or minus one percentage point or up approximately 30 bps sequentially at the midpoint despite slightly lower revenue primarily due to more favorable product mix expectations. For calendar 2025, based on expectations for business mix across systems and service, systems product mix and factory utilization, we expect gross margins for the year to be approximately 62% plus or minus 50 basis points.

Non-GAAP operating expenses are forecasted in the March quarter to be approximately $585 million as we continue to make significant product development and scaling investments to support expected revenue growth. Given our expectations for company growth over the next couple of years, we will

maintain our operating expense trajectory. For the remainder of calendar 2025, we expect sequential increases of approximately $15 million in incremental operating expenses per quarter. This is driven by our priority around our product development roadmap requirements as well as revenue growth expectations. Our business model is predicated on ensuring 40% to 50% incremental non-GAAP operating margin leverage on revenue growth over the long run.

March 2025 Quarter Guidance

Revenue	$3.0B +/- $150M
Non-GAAP Gross Margin*	62% +/- 1%
GAAP Diluted EPS	$7.77 +/- $0.60
Non-GAAP Diluted EPS*	$8.05 +/- $0.60

Macro Assumptions

Semi PC Revenue By End Market

- Foundry/Logic: ~73%
- Memory: ~27% → DRAM ~75% | NAND ~25%

Model Assumptions

- Non-GAAP Operating Expenses*: ~$585M
- Other Income & Expense (OIE)*, Net: ~$36M
- Effective Tax Rate: ~13.5%
- Diluted Share Count: ~133.3M

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

Strong, resilient and delivering shareholder value

Other model assumptions include: non-GAAP other income and expense, net, of approximately a $36 million expense for the March quarter and expect this to be roughly consistent throughout the calendar year. The tax rate assumption for March remains at 13.5% and we expect this to remain through the June quarter. Beginning in the September quarter, which is the first quarter of our fiscal year, our tax rate will reflect the adoption of global taxation pillar 2. Based on our current modeling, we think pillar 2 implementation will drive the tax rate higher to approximately 14% in the second half of the calendar year. We will provide an update on this planning rate mid-year if necessary. For the March quarter, GAAP diluted EPS is expected to be $7.77 plus or minus $0.60, and non-GAAP diluted EPS of $8.05 plus or minus $0.60. EPS guidance is based on a fully diluted share count of approximately 133.3 million shares.

In Conclusion

Our near-term revenue guidance points to relative stability around current business levels. Based on the strength of our backlog and market position, we see growth in calendar 2025 and expect to outperform the mid-single-digit growth rate we expect from the WFE market. KLA focuses on delivering a differentiated product portfolio that addresses customers' technology roadmap requirements and drives our longer-term relevancy and growth expectations. With the KLA Operating Model guiding our best-in-class execution, KLA is focused on implementing our strategic objectives designed to drive outperformance. KLA's focus on customer success, innovative solutions, and operational excellence drives industry-leading financial and free cash flow performance and allows us to return capital consistently.

The continuation of semiconductor scaling leads to increasing complexity and new technologies that have strengthened our confidence in the rising importance of Process Control for enabling new technology advancements. This is in improving time-to-results in process integration and fab ramp and optimizing yield across a high-volume manufacturing environment with high semiconductor device

design mix. In addition, our Service business continues to increase its relevance as KLA systems live longer in the fab, and customer expectations for increased tool availability and performance create a growing long-term tailwind. This bolsters KLA's long-term growth outlook and the industry demand trends favoring KLA, which are continuing to improve. In alignment with this, KLA's business is exceptionally well positioned. The long-term secular trends driving semiconductor industry demand and investments in WFE are improving and should be long-lasting.

