

KLA TENCOR CORP
Form 10-K/A
September 29, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Transition Period from To

Commission File No. 0-9992

KLA-TENCOR CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or
Organization)
160 Rio Robles, San Jose,
California
(Address of Principal
Executive Offices)

04-2564110
(I.R.S. Employer Identification
Number)
95134
(Zip Code)

Registrant's Telephone Number, Including Area Code: (408) 875-6000
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class
None

Name of Each Exchange on
Which Registered
None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, \$0.001 Par Value
Common Stock Purchase Rights
(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
Registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to
the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K

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The aggregate market value of the voting stock held by non-affiliates of the registrant based upon the closing price of the registrant's stock, as of September 10, 2003, was \$10,755,202,546. Shares of common stock held by each officer and director and by each person or group who owns 5% or more of the outstanding common stock have been excluded in that such persons or groups may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Yes No

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The registrant had 193,903,231 shares of common stock outstanding as of September 10, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2003 Annual Meeting of Stockholders ("Proxy Statement") to be held on November 5, 2003, which was filed with the Securities and Exchange Commission pursuant to Regulation 14A on September 23, 2003, are incorporated by reference into Part III of this report. See Explanatory Note.

EXPLANATORY NOTE

This Annual Report on Form 10-K/A ("Form 10-K/A") is being filed as Amendment No. 1 to the registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2003 ("Form 10-K"). This Form 10-K/A is being filed with the Securities and Exchange Commission for the purpose of correcting the following clerical errors:

(i) On page 52 of the Form 10-K in Part I, Item 8 Financial Statements and Supplementary Data in our Consolidated Statements of Cash Flows, we listed the amount under the year ended June 30, 2002 column for the line item heading "Net borrowings (payments) under short term debt obligations" as being "--" or zero; however, the correct amount for this number is "(448)" or negative four hundred forty-eight thousand dollars.

(ii) On page 61 of the Form 10-K in Part I, Item 8 Financial Statements and Supplementary Data in Note 1 to the consolidated financial statements, we listed the amount under the year ended June 30, 2001 column for the line item heading "Pro forma net income" as being "27,013" or twenty seven million thirteen thousand dollars; however the correct amount for this number is "(27,013)" or negative twenty seven million thirteen thousand dollars.

(iii) On page 86 of the Form 10-K we numbered the section titled "Controls and Procedures" as Item 14 under Part IV of the Form 10-K, this section should instead be renumbered as Item 9A Controls and Procedures under Part II of the Form 10-K.

Both Item 8 Financial Statements and Supplementary Data and Item 14 Controls and Procedures are hereby amended and restated in their entirety as follows. This Form 10-K/A does not otherwise change or update the disclosures set forth in the Form 10-K as originally filed and does not otherwise reflect events occurring after the original filing of the Form 10-K.

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PART I

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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KLA-Tencor Corporation
Consolidated Balance Sheets

June 30, (in thousands, except per share data)

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 606,903	\$ 429,820
Marketable securities	350,061	243,526
Accounts receivable, net	223,535	277,006
Inventories	258,799	323,016
Deferred income taxes	324,098	315,049
Other current assets	42,987	30,871
	<u>1,806,383</u>	<u>1,619,288</u>
Total current assets	1,806,383	1,619,288
Land, property and equipment, net	382,729	300,560
Marketable securities	530,919	660,237
Other assets	146,566	137,633
	<u>1,060,214</u>	<u>1,108,430</u>
Total assets	<u>\$2,866,597</u>	<u>\$2,717,718</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 33,893	\$ 52,988
Deferred system profit	177,486	193,852
Unearned revenue	48,203	54,886
Other current liabilities	391,474	385,764
	<u>651,056</u>	<u>687,490</u>
Total current liabilities	651,056	687,490
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 1,000 shares authorized, none outstanding	--	--
Common stock, \$0.001 par value, 500,000 shares authorized, 191,733 and 189,752 shares issued and outstanding	192	190
Capital in excess of par value	814,776	765,756
Retained earnings	1,396,886	1,259,695

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Accumulated other comprehensive income	3,687	4,587
	<u> </u>	<u> </u>
Total stockholders' equity	2,215,541	2,030,228
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$2,866,597	\$2,717,718
	<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements.