Sincerely,



Rick Wallace, CEO



Bren Higgins, CFO

Appendix

Reconciliation of Non-GAAP Financial Measures

(In millions, except EPS $ and percentages)		For the three months ended Dec. 31, 2024	For the twelve months ended Dec. 31, 2024
GAAP net income		$ 824.5	$ 3,208.4
Adjustments to reconcile GAAP net income to non-GAAP net income*			
Acquisition-related charges	a	58.7	232.7
Restructuring, severance and other charges	b	2.1	24.8
Impairment of goodwill and purchased intangible assets	c	239.1	309.6
Income tax effect of non-GAAP adjustments	d	(23.2)	(85.8)
Discrete tax items	e	(2.8)	4.9
Non-GAAP net income		$ 1,098.4	$ 3,694.5
GAAP net income margin			29.6%
Non-GAAP net income margin			34.1%
GAAP diluted EPS		$ 6.16	$ 23.77
Non-GAAP diluted EPS		$ 8.20	$ 27.37
Shares used in diluted shares calculation		133.9	135.0
GAAP Income tax expense		$ 148.0	
Adjustments to reconcile GAAP effective tax rate to non-GAAP effective tax rate*			
Income tax effect of non-GAAP adjustments	d	23.2	
Discrete tax items	e	2.8	
Non-GAAP income tax expense		$ 174.0	
GAAP income before income taxes		$ 972.5	
Adjustments to reconcile GAAP income before income taxes to non-GAAP income before income taxes*			
Acquisition-related charges	a	58.7	
Restructuring, severance and other charges	b	2.1	
Impairment of goodwill and purchased intangible assets	c	239.1	
Non-GAAP income before income taxes		$ 1,272.4	
GAAP income tax rate		15.2%	
Non-GAAP income tax rate		13.7%	
GAAP Other expense (income), net		$ 30.5	
Non-GAAP Other expense (income), net		$ 30.5	

Amounts may not sum due to rounding

(1) Non-GAAP operating income and operating expenses include the effects of the changes in the Company's Executive Deferred Savings Plan Program ("EDSP"), because the changes in the EDSP liability and asset are recorded in selling, general and administrative expense in operating expenses. The expense associated with changes in the EDSP liability included in selling, general and administrative expense for the quarter and the twelve months ended December 31, 2024 was $3.3 million and $42.0 million, respectively. The gain associated with changes in the EDSP assets included in selling, general and administrative expense for the quarter and the twelve months ended December 31, 2024 was $3.5 million and $41.8 million, respectively.

(Dollars in millions)		For the three months ended Dec. 31, 2024	For the twelve months ended Dec. 31, 2024
GAAP gross profit		$ 1,855.4	$ 6,473.6
Adjustments to reconcile GAAP gross profit to non-GAAP gross profit*			
Acquisition-related charges	a	43.3	178.2
Restructuring, severance and other charges	b	0.4	4.4
Non-GAAP gross profit		$ 1,899.2	$ 6,656.2
GAAP gross margin		60.3%	59.7%
Adjustments to reconcile GAAP gross margin to non-GAAP gross margin*			
Acquisition-related charges	a	1.4%	1.6%
Non-GAAP gross margin		61.7%	61.4%
GAAP research and development ("R&D") expenses		$ 346.2	
Adjustments to reconcile GAAP R&D expenses to non-GAAP R&D expenses*			
Acquisition-related charges	a	(3.0)	
Restructuring, severance and other charges	b	(1.2)	
Non-GAAP R&D expenses		$ 342.0	
GAAP selling, general and administrative ("SG&A") expenses (1)		$ 267.1	
Adjustments to reconcile GAAP SG&A expenses to non-GAAP SG&A expenses*			
Acquisition-related charges	a	(12.3)	
Restructuring, severance and other charges	b	(0.5)	
Non-GAAP SG&A expenses (1)		$ 254.2	
GAAP operating expense (1)		$ 852.3	
Adjustments to reconcile GAAP operating expense to non-GAAP operating expense*			
Acquisition-related charges	a	(15.3)	
Restructuring, severance and other charges	b	(1.7)	
Impairment of goodwill and purchased intangible assets	c	(239.1)	
Non-GAAP operating expense (1)		$ 596.2	
GAAP operating income (1)		$ 1,003.1	$ 3,836.7
Adjustments to reconcile GAAP operating income to non-GAAP operating income*			
Acquisition-related charges	a	58.7	232.7
Restructuring, severance and other charges	b	2.1	24.8
Impairment of goodwill and purchased intangible assets	c	239.1	309.6
Non-GAAP operating income (1)		$ 1,302.9	$ 4,403.7
GAAP operating margin		32.6%	35.4%
Non-GAAP operating margin		42.3%	40.6%

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

Reconciliation of Free Cash Flow and Related Metrics

Free Cash Flow Measures

(Dollars in millions)	For the three months ended Dec. 31, 2024	For the twelve months ended Dec. 31, 2024	Dec. 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	$ 849.5	$ 3,647.3	$ 3,476.0	$ 3,337.9	$ 2,786.4	$ 1,968.1	$ 1,373.0	$ 1,389.7
Less Capital expenditures	(92.3)	(285.3)	(308.4)	(351.5)	(250.4)	(200.3)	(149.2)	(86.5)
Free cash flow	**$ 757.2**	**$ 3,362.1**	**$ 3,167.5**	**$ 2,986.5**	**$ 2,536.0**	**$ 1,767.8**	**$ 1,223.8**	**$ 1,303.2**
Free cash flow	$ 757.2	$ 3,362.1	$ 3,167.5	$ 2,986.5	$ 2,536.0	$ 1,767.8	$ 1,223.8	$ 1,303.2
Revenue	$ 3,076.9	$ 10,847.0	$ 9,671.4	$ 10,483.7	$ 8,165.7	$ 6,073.0	$ 5,278.6	$ 4,304.5
Free cash flow margin	**24.6%**	**31.0%**	**32.8%**	**28.5%**	**31.1%**	**29.1%**	**23.2%**	**30.3%**
Free cash flow	$ 757.2							
Non-GAAP net income	$ 1,098.4							
Free cash flow conversion	**68.9%**							
Net cash provided by operating activities	$ 849.5							
GAAP net income	$ 824.5							
GAAP metric comparable to free cash flow conversion	**103.0%**							

	For the three months ended Dec. 31, 2024	For the twelve months ended Dec. 31, 2024
Cash paid for dividends	$ 226.8	$ 819.5
Cash paid for share repurchases	650.1	2,060.0
Capital returns	**$ 876.9**	**$ 2,879.6**

Amounts may not sum due to rounding

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, and free cash flow margin is defined as free cash flow divided by revenue.

Reconciliation of Guidance

Q3 FY2025 Guidance Range:

(Dollars in millions, except per share amounts)		Low	High
GAAP diluted net income per share		**$ 7.17**	**$ 8.37**
Acquisition-related charges	a	0.40	0.40
Restructuring, severance and other charges	b	0.02	0.02
Income tax effect of non-GAAP adjustments	d	(0.14)	(0.14)
Non-GAAP diluted net income per share		**$ 7.45**	**$ 8.65**
Shares used in diluted shares calculation		133.3	133.3
GAAP gross margin		**59.6%**	**61.6%**
Acquisition-related charges	a	1.4%	1.4%
Non-GAAP gross margin		**61.0%**	**63.0%**
GAAP operating expenses		**$ 592**	**$ 604**
Acquisition-related charges	a	(11)	(11)
Restructuring, severance and other charges	b	(2)	(2)
Non-GAAP operating expenses		**$ 579**	**$ 591**

Note: The guidance as of January 30, 2025 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 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 gains, 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, non-GAAP net income per diluted share, non-GAAP gross margin and free cash flow, 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 to non-GAAP net income:

a) Acquisition-related charges primarily include amortization of intangible assets and write-offs due to abandonment of in-process research and development projects. Although we exclude the effect of amortization of all acquired intangible assets from these non-GAAP financial measures, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase price accounting arising from acquisitions, and such amortization of intangible assets related to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Investors should note that the use of these intangible assets contributed to our revenues earned during the periods presented and are expected to contribute to our future period revenues as well.