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KLA-Tencor Corporation
Consolidated Statements of Operations

Year ended June 30, (in thousands, except per share data)

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:			
Product	\$ 1,060,142	\$ 1,428,107	\$ 1,907,364
Service	262,907	209,175	196,393
	<u> </u>	<u> </u>	<u> </u>
Total revenues	1,323,049	1,637,282	2,103,757
Cost and operating expenses:			
Cost of goods sold	671,505	814,393	937,152
Engineering, research and development	268,291	287,408	355,772
Selling, general and administrative	253,933	290,588	354,368
Non-recurring acquisition, restructuring and other	(9,402)	--	(2,003)
	<u> </u>	<u> </u>	<u> </u>
Total cost and operating expenses	1,184,327	1,392,389	1,645,289
Income from operations	138,722	244,893	458,468
Interest income and other, net	41,796	42,563	54,116
	<u> </u>	<u> </u>	<u> </u>
Income before income taxes and cumulative effect of change in accounting principle	180,518	287,456	512,584
Provision for income taxes	43,327	71,290	139,526
	<u> </u>	<u> </u>	<u> </u>
Income before cumulative effect of change in accounting principle	137,191	216,166	373,058
Cumulative effect of change in accounting principle, net of tax	--	--	(306,375)
	<u> </u>	<u> </u>	<u> </u>
Net income	\$ 137,191	\$ 216,166	\$ 66,683
	<u> </u>	<u> </u>	<u> </u>
Net income per share:			
Basic			
Income before cumulative effect of change in accounting principle	\$ 0.72	\$ 1.15	\$ 2.01

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Cumulative effect of change in accounting principle, net of tax	--	--	(1.65)
Basic net income per share	\$ 0.72	\$ 1.15	\$ 0.36
Diluted			
Income before cumulative effect of change in accounting principle	\$ 0.70	\$ 1.10	\$ 1.93
Cumulative effect of change in accounting principle, net of tax	--	--	(1.59)
Diluted net income per share	\$ 0.70	\$ 1.10	\$ 0.34
Weighted average number of shares:			
Basic	189,817	187,667	185,860
Diluted	194,785	196,594	193,435

See accompanying notes to consolidated financial statements.

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KLA-Tencor Corporation

Consolidated Statements of Stockholders Equity

	Common Stock and Capital in Excess of Par Value		Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount			
<i>(in thousands)</i>					
Balances at June 30, 2000	187,465	\$ 718,165	\$ 976,846	\$ 13,665	\$ 1,708,676
Components of comprehensive income:					
Net income	--	--	66,683	--	66,683
Change in unrealized gain on investment	--	--	--	(2,485)	(2,485)
Currency translation adjustments	--	--	--	(12,008)	(12,008)
Deferred gains on cash flow hedging instruments	--	--	--	3,432	3,432
Total comprehensive income					55,622
Net issuance under employee stock plans	4,894	93,756	--	--	93,756
Repurchase of common stock	(4,580)	(153,632)	--	--	(153,632)
Tax benefits of stock option transactions	--	56,044	--	--	56,044
Balances at June 30, 2001	187,779	714,333	1,043,529	2,604	1,760,466
Components of comprehensive income:					
Net income	--	--	216,166	--	216,166
Change in unrealized gain on investments	--	--	--	(1,048)	(1,048)
Currency translation adjustments	--	--	--	7,455	7,455

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Deferred losses on cash flow hedging instruments	--	--	--	(4,424)	(4,424)
Total comprehensive income					218,149
Net issuance under employee stock plans	5,314	115,136	--	--	115,136
Repurchase of common stock	(3,341)	(123,220)	--	--	(123,220)
Tax benefits of stock option transactions	--	59,697	--	--	59,697
Balances at June 30, 2002	189,752	765,946	1,259,695	4,587	2,030,228
Components of comprehensive income:					
Net income	--	--	137,191	--	137,191
Change in unrealized gain on investments	--	--	--	(7,281)	(7,281)
Currency translation adjustments	--	--	--	5,136	5,136
Deferred gains on cash flow hedging instruments	--	--	--	1,245	1,245
Total comprehensive income					136,291
Net issuance under employee stock plans	3,953	92,499	--	--	92,499
Repurchase of common stock	(1,972)	(65,912)	--	--	(65,912)
Tax benefits of stock option transactions	--	22,435	--	--	22,435
Balances at June 30, 2003	191,733	\$ 814,968	\$ 1,396,886	\$ 3,687	\$ 2,215,541

See accompanying notes to consolidated financial statements.

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KLA Tencor Corporation
Consolidated Statements of Cash Flows

Year ended June 30, (in thousands)	2003	2002	2001
Cash flows from operating activities:			
Net income	\$ 137,191	\$ 216,166	\$ 66,683
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change, net of tax benefit	--	--	306,375
Depreciation and amortization	71,448	69,590	55