b) Restructuring, severance and other charges primarily include costs associated with employee severance and other exit costs.

c) Impairment of goodwill and purchased intangible assets in the three and six months ended December 31, 2024 as well as the three and six months ended December 31, 2023 included non-cash expense recognized as a result of the company's testing for goodwill impairment and long-lived assets impairment. The impairment charge in fiscal 2024 resulted from the downward revision of financial outlook for our PCB and Display reporting units. The impairment charge in fiscal 2025 resulted from the continued deterioration of the long-term forecast for our PCB business. Management believes that it is appropriate to exclude these impairment charges as they are not indicative of ongoing operating results and therefore limit comparability. Management also believes excluding this item helps investors compare our operating performance with our results in prior periods as well as with the performance of other companies.

d) Income tax effect of non-GAAP adjustments includes the income tax effects of the excluded items noted above.

e) Discrete tax items 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.

About KLA Corporation

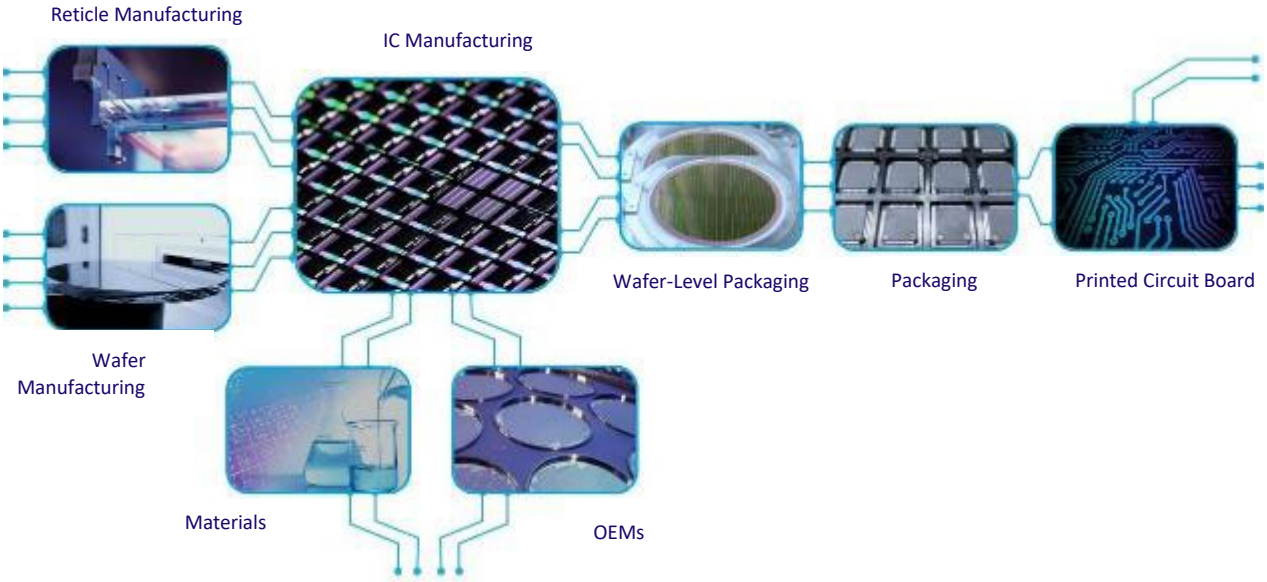
KLA Corporation (KLA) is the world's leading supplier of process control and yield management solutions for the semiconductor and related microelectronics industries. The company's comprehensive portfolio of products, software, analysis, services, and expertise is designed to help Integrated Circuit (IC) manufacturers manage yield throughout the entire wafer fabrication process-from Research & Development to final yield analysis. KLA offers a broad spectrum of products and services that are used by every major semiconductor manufacturer in the world. We provide advanced process control and process-enabling solutions for manufacturing wafers and reticles, integrated circuits, Packaging, and printed circuit boards. In close collaboration with leading customers across the globe, our expert teams of physicists, engineers, data scientists and problem-solvers design solutions that move the world forward. Additional information may be found at: www.kla.com.

Investors and others should note that KLA announces material financial information to investors using an investor relations website (ir.kla.com), including SEC filings, press releases, public earnings calls, and conference webcasts. These channels are used to communicate with the public about the company, products, services, and other matters.



KLA's Broad Portfolio Addresses Entire Semiconductor Ecosystem

Semiconductor Manufacturing	Related Electronics Industries
• IC Manufacturing • Wafer Manufacturing • Reticle Manufacturing • IC Packaging • Printed Circuit Board	• Compound Semiconductor • Power Device • LED • MEMS • Data Storage/Media Head • General Purpose/Labs



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Note on Forward-Looking Statements

Statements in this letter other than historical facts, such as statements pertaining to: (i) future industry demand for semiconductors and WFE; (ii) our market position for the future and future growth in demand for our products; (iii) our forecast of financial measures for the following quarter and 2025; (iv) our future revenues by customer segment for our Semi Process Control systems; (v) our long-term financial targets and underlying assumptions; (vi) our future investment plan on R&D, technology, manufacturing capacity and infrastructure; and (vii) future shareholder returns, 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: our vulnerability to a weakening in the condition of the financial markets and the global economy; risks related to our international operations; evolving Bureau of Industry and Security of the U.S. Department of Commerce rules and regulations and their impact on our ability to sell products to and provide services to certain customers in China; costly intellectual property disputes that could result in our inability to sell or use the challenged technology; risks related to the legal, regulatory and tax environments in which we conduct our business; increasing attention to ESG matters and the resulting costs, risks and impact on our business; unexpected delays, difficulties and expenses in executing against our environmental, climate, diversity and inclusion or other ESG target, goals and commitments; our ability to attract, retain and motivate key personnel; our vulnerability to disruptions and delays at our third party service providers; cybersecurity threats, cyber incidents affecting our and our business partners' systems and networks; our inability to access critical information in a timely manner due to system failures; risks related to acquisitions, integration, strategic alliances or collaborative arrangements; climate change, earthquake, flood or other natural catastrophic events, public health crises such as the COVID-19 pandemic or terrorism and the adverse impact on our business operations; the wars between Israel and Hamas and Russia and Ukraine, and the significant military activity in that region; lack of insurance for losses and interruptions caused by terrorists and acts of war, and our self-insurance of certain risks including earthquake risk; risks related to fluctuations in foreign currency exchange rates; risks related to fluctuations in interest rates and the market values of our portfolio investments; risks related to tax and regulatory compliance audits; any change in taxation rules or practices and our effective tax rate; compliance costs with federal securities laws, rules, regulations, NASDAQ requirements, and evolving accounting standards and practices; ongoing changes in the technology industry, and the semiconductor industry in particular, including future growth rates, pricing trends in end-markets, or changes in customer capital spending patterns; our vulnerability to a highly concentrated customer base; the cyclicality of the industries in which we operate; our ability to timely develop new technologies and products that successfully address changes in the industry; risks related to artificial intelligence; our ability to maintain our technology advantage and protect proprietary rights; our ability to compete in the industry; availability and cost of the materials and parts used in the production of our products; our ability to operate our business in accordance with our business plan; risks related to our debt and leveraged capital structure; we may not be able to declare cash dividends at all or in any particular amount; liability to our customers under indemnification provisions if our products fail to operate properly or contain defects or our customers are sued by third parties due to our products; our government funding for R&D is subject to audit, and potential termination or penalties; we may incur significant restructuring charges or other asset impairment charges or inventory write offs; risks related to receivables factoring arrangements and compliance risk of certain settlement agreements with the government; and risks related to the Court of Chancery of the State of Delaware being the sole and exclusive forum for certain actions and proceedings. For other factors that may cause actual results to differ materially from those projected and anticipated in forward-looking statements in this press release, please refer to KLA's Annual Report on Form 10-K for the year ended June 30, 2024, 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.